



KIRLOSKAR FERROUS INDUSTRIES LIMITED
ANNUAL REPORT 2010 - 2011

Enriching Lives



Solving complex engineering problems -
as simple as turning a page

EXPERTISE TO GIVE SIMPLE SOLUTIONS TO GREAT ENGINEERING CHALLENGES

It is our simple solutions to complex engineering problems that adhere us to our clients. Solutions that are borne on the strength of our expertise, skills and engineering ability. To explore more and more simple options. To take our clients, where no one else has been before. This journey has taken us to a INR 7,600 crore (US\$1.6 billion) engineering conglomerate today; with sincere belief in meeting the toughest of challenges with the best of our solutions. To deliver cost effective solutions that bring prosperity and smiles across the world.

What drives us today is not just world class products, but our commitment to meet bigger and tougher challenges. To make sure that our clients get their solutions in the quickest of times in the toughest of environments. Continuous improvements, proactive planning and strategic measures make us one of the greatest engineering solution providers of all times.

Modern foundry technology finds its rightful place at KFIL to produce high quality castings. KFIL is equipped with a core centre to cater to high quality and high volume cores for the manufacture of customised castings for their respective customers. A skilled team working with engine designers ensures that the design is compatible for the engine design. They also work towards reducing the casting development time. All this puts KFIL in an advantage to offer more complex castings with reduced casting development time.

Due to an established process system, KFIL is able to supply good quality pig iron to foundries, which enables them to produce good quality castings. KFIL's exposure and experience helps in better understanding of foundry requirements.

20th Annual Report for the
financial year ended on 31st March, 2011

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. C. S. Panicker

AUDITORS

M/s P. G. Bhagwat
Chartered Accountants

BANKERS

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

REGISTRAR & SHARE TRANSFER AGENT

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

REGISTERED OFFICE

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

FACTORY

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

Information for Shareholders

20th Annual General Meeting

Date	: Friday, 22nd July, 2011
Time	: 10.00 a.m.
Venue	: Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002
Dates of Book Closure	: 15th July, 2011 to 22nd July, 2011 (Both days inclusive)

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KIRLOSKAR FERROUS INDUSTRIES LIMITED
A DECADE AT A GLANCE

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Particulars										
Net Sales	2,267.12	2,511.37	3,759.54	4,970.11	4,827.46	5,251.32	7,264.56	6,991.39	8,069.87	10,891.17
Other Income	7.36	8.32	94.36	34.68	44.52	64.37	183.47	50.87	102.27	46.22
Total Income	2,274.48	2,519.69	3,853.90	5,004.79	4,871.98	5,315.69	7,448.03	7,042.26	8,172.14	10,937.39
Raw Material and Stores consumed	1,632.42	1,738.62	2,656.25	4,076.12	3,690.58	3,618.46	5,301.91	5,254.59	5,790.99	8,548.17
Employees remuneration and benefits	96.05	108.85	107.25	119.75	134.46	182.44	296.85	306.52	327.72	330.56
Other Expenses	302.95	342.79	456.43	384.93	459.60	639.99	921.82	930.76	1,030.56	1,031.26
Total Expenses	2,031.42	2,190.26	3,219.93	4,580.80	4,284.64	4,440.89	6,520.58	6,491.87	7,149.27	9,909.99
Profit Before Interest, Depreciation and Amortisation	243.06	329.43	633.97	423.99	587.34	874.80	927.45	550.39	1,022.87	1,027.40
(% to Total Income)	10.69	13.07	16.45	8.47	12.06	16.46	12.45	7.82	12.52	9.39
Interest	244.51	161.14	231.46	89.90	69.94	69.32	83.90	117.27	60.59	38.11
Depreciation and Amortisation	133.62	134.00	130.07	126.46	119.81	139.88	185.42	230.40	259.65	270.44
Profit/(Loss) before Tax	(135.07)	34.29	272.44	207.63	397.59	665.60	658.13	202.72	702.63	718.85
(% to Total Income)	(5.94)	1.36	7.07	4.15	8.16	12.52	8.84	2.88	8.60	6.57
Tax Provisions	40.85	4.59	(44.72)	(10.68)	136.78	220.97	167.81	123.23	211.95	235.56
Net Profit/(Loss) after Tax	(175.92)	29.70	317.16	218.31	260.81	444.63	490.32	79.49	490.68	483.29
(% to Total Income)	(7.73)	1.18	8.23	4.36	5.35	8.36	6.58	1.13	6.00	4.42
Share Capital										
Equity share capital	722.22	722.22	722.22	722.22	361.11	685.02	685.02	686.47	686.49	686.54
Preference share capital	986.26	1,046.86	1,046.86	1,046.86	1,046.86	-	-	-	-	-
Total	1,708.48	1,769.08	1,769.08	1,769.08	1,407.97	685.02	685.02	686.47	686.49	686.54
Reserves										
Securities Premium	-	-	-	-	-	1,929.29	1,929.29	1,937.97	1,938.06	1,938.38
General Reserves	-	-	-	-	-	-	50.00	50.00	100.00	150.00
Profit & Loss Account	(1,381.02)	(1,147.50)	(830.35)	(741.31)	(379.11)	17.04	337.14	288.58	540.91	815.65
Total	(1,381.02)	(1,147.50)	(830.35)	(741.31)	(379.11)	1,946.33	2,316.43	2,286.55	2,578.97	2,904.03
Loans	1,622.29	1,262.27	622.99	534.28	323.57	201.08	39.43	188.57	62.86	-
Net Fixed Assets	1,600.87	1,492.22	1,337.57	1,284.90	1,247.06	1,725.42	2,464.09	3,288.68	3,382.73	3,590.97
Net Current Assets other than Cash & Bank	269.68	71.21	(102.36)	(329.53)	(60.42)	102.47	371.54	61.18	98.39	194.92
Cash & Bank Balance	75.77	125.81	107.02	386.61	83.43	1,105.45	434.28	126.76	166.60	184.36
Capital employed	1,946.32	1,689.24	1,342.23	1,341.98	1,270.07	**2,056.81	3,269.91	3,476.62	3,647.72	3,970.25
Misc. Expenditure	43.71	36.07	16.17	5.96	-	-	-	-	-	-
Net Worth *	283.75	585.51	922.56	1,021.81	1,028.86	**1,459.16	3,001.45	2,973.02	3,265.46	3,590.57
Capital employed *	1,946.32	1,689.24	1,342.23	1,341.98	1,270.07	2,056.81	3,269.91	3,476.62	3,647.72	3,970.25
Return on Capital employed %	5.62	11.57	37.54	22.17	36.81	35.73	22.69	9.20	20.92	19.07
Return on Networth %	-	5.07	34.38	21.37	25.35	30.47	16.34	2.67	15.03	13.46
No. of Equity Shares	72,222,400	72,222,400	72,222,400	72,222,400	72,222,400	137,005,165	137,005,165	137,294,479	137,297,303	137,308,081
Earnings per share (Rs.)	(2.63)	(0.18)	3.75	2.38	2.88	5.24	3.58	0.58	3.57	3.52
Book Value per share (Rs.)	(9.73)	(6.39)	(1.72)	(0.35)	(0.25)	19.21	21.91	21.65	23.78	26.15
Dividend %	-	-	-	-	-	-	15	10	20	20

Note:

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

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

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

The figures of 2006-07 include figures of Castings Division, Solapur unit (acquired from Kirloskar Oil Engines Limited w.e.f. 1 January 2007) for 3 months i.e. from January 07 to March 07 and the financial year 2007-08 for 12 months as such the figures of 2007-08 are not comparable with 2006-07 or earlier years.

Figures have been regrouped wherever necessary.

Figures are as per latest annual report.

NOTICE

Notice is hereby given that the 20th Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held on Friday, the 22nd day of July, 2011 at 10.00 a.m. at Maharashtra Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002 to transact the following business :

ORDINARY BUSINESS**Item No. 1**

To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 2011 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, 2011.

Item No. 3

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

Item No. 4

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

Item No. 5

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

Item No. 6

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

By order of the Board of Directors

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

Pune : 26th April, 2011



C. S. Panicker
Company Secretary

NOTES:

- i) The Register of Members and the Share Transfer Books of the Company will remain closed from Friday, the 15th July, 2011 to Friday, the 22nd July, 2011 (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 14th July, 2011 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 14th July, 2011.
- 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 members holding shares in physical form to get their shares dematerialized at the earliest.
- ix) In case members wish to ask for any information about accounts or operations of the Company, they are requested to send their queries in writing at least 7 days before the date of the meeting, so that the information can be made available at the time of the meeting.
- x) Members / proxies are requested to bring their attendance slip duly filled in.
- xi) Members are requested to bring their copy of the Annual Report for the meeting.
- xii) Members having multiple folios are requested to intimate to the Company such folios to enable the Company to consolidate all shareholdings into one folio.
- 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 30 and 61 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. Atul C. Kirloskar

Mr. Atul Chandrakant Kirloskar, aged 55 years, began his career with erstwhile Kirloskar Cummins Limited in the year 1978, where he started as a trainee. In December 1981, he was appointed as the Chief Executive of Cummins Diesel Sales and Services.

On 1st November, 1984, he was appointed as the Executive Vice President of Kirloskar Oil Engines Limited (KOEL). He was co-opted on the Board of KOEL on 6th August, 1985 wherein he took over as the Managing Director. In 1988, he became the Vice Chairman of KOEL and held the position till 25th July, 1998 when he was appointed Chairman of KOEL.

He is past President of Mahratta Chamber of Commerce, Industries and Agriculture, Pune.

He was appointed as a Director of the Company on 10th August, 1992. He is the Chairman of the Company. He is the Chairman of Finance Committee and Share Transfer cum Shareholders' / Investors' Grievance Committee.

Other Directorships

Kirloskar Oil Engines Limited (earlier known as Kirloskar Engines India Limited)
 Kirloskar Industries Limited (earlier known as Kirloskar Oil Engines Limited)
 Kirloskar Brothers Investments Limited
 Kirloskar Proprietary Limited
 G. G. Dandekar Machine Works Limited
 GreenTek Systems (India) Limited

Other Committee Positions

Name of the Company	Name of Committee and position held
Kirloskar Proprietary Limited	Remuneration Committee – Member

He is the brother of Mr. Sanjay C. Kirloskar, Director of the Company.

He holds 14,27,939 (1.04 %) equity shares in the Company.

Mr. Atul C. Kirloskar retires by rotation, and being eligible, offers himself for reappointment.

Item No. 4 of the Notice

Mr. S. N. Inamdar

Mr. Shrikrishna Narhar Inamdar, aged 66 years, is a Commerce and a Law graduate and an Advocate by profession. He has been in practice for the past thirty six years. He has specialised in Tax and allied laws. He has had a brilliant academic career having stood first in first class in Pune and Bombay University for B. Com. and LL. B. examinations respectively. He has also been associated with several public charitable institutions.

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

Other Directorships

Kirloskar Brothers Limited
Kirloskar Industries Limited
Kirloskar Proprietary Limited
Force Motors Limited
Finolex Industries Limited
Sudarshan Chemical Industries Limited
Kulkarni Power Tools Limited
The Ugar Sugar Works Limited
Sakal Papers Limited
Finolex Infrastructure Limited
Servalakshmi Papers Limited

Other Committee Positions

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

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

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

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

Item No. 5 of the Notice

Mr. C. V. Tikekar

Mr. Chintaman Vishwanath Tikekar aged 78 years, graduated from the College of Engineering, Pune with a Degree in Metallurgical Engineering with distinction. He then worked at the heat treatment shop of Premier Automobiles for over a year. Thereafter he joined Tata Engineering Company Limited (TELCO) and during the course of service he was sent by them to visit the plant of Daimler Benz at Germany for specialized on the job training in heat treatment of automobile components, material testing and in process technologies.

He worked in TELCO for thirty eight years in various capacities such as Chief Metallurgist, In – Charge of Foundries and as Senior Deputy General Manager. He is a life member of Indian Institute of Metals, Society of Materials, Institute of Indian Foundrymen. He was assigned the job of improving quality of vendor supplying steel, forgings, castings and other items used in automobile manufacture. In TELCO, he was the Chairman of Material Rationalisation Committee responsible for selection of all raw materials so that varieties are reduced, material costs are brought down and yet quality of the vehicles is improved.

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

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

He does not hold any directorship in any other company.

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

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

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

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

Pune : 26th April, 2011

By order of the Board of Directors



C. S. Panicker
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting 20th Annual Report together with the Audited Annual Accounts for the year ended 31st March, 2011.

FINANCIAL PERFORMANCE

The financial results of the Company for the financial year 2010-2011 as compared with the previous year are as follows -

	(Amount in Rupees)	
	2010 - 2011	2009 - 2010
Sales and other Income	10,937,387,964	8,172,140,511
Profit before tax	718,858,863	702,633,800
Provision for tax (including Deferred Tax)	235,564,613	211,954,791
Profit after tax	483,294,250	490,679,009
Balance of Profit brought forward from previous year	540,908,853	298,584,683
Profit available for appropriation	1,024,203,103	789,263,692

APPROPRIATIONS

Your Directors propose to appropriate the Profit as under :

Excess provision for previous years written back

a) Dividend	(64,481,359)	(32,246,635)
b) Tax on Dividend	(11,488,953)	(5,480,315)
Proposed Dividend	201,787,930	201,787,930
Tax on Dividend	32,735,047	34,293,859
Transfer to General Reserve	50,000,000	50,000,000
Balance carried to Balance Sheet	815,650,438	540,908,853

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 global scenario presents a mixed picture. While growth in emerging market economies (EMEs) remains strong, that in the US and the Euro area is clearly gaining momentum. However, the sharp increase in oil prices as a result of the turmoil in the Middle East and North Africa is adding uncertainty to the pace of global recovery. Further, coming on top of already elevated food and other commodity prices, the spike in oil prices has engendered inflation concerns.

During the year under review, the Indian Economy recorded a growth of around 8.5 percent as compared to 7.2 percent in the earlier year. Further it is expected that the growth for 2011-12 to be in the range of 8.75 percent to 9.25 percent in 2011-12.

The domestic automobile industry has grown over 28 percent in first 10 months or so of this financial year, compared with the same period in 2009-10. Exports also grew by over 31 percent during the period April to December 2010.

The tractor industry witnessed a strong recovery during 2009-10, after a period of cyclical downturn. This momentum continued in the current fiscal with the April to December 2010 (nine months 2010-11) period reporting a growth of 25.2 percent over the corresponding previous year. 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, benefiting tractor segment demand.

On the Iron and Steel front, the crude steel production in India reached a level of 60.79 million tonnes during April to February 2011 as against 59.167 million tonnes for the previous year, helped by the demand from automobiles, roads and housing sector. India is the fourth largest producer of steel in the world.

India's iron ore exports declined from 117.37 million tonnes during 2009-10 to 75.11 million tonnes, exported during April – January 2011 due to the export ban imposed by Karnataka State Government to curb illegal mining activities. However, in spite of the ban on iron ore exports, the price of iron ore in the domestic market continued to rise.

China's contribution to trade of coke has dropped drastically over the past two years. In 2008, China accounted for about 60 percent of global coke exports. With high domestic coke consumption as well as on account of levy of tax on export of coke, there has been very less export of coke from China and currently, it has become a net importer. This has created a severe shortfall of the commodity in the global market. Moreover, with blast furnaces restarting the world over, the demand is set to increase further. These factors could result in further steep increase in the price of coke in the global market. During the year under review, coke was mainly imported from countries other than China.

Crude oil prices are on an increasing trend presently touching around U.S. \$ 112 per barrel. Also with Libyan and Middle East crisis, the chances of them escalating further are higher. India imports 80 percent of its crude oil requirements.

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

The rupee started appreciating against the dollar by the end of the financial year giving some relief to the importers, who depend on crude oil, metals and other raw materials for their operations.

Inflation has been a cause of worry and to control the same, RBI has taken measures, inter-alia, by increasing the repo and reverse repo rates at intervals during the year. This has resulted in increase in the lending rates of commercial banks.

B. Company Performance

Your Company achieved net sales of Rs. 10,891 million (previous year Rs. 8,069 million), resulting in an increase in sales by 35 percent over the previous year. The sales value increased as compared to the previous year due to increase in sale volumes of both pig iron and castings. There has been a volume growth in sale of castings by 16 percent and that of pig iron by 12 percent.

The profit before tax for the year under review stood at Rs.718.86 million as compared to Rs. 702.63 million of the previous year after providing for depreciation and amortization.

Your Company was able to pass on the increase in the input prices to the customers, except for the second quarter wherein the increase in the input material prices and pig iron realisation price did not go up in the same proportion and this resulted in lower profitability in the said quarter and the impact of the same in the profit for the year.

During the year under review, 4.5 MW power plant was commissioned in July 2010 at its plant in Koppal, Karnataka. This has resulted in bringing down the power cost.

The Sinter Plant Project is progressing and is expected to be commissioned in second quarter of FY 2011-12.

High Pressure Moulding Line, which was installed at Solapur plant in 2008, has achieved 80 percent of the capacity utilization during the year. Castings manufactured on this high pressure moulding line have met with customers' expectations.

On the financial front, your Company was able to negotiate the interest rate at a competitive rate on the usance interest in respect of the procurement of coke.

Further to the information about the iron ore mines mentioned in the Annual Report 2009-2010, the matter is subjudice as on date.

Your Company has received the following awards :

1. "Outstanding performance award 2010" from Mahindra & Mahindra Limited.
2. "Panchratna special award 2010" from Mahindra & Mahindra Limited.
3. "Casting Weight Reduction Performance Award" from Kirloskar Oil Engines Limited.
4. "Strong Commitment to Excel" on the journey towards the Business Excellence from CII – Exim Bank Award.

C. Operational Performance

During the year under review, your Company sold 258,773 MT of pig iron valued at Rs.6,470 million as compared to 226,507 MT of pig iron valued at Rs. 4,342 million in the previous year and 57,392 MT castings aggregating to Rs.3,636 million as compared to 49,545 MT castings aggregating to Rs. 2,619 million in the previous year.

The prices of iron ore continued to increase throughout the year. The prices increased from a level of Rs. 2,972 per MT at the beginning of the year to around Rs. 4,250 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 compliance related issues and due to restriction on issue of permits by Government Department.

The coke prices continued to increase throughout the year. The coke price which was at level of Rs.17,700 rose to a level of Rs.20,850 by the end of the year.

D. Cost Control

Your Company adopted following measures to reduce the cost :

- a) Improvement in blast furnaces.
- b) Installation of 3rd Power Plant.
- c) Continuation of energy conservation projects.
- d) Strengthening of process controls in manufacturing and material procurement.
- e) Reduction in interest cost.

E. Concerns and Threats

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

F. Prospects for the Current Year

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

- a) Installation of sinter plant to utilise the iron ore fines;
- b) Identified energy conservation projects.

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 moulding line at Koppal plant. Presently the legal requirement for clearance of the project with Government Agencies is in process. Once the clearances are obtained, the project activity will commence.

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

Your Company is certified for Quality Management Systems under ISO TS 16949:2009, Environmental Management System under ISO 14001:2004 and also certified for Occupational Health & Safety Assessment Series (OHSAS 18001:2007) by Indian Register Quality Systems (IRQS). Quality Management Systems, Environmental Management System and Occupational Health & Safety Assessment Series have been integrated and came into effect from 14th January, 2011.

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 2010-11, to improve the greenery all around the plant. To reduce dust emission during operation of Raw Material Handling Section, water sprinkling arrangement has been made.

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.

Moreover, under ISO: 14001 and OHSAS: 18001, Management System, the following programs have been taken up and completed during 2010-2011 —

1. Magnetic separator provided at the shake out section of the Foundry, to bring down dust level.
2. To reduce stress to eye, 180 Cathode Ray Tube monitors were replaced with TFT monitors.
3. To eliminate electrocution in wet areas, portable torches are provided instead of 230 Volt hand lamps.
4. To eliminate fatigue at Core Shop Foundry Unit during trolley handling, polyurethane flooring has been provided.
5. Installation of Power Plant- 3 of capacity of 4.5 MW has helped in fully utilizing Blast Furnace gas for Power Generation, instead of flaring. Also this would result in bringing down contribution to GHG (Green House Gas) emissions into the atmosphere.
6. Environment concern has been reduced by achieving reduction of ungranulated slag generation from 20 percent to 4 percent through modification of launder inclination.

I. Social Responsibility

As a part of its corporate responsibility to the society, your Company has taken following measures :

- (i) Under World Bank Scheme “Jala Nirmala Yojana” contribution given for drinking water facility to nearby village – Kampasagar.
- (ii) Contributed to educational institutions at Koppal, Hitnal and Mundargi.
- (iii) Provided writing desks for school at Bevinahalli.
- (iv) Organised energy conservation training programmes for school children.
- (v) Scholarship awards to meritorious students of employees' children studying in professional and diploma courses.
- (vi) Conducted 'spoken English' training programmes for college students at Bevinahalli village.
- (vii) Visit by specialist doctors to Bevinahalli village once a week.
- (viii) Conducted blood donation programmes and check up camp for critical illness at Bevinahalli village.
- (ix) Construction of toilets to improve health and hygiene of people in neighbouring villages.

J. Human Resources

Your Company considers human resource to be an important valuable asset for the organisation and therefore, constantly strives to attract and recruit best talent for the current and future needs.

The Company has taken following initiatives –

- (i) Necessary steps to upgrade the skills of present employees by conducting various in-house training programs and courses.
- (ii) Working on Gallop survey feedback and implementing suggestions at all levels.
- (iii) Review of HR policy based on Company plans and people feedback.
- (iv) Monitoring effectiveness of training module / programme.
- (v) Offering career growth at all levels.
- (vi) Conducting programs on safety and mock drills.

As on 31st March, 2011 the total number of salaried employees stood at 1,207. 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 2010 – 2011, the Company received applications from warrant holders for conversion of 2,225 warrants into equity shares for an amount aggregating to Rs. 77,875 (inclusive of securities premium). 2,225 warrants amounting to Rs. 77,875 have been converted into 2,225 equity shares of Rs. 5 each (Equity share capital Rs. 11,125 and securities premium Rs. 66,750).

DIRECTORS

Mr. Atul C. Kirloskar, Mr. S. N. Inamdar and Mr. C. V. Tikekar retire by rotation and being eligible, offer themselves for re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. That in the preparation of the Accounts for the financial year ended 31st March, 2011 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, 2011 and of the profit of the Company for the year ended 31st March, 2011;
- 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, 2011 on a "going concern" basis.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended 31st March, 2011 is attached with the Annual Audited Accounts of the Company.

AUDITORS

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

The Board has recommended their re-appointment.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of Energy Conservation, Technology Absorption, Research and Development and Foreign Exchange Earnings and Outgo as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are given in the Annexure - A and forms part of this Report.

PARTICULARS OF EMPLOYEES

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

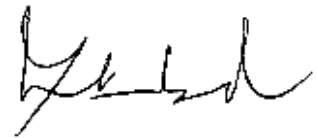
CORPORATE GOVERNANCE

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

APPRECIATION

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

For and on behalf of the Board of Directors



ATUL C. KIRLOS KAR
Chairman

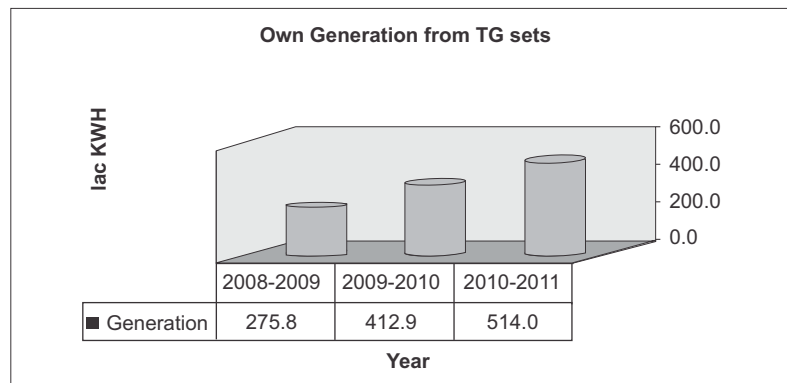
Pune : 26th April, 2011

ANNEXURE - A

A CONSERVATION OF ENERGY:

- a) **Energy conservation measures taken during the financial year 2010–2011 are as follows :**
1. Installation of 4.5 MW Power plant to utilise excess Blast Furnace Gas has been completed in the month of July 2010.
 2. Energy audit completed for Pig Iron and Power Plants and initiating actions on audit findings.
 3. Replacement of energy efficient pumps with suitable capacity in Power Plants and Slag Granulation at MBF I.
 4. Replacement of existing motors with energy efficient motors.
 5. Installation of HP fans along with Energy efficient motors for blowing system at MBF 2.
 6. Initiated Installation of variable frequency drives at Foundry.
 7. Installation of Energy Management System in Utility area to measure power, fuel and air.
 8. Replacement of Tube lights with CFLs to reduce electricity consumption.
 9. Processing of Clean Development Mechanism (CDM) for Stove for MBF I and Power plant 3.

Figures of Power generation :



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

b) Additional Proposals for the year 2011 – 2012 :

1. Installation of Sinter Plant to reduce coke consumption.
2. Replacement of reciprocating compressors with centrifugal compressors to enhance energy efficiency.
3. Installation of Control Air IFC System (Demand side Compressed air management solution) to reduce power consumption of Compressor air to be completed in first quarter of FY 2011-12.
4. Installation of variable frequency drive for Boiler feed pumps to reduce power consumption to be completed in the second quarter of FY 2011-12.
5. Processing of Clean Development Mechanism (CDM) for Stove for MBF I and Power plant 3.
6. Replacement of Tube lights with LEDs to reduce electricity consumption.
7. LED lighting for shop floors.
8. Energy audit for the foundry.

c) Impact of the above measures :

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

B. TECHNOLOGY ABSORPTION :

New technology Core manufacturing and other foundry process were adopted at Solapur Foundry, which has resulted into improved quality of castings and reduced casting rejection.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

(Rupees in Million)

Earnings	15.34
Outgo	3,506.16

D. RESEARCH AND DEVELOPMENT :

Have purchased and started using Simulation software 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	53	B.Tech (Met.)	30	Managing Director	8/11/2001	16,509,670	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 2010 - 2011, five meetings of the Board of Directors were held on 29th April, 2010; 29th July, 2010; 22nd October, 2010; 22nd January, 2011 and 9th March, 2011.
- (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 2010-11		Attendance at the Last AGM	* Number of Directorships in other Public Limited Companies incorporated in India	**Committee positions held in Other Public Limited Companies	
		Board Meetings Held	Board Meetings Attended			Member	Chairman
Mr. Atul C. Kirloskar	Chairman Non - Independent Non Executive	5	5	Yes	6	Nil	Nil
Mr. Sanjay C. Kirloskar	Non - Independent Non Executive	5	2	No	6	1	Nil
Mr. R. V. Gumaste	Executive	5	5	Yes	Nil	Nil	Nil
Mr. A. R. Jamenis	Independent Non Executive	5	5	Yes	1	1	Nil
Mr. S. N. Inamdar	Independent Non Executive	5	4	No	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.

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, 2011 :

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 2010 - 2011, five Audit Committee meetings were held on 29th April, 2010; 29th July, 2010; 22nd October, 2010; 22nd January, 2011 and 9th March, 2011.

The details of attendance by Committee Members are as follows –

Name of the Directors	Category	Number of meetings attended
Mr. S. N. Inamdar (Chairman)	Independent Non - Executive	4
Mr. C. V. Tikekar	Independent Non - Executive	5
Mr. A. R. Jamenis	Independent Non - Executive	5
Mr. S. G. Chitnis	Independent Non - Executive	5
Mr. A. N. Alawani #	Independent Non - Executive	5

During the absence of Mr. S. N. Inamdar, Mr. A. N. Alawani was the interim Chairman for the meeting of the Audit Committee held on 29th July, 2010.

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. A. N. Alawani, interim Chairman of the Audit Committee, was present at the Annual General Meeting of the Company held on Thursday, 29th July, 2010.

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

The Audit Committee has been vested with the following powers :

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

(b) Terms of Reference

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

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

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

3. Subsidiary Company

The Company does not have any subsidiary company.

4. Disclosures

a) Related Party Transactions

The Company places all 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. 2.18 of Schedule 17 of the notes forming part of the financial statements in the Annual Report.

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

b) Disclosure of Accounting Treatment

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

c) Risk Management

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

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

The Warrant exercise period commenced on 13th March, 2008.

Till 31st March, 2011, the Company has 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).

Detachable warrants 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) 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 29th April, 2010 to recommend to the Board of Directors the payment of commission to the Managing Director and to Non - Executive Directors for the financial year 2009 – 2010.

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 2010 – 2011 are as follows –

Particulars	Amount (Rs.)
Salary	4,680,000
Contribution to Provident Fund	489,600
Contribution to Superannuation Fund	612,000
Perquisites	44,400
Leave Travel Assistance	90,000
Commission	10,000,000
Gratuity	593,670
Leave Encashment	-----
Total	16,509,670

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 2010 - 2011 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 2010 – 2011 are as under :

Name of Directors	Sitting Fees (Rs.)
Mr. Atul C. Kirloskar	50,000
Mr. Sanjay C. Kirloskar	20,000
Mr. A. R. Jamenis	150,000
Mr. S. N. Inamdar	90,000
Mr. C.V. Tikekar	140,000
Mr. S. G. Chitnis	130,000
Mr. A. N. Alawani	140,000
Total	720,000

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 26th April, 2011.

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, 2011 were 230 and there was no complaint pending as on 31st March, 2011.

8. General Body Meetings

Details of last three Annual General Meetings held :

Annual General Meeting	Financial Year	Date, Time and Place
17th Annual General Meeting	2007 - 2008	28th August, 2008* 11.30 a. m. The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
<p>* Two special resolutions were passed :</p> <p>(1) To create, offer, issue and allot not more than 12,00,000 Equity Shares under one or more Employees Stock Option Scheme(s).</p> <p>(2) Payment of commission to Non - Executive Directors a sum not exceeding one percent per annum of the Net Profit in any financial year upto a period of 5 years, commencing from the financial year 2007 - 2008.</p>		
18th Annual General Meeting	2008 - 2009	14th August, 2009 11.00 a. m. The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
No special resolution was passed.		
19th Annual General Meeting	2009 - 2010	29th July, 2010 11.30 a. m. The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
No special resolution was passed.		

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

9. Means of Communication

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

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

10. General Shareholders' Information

Annual General Meeting	
Day, Date and Time	Friday, 22nd July, 2011 at 10.00 a.m.
Venue	The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002.
Financial Year	1st April, 2010 to 31st March, 2011 During the year under review, the results were announced as under - First Quarter 29th July, 2010 Second Quarter 22nd October, 2010 Third Quarter 22nd January, 2011 Annual 26th April, 2011
Date of Book Closure	From 15th July, 2011 To 22nd July, 2011 (Both days inclusive)
Dividend payment date	11th August, 2011
Listing on stock exchange	Bombay Stock Exchange Limited
Scrip Code	500245
ISIN	INE 884B01025

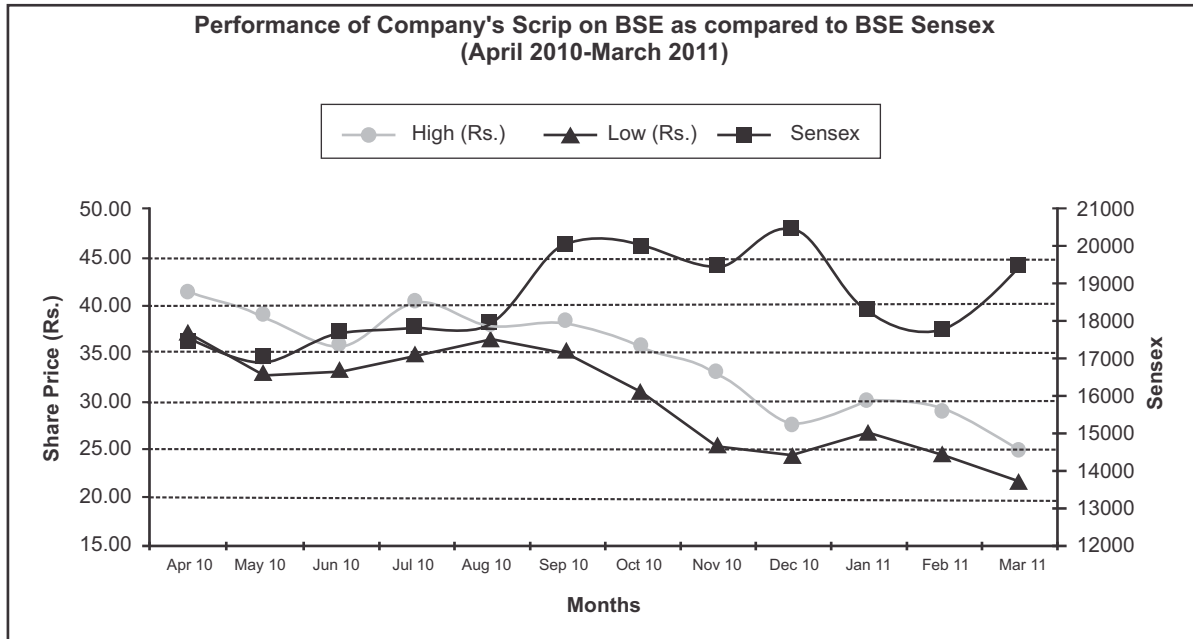
The annual listing fees for the financial year 2010 - 2011 have been paid to the Bombay Stock Exchange Limited and there is no amount outstanding as on date.

Market Price Data

Monthly high / low closing prices of equity share on the Bombay Stock Exchange Limited (BSE) during the financial year 2010 – 2011 are as follows :

Year	Month	High (Rs.)	Low (Rs.)	
2010	April	41.35	37.35	
	May	39.00	33.00	
	June	35.85	33.30	
	July	40.40	35.00	
	August	38.00	36.60	
	September	38.30	35.30	
	October	35.80	31.10	
	November	33.10	25.60	
	December	27.85	24.50	
	2011	January	30.15	26.90
		February	29.25	24.65
		March	25.10	21.75

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 during the financial year 2010 – 2011 are as follows :

Year	Month	High (Rs.)	Low (Rs.)	
2010	April	18.33	13.24	
	May	16.00	11.72	
	June	12.60	11.24	
	July	15.01	11.60	
	August	13.44	12.15	
	September	13.40	12.02	
	October	12.95	11.30	
	November	12.00	9.52	
	December	11.00	7.36	
	2011	January	9.69	7.19
		February	7.58	5.00
		March	7.14	5.10

Registrar & Share Transfer Agent -

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

The Registrar & Share Transfer Agent can be contacted at –

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

Share Transfer System

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

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, 2011

Nominal Value of Shares (Rs.)		Shareholders		Shares	
From	To	Number	Percentage to Total	Number	Percentage to Total
1	5,000	69,374	93.94	14,162,263	10.32
5,001	10,000	1,931	2.62	3,094,416	2.25
10,001	20,000	1,140	1.54	3,345,840	2.44
20,001	30,000	551	0.75	2,791,143	2.03
30,001	40,000	187	0.25	1,332,825	0.97
40,001	50,000	198	0.27	1,897,705	1.38
50,001	100,000	253	0.34	3,733,853	2.72
100,001 and above		215	0.29	106,950,036	77.89
Total		73,849	100.00	137,308,081	100.00

Shareholding Pattern as on 31st March, 2011

Category	Number of Shares	Percentage of Shareholding
Promoters and Promoters Group	80,941,870	58.95
Financial Institutions	3,565,000	2.60
Nationalised Banks	500	0.00
Non Nationalised Banks	NIL	NIL
Insurance Companies	4,000	0.00
Non Resident Indians	1,465,032	1.07
Mutual Funds	6,750,405	4.92
Foreign Institutional Investors	48,100	0.03
Domestic Companies	5,641,823	4.11
Trust	200	0.00
General Public	38,891,151	28.32
Total	137,308,081	100.00

Equity Shares in electronic form

As on 31st March, 2011, 91.90 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 Share 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	20 th February, 2008	17 th March, 2008	15	23 rd March, 2015
2008-2009	14 th August, 2009	4 th September, 2009	10	17 th September, 2016
2009-2010	29 th July, 2010	20 th August, 2010	20	29 th August, 2017

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 they 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, profit and loss account, cash flow statement, directors' report, auditors' report, etc. or to receive any other document prescribed under any law. (Please refer to page 61 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.

Detachables Warrants are tradable on the stock exchange.

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

Detachables Warrants in electronic form

As on 31st March, 2011, 99.75 percent of detachables warrants are held in electronic form.

Detachables 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 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.** Pursuant to Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 and subsequent amendments thereto, 'Group' comprises Better Value Holdings Private Limited, Kirloskar Brothers Limited, Kirloskar Industries Limited (earlier known as Kirloskar Oil Engines Limited), Kirloskar Oil Engines Limited (earlier known as Kirloskar Engines India Limited), Kirloskar Pneumatic Company Limited, Kirloskar Ferrous Industries Limited, Pooja Credits Private Limited, Kirloskar Systems Limited, Asara Sales & Investments Private Limited, Navsai Investments Private Limited, Prakar Investments Private Limited, Alpak Investments Private Limited, Achyut & Neeta Holdings & Finance Private Limited, Sri Harihareshwara Finance & Investments Private Limited, VikramGeet Investments & Holdings Private Limited, Kirloskar Brothers Investments Limited, Kirloskar Roadrailer Limited, Cees Investments and Consultants Private Limited, Kirloskar Integrated Technologies Limited (earlier known as Kirloskar Kisan Equipments Limited), Kothrud Power Equipment Limited, Nashik Silk Industries Limited (earlier known as Kirloskar Silk Industries Limited), Kirloskar Proprietary Limited, G G Dandekar Machine Works Limited, Mahila Udyog Limited, Kirloskar Corrocoat Private Limited, Kirloskar Constructions and Engineers Limited, The Kolhapur Steel Limited, Koppal Mines & Minerals Private Limited, Gondwana Engineers Limited, Kirloskar Chillers Private Limited, Hematic Motors Private Limited, Pressmatic Electro Stampings Private Limited, Quadromatic Engineering Private Limited, Kirloskar Systech Limited, Takshasila Healthcare and Research Service Private Limited, Green Tek Systems (India) Limited, Suman Kirloskar, Mrinalini Kirloskar, Neeta A. Kulkarni, Atul C. Kirloskar, Arti Kirloskar, Gauri Kirloskar, Kolenaty Chris, Aditi Kirloskar, Sanjay C. Kirloskar, Pratima Kirloskar, Alok Kirloskar, Rama Kirloskar, Rahul C. Kirloskar, Alpana Kirloskar, Alike Kirloskar, Aman Kirloskar, Gautam A. Kulkarni, Jyotsna Kulkarni, Nihal Kulkarni, Shruti Kulkarni, Ambar Kulkarni, Talen Kulkarni, Komal Kulkarni, Gargi Kulkarni, Vikram S. Kirloskar, Geetanjali Kirloskar, Manasi Kirloskar, Roopa Gupta and Chandrashekhar H. Naniwadekar.

14. Plant Locations

1. Bevinahalli Village, P.O. Hitnal, Taluka & Dist. 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 : 26th April, 2011

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, 2011, 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

Pune : 26th April, 2011

S.B. Pagad
Partner
Membership No.206124

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** ('the Company') as at 31st March, 2011 and the related Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ("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, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the Books of Account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of the written representations received from the Directors as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 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, 2011;
 - (b) In the case of the Profit and Loss Account of the profit for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

S.B.Pagad
Partner
Membership No. 206124

Pune : 26th April, 2011

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, 2011.

- (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, 2011 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
The Central Excise Act, 1944	Duty on pattern development charges	342,068	CESTAT, Bangalore
The Central Excise Act, 1944	Cenvat credit utilised for payment of Service Tax	7,585,734	Commissioner of Central Excise
The Central Excise Act, 1944	Penalty on excise duty	100,000	CESTAT, Bangalore
The Central Excise Act, 1944	Interest /Penalty on undervaluation	3,127,237	CESTAT, Mumbai
The Central Excise Act, 1944	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
The Central Excise Act, 1944	Cenvat Credit availed on Structural Steels	9,933,307	Joint /Asst. Commissioner, Central Excise, Belgaum
The Central Excise Act, 1944	Cenvat Credit on input services	438,687	Deputy Commissioner, Central Excise, Bellary
The Karnataka VAT Act, 2003	Interest on refund	211,311	Joint Commissioner of Commercial Taxes, Davangere
The Karnataka Electricity Act,	Electricity Tax on captive generation & Consumption	604,782	Hon'ble High Court of Karnataka
Income tax Act, 1961	Minimum Alternate Tax	5,181,762	Income Tax Appellate Tribunal, Pune
Income tax Act, 1961	Income Tax	8,057,910	Income Tax Appellate Tribunal, 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 : 26th April, 2011

BALANCE SHEET AS AT 31st MARCH, 2011

	SCHEDULE		As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
I. SOURCES OF FUNDS:				
1. Shareholders' Funds:				
(a) Share Capital	1	686,540,405		686,486,515
(b) Reserves and Surplus	2	2,904,030,430		2,578,965,505
(c) Convertible Warrant application money (Refer Sch. 17 - Note No.2.06)		-		299,355
			3,590,570,835	3,265,751,375
2. Loan Funds :				
(a) Secured Loans	3	-		62,857,142
(b) Unsecured Loans		-		-
			-	62,857,142
3. Deferred Tax liability - Net Total	4		379,681,579	319,113,921
			3,970,252,414	3,647,722,438
II. APPLICATION OF FUNDS:				
1. Fixed Assets:				
(a) Gross Block	5	5,017,600,121		4,689,744,749
(b) Less : Depreciation		2,129,352,249		1,882,874,359
(c) Net Block		2,888,247,872		2,806,870,390
(d) Capital Work-in-Progress		702,722,130		575,860,546
			3,590,970,002	3,382,730,936
2. Investments	6		100	100
3. Current Assets, Loans and Advances:				
(a) Current Assets				
(i) Inventories	7	1,628,204,363		1,427,048,942
(ii) Sundry Debtors	8	1,346,776,294		889,480,120
(iii) Cash and Bank Balances	9	184,358,099		166,602,072
		3,159,338,756		2,483,131,134
(b) Loans and Advances	10	332,184,904		364,156,379
	(A)	3,491,523,660		2,847,287,513
4. Current Liabilities and Provisions:				
(a) Current Liabilities	11	2,840,041,354		2,272,683,777
(b) Provisions		272,199,994		309,612,334
	(B)	3,112,241,348		2,582,296,111
Net Current Assets	(A)-(B)		379,282,312	264,991,402
Total			3,970,252,414	3,647,722,438
Notes forming part of the financial statements	17			

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSekar
Chairman

R. V. GUMASTE
Managing Director

S.B.PAGAD
Partner

C. S. PANICKER
Company Secretary

R. S. SRIVATSAN
Vice President-Finance

Pune : 26th April, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

	SCHEDULE	For the year ended	
		31st March, 2011	31st March, 2010
		Rs.	Rs.
INCOME			
Sales and Operating Income		11,352,506,781	7,925,196,285
Sale of byproducts, waste and scrap		677,095,348	821,909,199
		<u>12,029,602,129</u>	<u>8,747,105,484</u>
Less : Excise Duty and Education Cess		1,138,429,774	677,236,544
Net Sales		10,891,172,355	8,069,868,940
Other Income	12	46,215,609	102,271,571
		<u>10,937,387,964</u>	<u>8,172,140,511</u>
EXPENDITURE			
Material Consumed	13	8,548,168,473	5,790,990,065
Employee Remuneration and Benefits	14	330,556,328	327,716,178
Operational, Selling and Administrative Expenses	15	1,031,856,380	1,029,764,352
Interest	16	38,111,943	60,593,255
Depreciation and Amortisation	5	270,441,923	259,645,081
		<u>10,219,135,047</u>	<u>7,468,708,931</u>
Profit for the year		<u>718,252,917</u>	<u>703,431,580</u>
Prior period expenses (Net)		(605,946)	797,780
Profit before Tax		<u>718,858,863</u>	<u>702,633,800</u>
Provision for Taxation:			
Deferred Tax		60,567,658	4,096,716
Current Tax		182,255,591	228,220,395
Less : Minimum Alternate Tax Credit Entitlement		11,087,842	20,530,906
		<u>171,167,749</u>	<u>207,689,489</u>
Wealth Tax		226,872	168,586
Short Provision of earlier years		3,602,334	-
Profit after Tax		<u>483,294,250</u>	<u>490,679,009</u>
Balance brought forward from previous year		540,908,853	298,584,683
Profit available for Appropriation		<u>1,024,203,103</u>	<u>789,263,692</u>
Appropriations			
Transfer to General Reserve		50,000,000	50,000,000
Excess Provision for Dividend Written Back (Refer Sch. 17 - Note No.2.21)		(64,481,359)	(32,246,635)
Excess Provision for Tax on Dividend Written Back (Refer Sch. 17 - Note No.2.21)		(11,488,953)	(5,480,315)
Proposed Dividend (Refer Sch. 17 - Note No.2.22)		201,787,930	201,787,930
Tax on Proposed Dividend (Refer Sch. 17 - Note No.2.22)		32,735,047	34,293,859
Balance carried to Balance Sheet		<u>815,650,438</u>	<u>540,908,853</u>
		<u>1,024,203,103</u>	<u>789,263,692</u>
Earnings Per Share (Refer Sch. 17 - Note No.2.17)			
Basic Earnings Per Share of Face Value of Rs. 5 each		3.52	3.57
Diluted Earnings Per Share of Face Value of Rs. 5 each		3.52	3.57
Notes forming part of the financial statements	17		

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R. V. GUMASTE
Managing Director

S.B.PAGAD
Partner

C. S. PANICKER
Company Secretary

R. S. SRIVATSAN
Vice President-Finance

Pune : 26th April, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

	2010-2011	2009-2010
	Rs.	Rs.
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	718,858,863	702,633,800
Adjustments for:		
Depreciation	270,441,923	259,645,081
Loss on sale of assets	6,424,431	4,011,688
Interest paid	38,111,943	60,593,255
Interest income	(8,319,097)	(3,849,421)
Dividend Income	(733,215)	(896,550)
Rent on Building	(1,027,661)	(452,300)
	<u>304,898,324</u>	<u>319,051,753</u>
Operating profit before working capital changes	1,023,757,187	1,021,685,553
Decrease/(Increase) in Trade & Other Receivables	(353,081,566)	(223,805,722)
Decrease/(Increase) in Inventories	(201,155,421)	(850,423,461)
(Decrease)/Increase in Trade Payables	531,682,657	751,232,400
	<u>(22,554,330)</u>	<u>(322,996,783)</u>
Cash generated from operations	1,001,202,857	698,688,770
Taxes Paid	(252,445,045)	(160,220,677)
Net cash from operating activities	<u>748,757,812</u>	<u>538,468,093</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets	(498,635,004)	(239,381,220)
Sale of assets	18,833,393	2,993,576
Interest received	8,278,531	3,832,656
Dividend received	733,215	896,550
Rent on Building	1,027,661	452,300
Net cash used in investing activities	<u>(469,762,204)</u>	<u>(231,206,138)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(38,348,837)	(61,784,596)
Proceeds from Conversion of warrants	77,875	391,895
Proceeds/(Repayment) of Long Term Borrowings (Net)	(62,857,142)	(125,714,286)
Dividend on equity shares paid	(137,306,571)	(68,647,330)
Tax on Dividend paid	(22,804,906)	(11,666,614)
Net cash used in financing activities	<u>(261,239,581)</u>	<u>(267,420,931)</u>
Net increase/(decrease) in cash and cash equivalents	<u>17,756,027</u>	<u>39,841,024</u>
Opening Cash and Cash Equivalents	166,602,072	126,761,048
Closing Cash and Cash Equivalents	184,358,099	166,602,072

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. KIRLOS KAR
ChairmanR. V. GUMASTE
Managing DirectorS.B.PAGAD
PartnerC. S. PANICKER
Company SecretaryR. S. SRIVATSAN
Vice President-Finance

Pune : 26th April, 2011

Schedule Nos. 1 to 11 annexed to and forming part of Balance Sheet as at 31st March, 2011

	As at 31st March, 2011	As at 31st March, 2010
	Rs.	Rs.
SCHEDULE 1		
SHARE CAPITAL		
Authorised :		
210,000,000 (210,000,000) Equity Shares of Rs. 5 each	1,050,000,000	1,050,000,000
117,000,000 (117,000,000) Preference Shares of Rs.10 each	1,170,000,000	1,170,000,000
	<u>2,220,000,000</u>	<u>2,220,000,000</u>
Issued, Subscribed and Paid up :		
137,308,081 (137,297,303) Equity Shares of Rs.5 each (Refer Sch.17 - Note No.2.06)	686,540,405	686,486,515
	<u>686,540,405</u>	<u>686,486,515</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
(a) Securities Premium Account		
As per last Balance Sheet	1,938,056,652	1,937,971,932
Add : Received during the year (Refer Sch. 17 - Note No.2.06)	<u>323,340</u>	<u>84,720</u>
	1,938,379,992	1,938,056,652
(b) General Reserve		
As per last Balance Sheet	100,000,000	50,000,000
Add: Transfer from Profit and Loss Account	<u>50,000,000</u>	<u>50,000,000</u>
	150,000,000	100,000,000
(c) Surplus as per annexed Profit and Loss Account	815,650,438	540,908,853
	<u>2,904,030,430</u>	<u>2,578,965,505</u>
SCHEDULE 3		
SECURED LOANS		
Term Loans from Banks	-	62,857,142
Cash Credit from Banks (Refer Sch. 17 - Note No.2.05)	-	-
	<u>-</u>	<u>62,857,142</u>
SCHEDULE 4		
DEFERRED TAX - LIABILITY (NET)		
Deferred Tax Liabilities:		
Depreciation	398,813,742	353,479,663
Total Liabilities	<u>398,813,742</u>	<u>353,479,663</u>
Deferred Tax Assets:		
Disallowance under Section 43 B of Income Tax Act	14,842,127	30,308,059
Provision for doubtful debts	4,290,036	4,057,683
Total Assets	<u>19,132,163</u>	<u>34,365,742</u>
Liability (Net)	<u>379,681,579</u>	<u>319,113,921</u>

SCHEDULE 5**FIXED ASSETS**

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK		
	AS AT 01.04.2010	ADDITIONS	DELETIONS	ADJUSTMENTS	AS AT 31.03.2011	AS AT 01.04.2010	FOR THE YEAR	DELETIONS	ADJUSTMENTS	AS AT 31.03.2011	AS AT 31.03.2010
INTANGIBLE ASSETS											
COMPUTER SOFTWARE	15,497,218	4,947,449	-	-	20,444,667	5,856,976	2,982,779	-	-	11,604,912	9,640,242
TANGIBLE ASSETS											
FREEHOLD LAND	40,015,036	1,626,765	-	-	41,641,801	-	-	-	-	41,641,801	40,015,036
LEASEHOLD LAND	41,905,207	-	-	-	41,905,207	-	-	-	-	41,905,207	41,905,207
MINING RIGHTS	1,150,000	-	-	-	1,150,000	271,750	104,190	-	-	774,060	878,250
BUILDINGS	855,717,646	7,573,429	-	-	863,291,075	246,466,031	25,807,638	-	-	591,017,406	609,251,615
PLANT & MACHINERY	3,698,115,510	352,357,508	45,300,022	3,157,144	4,008,330,140	1,614,863,106	239,095,581	22,993,751	746,562	2,176,618,622	2,083,252,404
FURNITURE & FIXTURES	18,866,887	501,805	21,580	(3,157,144)	16,189,968	10,831,708	653,019	778	(746,582)	5,452,601	8,035,180
VEHICLES	18,477,245	10,070,273	3,900,255	-	24,647,263	4,584,788	1,798,716	969,504	-	19,233,263	13,892,456
Total	4,689,744,749	377,077,229	49,221,857	-	5,017,600,121	1,882,874,359	270,441,923	23,964,033	-	2,888,247,872	2,806,870,390
Previous year total	4,315,723,814	418,988,305	11,464,905	33,502,465	4,689,744,749	1,661,191,384	259,645,081	4,459,641	33,502,465	2,806,870,390	2,806,870,390

Note : Previous year's figures have been rearranged in respect of Goodwill written off entirely in that year.

	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
SCHEDULE 6		
INVESTMENTS		
Long Term Investments (at cost)		
Fully Paid Equity Shares		
Trade - Unquoted		
Kirloskar Proprietary Limited	100	100
One Equity Share with a face value of Rs.100 per share		
	100	100

SCHEDULE 7

INVENTORIES

Raw Materials		
At Site	467,634,729	180,943,691
In Transit	629,999,436	899,053,118
	1,097,634,165	1,079,996,809
By-Products	22,323,438	23,668,285
Stores and Spares	199,956,136	143,618,361
Finished Goods	179,447,068	74,052,188
Work-in-Progress	128,843,556	105,713,299
	1,628,204,363	1,427,048,942

SCHEDULE 8

SUNDRY DEBTORS

(Unsecured and considered good)		
(a) Debts outstanding for a period exceeding six months		
Considered Good	14,095,120	11,052,294
Considered Doubtful	8,720,448	7,359,010
	22,815,568	18,411,304
Less: Provision for doubtful debts	8,720,448	7,359,010
	14,095,120	11,052,294
(b) Others - Considered Good	1,332,681,174	878,427,826
	1,346,776,294	889,480,120

SCHEDULE 9

CASH AND BANK BALANCES

Cash on Hand	305,305	391,655
Balances with Scheduled banks :		
In Current Accounts	128,719,055	165,918,244
In Fixed Deposit	55,269,243	268,243
Interest accrued on Fixed Deposits	64,496	23,930
	184,358,099	166,602,072

	As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
SCHEDULE 10		
LOANS AND ADVANCES		
(Unsecured considered good)		
Advances recoverable in cash or in kind or for value to be received	89,689,220	136,180,534
Less: Provision for doubtful Advances	<u>78,661</u>	<u>78,661</u>
	89,610,559	136,101,873
Advance against capital expenditure	2,767,104	8,070,913
Sundry Deposits	42,742,821	47,655,628
Balance with Central Excise and Customs	97,982,870	150,752,791
Less: Provision for doubtful Deposits /Claims	<u>4,500,000</u>	<u>4,500,000</u>
	93,482,870	146,252,791
Advance Income Tax, Tax deducted at source and MAT Credit Entitlement (Net of Provision for Tax)	<u>103,581,550</u>	<u>26,075,174</u>
	332,184,904	364,156,379

SCHEDULE 11

CURRENT LIABILITIES AND PROVISIONS

CURRENT LIABILITIES

Sundry Creditors :

(a) Dues to Micro, Small and Medium Enterprises
(Refer Sch. 17 - Note No.2.08)

16,178,945

5,666,795

(b) Others

2,786,004,295

2,198,247,587

2,802,183,240

2,203,914,382

Earnest Money Deposit received

12,000

-

Unclaimed Dividend #

6,879,497

4,205,723

Interest Accrued but not due on Secured Loans

-

236,894

Advance from customers

30,966,617

64,326,778

2,840,041,354

2,272,683,777

PROVISIONS

Gratuity

5,944,666

40,014,833

Wealth Tax

226,872

168,586

Provident Fund and Superannuation Fund

2,509,163

2,508,347

Proposed Dividend

201,787,930

201,787,930

Tax on Proposed Dividend

32,735,047

34,293,859

Compensated Absences

28,996,316

30,838,779

272,199,994

309,612,334

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

Schedules 12 to 16 annexed to and forming part of Profit and Loss Account for the Year ended 31st March, 2011

	For the year ended 31st March, 2011	For the year ended 31st March, 2010
	Rs.	Rs.
SCHEDULE 12		
OTHER INCOME		
Interest on deposits ((T.D.S.Rs. 870,013) (Rs.320,313))	8,319,097	3,849,421
Dividend Income	733,215	896,550
Rent on Building	1,027,661	452,300
Miscellaneous Income	7,336,111	17,401,631
Provision no longer required written back	19,807,059	24,296,668
Insurance claim received	111,150	270,000
Foreign Exchange Gain (Net)	6,965,287	55,105,001
Sales Tax Refund	1,916,029	-
	<u>46,215,609</u>	<u>102,271,571</u>

SCHEDULE 13

MATERIAL CONSUMED

(a) Raw Materials Consumed :

Opening Stock	1,079,996,809	273,570,870
Add : Purchases	7,829,686,198	<u>5,852,792,142</u>
	8,909,683,007	<u>6,126,363,012</u>

Less : Closing Stock	<u>1,097,634,165</u>	<u>1,079,996,809</u>
	7,812,048,842	<u>5,046,366,203</u>

(b) Stores and spares consumed	863,299,921	773,182,708
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(c) Decrease / (Increase) in Work in Process, Finished

Goods and By-Products :

Stock at close :

Work-in-process	128,843,556	105,713,299
Finished Goods	179,447,068	74,052,188
By-Products	22,323,438	23,668,285
(a)	<u>330,614,062</u>	<u>203,433,772</u>

Less : Stock at commencement :

Work-in-process	105,713,299	103,719,611
Finished Goods	74,052,188	40,265,417
By-Products	23,668,285	30,889,898
(b)	<u>203,433,772</u>	<u>174,874,926</u>

(b) - (a)	(127,180,290)	<u>(28,558,846)</u>
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	<u>8,548,168,473</u>	<u>5,790,990,065</u>
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	For the year ended 31st March,2011 Rs.	For the year ended 31st March,2010 Rs.
SCHEDULE 14		
EMPLOYEE REMUNERATION AND BENEFITS		
Salaries, Wages and Bonus	281,964,116	265,472,934
Company's Contributions to Provident and other funds	12,590,538	35,311,323
Employees' Welfare Expenses	36,001,674	26,931,921
	<u>330,556,328</u>	<u>327,716,178</u>
SCHEDULE 15		
OPERATIONAL, SELLING AND ADMINISTRATIVE EXPENSES		
A) OPERATIONAL EXPENSES		
Power, fuel and water	561,494,322	445,605,798
Machinery Hire	1,268,441	865,960
Repairs and Maintenance		
- Machinery	68,305,901	56,254,686
- Building	18,722,412	5,076,770
MBF Relining expenses	-	53,432,638
Fettling and other operational charges	117,436,408	93,392,446
Excise duty on increase / decrease in closing stock of finished goods	11,713,685	4,226,872
Total - A	<u>778,941,169</u>	<u>658,855,170</u>
B) SELLING EXPENSES		
Freight and Forwarding Expenses (Net)	64,726,373	182,763,770
Advertisement	1,051,055	1,676,696
Sales Commission and Incentive	38,444,991	36,074,818
Royalty	26,506,992	16,714,720
Total - B	<u>130,729,411</u>	<u>237,230,004</u>
C) ADMINISTRATIVE EXPENSES		
Rent	1,147,810	773,407
Rates and Taxes	6,181,800	16,585,708
Insurance	2,565,583	1,906,528
Other Repairs and Maintenance	5,416,825	7,842,796
Travelling Expenses	14,088,288	11,139,087
Legal and Professional	10,277,843	17,627,694
Communication Expenses	5,325,275	6,477,300
Printing and Stationery	3,579,541	4,559,990
Auditors Remuneration	1,378,139	1,672,227
Miscellaneous Expenses	38,540,410	20,006,554
Directors' Commission	12,100,000	10,100,000
Bank Charges	3,334,763	7,414,078
Bad debts written off	3,717,183	1,276,319
Provision for Doubtful Debts	2,137,909	6,041,064
Directors Sitting fees	720,000	680,000
Donations	5,250,000	15,564,738
Loss on assets sold, demolished and scrapped (Net)	6,424,431	4,011,688
Total - C	<u>122,185,800</u>	<u>133,679,178</u>
Total - A+B+C	<u>1,031,856,380</u>	<u>1,029,764,352</u>
SCHEDULE 16		
INTEREST		
On Fixed Loans	3,621,144	15,741,512
On others	34,490,799	44,851,743
	<u>38,111,943</u>	<u>60,593,255</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS**SCHEDULE - 17****[1] SIGNIFICANT ACCOUNTING POLICIES****1.01 Basis of preparation of financial statements**

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

1.02 Use of estimates

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

1.03 Fixed Assets

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 / other credits availed have been deducted from the cost of respective assets.

1.04 Depreciation and Amortisation

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

1.05 Investments

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

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

1.06 Inventories

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

1.07 Foreign Currency Transactions

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

1.08 Revenue Recognition

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

1.09 Borrowing Costs

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

1.10 Excise Duty

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

1.11 Employee Benefits

- a) Short Term Employee Benefits:

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

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

The employee's gratuity fund scheme, long term compensated absences are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

1.12 Taxes on Income

- a) Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of accounting period based on prevailing enacted or subsequently enacted regulations.
- b) Provision for current tax is made on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.

- c) Advance taxes and provisions for current Income Tax are presented in the Balance Sheet after off-setting advance taxes paid and Income Tax provision arising in the same tax jurisdiction and the Company intends to settle the assets and liabilities on a net basis.

1.13 Research and Development Expenses

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

1.14 Earnings Per Share

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

[2] OTHER NOTES

Sr. No.	Particulars	2010-11 (Rs.)	2009-10 (Rs.)
2.01	Estimated amount of contracts remaining to be executed on capital account and not provided for	319,776,176	148,192,670
2.02	Contingent Liabilities not provided for in respect of:		
	a) Central Excise (Matter Subjudice)	23,181,060	21,833,255
	b) Sales Tax (under Appeal)	211,311	1,626,983
	c) Income Tax (Matter Subjudice)	85,792,762	16,994,142
	d) Interest on Electricity Tax (Matter Subjudice)	604,782	604,782
	e) Labour Matters (Matter Subjudice), to the extent quantifiable.	1,420,670	2,021,076
2.03	Outstanding amount under non fund based limits (Refer note no. 2.05 below)		
	i) Aggregate value of the amount outstanding under the letters of credit	1,792,875,928	1,452,074,075
	ii) Aggregate Value of Guarantees outstanding	4,000,000	3,000,000
2.04	Amount of borrowing costs capitalized	Nil	Nil

2.05 Security:

Working Capital facilities:

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

2.06 Warrants:

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

From the commencement of warrant exercise period (ie. 13th March 2008) till 31st March, 2011, 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, 2011.

Details of warrant conversion during the Financial Year:

Particulars	Number of Warrants	
	2010-11	2009-10
Warrants pending for conversion into equity shares for which application money received at the beginning of the year	8,553	180
Warrants received for conversion into equity shares during the year	2,225	11,197
Warrants converted into equity shares during the year	10,778	2,824
Warrants pending for conversion into equity shares for which application money received at the end of the year	Nil	8,553

As on 31st March, 2011, warrants Nil numbers (Previous year 8,553 numbers) aggregating to Rs. Nil (Previous year Rs. 299,355) were pending for conversion into equity shares.

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

Particulars	Equity Share Capital (Rs.)		Securities Premium (Rs.)	
	2010-11	2009-10	2010-11	2009-10
Balance at the beginning of the year	686,486,515	686,472,395	1,938,056,652	1,937,971,932
Conversion of warrants into equity shares during the year	53,890	14,120	323,340	84,720
Balance at the end of the year	686,540,405	686,486,515	1,938,379,992	1,938,056,652

2.07 Interest paid on others Rs. 34,490,799 (Previous year Rs. 44,851,743) is net-off Rs. 4,464,666 (Previous Year Rs. 731,640) being interest received from customers/ suppliers/ contractors. [Tax deducted at source on interest received is Rs. Nil (Previous Year Rs. Nil)].

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

Particulars	2010-11 Rs.	2009-10 Rs.
a) Principal amount remaining unpaid at the end of the year	16,178,945	5,666,795
b) Interest due thereon remaining unpaid at the end of the year	Nil	Nil
c) Amount of interest paid in terms of Section 16 during the year	5,614	296,991
d) Principal amounts of the payment made to the supplier beyond the appointed day during the year	275,742	1,834,607
e) Amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSME Act	Nil	Nil
f) Amount of interest accrued and remaining unpaid at the end of year	Nil	Nil
g) Amount of further interest remaining due and payable in the succeeding years	Nil	Nil

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

2.10 Remuneration to Statutory Auditors (Excluding Service Tax):

Particulars	2010-11 Rs.	2009-10 Rs.
a) Audit Fees	895,000	895,000
b) Tax Audit Fees	150,000	150,000
c) Certification and Other Services	274,732	542,908
d) Expenses reimbursed	58,407	84,319
Total	1,378,139	1,672,227

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

Particulars	2010-11 Rs.	2009-10 Rs.
(a) C.I.F. value of imports		
Capital Goods	6,161,050	38,910,326
Raw Materials	3,461,598,529	2,223,909,285
Stores and Spares	7,472,574	3,925,404
(b) Expenditure in foreign currencies		
Interest	14,843,603	18,318,606
Professional Fee	15,361,437	4,358,574
Others	722,417	2,774,550

2.12. Earnings in Foreign Exchange:

Particulars	2010-11 Rs.	2009-10 Rs.
FOB Value of Exports	15,341,434	303,057,876

2.13. Details of material consumption:

(i) Raw Material Consumed:

Particulars	Unit	2010-11		2009-10	
		Qty.	Rs.	Qty.	Rs.
(a) Iron ore	MT	564,802	2,068,456,970	522,658	1,105,535,988
(b) Coke	MT	232,456	4,649,300,076	208,581	3,125,797,803
(c) M.S/C.I. scrap	MT	40,177	938,479,704	31,818	639,013,577
(d) Others			155,812,092		176,018,835
Total			7,812,048,842		5,046,366,203

Imported and Indigenous Raw Material Consumption:

Particulars	2010-11		2009-10	
	Rs.	Percent	Rs.	Percent
(a) Imported	3,051,810,469	39.02	1,838,187,722	36.43
(b) Indigenous	4,760,238,373	60.98	3,208,178,481	63.57
Total	7,812,048,842	100.00	5,046,366,203	100.00

(ii) Imported and Indigenous Stores and Spares Consumption:

Particulars	2010-11		2009-10	
	Rs.	Percent	Rs.	Percent
(a) Imported	4,098,386	0.47	3,881,935	0.50
(b) Indigenous	859,201,535	99.53	769,300,773	99.50
Total	863,299,921	100.00	773,182,708	100.00

2.14. Details of licensed capacity, installed capacity and Production:

(i) Licensed and installed capacity:

Class of goods	Unit	Licensed Capacity		Installed Capacity	
		2010-11	2009-10	2010-11	2009-10
Liquid metal for Pig Iron	MT	NA	NA	360,000	360,000
Castings	MT	120,000	120,000	102,000	102,000

(ii) Production:

Class of Goods	Unit	2010-11	2009-10
Liquid metal			
- Consumed in Foundry	MT	27,440	28,693
- Consumed for manufacture of Pig Iron *	MT	279,825	244,706
Castings	MT	60,176	52,822

* Includes 5,891 MT for internal consumption (previous year 5,219 MT)

(iii) Stock of finished goods and turnover:

Class of Goods	Unit	Opening Stock		Closing Stock		Turnover	
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
(a) Pig Iron							
Quantity	MT	3,491	1,855	6,754	3,491	258,773	226,507
Value (Rs.)		67,311,802	36,667,263	176,390,868	67,311,802	6,470,416,898	4,342,171,134
(b) Castings							
Quantity	MT	Nil	Nil	Nil	Nil	57,392	49,545
Value (Rs.)		Nil	Nil	Nil	Nil	3,635,831,791	2,619,843,216
(c) Others							
Value (Rs.)		6,740,386	3,598,154	3,056,200	6,740,386	784,923,666	1,107,854,590
Total							
(Value Rs.)		74,052,188	40,265,417	179,447,068	74,052,188	10,891,172,355	8,069,868,940

Note:

Castings turnover has been arrived after considering the rejections of 2,784 MT amounting to Rs.174,177,981 (Previous Year 3,277 MT amounting to Rs. 192,111,931)

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

Particulars	No of Units	Face Value (Rs.)	Cost Price (Rs.)
a) Birla Sun Life Mutual Fund:			
i) Birla Sun Life Savings Fund - Institutional - Daily Dividend - Reinvestment	16,662,181	10	166,578,497
ii) Birla Sun Life Cash Manager - Institutional - Daily Dividend - Reinvestment	10,538,394	10	105,388,802
iii) Birla Sun Life Cash Plus - Institutional - Daily Dividend - Reinvestment	37,983,503	10	410,264,000
iv) Birla Sun Life Cash Plus - Institutional premium Daily Dividend - Reinvestment	9,990,230	10	100,045,000
b) Deutsche Mutual Fund:			
i) Dws Ultra Short Term Fund- Institutional - Daily Dividend- Reinvest	45,093,720	10	451,472,578
ii) Dws Insta Cash Plus Fund- Institutional Plan - Daily Dividend- Reinvest	86,950,926	10	873,833,000
c) Reliance Mutual Fund:			
i) Reliance Liquid Fund - Cash Plan - Daily Dividend Option Institutional	1,001,564	10	11,155,000
ii) Reliance Liquid Fund - Treasury Plan - Institutional - Daily Dividend Option	2,857,869	10	43,680,000
iii) Reliance Money Manager Fund - Institutional Option - Daily Dividend Plan	19,980	1,000	20,002,767
Total			2,182,419,644

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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency	Purpose
Payable				
2010-11	USD	10,369,280	470,625,326	Hedging the Risk
2009-10	USD	11,475,245	520,951,588	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
2010-11			
Receivables	EURO	21,727	1,332,030
Payables	USD	22,593,011	1,008,818,949
	EURO	113,463	7,175,435
2009-10			
Receivables	USD	193,926	8,711,169
	EURO	2,642	158,521
Payables	USD	17,673,184	804,296,345
	EURO	58,009	3,538,517
	JPY	2,937,264	1,434,600

2.17. Earnings per Equity Share (EPS) :

		2010-11 (Rs.)	2009-10 (Rs.)
a)	Basic Earnings Per Share		
	Basic	3.52	3.57
	Diluted	3.52	3.57
b)	The amount of profit considered for calculation of EPS is as follows: Net Profit after tax	483,294,250	490,679,009
c)	Basic earnings per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Weighted average number of equity shares used in computing earnings per equity share	137,306,109	137,295,383
d)	Face value of each equity share	5	5

2.18. Related Party Disclosures :

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

Particulars	Associate Company 2010-11 (Rs)	Associate Company 2009-10 (Rs)	Key Management Personnel 2010-11 (Rs)	Key Management Personnel 2009-10 (Rs)
Remuneration	--	--	16,509,670	14,131,088
Dividend	65,992,002	32,996,001	24,000	4,750
Building rent paid	794,160	480,000	--	--
Outstanding as on 31st March				
Outstanding receivables	Nil	Nil	--	--
Outstanding payables	Nil	Nil	--	--

2.19. Managerial Remuneration:

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

Particulars	2010-11 (Rs.)	2009-10 (Rs.)
Profit after tax for the year	483,294,250	490,679,009
Add: Provision for taxation	235,564,613	211,954,791
Directors' remuneration	18,609,670	16,231,088
	737,468,533	718,864,888
Add: Provision for doubtful debts	2,137,909	6,041,064
	739,606,442	724,905,952
Less:		
a) Provision for doubtful debts no longer required written back	776,471	421,969
b) Capital profit on sale of assets	Nil	Nil
Net Profit as per Section 309(5) of the Companies Act, 1956	738,829,971	724,483,983

(ii) Remuneration payable to Managing Director @ 5% on above profit	36,941,499	36,224,199
Restricted to	16,509,670	14,131,088
Commission to other Directors' @ 1% of above profit	7,388,299	7,244,840
Restricted to	2,100,000	2,100,000

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

Particulars	2010-11 (Rs.)	2009-10 (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	44,400	42,430
Leave Travel Assistance	90,000	90,000
Commission	10,000,000	8,000,000
Gratuity	593,670	Nil
Leave encashment	Nil	217,058
Total	16,509,670	14,131,088

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

- a. Defined Contribution Plan:

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

Particulars	2010-11 (Rs.)	2009-10 (Rs.)
Employer's contribution to Provident Fund	16,433,546	15,580,520
Employer's contribution to Superannuation Fund	1,440,490	1,548,884

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.

- b. Defined Benefit Plan:

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

Particulars	Gratuity (Funded) 2010-11 (Rs.)	Gratuity (Funded) 2009-10 (Rs.)
1) Changes in the Present Value of Obligations (PVO)		
PVO at beginning of period	90,426,114	74,227,088
Interest Cost	7,049,488	5,397,254
Current Service cost	7,538,039	6,526,067
Benefits Paid	(4,615,025)	(4,527,421)
Actuarial (gain)/loss on obligation	(16,498,083)	8,803,126
PVO at end of period	83,900,533	90,426,114
2) Changes in fair value of plan assets		
Fair Value of Plan Assets at beginning of period	50,411,281	45,853,312
Expected Return on Plan Assets	5,633,500	4,267,500
Contribution	26,476,940	4,594,751
Benefit Paid	(4,615,025)	(4,527,421)
Actuarial (gain)/loss on obligation	49,171	223,139
Fair Value of Plan Assets at the end of period	77,955,867	50,411,281

Particulars	Gratuity (Funded) 2010-11 (Rs.)	Gratuity (Funded) 2009-10 (Rs.)
3) Fair value of plan assets		
Fair Value of Plan Assets at beginning of period	50,411,281	45,853,312
Actual Return on Plan Assets	5,682,671	4,490,639
Contributions	26,476,940	4,594,751
Benefit Paid	(4,615,025)	(4,527,421)
Fair Value of Plan Assets at end of period	77,955,867	50,411,281
Funded Status	(5,944,666)	(40,014,833)
Excess of actual over estimated return on Plan Assets	49,171	223,139
4) Actuarial Gain/(Loss) Recognised		
Actuarial Gain/(Loss) for the period (obligation)	16,498,083	(8,803,126)
Actuarial Gain/(Loss) for the period (Plan Assets)	49,171	223,139
Total Gain/ (Loss) for the period	16,547,254	(8,579,987)
Actuarial Gain/(Loss) Recognised for the period	16,547,254	(8,579,987)
Unrecognised Actuarial Gain/ (Loss) at end of period	Nil	Nil
5) Amount Recognised in the Balance Sheet and statement of Profit & Loss A/c		
PVO at end of period	83,900,533	90,426,114
Fair value of Plan Assets at end of Period	77,955,867	50,411,281
Funded Status	(5,944,666)	(40,014,833)
Unrecognised Actuarial Gain/ (Loss) at end of period	Nil	Nil
Net Assets/ (Liability) recognised in the Balance Sheet	(5,944,666)	(40,014,833)
6) Amount recognised in the Statement of Profit & Loss A/c		
Current Service Cost	7,538,039	6,526,067
Interest Cost	7,049,488	5,397,254
Expected Return on Plan Assets	(5,633,500)	(4,267,500)
Net Actuarial (Gain)/Loss recognised for the period	(16,547,254)	8,579,987
Expenses recognised in statement of Profit & Loss A/c	(7,593,227)	16,235,808
7) Movements in the Liability recognised in Balance Sheet		
Opening Net Liability	40,014,833	28,373,776
Expenses as above	(7,593,227)	16,235,808
Contribution paid	(26,476,940)	(4,594,751)
Closing Net Liability	5,944,666	40,014,833
8) Actuarial Assumptions		
Mortality	LIC(1994-96) Ult	LIC(1994-96) Ult
Discount Rate	8.30%	8.00%
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	2010-11 (Rs.)	Percent	2009-10 (Rs.)	Percent
In Government Securities	Nil	-	Nil	-
State Government Bonds	938,813	1.20	1,218,765	2.42
Balances in Current Accounts with scheduled Banks	489,614	0.63	552,342	1.09
Income Tax Authorities (TDS)	45,594	0.06	45,594	0.09
Funds with Life Insurance Corporation of India	76,481,846	98.11	48,594,580	96.40
Total	77,955,867	100.00	50,411,281	100.00

2.21 i) Write back of excess provision pertaining to dividend made in the earlier years:

Particulars	2010-11 (Rs.)	2009-10 (Rs.)
Provision made in the accounts for dividend @ 20% (previous year 10%) on likely conversion of 64,490,627 Warrants (previous year 64,493,451 Warrants) into equity shares of Rs.5 each on or before the book closure date for Annual General Meeting.	64,490,627	32,246,725
Dividend on actual warrants 9,268 nos (previous year 180 nos) converted into equity shares of Rs.5 each on or before the book closure date for Annual General Meeting	9,268	90
Excess Provision written back to Profit & Loss Account	64,481,359	32,246,635

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

Particulars	2010-11 (Rs.)	2009-10 (Rs.)
Provision made for tax on dividend	34,293,859	17,146,929
Actual tax paid	22,804,906	11,666,614
Excess Provision written back to Profit & Loss Account	11,488,953	5,480,315

2.22 Details of Proposed Dividend and tax thereon, as on 31st March, 2011 :

Particulars	Dividend (Rs.)	Tax on Dividend (Rs.)
(a) Paid up Equity Share Capital as on 31st March, 2011	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

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

2.24. Information as per Part IV of Schedule VI of the Companies Act, 1956. Balance Sheet Abstract and Company's General Business Profile.

I. Registration Details:		
Registration No.	L 2 7 1 0 1 P N 1 9 9 1 P L C 0 6 3 2 2 3	
State Code	1 1 Balance Sheet Date 3 1 0 3 2 0 1 1	
II Capital Raised during the period : (Amount in Rs. Thousands)		
Public Issue	Rights Issue	
N I L	N I L	
Bonus Issue	Private Placement	Others
N I L	N I L	5 3 . 8 9
III. Position of Mobilisation and Deployment of Funds : (Amount in Rs. Thousands)		
Total Liabilities	Total Assets	
Sources of Funds		
3 9 7 0 2 5 2	3 9 7 0 2 5 2	
Paid up Capital	Reserves and Surplus	
6 8 6 5 4 0	2 9 0 4 0 3 1	
Share Application Money	Unsecured Loans	
N I L	N I L	
Secured Loans	Deferred Tax Liability (Net)	
N I L	3 7 9 6 8 1	
Application of Funds		
Net Fixed Assets	Capital Work in Progress	
2 8 8 8 2 4 8	7 0 2 7 2 2	
Investments	Net Current Assets	
- -	3 7 9 2 8 2	
Misc. Expenses	Accumulated Losses	
N I L	N I L	
IV Performance of the Company (Amount in Rs. Thousands)		
Turnover (Includes Other Income)	Total Expenditure	
1 0 9 3 7 3 8 8	1 0 2 1 8 5 2 9	
Profit/(Loss) before tax	Profit/(Loss) after tax	
+ 7 1 8 8 5 9	+ 4 8 3 2 9 4	
Earnings per share (Rs.)	Dividend Rate (%)	
+ - 3 . 5 2 (Basic)	2 0	
+ - 3 . 5 2 (Diluted)		
V Generic Name of Three Principal Products/Services of Company (as per monetary terms)		
Item Code No.	7 2 0 1 1 0 0 0	
Product Description	Non Alloy Pig Iron containing by weight 0.5% or less of Phosphorous.	
Item Code No.	7 3 2 5 1 0 0 0	
Product Description	Industrial Castings of non-malleable cast iron	

Signatures to Schedules 1 to 17

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R. V. GUMASTE
Managing Director

S.B.PAGAD
Partner

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Vice President-Finance

Pune : 26th April, 2011

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(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, profit and loss account, 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, profit and loss account, 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

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

ATTENDANCE SLIP

20th Annual General Meeting on 22nd July, 2011 at 10.00 A.M.

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

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

I hereby record my presence at the 20th Annual General Meeting of the Company at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 on Friday, the 22nd day of July, 2011 at 10.00 A.M.

Shareholder's / Proxy's Signature
Proxy's full name
(in BLOCK LETTERS)
.....
.....

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

-----TEAR HERE-----

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

PROXY FORM

I/We
L.F. No / DP Id and Client Id of
being member/members of Kirloskar Ferrous Industries Limited, do hereby appoint
..... of or failing
him/her of as my/our proxy in
my/our absence to attend and vote for me/us and on my/our behalf at the 20th Annual General Meeting of the
Company, to be held at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru
Stadium, Swargate Corner, Pune 411002 on Friday, the 22nd day of July, 2011 at 10.00 A.M. and at any
adjournment thereof.

In witness whereof, I/we have set my/our hand/hands this day of 2011.

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.

TEAR HERE

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Greenery at Solapur plant



Modern Foundry at Solapur



Greenery at Hospet plant



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