

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2007-2008

17th Annual Report for the
financial year ended on 31st March, 2008

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

State Bank of India
Bank of Maharashtra
AXIS Bank Ltd.
IDBI Bank Ltd.
ING Vysya Bank Ltd.
HDFC Bank Ltd.

Registrars & Transfer Agent

Intime Spectrum Registry Limited
Block No. 202, 2nd Floor,
Akshay Complex, Near Ganesh Temple,
Off Dhole Patil Road, 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 - 413224

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KIRLOSKAR FERROUS INDUSTRIES LIMITED

A DECADE AT A GLANCE

Particulars	(Rupees in Million)									
	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Net Sales	1,941.38	2,219.29	2,345.79	2,267.12	2,511.37	3,759.54	4,970.11	4,827.46	5,251.32	7,264.56
Other Income	7.89	8.89	11.96	7.36	8.32	94.36	34.68	44.52	64.37	183.47
Total Income	1,949.27	2,228.18	2,357.75	2,274.48	2,519.69	3,853.90	5,004.79	4,871.98	5,315.69	7,448.03
Raw Material & Stores consumed	1,458.49	1,502.63	1,758.97	1,632.42	1,738.62	2,656.25	4,076.12	3,690.58	3,618.46	5,301.91
Employees remuneration & benefits	74.52	82.71	88.42	96.05	108.85	107.25	119.75	134.46	182.44	296.85
Other Expenses	373.31	379.11	340.57	302.95	342.79	456.43	384.93	459.60	639.99	921.82
Total Expenses	1,906.32	1,964.45	2,187.96	2,031.42	2,190.26	3,219.93	4,560.80	4,284.64	4,440.89	6,520.58
Profit Before Interest, Depreciation & Amortisation	42.95	263.73	169.79	243.06	329.43	633.97	423.99	587.34	874.80	927.45
(% to Total Income)	2.20	11.84	7.20	10.69	13.07	16.45	8.47	12.06	16.46	12.45
Interest	303.69	324.57	371.11	244.51	161.14	231.46	89.90	69.94	69.32	83.90
Depreciation and Amortisation	135.11	139.23	137.92	133.62	134.00	130.07	126.46	119.81	139.88	185.42
Profit/(Loss) before Tax	(395.85)	(200.07)	(339.24)	(135.07)	34.29	272.44	207.63	397.59	665.60	658.13
(% to Total Income)	(20.31)	(8.98)	(14.39)	(5.94)	1.36	7.07	4.15	8.16	12.52	8.84
Tax Provisions	0.43	0.23	0.08	40.85	4.59	(44.72)	(10.68)	136.78	220.97	167.81
Net Profit/(Loss) after Tax	(396.28)	(200.30)	(339.32)	(175.92)	29.70	317.16	218.31	260.81	444.63	490.32
(% to Total Income)	(20.33)	(8.99)	(14.39)	(7.73)	1.18	8.23	4.36	5.35	8.36	6.58
Share Capital										
Equity share capital	585.00	585.00	625.00	722.22	722.22	722.22	722.22	361.11	685.02	685.02
Preference share capital	450.00	450.00	684.20	986.26	1,046.86	1,046.86	1,046.86	1,046.86	-	-
Total	1,035.00	1,035.00	1,309.20	1,708.48	1,769.08	1,769.08	1,769.08	1,407.97	685.02	685.02
Reserves										
Share Premium	-	-	-	-	-	-	-	-	1,929.29	1,929.29
General Reserves	-	-	-	-	-	-	-	-	-	50.00
Profit & Loss Account	(665.48)	(865.78)	(1,205.10)	(1,381.02)	(1,147.50)	(830.35)	(741.31)	(379.11)	17.04	337.14
Total	(665.48)	(865.78)	(1,205.10)	(1,381.02)	(1,147.50)	(830.35)	(741.31)	(379.11)	1,946.33	2,316.43
Loans	1,752.98	1,734.34	1,882.05	1,622.29	1,262.27	622.99	534.28	323.57	201.08	39.43
Net Fixed Assets	1,918.97	1,819.67	1,706.08	1,600.87	1,492.22	1,337.57	1,284.90	1,247.06	1,725.42	2,464.09
Net Current Assets other than Cash & Bank	111.19	12.68	192.46	269.68	71.21	(102.36)	(329.53)	(60.42)	102.47	371.54
Cash & Bank Balance	35.44	34.11	60.74	75.77	125.81	107.02	386.61	83.43	1,105.45	434.28
Capital employed	2,065.60	1,866.46	1,959.28	1,946.32	1,689.24	1,342.23	1,341.98	1,270.07	**2,056.81	3,269.91
Misc. Expenditure	56.39	36.59	26.37	43.71	36.07	16.17	5.96	-	-	-
Net Worth *	313.13	132.63	77.73	283.75	585.51	922.56	1,021.81	1,028.86	**1,459.16	2,951.45
Return on Capital employed %	(4.46)	6.67	1.63	5.62	11.57	37.54	22.17	36.81	35.73	22.69
Return on Networth %	-	-	-	-	5.07	34.38	21.37	25.35	30.47	16.61
No. of Equity Shares	58,500,000	58,500,000	62,500,000	72,222,400	72,222,400	72,222,400	72,222,400	72,222,400	137,005,165	137,005,165
Earnings per share (Rs.)	(2.34)	(5.43)	(6.71)	(2.63)	(0.18)	3.75	2.38	2.88	5.24	3.58
Book Value per share (Rs.)	(2.34)	(5.43)	(9.70)	(9.73)	(6.39)	(1.72)	(0.35)	(0.25)	19.21	21.91

Note:

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

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

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

The figures of 2006-07 include figures of Castings Division, Solapur unit (acquired from Kirloskar Oil Engines Limited w.e.f. 1st 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 17th Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held on Thursday, the 28th day of August, 2008 at 11.30 a.m. at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002, 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, 2008 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 confirm the payment of Interim Dividend on the Equity Shares.

Item No. 3

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. 4

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

Item No. 5

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

Item No. 6

To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

Item No. 7

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

“RESOLVED THAT, pursuant to Sections 198, 269, 309, 310 Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 read with Articles 95, 96, 97 and 98 of the Articles of Association of the Company, the consent of the members be and is hereby accorded to the reappointment of Mr. R. V. Gumaste as the Managing Director of the Company for a period of 5 years with effect from 1st July, 2008.

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

A) BASIC SALARY

Basic Salary shall be Rs. 3,40,000/- per month

B) SPECIAL ALLOWANCE

Rs. 40,000/- per month

C) PERQUISITES

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

1. Residential accommodation, valuation of which shall not exceed Rs. 10,000/- per month; where no accommodation is provided by the Company, house rent allowance in lieu thereof not exceeding Rs. 10,000/- per month be paid.
2. Reimbursement of all medical expenses incurred for self and family, subject to a limit of Rs. 20,000/- per annum.



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3. Leave travel assistance for self and family once in a year, in accordance with the rules of the Company, not exceeding Rs. 90,000/- per annum.
4. Mediclaim Insurance Policy premium and personal accident insurance premium whereof does not exceed Rs. 10,000/- per annum.
5. Provision of car for use on Company business. Use of car for private purpose shall be billed by the Company to the Managing Director.
6. The Company shall provide Telephone and Internet connection at his residence.
7. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
8. Gratuity at the rate not exceeding half a month's salary for each completed year of service as Managing Director, and
9. Leave at the rate of 30 days per calendar year of service. Leave calculation for a part of the calendar year at the date of appointment as Managing Director or on ceasing to be Managing Director shall be made on a pro-rata basis at the rate of two and a half days leave for every completed month of service. Leave accumulated and not availed of may be encashed at the end of the tenure as per the rules of the Company.

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

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

D) COMMISSION

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

E) MINIMUM REMUNERATION

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as the Managing Director, the remuneration shall be paid subject to the ceiling and conditions stipulated in Section II of Part II of Schedule XIII to the Companies Act, 1956 as minimum remuneration.

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

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

Item No. 8

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

“**RESOLVED THAT**, pursuant to the provisions of Section 81(1A), and other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (hereinafter referred to as “SEBI Guidelines”) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the members of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee thereof, including the Compensation Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s), who are in permanent employment of the Company, whether working in India or out of India, and who are

Directors of the Company, whether in whole time employment or otherwise and who are eligible for the grant of stock options in terms of the SEBI Guidelines, the stock options exercisable into not more than 12,00,000 Equity Shares of the Company, under one or more Employee Stock Option Scheme(s) ("ESOP Scheme"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board of Directors in accordance with the provisions of the law or guidelines issued by the relevant Authority and that each option would be exercisable for one Equity share of a face value of Rs. 5/- each fully paid up upon the payment of the requisite exercise price to the Company.

RESOLVED FURTHER THAT, the number of options that may be granted to Non-Executive Directors, including Independent Directors, in any financial year under the Scheme shall not exceed 140,000 and in aggregate shall not exceed 200,000 equity shares of face value Rs. 5/- each.

RESOLVED FURTHER THAT, in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares are required to be issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling limit of 12,00,000 Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued.

RESOLVED FURTHER THAT, the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the Employee Stock Option Scheme, and take necessary steps for listing of such Equity Shares allotted under the Employee Stock Option Scheme(s), on the exchanges where Company's Equity Shares are listed and such Equity Shares shall be subject to the Memorandum and the Articles of Association of the Company and shall rank pari passu in all respects with the then existing Equity Shares of the Company.

RESOLVED FURTHER THAT, in case the Equity Shares of the Company are either sub – divided or consolidated, then the number of Equity Shares to be allotted and the exercise price payable by the option grantees under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 5/- per Equity Share bears to the revised face value of the Equity Share of the Company after such sub – division or consolidation, without affecting any other rights or obligations of the said allottees.

RESOLVED FURTHER THAT, the Board be and is hereby authorized to decide about the manner in which and employees to which options may be granted.

RESOLVED FURTHER THAT, the Board be and is hereby authorised to do all such acts, deeds, matters and things, as may be necessary, expedient or proper at any stage without requiring the Board to secure any further consent or approval of the members of the Company and to make modifications, changes, variations, alterations or revisions in the said schemes as it may deem fit, from time to time in its sole and absolute discretion in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company, SEBI Guidelines and any other applicable laws."

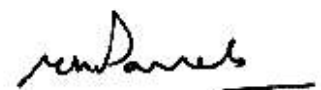
Item No. 9

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

"RESOLVED THAT, pursuant to the provisions of Sections 198, 309, 310, 349, 350 and any other applicable provisions, if any, of the Companies Act, 1956, and subject to the such other approvals, permissions or sanctions as may be necessary, the consent of members of the Company be and is hereby accorded to the Board of Directors of the Company to decide the payment of remuneration by way of commission (over and above the payment of sitting fees) to the Directors of the Company (other than the Managing Director or a Director who is in the whole time employment of the Company), a sum not exceeding one percent per annum of the Net Profit of the Company computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956, in any financial year upto a period of 5 years, commencing from the financial year 2007 – 2008."

By order of the Board of Directors

Registered Office :
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003.



C. S. Panicker
Company Secretary

Pune : 19th June, 2008

KIRLOSKAR FERROUS INDUSTRIES LIMITED

NOTES:

- i) The Register of Members and the Share Transfer Books of the Company will remain closed from Thursday, 21st August, 2008 to Thursday, 28th August, 2008 (both days inclusive) in connection with 17th Annual General Meeting.
- 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.

Proxies if any, in order to be effective, must be received at the Registered Office of the Company at Pune, not later than 48 hours before the time fixed for the meeting.

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

- iii) The Interim Dividend on Equity Shares for the financial year 2007 – 2008 was declared by the Board of Directors at its meeting held on 20th February, 2008 and was paid to those shareholders, whose names appeared in the Register of Members on 7th March, 2008.
- 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 dematerialised form, are requested to intimate details regarding change of address, etc. to the Depository Participants where they have their D-mat accounts.
- vi) Members may avail of the facility of dematerialisation by opening D-mat 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 dematerialised form, are requested to bring their Client Id and DP Id for easy identification.
- viii) Since Company's shares are in compulsory Dematerialised trading, to ensure better investor service and elimination of risk of holding shares in Physical form, it is requested that the shareholders holding shares in Physical form to get their shares dematerialised at the earliest.
- ix) In case members wish to ask for any information about accounts or operations of the Company, they are requested to send their queries in writing at least 7 days before the date of the meeting so that the information can be made available at the time of the meeting.
- x) Members / Proxies are requested to bring their attendance slip duly filled in.
- xi) Members are requested to bring their copy of the Annual Report for the Meeting.
- xii) Members having multiple folios are requested to intimate to the Company such folios to enable the Company to consolidate all shareholdings into one folio.

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

Item No. 3 of the Notice

Mr. S. N. Inamdar retires by rotation, and being eligible, offers himself for reappointment.
He holds 6,100 (0.004 %) equity shares in the Company.

Item No. 4 of the Notice

Mr. A. N. Alawani retires by rotation, and being eligible, offers himself for reappointment.
He holds 35,000 (0.026 %) equity shares in the Company.

Item No. 5 of the Notice

Mr. A. R. Jamenis retires by rotation, and being eligible, offers himself for reappointment.
He holds 3,400 (0.002 %) equity shares in the Company.

Item No. 7 of the Notice

Mr. R. V. Gumaste was appointed as an Executive Director of the Company with effect from 25th July, 2002. Thereafter, the Board of Directors had appointed him as the Managing Director of the Company for a period of 5 years with effect from 1st July, 2003 and his appointment as the Managing Director and terms of remuneration were approved by the members at the Annual General Meeting held on 20th September, 2003.

The Board of Directors at its meeting held on 19th June, 2008 has reappointed him as the Managing Director of the Company for a period of 5 years with effect from 1st July, 2008 and has also determined the remuneration payable to him, subject to the approval of the members at the ensuing Annual General Meeting.

Mr. R. V. Gumaste is not liable to retire by rotation till he continues as Managing Director.

He holds 9,500 Equity Shares in the Company.

Mr. R. V. Gumaste does not hold any directorship in any other company.

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

Item No. 8 of the Notice

The Company appreciates the critical role people play in the organizational growth. It strongly feels that the value created by its people should be shared by them. To promote the culture of employee ownership, the approval of the members by way of a special resolution is being sought for issue of stock options to the employees and the Directors of the Company.

The main features of the Employee Stock Option Scheme (ESOP) are as follows :

1. Total number of options to be granted:

A total number of options equal to 12,00,000 Equity Shares of the Company would be available for being granted to eligible employees and the Directors of the Company. Each option when exercised would be converted into one Equity share of Rs. 5/- each fully paid up.

Vested options that lapse due to non – exercise or invested options that get cancelled due to resignation of the employees or otherwise, would be available for being re – granted at a future date.

As per the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 requires that in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional Equity Shares are issued by the Company to the Option Grantees for making such fair and reasonable adjustment, the ceiling limit of 12,00,000 Equity Shares shall be deemed to be increased to the extent of such additional Equity Shares issued.



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2. Identification of classes of employees entitled to participate in the Employee Stock Option Scheme(s):

All permanent employees of the Company as may be decided by the Compensation Committee from time to time, and the Directors of the Company, except the Promoter Directors, would be entitled for the grant of stock options under the Employees Stock Option Scheme(s).

3. Transferability of employee stock options:

The stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner whatsoever. However, in the event of the death of an employee stock option holder while in the employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

4. Requirements of vesting and period of vesting:

The stock options granted shall vest so long as the employee continues to be in the employment of the Company. The Compensation Committee may, at its discretion, lay down certain performance matrix on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance based vesting, and the proportion in which stock options granted would vest, subject to the minimum and maximum vesting period as specified below.

The options would vest not earlier than 1 year and not later than 5 years from the date of grant of options. The exact proportion in which and the exact period over which the options would vest, would be determined by the Compensation Committee, subject to the minimum vesting period of 1 year from the date of grant of options.

5. Exercise Price:

The options would be granted at an exercise price of Rs. 35/- per option or the closing market price on a recognised stock exchange one day prior to the date of the meeting of the Board / the Compensation Committee, at which options will be granted, as decided by the Compensation Committee / the Board.

6. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire on completion of 3 years from the date of vesting of options.

The options will be exercisable by the permanent employees as well as eligible Directors by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse, if not exercised within the specified exercise period.

7. Appraisal Process for determining the eligibility of the employees to ESOP:

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria such as role/ designation of the employee, length of service with the Company, past performance record, future potential of the employee and/or such other criteria that may be determined by the Compensation Committee at its sole discretion.

8. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to any specific employee under the Scheme shall be less than one percent of the Issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

9. Disclosure and Accounting Policies:

The Company shall comply with all the disclosures and the accounting policies prescribed as per the SEBI Guidelines and/or such other guidelines as may be applicable, from time to time.

10. Method of Option valuation:

To calculate the employee compensation cost, the Company shall use the Intrinsic Value Method for valuation of the options granted.

The difference between the employee compensation cost computed using Intrinsic Value Method and the cost that shall have been recognised if the Fair Value Method was used, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the Employee Stock Option Scheme provide for the issue of shares to be offered to the persons other than existing shareholders of the Company, the consent of the members is being sought pursuant to Section 81(1A) of the Act and as per clause 6 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

All Directors, except Mr. Atul C. Kirloskar and Mr. Sanjay C. Kirloskar, may be deemed to be concerned or interested in the resolution to the extent of the Options that may be offered to them under the Scheme.

Item No. 9 of the Notice

In view of the increasing business operations of the Company and as a token of recognition of the onerous responsibilities shouldered by its Directors, it is proposed to pay additional remuneration by way of commission to the Directors, who are not in the whole time employment of the Company. At present, only sitting fees for attending a Board / Committee meeting is being paid to all such Directors of the Company.

The Remuneration Committee and the Board of Directors at their respective meetings held on 19th June, 2008 accorded their approval for payment of additional remuneration by way of commission to Non – Executive Directors of the Company in pursuance of the provisions of Sections 198, 309, 310, 349, 350 and other applicable provisions, if any of the Companies Act, 1956, and subject to the necessary approvals of the Central Government and of the members of the Company.

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

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

Registered Office :
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003.

Pune : 19th June, 2008

By order of the Board of Directors,



C. S. Panicker
Company Secretary

KIRLOSKAR FERROUS INDUSTRIES LIMITED

DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting 17th Annual Report together with the Audited Annual Accounts for the year ended 31st March, 2008.

FINANCIAL PERFORMANCE:

The financial results of the Company for the financial year 2007 - 2008 as compared with the previous year are as follows -

	(Amount in Rupees)	
	2007 - 2008	2006 - 2007
Sales and other Income	7,448,032,539	5,315,689,166
Profit before tax	658,127,620	665,595,413
Provision for tax (including Deferred Tax)	167,808,071	220,967,959
Profit after tax	490,319,549	444,627,454
Balance of Profit / (Loss) brought forward from previous year	17,035,363	(379,117,455)
Profit available for appropriation	507,354,912	65,509,999

APPROPRIATIONS:

Your Directors propose to appropriate the Profit as under -

Interim Dividend @ 15% on 137,005,165 Equity Shares of Rs. 5/- each	102,753,874	-
Dividend on Preference Shares -		
i. 12% Redeemable Cumulative Non - convertible Preference Shares	-	35,864,091
ii. 1% Redeemable Cumulative Non - convertible Preference Shares	-	6,648,197
Tax on Dividend	17,463,021	5,962,348
Transfer to General Reserve	50,000,000	-
Balance carried to Balance Sheet	337,138,017	17,035,363

DIVIDEND:

Your Directors at their meeting held on 20th February, 2008 declared an Interim Dividend of 15 percent (75 paise per Equity share) on the Equity share capital of the Company. The date of payment of Interim Dividend was 18th March, 2008. The interim dividend paid is being placed for the confirmation of the shareholders at the ensuing Annual General Meeting. No additional dividend is being proposed and Interim Dividend declared shall be the final dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

A. Economy and Industry Overview:

The growth in the World economy for the year 2007 - 2008 slipped down to 4.95 percent from a level of 5.1 percent for the previous year. The oil and metal prices have peaked to new heights.

During the same period, the Indian Economy recorded a growth of 8 percent as compared to 9.4 percent in the earlier year.

In the Auto sector, the passenger vehicles registered an increase of 14.45 % and the commercial vehicles an increase of 4.9% in the year 2007 - 2008.

The growth in the Tractor industry remained flat for the year.

The demand for the castings was stable throughout the year.

On the Iron and Steel front, the crude steel production in India reached a level of 53.1 million ton for the year against 49.5 million ton for the previous year, thus registering a growth of 7.3 %. India is now the Fifth largest producer in the world. The production of Steel in India is expected to reach 209 million ton by the year 2013.

The global demand for Metallurgical coal and coke has been increasing, consequent to which the prices are rising. The met coke prices increased to a level of USD 520 per ton by the end of the year 2007 - 2008 against a price of USD 215 per ton in the beginning of the year.

The demand for the pig iron in the domestic as well as in the international market was good, and the Company could sell the entire pig iron produced during the period.

The long term outlook of Indian economy looks good as India is set to become the third largest economy after China & USA by the year 2020. However, the inflation level hovering around 8% has become a matter of serious concern.

The entire economic scenario has made the business more challenging in terms of precise planning, timely execution and driving down the manufacturing cost.

There has been a rise in the interest rates on borrowings during the year under review. This has set another challenge of managing the working capital properly by maximising the productivity of various resources.

With the continued growth in various sectors of the economy, the Indian Industry is experiencing the crunch of talented and skilled manpower, thereby facing the vagaries of high attrition rate.

B. Company Performance:

During the year under review, your Company achieved Net Sales of Rs. 7,264 Million (previous year Rs. 5,251 million). The sales value increased as compared to previous year due to the increase in sales of pig iron and castings.

The profit before tax for the year under review stood at Rs. 658.13 Million as compared to Rs. 665.60 Million of the previous year after providing for depreciation and amortization. Despite higher sales, the profit was flat due to abnormal increase in the raw material cost in the last quarter of the year.

Installation of Hot Blast Stoves for one Mini Blast Furnace was one of the objects of the Rights Issue as mentioned in the Letter of Offer dated 2nd January, 2007. During the year under review, the installation of Hot Blast Stoves was completed and they have become operative. This has resulted in the reduced coke consumption and increased productivity.

Further on the castings front, the revamping of the moulding machine and installation of new casting handling system coupled with productivity increase, resulted in increased production and decline in rejection, which contributed to improve the profitability of the Company.

Having experienced steep increases in the prices of imported coke, and towards countering this, as a strategy, your Company started partly sourcing the coke from the domestic market.



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Your Company has concluded the wage negotiations with the workmen at both the units i.e., Hospet and Solapur. The wage settlement is linked to the productivity and as such the increased wage bill is being absorbed by the increase in production.

During the year under review, your Company has been able to reduce the quantum of loans, and declared a maiden Interim Dividend of 15% to the equity shareholders.

It has been an endeavour of your Company to acquire iron ore mines for its captive consumption. The Government of Karnataka has recommended to the Central Government for allotment of iron ore mines to your Company. This has however been challenged by other applicants in the H'ble High Court of Karnataka and also in Mines Tribunal, New Delhi. As such the matter is subjudice as on date.

C. Operational Performance:

The coke prices which were at a level of USD 215/MT at the beginning of the year increased steadily to reach a level of USD 520/MT towards the close of the year. The prices of iron ore continued to increase throughout the year. The prices increased from the level of Rs. 1,950 PMT in the beginning of the year to Rs. 3,600 PMT by the end of the year. This is on account of the increased demand from China as well as from the domestic industry.

Increased diesel cost had its impact on the logistic cost of raw materials.

Your Company sold 212,792 MT of pig iron valued at Rs. 3,684 Million as compared to 206,365 MT valued at of Rs. 3,017 Million in the previous year.

With the increased demand for castings from both the auto and the tractor industry, your Company was able to sell 49,964 MT castings aggregating to Rs. 2,578 Million as compared to 35,599 MT castings aggregating to Rs. 1,657 Million in the previous year.

D. Cost Control:

Your Company adopted following measures to reduce the cost -

- a) Installation of stoves for one of the mini blast furnace;
- b) Improved processes resulting in reduction in rejection; and
- c) Initiation of energy conservation projects

E. Concerns and Threats:

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

Coke is a vital material required for the manufacture of pig iron. Any rise in the price or change in duty structure or change in the policy of the Chinese Government may adversely affect the availability / cost of the coke.

Any slow down in the economy growth will have an adverse impact.

Attrition of the experienced managers is an area of concern. The Company is making all efforts to retain the talent through proper rewarding and career planning systems.

F. Prospects for the Current Year:

The Steel Industry, the multi utility vehicle, and the tractor segments have direct impact on the business of the Company. Despite the slowdown in the general economy, the above sectors are expected to perform well. This will help in having a sustained demand both for pig iron and castings. The installation of a new high pressure moulding line with other utility equipments at Solapur is in progress and is expected to be commissioned in the current year.

In order to become cost competitive, the Company has identified the following projects for cost saving-

- a) Installation of stoves in second Mini Blast Furnace to reduce coke consumption and increase productivity;
- b) Installation of sinter plant to utilise the iron ore fines to convert the same into sinters to be used in the manufacture of pig iron which will result in reduction in operating cost and increase in productivity;
- c) Installation of turbo blower to utilise the excess blast furnace gas generated in the mini blast furnace to reduce power cost;
- d) A manipulator for evacuation of hot castings to reduce the damages of castings.

The Company proposes to finance the Installation of stoves in second Mini Blast Furnace, Installation of sinter plant and a manipulator out of the funds generated from internal accruals while the installation of Turbo Blower will be financed out of remaining proceeds of the Rights Issue.

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 unauthorized 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.

Your Company has migrated from the Informix RDBMS to Oracle based system in the month of December 2007.

H. Safety, Health and Environment:

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

Requirements of environmental acts and regulations are also 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. Immediate, corrective and



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preventive measures are undertaken in case of deviations from the specified norms. ISO-14001:2004 for Environment systems has been re-certified for the Company by the M/s IRQS, Chennai in March 2008.

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

Medical check up for the employees is being conducted at the pre-employment stage and thereafter periodical check up is undertaken 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 cater to the medical needs of the employees.

I. Social Responsibility:

As a part of its corporate responsibility to the society, your Company has been supporting and providing assistance to nearby villages at Hospet by supply of good quality drinking water and educational assistance for the village people. Also some basic facilities such as roads, drainages, school building and medical centre have been provided through the Trust set up by your Company. Biweekly medical check ups by the specialist doctors with medicine is provided in the neighbouring village. Seed money has also been provided to rural women for self employment scheme. Financial assistance to needy farmers and supply of water for irrigation during summer are some measures taken by the Company.

J. Human Resources:

Your Company considers human resource to be an important valuable asset for the organisation and therefore constantly strives to attract and recruit best talent for the current and future needs. The Company has taken necessary steps to upgrade the skills of present employees by conducting various in-house training programs and courses. Further measures for the safety of the employees are also adopted through training programs on safety and mock drills. As on 31st March, 2008 the total number of salaried employees stood at 1,316. The Employer - Employee Relations have been generally cordial throughout the year.

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

Pursuant to the Letter of Offer dated 2nd January, 2007, the Company had allotted 64,782,765 Equity Shares of Rs. 5/- each alongwith 64,782,765 Detachable Warrants on 13th March, 2007.

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 exercise period has commenced on 13th March, 2008. The Company has received 13 applications for conversion of 1,880 Detachable Warrants into Equity Shares aggregating to Rs. 65,800/- till 31st March, 2008.

DIRECTORS

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

The Board of Directors at its meeting held on 19th June, 2008 has reappointed Mr. R. V. Gumaste as the Managing Director of the Company for a period of 5 years with effect from 1st July, 2008. A proposal for

his reappointment as the Managing Director and remuneration payable to him is being placed before the shareholders of Company for their approval at the ensuing Annual General Meeting.

The brief resumes and other details relating to the Directors, who are proposed to be appointed / reappointed, as required to be disclosed under Clause 49 of the Listing Agreement, form part of the Report on Corporate Governance.

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, 2008 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, 2008 and of the profit of the Company for the year ended 31st March, 2008;
- 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, 2008 on a "going concern" basis.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended 31st March, 2008 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 Audit Committee 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 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.



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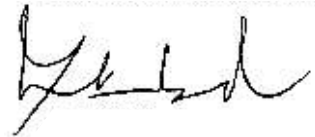
CORPORATE GOVERNANCE

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

APPRECIATION

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

For and on behalf of the Board of Directors



ATUL C. KIRLOSKAR
Chairman

Pune : 19th June, 2008

**ANNEXURE - A
TO THE
DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED
31st MARCH, 2008 AND FORMING PART THEREOF**

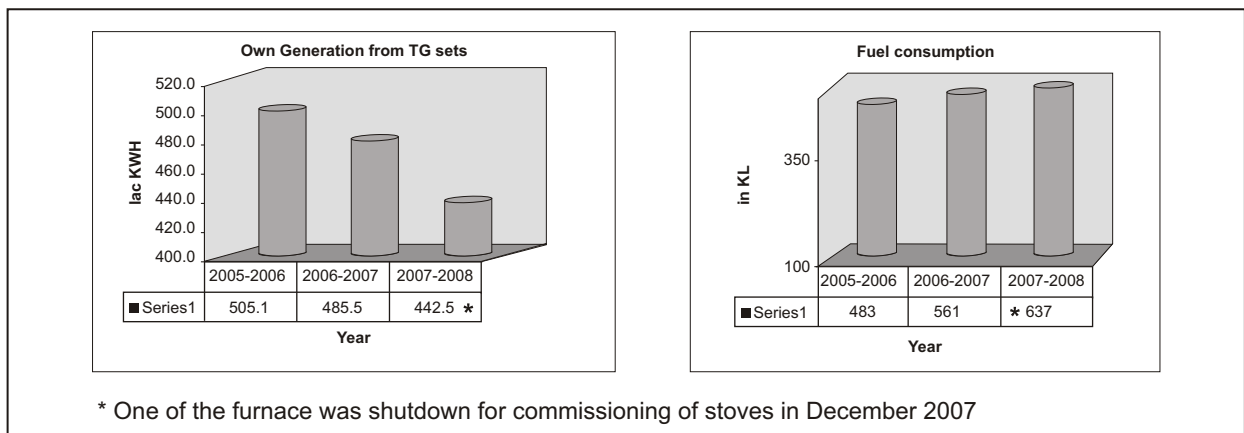
Additional Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming a part of the aforesaid Directors' Report :

A. CONSERVATION OF ENERGY:

a. Energy conservation measures taken during the year 2007-2008 are as follows;

1. Audit for Energy, Pumps, Compressors and Thermal was taken up and the process of implementing the Audit recommendations for Energy conservation is in progress.
2. Installed shaftless stoves for one of the Blast furnace to reduce coke consumption.
3. Coating of Shell cooling pump, Gas cleaning pump and Tuyere cooling pump's internal surfaces with corrocoat to improve surface finish and reduce friction losses.
4. Replacement of pumps with suitable capacity as per report of energy audit. First phase completed. This is being done for energy conservation.
5. Installation of Bio-gas plant and Solar steam generation plant for canteen to reduce electricity consumption.
6. Installation of solar street lights for use of renewable energy.
7. On-line energy monitoring system at plant level as an energy conservation measure.
8. Use of furnace oil for core drying system instead of High speed diesel.
9. Insulation for coke drying ovens to reduce heat loss and improve efficiency.
10. Fanless cooling tower installation for compressors to reduce electricity consumption.
11. Blast furnace gas usage for foundry ladles pre-heating instead of High speed diesel.
12. Replacement of tubelights with CFLs to reduce electricity consumption.

Figures of Power generation and Fuel consumption:



b) Additional Proposals for the year 2008-2009:

1. Installation of shaftless stoves for Second Blast Furnace is taken up in Financial Year 2008-09 and expected to be completed in the Financial Year 2009-10.
2. Installation of 5 MW Power plant to utilise Blast Furnace Gas.
3. Installation of variable frequency drive for fans and conveyors to reduce electricity consumption.
4. Replacement of pumps with suitable capacity as per report of energy audit. Second phase will be completed.

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5. Up-gradation of compressors by replacing reciprocating compressors with centrifugal compressors.
6. Optimisation of fuel consumption in Metallic blast pre-heater of Second Blast Furnace.
7. Establishing Clean Development Mechanism (CDM) for upcoming projects and taking benefit from it.
8. Replacement of Tubelights with CFLs to reduce electricity consumption.
9. Implementation of Energy audit findings.
10. Use of Furnace oil for sand drying system instead of high speed diesel.

Impact of the above measures:

- I Reduction in consumption of coke by 50 kg/THM.
- II Reduction in energy consumption.
- III Conservation of non-renewable energy resources.
- IV Excess power generation and hence minimized dependance on KPTCL Power.
- V Improvement in operational efficiency and widening the scope for energy conservation.

C TECHNOLOGY ABSORPTION:

Kalugin design stoves installed in one of the Blast furnace and achieved higher blast temperature.

D FOREIGN EXCHANGE EARNINGS AND OUTGO:

	(Rupees in Million)
Earnings	366.30
Outgo	2,167.05

ANNEXURE B

DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31st MARCH 2008 AND FORMING A PART THEREOF

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 Directors' 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	50	B.Tech (Met.)	27	Managing Director	8/11/2001	10,100,322/-	Chief Executive Works Indian Seamless Metal Tubes Ltd.

NOTES :

- 1) Designation of the employee indicates the nature of duties.
- 2) The nature of 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.

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

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.

The information on composition of the Board, category of Directors, attendance at Board meetings held during the year and at the last Annual General Meeting, Directorships in other public companies and Committees of other public companies of which the Director is a Member / Chairman, is as under –

Name of Directors	Category	Financial Year 2007-08		Attendance at the Last AGM	* Number of Directorships in other Public Limited Companies incorporated in India	**Committee positions held in Other Public Companies	
		Board Meetings Held	Board Meetings Attended			Member	Chairman
Mr. Atul C. Kirloskar	Chairman Non - Independent Non Executive	5	4	Yes	3	Nil	2
Mr. Sanjay C. Kirloskar	Non - Independent Non Executive	5	3	Yes	5	2	1
Mr. R. V. Gumaste	Executive	5	5	Yes	Nil	Nil	Nil
Mr. A. R. Jamenis	Independent Non Executive	5	5	Yes	1	1	Nil
Mr. S. N. Inamdar	Independent Non Executive	5	4	Yes	10	2	3
Mr. C. V. Tikekar	Independent Non Executive	5	5	Yes	Nil	Nil	Nil
Mr. S. G. Chitnis	Independent Non Executive	5	4	Yes	Nil	Nil	Nil
Mr. A. N. Alawani	Independent Non Executive	5	5	Yes	4	2	Nil

* 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.

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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.

During the year, the Board of Directors met 5 times on the following dates -

28th April, 2007; 26th July, 2007; 22nd October, 2007; 25th January, 2008 and 20th February, 2008

Statement showing number of securities of the Company held by the Directors as on 31st March, 2008:

Name of Directors	Equity Shares of Rs. 5/- each	Detachable Warrants
Mr. Atul C. Kirloskar	3,040	1,440
Mr. Sanjay C. Kirloskar	380	180
Mr. R. V. Gumaste	9,500	4,500
Mr. A. R. Jamenis	2,000	1,400
Mr. S. N. Inamdar	6,100	NIL
Mr. C.V. Tikekar	6,000	NIL
Mr. S. G. Chitnis	1,900	1,200
Mr. A. N. Alawani	35,000	21,700

Declaration of compliance with the Code of Conduct:

The Board of Directors have 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 is appearing elsewhere in the Annual Report.

2. Audit Committee

a. Composition :

The Audit Committee comprises of four Non - Executive Directors, all of whom are Independent. Mr. S. N. Inamdar is the Chairman of the Audit Committee. The Company Secretary acted as the Secretary of the Committee.

During the financial year 2007 - 2008, four Audit Committee meetings were held on 28th April, 2007; 26th July, 2007; 22nd October, 2007 and 25th January, 2008.

The details of attendance by the Committee Members are as follows -

Name of the Directors	Category	Number of meetings attended
Mr. S. N. Inamdar (Chairman)	Independent Non - Executive	3
Mr. C. V. Tikekar	Independent Non - Executive	4
Mr. A. R. Jamenis	Independent Non - Executive	4
Mr. S. G. Chitnis	Independent Non - Executive	3

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

Mr. S. N. Inamdar, Chairman of the Audit Committee, was present at the Annual General Meeting of the Company held on Thursday, 26th July, 2007.

The Audit Committee acts as a link between the Management, the Statutory Auditor, 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 management the Annual Financial Statements before submission to the Board, for approval, with particular reference to -
 - a. Matters required to be included in the Director's 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 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, 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.



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- 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.
- 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 shall be subject to review by the Audit Committee.
- Carrying out any other function as is mentioned in the terms of reference of Audit Committee as amended from time to time by the Listing Agreement and the Companies Act, 1956.

3. Subsidiary Company

The Company does not have any subsidiary Company.

4. Disclosures

a) Related Party Transactions

The Company places all the details of Related Party Transactions before the Audit Committee at regular intervals.

During the year, the Company, in its normal course of business, has had sale / purchase transactions with its promoter Company viz. M/s Kirloskar Oil Engines Limited.

Transactions with the related parties are disclosed in Note No. 19 of Schedule 19 of the notes forming part of the Accounts 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) Application of the proceeds from the Rights Issue and Detachable Warrants Conversion**I. Rights Issue in terms of the Letter of Offer dated 2nd January, 2007**

During the financial year 2007 - 2008, the details of the application of funds collected from the Rights Issue have been placed before the Audit Committee on a quarterly basis and the same were certified by the Statutory Auditors.

The details of the application of funds also have been included in the notes forming part of the statement of the financial results on a quarterly basis.

As on 31st March, 2008 the projected and the actual application of fund are as given below -

(Rupees in Million)

Particulars	Projections as given in the Letter of Offer	Actual expenditure incurred till 31st March, 2008 (excluding Issue expenses)
Redemption of preference shares	1,046.87	1,046.87
Acquisition of Foundry	210.00	210.00
Installation of Moulding line	739.82	643.10
Installation of Hot Blast Stoves for MBF - I	191.33	* 194.25
Installation of Turbo Blower for MBF-I	165.39	31.12
Total	2,353.41	2,125.34

* The expenditure of Rs. 194.25 Million incurred towards the installation of Hot Blast Stoves for MBF-I as on 31st March, 2008 has been financed as follows-

- Rs. 70.87 Million from internal generation; and
- Balance Rs. 123.38 Million met from the proceeds of the rights issue.

The Rights issue proceeds of Rs. 2,267.40 Million has been utilised as follows -

- Towards Issue expenses: Rs. 14.19 Million
- Towards Rights Issue objects: Rs. 2,054.47 Million
- Balance amount of Rs. 198.74 Million has been invested in Fixed Deposits with banks pending utilisation.

The Company has not utilised rights issue proceeds for purposes other than those stated in the Letter of Offer.

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

The Warrant Exercise Period has commenced on 13th March, 2008. During the period from 13th March, 2008 to 31st March, 2008, the Company has received 13 applications for the conversion of 1,880 Detachable Warrants into Equity Shares aggregating to Rs. 65,800/-. Out of which, 2 applications for the conversion of 380 Detachable Warrants were returned due to non realisation of the application money. The Company has received 11 valid applications for the conversion of 1,500 Detachable Warrants aggregating to Rs. 52,500/-.

The application money Rs. 52,500/- received from these 11 applicants was kept in a separate bank account till the allotment of 1,500 Equity Shares on 10th April, 2008.

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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 :

- i. The Company has adopted the non - mandatory requirements as regards provisions relating to the Remuneration Committee.
- ii. 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 4 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 28th April, 2007 to consider the payment of commission to the Managing Director for the financial year 2006 - 2007.

b) Remuneration to Directors

The Company pays remuneration by way of salary, perquisites, allowances and commission to its Managing Director. The commission to the Managing Director is decided by the Remuneration Committee on determination of the profits for the financial year and is also approved by the Board of Directors. The remuneration to the Managing Director is in accordance with the provisions of the Companies Act, 1956 and within the ceiling prescribed under Sections 198 and 309 read with Schedule XIII of the Companies Act, 1956.

A sitting fee of Rs. 5,000/- is paid to each Non - Executive Director for each meeting of the Board or any Committee thereof attended by him.

Sitting Fees paid to Non - Executive Directors during Financial year 2007 - 2008

Name of Directors	Sitting Fees (Rs.)
Mr. Atul C. Kirloskar	25,000
Mr. Sanjay C. Kirloskar	25,000
Mr. A. R. Jamenis	60,000
Mr. S. N. Inamdar	35,000
Mr. C.V. Tikekar	55,000
Mr. S. G. Chitnis	40,000
Mr. A. N. Alawani	35,000
Total	2,75,000

The Board of Directors at its meeting held on 24th May, 2006 had revised the terms of remuneration payable to Mr. R. V. Gumaste, the Managing Director, for a period of 2 years with effect from 1st July, 2006. The Remuneration Committee has also reviewed the terms of remuneration payable to the Managing Director. The shareholders at fifteenth Annual General Meeting held on 28th July, 2006 have approved the revised terms of remuneration payable to the Managing Director.

The Company had entered into an agreement with the Managing Director for a period of 5 years. No Notice period and Severance Fees have been prescribed in the agreement.

Details of remuneration, by payment and provision, to Mr. R. V. Gumaste, Managing Director, for the financial year 2007 - 2008 are as follows -

Particulars	2007 - 2008 (Rs.)
Salary	4,680,000
Contribution to Provident Fund	489,600
Contribution to Superannuation Fund	612,000
Perquisites	28,860
Leave Travel Assistance	22,500
Commission	4,000,000
Gratuity	61,541
Leave Encashment	205,821
Total	10,100,322

Salary includes Basic Salary, Special allowance and House Rent Allowance.

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

Based on the membership of various committees held by Non - Executive Directors and their time involved in the operations of the Company, the Board of Directors at its meeting held on 19th June, 2008 has decided to pay the commission to Non - Executive Directors for the financial year 2007 - 2008, subject to the approval of shareholders at the ensuing Annual General Meeting and such as other approvals as may be necessary.

Details of Commission proposed to be paid to Non - Executive Directors for the financial year 2007 - 2008 are as follows -

Name of Directors	Commission on Profits * (Rs.)
Mr. Atul C. Kirloskar	200,000
Mr. Sanjay C. Kirloskar	200,000
Mr. A. R. Jamenis	1,000,000
Mr. S. N. Inamdar	200,000
Mr. C.V. Tikekar	200,000
Mr. S. G. Chitnis	200,000
Mr. A. N. Alawani	200,000
Total	2,200,000

* Subject to the approval of shareholders at the ensuing Annual General Meeting and such as other approvals as may be necessary.

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.

KIRLOSKAR FERROUS INDUSTRIES LIMITED

6. CEO / CFO Certification

The Chief Executive Officer, i.e. the Managing Director and the Chief Financial Officer, i.e. the Associate 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 19th June, 2008.

7. Particulars of Directors to be re - appointed and appointed at the ensuing Annual General Meeting

1. Mr. R. V. Gumaste

Mr. Ravindranath Venkatesh Gumaste, aged 50 years, completed B. Tech in Metallurgical Engineering from Karnataka Regional Engineering College, Surathkal in the year 1981, securing first class with distinction. He has been associated with the Kirloskar Group of Companies since July 1981, when he joined Kirloskar Oil Engines Limited (KOEL) as a Graduate Trainee Engineer. He worked in several departments such as Heat Treatment, Metallurgical Quality Control, etc, in various capacities for a period of twelve years till June 1993.

In 1993, he joined Kirloskar Ferrous Industries Limited and in the year 1998, he was promoted as SBU Chief for Pig Iron business. He was with the Company for 8 years till February 2001. Thereafter, for a short span of eight months, he joined another organisation. He rejoined the Company in November 2001 as the Senior Vice President (Operations). He took various initiatives to improve the performance of the company, such as cost reduction drive on all front, improvement in the production process, increasing the productivity of foundry operations, and quality of output, negotiating for reduction in the raw material price, improvement of market share of the castings, etc.

He was appointed as an Executive Director of the Company with effect from 25th July 2002. Thereafter, the Board of Directors had appointed him as the Managing Director of the Company for a period of 5 years with effect from 1st July 2003 and his appointment as the Managing Director and terms of remuneration were approved by the members at the Annual General Meeting held on 20th September, 2003.

The Board of Directors at its meeting held on 19th June 2008 has reappointed him as the Managing Director of the Company for a period of 5 years with effect from 1st July 2008 and has also determined the remuneration payable to him, subject to the approval of the members at the Annual General Meeting

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

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

2. Mr. S. N. Inamdar

Mr. Srikrishna Narhar Inamdar, aged 63 years, is a Commerce and a Law graduate and an Advocate by profession. He has been in practice for the past thirty three 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 has been associated with the Company since 19th March, 1993. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

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

Other Directorships

Kirloskar Brothers 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
 Man Force Trucks Private 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	Compensation Committee - Member
The Ugar Sugar Works Limited	Audit Committee - Chairman Remuneration Committee - Chairman
Sudarshan Chemical Industries Limited	Audit Committee - Member Finance Committee - Member
Finolex Industries Limited	Audit Committee - Chairman Investor Grievance Committee - Member

3. Mr. A. R. Jamenis

Mr. Ashok Ramkrishna Jamenis, aged 65 years, completed his Graduation in Mechanical Engineering in 1965 from the University of Pune. He has been associated with the Kirloskar Group of companies when he joined Kirloskar Oil Engines Limited in 1967. He has worked in various capacities and has acquired experience in the field of Production, Quality and SBU administration of Small and Medium engines, etc. of Kirloskar Oil Engines Limited. He resigned from Kirloskar Oil Engines Limited as Executive Vice President (Engines) in 1998 to shoulder the responsibility as Managing Director of Kirloskar Ferrous Industries Limited.

Mr. A. R. Jamenis has by his knowledge and experience turned around the Company from a loss making Company to a profit making one. He resigned from the office of Managing Director with effect from

KIRLOSKAR FERROUS INDUSTRIES LIMITED

31st January, 2003 and has continued to be a Director liable to retire by rotation. His continued guidance is needed by the Company to make more progress.

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

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

Other Directorships

Kalyani Forge Limited
Ashore Systems Private Limited

Other Committee Positions :

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

4. Mr. A. N. Alawani

Mr. A. N. Alawani, aged 62 years, is a Chartered Accountant by profession and has been associated with the Kirloskar Group of Companies since 1977. Prior to his appointment as a Director in the Company, he was Director (Finance) of Kirloskar Oil Engines Limited. Besides his core area of finance and taxation, he has experience in import - export and labour matters. His abilities in corporate tax planning and finance have helped the Company immensely, in financial restructuring and tax benefits.

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

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

Other Directorships

Kirloskar Brothers Limited
Kirloskar Systems Limited
Kothrud Power Equipment Limited
Kirloskar Kisan Equipment Limited
Denso Kirloskar Industries Private Limited

Other Committee Positions :

Name of the Company	Name of Committee and position held
Kirloskar Systems Limited	Share Transfer Committee - Member Audit Committee - Member Investor Relation Committee - Member

8. Shareholders' / Investors' Grievance Committee

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

It comprises of 4 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 411003
 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 replied to the satisfaction of investors during the year ended 31st March, 2008 were 573 and there were no complaints outstanding as on 31st March, 2008.

9. General Body Meetings

Details of Annual General Meetings

Location and time of last three Annual General Meetings:

Annual General Meeting	Financial Year	Date, Time and Place
14th Annual General Meeting	2004 - 2005	5th August, 2005 11 AM Registered Office of the Company Laxmanrao Kirloskar Road, Khadki, Pune 411003
Special resolution passed: Reduction of Equity Share Capital from Rs. 10/- each to Rs. 5/- each.		
15th Annual General Meeting	2005 - 2006	28th July, 2006 11.30 AM The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
Special resolution passed: Increase in the remuneration payable to Mr. R. V. Gumaste, Managing Director of the Company.		
16th Annual General Meeting	2006 - 2007	26th July, 2007 11.30 AM The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002.

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

KIRLOSKAR FERROUS INDUSTRIES LIMITED

10. Means of Communication

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

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

11. General Shareholder Information

Annual General Meeting	
Day, Date and Time	Thursday, 28th August, 2008 11.30 a.m.
Venue	The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
Financial Year	1st April, 2007 to 31st March, 2008 During the year under review, the results were announced as under - First Quarter 26th July, 2007 Second Quarter 22nd October, 2007 Third Quarter 25th January, 2008 Annual 19th June, 2008
Date of Book Closure	From 21st August, 2008 to 28th August, 2008 (both days inclusive)
Dividend Payment date	NIL*
Listing on stock exchange	Bombay Stock Exchange Limited
Stock Code	500245
ISIN	INE 884B01025

* On 18th March, 2008 the Company has paid an Interim Dividend at the rate of 15 percent on the Paid - up Equity Share Capital of the Company. The Interim Dividend paid is being recommended as Final Dividend for the financial year 2007 - 2008.

The Annual Listing Fees for the financial year 2007 - 2008 have been paid and there is no outstanding payment towards the stock exchange as on date.

Market Price Data

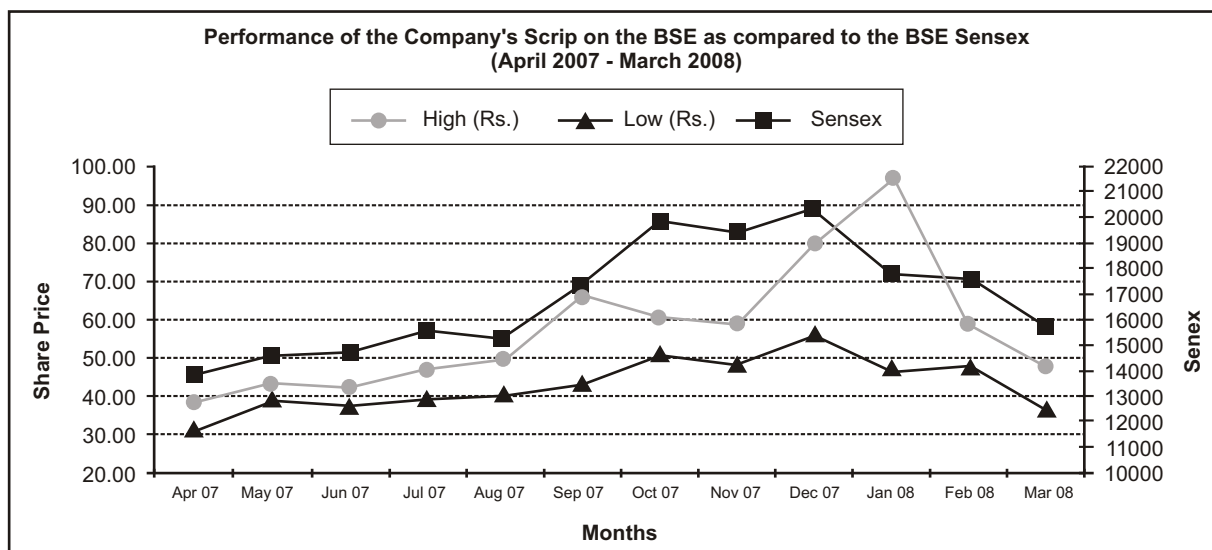
Monthly High / Low Closing Prices of Equity Share on the Bombay Stock Exchange Limited during the financial year 2007 - 2008 are as follows:

Year	Month	High (Rs.)	Low (Rs.)	
2007	April	38.40	31.35	
	May	42.70	39.10	
	June	42.15	37.10	
	July	46.60	39.15	
	August	49.30	40.35	
	September	66.25	43.20	
	October	60.30	50.95	
	November	58.25	48.15	
	December	79.05	55.85	
	2008	January	97.05	47.15
		February	58.40	47.90
		March	47.60	36.60

Monthly High / Low Closing Prices of Detachable Warrant on the Bombay Stock Exchange Limited during the financial year 2007 - 2008 are as follows:

Year	Month	High (Rs.)	Low (Rs.)	
2007	April	10.10	3.55	
	May	16.53	11.85	
	June	17.47	11.67	
	July	18.55	14.90	
	August	22.00	17.35	
	September	29.40	17.65	
	October	28.00	20.55	
	November	27.00	21.00	
	December	40.65	27.00	
	2008	January	53.60	20.00
		February	31.10	22.25
		March	21.25	10.85

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



KIRLOSKAR FERROUS INDUSTRIES LIMITED

Registrar & Share Transfer Agent :-

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

The Registrar & Transfer Agent can be contacted at :

Intime Spectrum Registry Limited
Block No. 202, 2nd Floor,
Akshay Complex, Near Ganesh Temple,
Off Dhole Patil Road, Pune 411 001
Tel No. (020) 26051629 / 26053503
Fax No. (020) 26053503
Email : pune@intimespectrum.com

Share Transfer System :

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

Distribution of Shareholding as on 31st March, 2008 :

Range of Shares		Share Holders		Shares	
From	To	Number	% to Total	Number	% to Total
1	5,000	74,789	94.94	14,883,245	10.86
5,001	10,000	1,707	2.17	2,753,615	2.01
10,001	20,000	1,037	1.32	3,037,913	2.22
20,001	30,000	473	0.60	2,398,514	1.75
30,001	40,000	145	0.18	1,025,860	0.75
40,001	50,000	182	0.23	1,747,471	1.28
50,001	100,000	217	0.28	3,236,822	2.36
1,00,001 & above		224	0.28	107,921,725	78.77
Total		78,774	100.00	137,005,165	100.00

Shareholding Pattern as on 31st March, 2008 :

Category	Number of Shares	Percentage of Shareholding
Promoter Companies	80,467,620	58.73
Financial Institutions	3,565,000	2.60
Nationalised Banks	600	0.00
Non Nationalised Banks	300	0.00
Non Resident Indians	1,449,479	1.06
Mutual Funds	5,679,881	4.15
FII	91,200	0.07
Domestic Companies	10,517,205	7.68
General Public	35,233,880	25.71
Total	137,005,165	100.00

Equity Shares in electronic form :

As on 31st March, 2008, 91.41% of Paid - up Equity Share Capital of the Company was held in electronic form.

12. General Information for the Warrantholders

In terms of the Letter of Offer dated 2nd January, 2007 the Company had issued 64,782,765 Equity Shares of Rs. 5 each alongwith 64,782,765 Detachable Warrants. Detachable Warrants are tradable on the stock exchange.

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

Detachable Warrants in electronic form :

As on 31st March, 2008, 99.73 % of Detachable Warrants are held in electronic form.

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

As per the Letter of Offer dated 2nd January, 2007, the Warrant Exercise Period has commenced on 13th March, 2008 and will conclude on 13th March, 2010. 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.

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 the Detachable Warrants at any time within the warrant exercise period, i.e. from 13th March, 2008 to 13th March, 2010. 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 the Detachable Warrants outstanding and will seek compulsory conversion of Detachable Warrants into Equity Shares at the Warrant Exercise Price. Detachable Warrants shall lapse on the Call Option Date, or the end of warrant exercise period, whichever is earlier.

General Information for the 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. Intime Spectrum Registry Limited (Unit : Kirloskar Ferrous Industries Limited)
C - 13, Pannalal Silk Mills Compound, L. B. S. Marg, Bhandup (W), Mumbai 400078
Tel No. (022) 25946970 - 78 Fax No. (022) 25946969 / 25962691
Contact Person: Mr. Pradeep Aneja

13. 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.



KIRLOSKAR FERROUS INDUSTRIES LIMITED

Assuming that all Detachable Warrants are converted into Equity Shares, the Paid up Equity Share Capital of the Company will enhance from Rs. 685,025,825/- (137,005,165 Equity Shares of Rs. 5/- each) to Rs. 1,008,939,650/- (201,787,930 Equity Shares of Rs. 5/- each).

14. 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 holders to make Nomination without any delay. The Nominee shall be the person in whom all the rights of transfer and / or amount payable in respect of the shares shall vest in the event of death of shareholder(s). A minor can also be a Nominee, provided the name of the Guardian is given in the Nomination form.

The facility of Nomination is not available to Non- individual shareholders such as Bodies Corporate, Financial Institutions, Kartas of Hindu Undivided Family and Holders of Powers of Attorney. Nominations will have to be made in prescribed form, which could be obtained from the Registered office of the Company or the Share Transfer Agent.

15. Pursuant to Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 and subsequent amendments thereto, 'Group' consists of Better Value Holdings Private Limited, Kirloskar Brothers Limited, Kirloskar Oil Engines Limited, Kirloskar Pneumatic Company Limited, Kirloskar Ferrous Industries Limited, Pooja Credits Private Limited, Kirloskar Systems Limited, Asara Sales & Investments Private Limited, PIH Finvest Company 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, Cees Investments & Consultants Private Limited, Kirloskar Kisan Equipments Limited, Kothrud Power Equipment Limited, 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 (Formerly known as Aban Constructions Limited), Gondwana Engineers Limited, Kirloskar Chillers Private Limited, Hematic Motors Private Limited, Pressmatic Electro Stampings Private Limited, Quadromatic Engineering Private Limited, Suman Kirloskar, Mrinalini Kirloskar, Neeta A. Kulkarni, Atul C. Kirloskar, Arti Kirloskar, Gauri Kirloskar, Aditi Kirloskar, Sanjay C. Kirloskar, Pratima Kirloskar, Alok Kirloskar, Rama Kirloskar, Rahul C. Kirloskar, Alpana Kirloskar, Alike Kirloskar, Aman Kirloskar, Gautam A. Kulkarni, Jyotsna Kulkarni, Nihal Kulkarni, Shruti Kulkarni, Ambar Kulkarni, Vikram S. Kirloskar, Geetanjali Kirloskar, Manasi Kirloskar, Roopa Gupta and Chandrashekhar H. Naniwadekar.

16. Plant Locations :

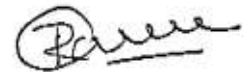
1. Bevinahalli Village, P.O. Hitnal, Taluka & Dist. Koppal, Karnataka 583 234
2. Hotgi Road, Shivashahi, Solapur, Maharashtra 413 224.

DECLARATION OF COMPLIANCE WITH 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 : 19th June, 2008

AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE:

We have examined the compliance of the conditions of Corporate Governance by Kirloskar Ferrous Industries Limited for the year ended 31st March, 2008, as stipulated in Clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

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

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

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

For M/s P.G.Bhagwat
Chartered Accountants

Pune : 19th June, 2008

S.B. Pagad
Partner
Membership No.206124

KIRLOSKAR FERROUS INDUSTRIES LIMITED

AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** as at 31st March, 2008, the Profit and Loss Account and also the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - (iii) The Balance Sheet, the 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, 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the 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, 2008;
 - (b) In the case of the Profit and Loss Account of the profit for the year ended on that date;
 - (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

S.B.Pagad
Partner

Membership No.: 206124

Pune : 19th June, 2008

ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date

- i)
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - b) As explained to us, the Fixed Assets have been physically verified by the management at reasonable intervals. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
 - c) According to the information and explanation given to us, the Company has not disposed off substantial part of Fixed Assets during the year.
- ii)
 - a) The inventory was physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
 - 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 or from Companies, firms or other parties covered in the register maintained as per Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(a),(b),(c),(d),(e),(f) & (g) 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, there are no transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956.
 - b) As there are no transactions that need to be entered in to the register maintained under Section 301 of the Act, paragraph 4(v)(b) of the order is not applicable.
- 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 relating to materials, labour and other items of cost maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 and we 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 records with a view to determine whether they are accurate or complete.
- ix)
 - a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

As informed to us Employees' State Insurance Act is not applicable to the Company. According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2008 for a period of more than six months from the date they became payable.

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

Name of the statute	Nature of the dues	Amount (Rs.)	Forum where dispute is pending
Central Excise Act, 1944	Interest on refund	341,496	Assistant Commissioner of Central Excise
Central Excise Act, 1944	Duty on pattern development charges	242,068	Commissioner of Central Excise
Central Excise Act, 1944	Cenvat Credit utilised for payment of Service Tax	7,585,734	Commissioner of Central Excise
Central Excise Act, 1944	Penalty on excise duty	100,000	CESTAT, Bangalore
Central Excise Act, 1944	Interest /Penalty on undervaluation	3,127,237	CESTAT, Mumbai
Maharashtra Sales Tax Act	Interest on tax dues	1,558,043	Sales Tax Appellate Tribunal
Central Excise Act, 1944	Cenvat Credit availed	213,822	Assistant Commissioner, Central Excise
Central Excise Act, 1944	Service Tax credit	854,870	Additional Commissioner of Central Excise
Customs Act, 1952	Differential export duty on iron ores	244,412	Joint Commissioner, Customs, Mangalore
Karnataka Vat Act, 2003	Interest on refund	211,311	Joint Commissioner of Commercial Taxes, Davangere
The Karnataka Sales Tax Act, 1957	Levy of Sales Tax	1,850,000	Joint Commissioner of Commercial Taxes, Davangere
The Karnataka Electricity Act,	Electricity Tax on captive generation & Consumption	1,212,752	Hon'ble High Court of Karnataka
Income tax Act, 1961	Minimum Alternate Tax	20,491,056	Additional Commissioner of Income Tax, Pune

- x) The Company does not have accumulated losses as at the date of Balance Sheet. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
- xi) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to banks during the year. The Company has not taken any loans from financial institutions and has not issued debentures during the year.
- xii) According to information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) 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) The Company has not issued any debenture during the year.
- xx) According to information and explanation given to us, 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

S.B.Pagad
Partner

Membership No.: 206124

Pune : 19th June, 2008

KIRLOSKAR FERROUS INDUSTRIES LIMITED

BALANCE SHEET AS AT 31st MARCH, 2008

	SCHEDULE	As at 31st March, 2008 Rs.	As at 31st March, 2007 Rs.
I. SOURCES OF FUNDS:			
1. Shareholders' Funds:			
(a) Share Capital	1	685,025,825	685,025,825
(b) Convertible Warrant application money pending allotment into Equity Shares		65,800	-
(c) Reserves and Surplus	2	<u>2,316,430,529</u>	<u>1,946,327,875</u>
		3,001,522,154	2,631,353,700
2. Loan Funds :			
(a) Secured Loans	3	39,433,346	201,083,342
(b) Unsecured Loans		-	-
		39,433,346	201,083,342
3. Deferred Tax liability - Net	4	228,950,293	100,909,721
Total		<u>3,269,905,793</u>	<u>2,933,346,763</u>
II. APPLICATION OF FUNDS:			
1. Fixed Assets:			
(a) Gross Block	5	3,306,479,682	2,860,861,576
(b) Less : Depreciation		1,518,617,403	1,333,991,104
(c) Net Block		<u>1,787,862,279</u>	<u>1,526,870,472</u>
(d) Capital Work-in-Progress		<u>676,227,557</u>	<u>198,558,638</u>
		2,464,089,836	1,725,429,110
2. Investments	6	100	100
3. Current Assets, Loans and Advances:			
(a) Inventories	7	932,347,502	527,744,888
(b) Sundry Debtors	8	951,049,287	793,999,601
(c) Cash and Bank Balances	9	434,285,511	1,105,445,460
(d) Other Current Assets	10	82,279,691	18,688,202
(e) Loans and Advances	11	650,371,683	223,113,520
	(A)	<u>3,050,333,674</u>	<u>2,668,991,671</u>
Less : Current Liabilities and Provisions	12		
(a) Liabilities		2,201,050,204	1,444,053,376
(b) Provisions		43,467,613	17,020,742
	(B)	<u>2,244,517,817</u>	<u>1,461,074,118</u>
Net Current Assets	(A)-(B)	805,815,857	1,207,917,553
Total		<u>3,269,905,793</u>	<u>2,933,346,763</u>
Notes forming part of the accounts	19		

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
Associate Vice President-Finance

Pune : 19th June, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

	SCHEDULE	For the year ended	
		31st March, 2008	31st March, 2007
		Rs.	Rs.
INCOME			
Sales & Operating Income		7,640,944,252	5,704,118,163
Sale of byproducts, waste and scrap		796,760,191	428,277,253
		<u>8,437,704,443</u>	<u>6,132,395,416</u>
Less : Excise Duty & Education Cess on Excise Duty		<u>1,173,141,938</u>	<u>881,080,042</u>
Net Sales		7,264,562,505	5,251,315,374
Other Income	13	183,470,034	64,373,792
		<u>7,448,032,539</u>	<u>5,315,689,166</u>
EXPENDITURE			
Material Consumed	14	5,301,911,074	3,618,461,673
Employees Remuneration & Benefits	15	296,851,387	182,441,905
Operational and Establishment Expenses	16	909,310,520	635,200,548
Interest	17	83,902,218	69,318,326
Depreciation and Amortisation	18	185,423,129	139,885,814
		<u>6,777,398,328</u>	<u>4,645,308,266</u>
Profit for the year		670,634,211	670,380,900
Prior period Expenses (Net)		12,506,591	4,785,487
Profit before Tax		<u>658,127,620</u>	<u>665,595,413</u>
Provision for Taxation:			
Deferred Tax		128,040,572	183,261,411
Fringe Benefit Tax		2,330,940	1,341,036
Current Tax (Refer Note. No. 24)	98,914,484		39,620,000
Less : Minimum Alternate Tax Credit Entitlement	(61,659,157)	37,255,327	-
Wealth Tax		181,232	145,512
Adjustment of previous year (Net)		-	(3,400,000)
Profit After Tax		<u>490,319,549</u>	<u>444,627,454</u>
Balance brought forward from previous year		17,035,363	(379,117,455)
Profit available for Appropriation		<u>507,354,912</u>	<u>65,509,999</u>
Appropriations			
Transfer to General Reserve		50,000,000	-
Interim Dividend on Equity Shares		102,753,874	-
Dividend on:			
12% Cumulative Redeemable Preference Shares		-	35,864,091
1% Cumulative Redeemable Preference Shares		-	6,648,197
Tax on Dividend		17,463,021	5,962,348
Balance carried to Balance Sheet		<u>337,138,017</u>	<u>17,035,363</u>
		<u>507,354,912</u>	<u>65,509,999</u>
Earnings Per Share: (Refer Note No.18)			
Basic Earnings Per Share of Face Value of Rs. 5 each		3.58	5.24
Diluted Earnings Per Share of Face Value of Rs. 5 each		3.03	-

Notes forming part of the accounts 19

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

Pune : 19th June, 2008

KIRLOSKAR FERROUS INDUSTRIES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008

	2007-2008	2006-2007
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	658,127,620	665,595,413
Adjustments for:		
Depreciation	185,423,129	139,885,814
Profit on sale of assets	(21,402,497)	(4,532)
Loss on sale of assets	605,809	1,429,970
Interest paid	83,902,218	69,318,326
Interest income	(70,799,116)	(12,701,046)
Dividend Income	(5,509,965)	(2,194,285)
Rent on Building	(3,205,770)	(6,000,000)
	<u>169,013,808</u>	<u>189,734,247</u>
Operating profit before working capital changes	827,141,428	855,329,660
Decrease/(Increase) in Trade & Other Receivables	(372,553,768)	(243,712,628)
Decrease/(Increase) in Inventories	(404,602,614)	(97,503,520)
(Decrease)/Increase in Trade Payables	<u>783,407,979</u>	<u>492,093,057</u>
	<u>6,251,597</u>	<u>150,876,909</u>
Cash generated from operations	833,393,025	1,006,206,569
Taxes Paid	(81,849,368)	(57,143,399)
Net cash from operating activities	<u>751,543,657</u>	<u>949,063,170</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets	(1,162,166,645)	(653,499,276)
Sale of assets	23,929,031	747,774
Interest received	72,521,582	11,176,157
Dividend received	5,509,965	2,194,285
Rent on Building	3,205,770	6,000,000
Purchase of investments	-	(100)
Net cash used in investing activities	<u>(1,057,000,297)</u>	<u>(633,381,160)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(83,902,218)	(69,318,326)
Net proceeds from issue of equity shares on rights basis	-	2,253,206,337
Convertible Warrant application money pending allotment	65,800	-
Redemption of Preference Shares	-	(1,046,862,530)
Proceeds/(Repayment) of Long Term Borrowings	(161,649,996)	40,850,004
Proceeds/(Repayment) from Short Term Borrowings	-	(163,333,341)
Interim Dividend on Equity Shares	(102,753,874)	-
Dividend on Cumulative Redeemable Preference Shares	-	(270,302,468)
Tax on Dividend	(17,463,021)	(37,909,921)
Net cash used in financing activities	<u>(365,703,309)</u>	<u>706,329,755</u>
Net Increase/(Decrease) in cash & cash equivalents	<u>(671,159,949)</u>	<u>1,022,011,765</u>
Opening Cash and Cash Equivalents	1,105,445,460	83,433,695
Closing Cash and Cash Equivalents	434,285,511	1,105,445,460

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
Associate Vice President-Finance

Pune : 19th June, 2008

Schedule Nos. 1 to 12 annexed to and forming part of Balance Sheet as at 31st March, 2008

	As at 31st March, 2008 Rs.	As at 31st March, 2007 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 :		
137,005,165 (137,005,165) Equity Shares of Rs.5 each (Rs.5 each)	685,025,825	685,025,825
	<u>685,025,825</u>	<u>685,025,825</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
i. Securities Premium Account		
As per Last Balance Sheet	1,929,292,512	-
Add : Received during the year	-	1,943,482,950
Less : Rights Issue Expenses	-	14,190,438
	<u>1,929,292,512</u>	<u>1,929,292,512</u>
ii. General Reserve		
Transfer From Profit and Loss Account	50,000,000	-
iii. Surplus as per annexed Profit and Loss Account	337,138,017	17,035,363
	<u>2,316,430,529</u>	<u>1,946,327,875</u>
SCHEDULE 3		
SECURED LOANS		
Term Loans :		
a) from Banks (Refer Note No.6 A(i))	15,833,346	127,083,342
b) from Others (Refer Note No.6 A(ii))	23,600,000	74,000,000
	<u>39,433,346</u>	<u>201,083,342</u>
Cash Credit from Banks (Refer Note No.6(B))	-	-
	<u>39,433,346</u>	<u>201,083,342</u>
SCHEDULE 4		
DEFERRED TAX - Liability (Net)		
Deferred Tax Assets :		
Unabsorbed Depreciation as per Income Tax Act	-	159,230,078
Disallowance under Section 43 B of Income Tax Act	17,904,440	2,743,705
Provision for doubtful debts	5,384,386	6,266,437
Total Assets	<u>23,288,826</u>	<u>168,240,220</u>
Deferred Tax Liabilities :		
Depreciation	252,239,119	269,149,941
Total Liabilities	<u>252,239,119</u>	<u>269,149,941</u>
Liability (Net)	<u>228,950,293</u>	<u>100,909,721</u>

KIRLOSKAR FERROUS INDUSTRIES LIMITED

SCHEDULE 5

FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK		
	AS AT 01.04.07	ADDITIONS	DELETIONS/ ADJUSTMENTS	AS AT 31.03.08	AS AT 01.04.07	FOR THE YEAR	DELETIONS/ ADJUSTMENTS	AS AT 31.03.08	AS AT 31.03.07
INTANGIBLE ASSETS									
GOODWILL	33,502,465	-	-	33,502,465	2,791,872	11,167,116	-	19,543,477	30,710,593
COMPUTER SOFTWARE	-	14,396,934	-	14,396,934	-	773,652	-	13,623,282	-
TANGIBLE ASSETS									
FREEHOLD LAND	33,403,818	5,715,956	-	39,119,774	-	-	-	39,119,774	33,403,818
LEASEHOLD LAND	-	39,243,357	-	39,243,357	-	-	-	39,243,357	-
MINING RIGHTS	-	1,150,000	-	1,150,000	-	63,867	-	1,086,133	-
BUILDINGS	576,073,547	30,643,018	1,200,903	605,515,662	181,864,799	17,377,918	18,965	406,291,910	394,208,748
PLANT & MACHINERY	2,191,147,476	353,354,431	4,639,562	2,539,862,345	1,137,648,414	153,660,373	226,126	1,248,779,684	1,053,499,062
FURNITURE & FIXTURES	17,056,424	1,516,252	-	18,572,676	9,728,000	1,119,092	-	7,725,584	7,328,424
VEHICLES	9,677,846	7,892,996	2,454,373	15,116,469	1,958,019	1,261,111	551,739	12,449,078	7,719,827
Total	2,860,861,576	453,912,944	8,294,838	3,306,479,682	1,333,991,104	185,423,129	796,830	1,787,862,279	1,526,870,472
Previous Year Total	2,400,708,577	464,973,627	4,820,628	2,860,861,576	1,196,752,707	139,885,813	2,647,416	1,526,870,472	

	As at 31st March, 2008	As at 31st March, 2007
Rs.	Rs.	Rs.

SCHEDULE 6**INVESTMENTS**

Long Term Investments (At cost)

Fully Paid Equity Shares

Trade - Unquoted

Kirloskar Proprietary Limited

One Equity Share with a Face value of Rs. 100/- per share

100

100

100100**SCHEDULE 7****INVENTORIES**

(As certified by the Managing Director)

a) Raw Materials

513,484,858

260,305,826

b) Non reusable waste

113,865,639

42,775,287

c) Stores and Spares

150,752,135

108,284,154

d) Goods in transit

8,847,506

1,086,927

e) Finished Goods

53,563,102

46,973,519

f) Work-in-Progress

91,834,262

68,319,175

932,347,502527,744,888**SCHEDULE 8****SUNDRY DEBTORS**

(Unsecured and considered good)

a) Debts outstanding for a period exceeding six months

Considered Good

22,063,113

7,803,135

Considered Doubtful

11,341,087

13,936,120

33,404,20021,739,255

Less: Provision for doubtful debts

11,341,087

13,936,120

22,063,113

7,803,135

b) Others - Considered Good

928,986,174

786,196,466

951,049,287793,999,601**SCHEDULE 9****CASH AND BANK BALANCES**

Cash on Hand

198,973

360,786

Balances with Scheduled banks :

In Current Accounts

177,449,716

99,266,664

In Margin Money Deposit

8,536,670

35,328,009

In Fixed Deposit

248,100,152

970,490,001

434,285,5111,105,445,460

KIRLOSKAR FERROUS INDUSTRIES LIMITED

	As at 31st March, 2008	As at 31st March, 2007
Rs.	Rs.	Rs.

SCHEDULE 10

OTHER CURRENT ASSETS

Interest accrued on investments and deposits		389,368	2,111,834
Claims Receivable	86,390,323		20,327,286
Less: Provision for doubtful claims	<u>4,500,000</u>		<u>4,500,000</u>
		81,890,323	15,827,286
Export Incentive Receivable		-	749,082
		<u>82,279,691</u>	<u>18,688,202</u>

SCHEDULE 11

LOANS AND ADVANCES

(Unsecured considered good)

Advances recoverable in cash or in Kind or for value to be received		233,098,098	104,209,465
Advance against capital expenditure		273,808,783	38,858,336
Prepaid Expenses		2,630,019	3,095,794
Sundry Deposits		36,511,369	33,720,162
Balance with Central Excise & Customs		43,634,829	24,658,767
Advance Income Tax, Tax deducted at source and MAT Credit Entitlement (Net of Provision for Tax)		60,688,585	18,570,996
		<u>650,371,683</u>	<u>223,113,520</u>

SCHEDULE 12

CURRENT LIABILITIES & PROVISIONS

CURRENT LIABILITIES

Sundry Creditors :

1) Dues to Micro, Small & Medium Enterprises	-	-
2) Others	<u>2,160,085,211</u>	<u>1,412,261,917</u>
	2,160,085,211	1,412,261,917
Earnest Money Deposit received	163,000	303,000
Unclaimed Dividend	5,748,993	-
Advance from customers	35,053,000	31,488,459
	<u>2,201,050,204</u>	<u>1,444,053,376</u>

Provisions for :

Gratuity	23,417,079	5,459,333
Wealth Tax	181,232	145,512
Compensated Absences	19,869,302	11,415,897
	<u>43,467,613</u>	<u>17,020,742</u>

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

Schedule Nos. 13 to 18 annexed to and forming part of Profit and Loss Account for the year ended 31st March, 2008

	For the year ended 31st March, 2008	For the year ended 31st March, 2007
	Rs.	Rs.
SCHEDULE 13		
OTHER INCOME		
Interest on deposits ((T.D.S. Rs. 15,845,094) (Rs. 2,794,295))	70,799,116	12,701,046
Dividend Income	5,509,965	2,194,285
Rent on Building	3,205,770	6,000,000
Profit on sale of assets	21,402,497	4,532
Miscellaneous Income	7,418,449	3,795,986
Provision no longer required written back	27,013,078	9,125,081
Sundry credit balances appropriated	4,847,957	2,409,499
Insurance claim received	392,900	-
Foreign Exchange Gain	32,024,532	28,117,432
Cash Discount Received	-	25,931
Sales Tax Refund	10,855,770	-
	<u>183,470,034</u>	<u>64,373,792</u>
SCHEDULE 14		
MATERIAL CONSUMED		
a) Raw Materials Consumed :		
Opening Stock	260,305,826	282,756,195
Add : Purchases	4,983,445,549	3,299,149,828
	<u>5,243,751,375</u>	<u>3,581,906,023</u>
Less : Closing Stock	<u>513,484,858</u>	<u>260,305,826</u>
	4,730,266,517	3,321,600,197
b) Stores and spares consumed	674,128,363	369,833,949
c) Decrease / (Increase) in stocks :		
Stock at close :		
Work-in-process	91,834,262	68,319,175
Finished Goods	53,563,102	46,973,519
Non Reusable Waste	113,865,639	42,775,287
(a) <u>259,263,003</u>		<u>158,067,981</u>
Less : Stock at commencement :		
Work-in-process	68,319,175	58,609,105
Finished Goods	46,973,519	20,078,756
Non Reusable Waste	42,775,287	1,433,626
(b) <u>158,067,981</u>		<u>80,121,487</u>
(b) - (a)	(101,195,022)	(77,946,494)
Excise duty on Increase / (Decrease) in closing stock of finished goods	(1,288,784)	4,974,021
	<u>5,301,911,074</u>	<u>3,618,461,673</u>

KIRLOSKAR FERROUS INDUSTRIES LIMITED

For the year ended
31st March, 2008
Rs.

For the year ended
31st March, 2007
Rs.

SCHEDULE 15

EMPLOYEE REMUNERATION AND BENEFITS

Salaries, Wages and Bonus	250,983,950	147,613,777
Company's Contributions to Provident & other funds	19,741,428	12,454,639
Employees' Welfare Expenses	26,126,009	22,373,489
	<u>296,851,387</u>	<u>182,441,905</u>

SCHEDULE 16

OPERATIONAL AND ESTABLISHMENT EXPENSES

Power, fuel and water	288,140,532	272,469,598
Insurance	2,592,633	2,923,292
Machinery Hire	668,577	2,414,217
Lease Rent	-	16,152,116
Repairs & Maintenance		
- Building	12,912,629	4,659,986
- Machinery	45,823,727	21,548,110
- Others	14,517,273	8,643,944
MBF Relining expenses	2,954,461	42,818,178
Fettling & Labour charges	109,529,916	72,810,565
Rent	854,683	942,415
Rates and Taxes	18,311,704	7,577,698
Travelling Expenses	14,050,631	9,286,497
Administrative Expenses	96,363,661	41,676,690
Directors' Commission	6,200,000	2,385,000
Bank Charges	9,169,622	6,606,490
Selling Expenses	271,048,545	112,787,756
Bad debts written off	4,051,117	2,011,026
Directors Sitting fees	275,000	470,000
Donations	11,240,000	5,587,000
Loss on assets sold/ discarded	605,809	1,429,970
	<u>909,310,520</u>	<u>635,200,548</u>

SCHEDULE 17

INTEREST

On Fixed Loans	12,116,234	21,075,848
On others	71,785,984	48,242,478
	<u>83,902,218</u>	<u>69,318,326</u>

SCHEDULE 18

DEPRECIATION AND AMORTISATION

Depreciation & Amortisation	185,423,129	139,885,814
	<u>185,423,129</u>	<u>139,885,814</u>

**NOTES FORMING PART OF THE ACCOUNTS
SCHEDULE - 19**

[1] SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

- a) The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
- b) The financial statements have been prepared in accordance with Indian General Accepted Accounting Principles (GAAP), under the historical cost convention, on the basis of a going concern. The company follows mercantile system of accounting & 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.

1.2 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.

1.3 Fixed Assets

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

1.4 Depreciation & 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.
- b) In respect of the plant & machinery earlier taken on lease from Kirloskar Oil Engines Ltd. and subsequently purchased, depreciation is provided on Straight Line method over the remaining useful life of the asset.
- c) Goodwill arising out of acquisition of undertaking is amortised over a period of 36 months commencing from 1st January, 2007.
- d) Mining Rights: Mining Rights are amortised over the period of lease agreement.
- e) Depreciation is provided on straight line method in the manner and at the rates specified in Schedule-XIV to the Companies Act, 1956 on all other Fixed Assets.

1.5 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.



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- 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.

1.6 Inventories

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

1.7 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.

1.8 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.

1.9 Borrowing Costs

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

1.10 Excise Duty

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

1.11 Employee Benefits

- a) Short Term Employee Benefits:

All employee benefits payable within twelve months of rendering of services are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc., and the same are recognized in the period in which the employee renders the related service.

- b) Post Employment Benefits:

- i) Defined Contribution Plan:

The Company's approved superannuation schemes, State 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 the 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 & Development Expenses

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

1.14 Earnings Per Share

Earning per share is calculated by dividing the net profit or loss for the year after prior period adjustments attributable to equity shareholders (after deducting preference shares dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year.

OTHER NOTES

Sl No	Particulars	2007-08 (Rs.)	2006-07 (Rs.)
2	Estimated amount of contracts remaining to be executed on capital account and not provided for	961,347,302	132,754,973
3	Contingent Liabilities not provided for in respect of:		
	a) Central Excise (Matter Subjudice)	16,334,221	12,837,298
	b) Sales Tax (under Appeal)	3,619,354	1,627,153
	c) Income Tax (MAT) (Matter Subjudice)	20,491,056	Nil
	d) Export Duty (Matter Subjudice)	244,412	Nil
	e) Electricity Tax (Interest) (Matter Subjudice)	1,612,752	Nil
	f) Labour Matters (Matter Subjudice), to the extent quantifiable.	4,277,948	4,487,682
4	i) Aggregate value of the letters of credit outstanding (Refer Note No: 6 B below)	904,039,697	783,647,183
	ii) Aggregate Value of Guarantees outstanding	Nil	11,375,028
5	Amount of borrowing costs capitalized	Nil	Nil

6 Security:

A) Term Loans:

i) From Banks:

- a) Secured by Hypothecation (First charge) charge on Movable Fixed Assets (except charge on Core Shop Machinery) and further secured by charge on Immovable Properties in favour of

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IDBI Trusteeship Services Ltd., Security Trustees for the Term Loan of Rs.50,000,000 availed from Axis Bank Ltd.,

ii) From Others:

Secured by exclusive charge by way of hypothecation on Core Shop Machinery at Bevinahalli Village, Koppal, Karnataka, in favour of GE Capital Services India to secure the Term Loan of Rs.200,000,000.

B) Working Capital facilities:

The working capital facilities with Consortium Banks (Fund based and Non-fund based) of Rs.2,150,000,000 (previous year Rs. 2,150,000,000) are secured by first charge on the Current Assets in favour of IDBI Trusteeship Services Ltd., Security Trustees. Further, the said facilities have also been secured by way of second charge on immovable and movable properties (excluding core shop machineries) in favour of IDBI Trusteeship Services Ltd., Security Trustees.

7 Warrants:

The holders of 64,782,765 warrants are entitled to apply for one equity share of Rs.5/- each at a warrant exercise price Rs. 35/- per warrant at any time within the warrant exercise period i.e., between 13th March, 2008 to 12th March, 2010. The Company will also have one time call option of compulsory conversion of warrants at any time within the warrant exercise period.

As at 31st March, 2008, the Company has received applications from warrant-holders for conversion of 1,880 warrants in to equity shares for an amount aggregating to Rs. 65,800/- (inclusive of share premium) pending allotment of equity shares.

8 Interest paid on others Rs. 71,785,984/- (Previous year Rs. 48,242,478/-) is net of Rs. 2,693,564/- (Previous Year Rs. 2,487,608/-) being interest received from customers/suppliers/contractors. [Tax deducted at source Rs. Nil (Previous Year Rs. Nil)].

9 As on the date of this Balance Sheet, the Company has not received any communications from any of its suppliers regarding the applicability of Micro, Small, and Medium Enterprises Development Act, 2006 to them. As such, information as required under this Act cannot be compiled and therefore not disclosed for the year. This has been relied upon by the Auditors.

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

11 Remuneration to Auditors (Excluding Service Tax)

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
Statutory Auditors:		
a) Audit Fees	765,000	590,000
b) Tax Audit Fees	130,000	85,000
c) Certification & Other Services	302,272	339,805
d) Expenses reimbursed	51,038	45,307
Total	1,248,310	1,060,112

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

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
(a) C.I.F. value of imports		
Capital Goods	196,397,601	NIL
Raw Materials	1,871,906,911	1,707,393,086
Stores & Spares	38,577,926	15,131,350
(b) Expenditure in foreign currencies		
Interest	56,091,763	40,995,851
Others	4,081,298	1,106,090

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	2007-2008 Rs.	2006-2007 Rs.
13 Earnings in Foreign Exchange		
FOB Value of Exports	366,296,453	107,357,938

14 Details of raw material consumption:

(i) Raw Material Consumed:

Particulars	Unit	2007-08		2006-07	
		Qty.	Rs.	Qty.	Rs.
(a) Iron Ore Lumps	MT	491,577	1,211,914,650	462,553	795,175,027
(b) Coke	MT	211,652	2,700,589,960	209,237	2,066,515,880
(c) M.S/C.I. Scrap	MT	22,121	441,209,078	15,886	272,563,104
(d) Others			376,552,829		187,346,186
Total			4,730,266,517		3,321,600,197

Imported and Indigenous Raw Material Consumption:

Particulars	2007-08		2006-07	
	Rs.	Percent	Rs.	Percent
(a) Imported	2,171,360,370	45.90	1,977,488,840	59.53
(b) Indigenous	2,558,906,147	54.10	1,344,111,357	40.47
Total	4,730,266,517	100.00	3,321,600,197	100.00

(ii) Imported and Indigenous Stores & Spares Consumption:

Particulars	2007-08		2006-07	
	Rs.	Percent	Rs.	Percent
(a) Imported	9,379,630	1.39	12,061,948	3.26
(b) Indigenous	664,748,733	98.61	357,772,001	96.74
Total	674,128,363	100.00	369,833,949	100.00

15 Details of licensed and installed capacity, Production:

A. Licensed and installed capacity:

Class of goods	Unit	Licensed Capacity		Installed Capacity	
		2007-08	2006-07	2007-08	2006-07
Liquid Metal for Pig Iron	MT	Not Applicable		240,000	240,000
Investment/ Steel Castings*	MT	100	100	200	200
Aluminum Castings	MT	Not Applicable		300	N.A
Agriculture Implements*	MT	200	200	200	200
Self Priming Pumps*	Nos.	3,500	3,500	3,500	3,500
Castings *	MT	26,200*	26,200*	84,000	84,000

* The licensed capacity is the license issued for the Solapur plant only.

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B. Production:

Class of Goods	Unit	2007-08	2006-07
Liquid Metal			
- Consumed in Foundry	MT	37,377	35,429
- Consumed for Manufacture of Pig Iron *	MT	222,606	219,281
Castings	MT	51,190	37,347
Investment Castings	MT	71	15

* Includes 8,025 MT for internal consumption (previous year 3,563 MT)

C. Stock and Turnover:

Class of Goods	Unit	Opening Stock		Closing Stock		Turnover	
		2007-08	2006-07	2007-08	2006-07	2007-08	2006-07
(a) Pig Iron							
Quantity	MT	2,080	852	2,014	2,080	212,792	206,365
Value (Rs.)		30,983,339	12,490,064	44,478,232	30,983,339	3,684,390,548	3,017,605,628
(b) Castings							
Quantity	MT	44	59	1	44	49,964	35,599
Value (Rs.)		2,854,009	3,777,697	18,984	2,854,009	2,578,810,642	1,657,492,530
(c) Investment castings							
Quantity	MT	2.48	2.23	1.69	2.48	72	14.34
Value (Rs.)		861,075	654,313	52,435	861,075	50,135,695	9,454,220
(d) Others							
Value (Rs.)		12,275,096	3,156,682	9,013,451	12,275,096	951,225,620	566,762,996
Total Turnover (Value Rs.)						7,264,562,505	5,251,315,374

Notes:

- (i) Castings turnover is net of rejections -1,228 Mts. amounting to Rs. 62,644,587 /- (Previous Year 1,763 Mts. amounting to Rs. 79,799,660/-)

16 Following Investments are purchased and sold during the period :

Particulars	No. of Units	Face Value (Rs.)	Cost Price (Rs.)
JM High Liquidity Fund - Daily Dividend Plan (39)	1,169,409	10	12,130,000
DWS Insta Cash Plus Fund - Institutional Plan - Daily Dividend Option	5,656,054	10	58,140,000
DWS Insta Cash Plus Fund - Daily Dividend Option	9,467,507	10	94,021,017
ING Vysya Liquid Fund - Institutional - Daily Dividend Option	71,752,649	10	716,674,304
DBS Chola Liquid Institutional Plus - Cumulative	139,114	10	1,380,000
BIRLA Sun Life Liquid Plus- Daily Dividend- Reinvestment	7,300,176	10	159,060,000
BIRLA Cash Plus Institutional -Growth	638,353	10	6,283,464
DSP Merrill Lynch - Liquidity Fund Institutional-Daily Dividend- Reinvest Dividend	4,690	1,000	4,670,000
Prudential ICICI Liquid Plan	4,240	10	80,000
Prudential ICICI Institutional Liquid Plan	61,793,892	10	615,624,000
Prudential ICICI Sweep Cash Option	223,142	10	2,175,000
TOTAL			1,670,237,785

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

Particulars	Currency	Amount in foreign currency	Equivalent	Purpose Indian currency
Liabilities Payables				
2007-08	USD	6,000,000	242,064,842	Hedging the Risk
2006-07	USD EURO	10,900,209 133,895	484,556,528 7,905,161	Hedging the Risk

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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency
2007-08			
Assets Receivables	USD	340,951	14,428,782
Liabilities Payables	USD	17,146,590	687,578,270
	EURO	453,554	18,187,515
2006-07			
Assets Receivables	USD	340,614	14,643,013
Liabilities Payables	USD	7,185,631	313,580,922

18 Earnings per Equity Share :

		2007-08 (Rs.)	2006-07 (Rs.)
a)	Basic Earnings Per Share (EPS)		
	Basic	3.58	5.24
	Diluted	3.03	-
b)	The amount of profit considered for Calculation of EPS is as follows:		
	Net Profit after tax	490,319,549	444,627,454
	Dividend on Cumulative Redeemable Preference Shares and tax thereon.	-	48,474,636
	Adjusted Profit after tax	490,319,549	396,152,818
c)	Basic Earnings for equity share has been computed by dividing net profit after tax by the weighted average number of equity share outstanding for the period.		
	Weighted average number of equity shares used in computing earnings per equity share:		
	Basic	137,005,165	75,594,654
	Diluted	161,841,924	-
d)	Face value of each equity share- Rs. 5/-		

19 Related Party Disclosures :

a) Key Management Personnel : Mr. R.V.Gumaste - Managing Director

b) Relatives of Key Management Personnel :

Mrs. Kamala R. Gumaste, Ms Pooja R. Gumaste, Ms Kavya R. Gumaste, Mrs. Vimala V. Gumaste

c) Transactions with related parties :

Particulars	Key Management Personnel 2007-08 (Rs)	Key Management Personnel 2006-07 (Rs)
Remuneration	10,100,322	8,210,653
Dividend	7,125	-

20 Managerial Remuneration :

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

Particulars	2007-08 (Rs.)	2006-07 (Rs.)
Salary	4,680,000	4,080,000
Contribution to Provident Fund	489,600	424,800
Contribution to Superannuation Fund	612,000	531,000
Perquisites	28,860	28,164
Leave Travel Assistance	22,500	180,000
Commission	4,000,000	2,385,000
Gratuity	61,541	57,692
Leave Encashment	205,821	523,997
Total	10,100,322	8,210,653

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

Particulars	(Rs.)	2007-08 (Rs.)	2006-07 (Rs.)
Profit for the year		490,319,549	444,627,454
Add: Provision for taxation		167,808,071	220,967,959
Directors' remuneration		12,300,322	8,210,653
		670,427,942	673,806,066
Less:			
a) Excess of expenditure over income of the previous years	-		509,583,564
b) Provision for doubtful debts no longer required written back	1,590,425		-
c) Capital profit on sale of assets	21,372,733	22,963,158	-
Net Profit as per Section 309(5) of the Companies Act, 1956		647,464,784	164,222,502
(ii) Remuneration payable to Managing Director @ 5% on above profits		32,373,239	8,211,125
Restricted to		10,100,322	8,210,653
Commission to other Directors' @ 1% of Profits		6,474,648	1,642,225
Restricted to		2,200,000	-

21 Disclosure Pursuant to Accounting Standard 15 (Revised) Employee Benefits :

The Company has adopted Revised Accounting Standard 15 "Employee Benefits", issued by The Institute of Chartered Accountants of India, with effect from 1st April, 2007

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As per Accounting Standard 15 "Employee Benefits", the disclosure of Employee Benefits as defined in the Accounting Standard are given below:

- a. Consequent to the adoption and in accordance with the transitional provisions of the Standard, there is no additional liability as on 31st March, 2007 based on the actuarial report.

- b. Defined Contribution Plan:

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

Particulars	2007-08 (Rs.)
Employer's Contribution to Provident Fund	13,627,875
Employer's Contribution to Superannuation Fund	3,918,965

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

The Contribution to Superannuation are managed by Life Insurance Corporation of India.

- c. 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) (Rs.)
1) Changes in the Present Value of Obligations (PVO)	
PVO at beginning of Period	49,994,477
Interest Cost	3,685,762
Current Service cost	3,467,032
Benefits Paid	(1,701,967)
Actuarial (gain)/loss on obligation	6,580,661
PVO at end of period	62,025,965
2) Changes in fair value of plan assets	
Fair Value of Plan Assets at beginning of period	23,070,841
Expected Return on Plan Assets	2,427,100
Contribution	14,435,830
Benefit Paid	(1,701,967)
Actuarial (gain)/loss on obligation	377,082
Fair Value of Plan Assets at the end of period	38,608,886
3) Fair value of plan assets	
Fair Value of Plan Assets at beginning of period	23,070,841
Actual Return on Plan Assets	2,804,182
Contributions	14,435,830
Benefit Paid	(1,701,967)
Fair Value of Plan Assets at end of period	38,608,886
Funded Status	(23,417,079)
Excess of actual over estimated return on Plan Assets	377,082

Particulars	Gratuity (Funded) (Rs.)
4) Actuarial Gain/(loss) Recognized	
Actuarial Gain/(loss) for the period (obligation)	(6,580,661)
Actuarial Gain/(loss) for the period (Plan Assets)	377,082
Total Gain/ (Loss) for the period	(6,203,579)
Actuarial Gain/(loss) Recognized for the period	(6,203,579)
Unrecognized Actuarial Gain/ (Loss) at end of period	-
5) Amount Recognised in the Balance Sheet and statement of Profit & Loss A/c	
PVO at end of period	62,025,965
Fair value of Plan Assets at end of Period	38,608,886
Funded Status	(23,417,079)
Unrecognized Actuarial Gain/ (Loss) at end of period	-
Net Assets/ (Liability) recognized in the Balance Sheet	(23,417,079)
6) Amount recognized in the Statement of Profit & Loss A/C	
Current Service Cost	3,467,032
Interest Cost	3,685,762
Expected Return on Plan Assets	(2,427,100)
Net Actuarial (Gain)/Loss recognized for the period	6,203,579
Expenses recognized in statement of Profit & Loss A/C	10,929,273
7) Movements in the Liability recognized in Balance Sheet	
Opening Net Liability	26,923,636
Expenses as above	10,929,273
Contribution paid	(14,435,830)
Closing Net Liability	23,417,079
8) Actuarial Assumptions	
Mortality	LIC(1994-96) Ult
Discount Rate	8.00%
Rate of increase in compensation	7.00%
Withdrawal rates	0.80%

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

Particulars	Amount (Rs.)	Percent
In Government Securities	1,326,031	3.43
State Government Bonds	992,538	2.57
Balances in Current Accounts with scheduled Banks	151,084	0.39
Funds with Life Insurance Corporation of India	36,139,233	93.61
Total	38,608,886	100.00



KIRLOSKAR FERROUS INDUSTRIES LIMITED

- d. Amount recognised as an expense in respect of long term compensated absences is Rs. 8,204,315/-
 - e. This being the first year of implementation of Accounting Standard 15 (Revised), previous year figures have not been given.
22. Consequent to the change in the Accounting Policy at Hospet Plant in respect of valuation of Raw Materials and Stores & Spares from First in First out basis to Weighted Average Cost formula, the Inventory value has been lower by Rs. 1,684,641/- and the Profit after tax is lower by Rs. 1,156,675/-.
 23. Consequent to the notification of the Companies (Accounting Standards) Rules, 2006, with effect from 1st April, 2007, the foreign exchange differences in respect of liabilities for the acquisition of imported assets are required to be recognized in the profit and loss account against the earlier requirement of adjusting these differences to the carrying cost of such Fixed Assets. As a result, the Profit for the year is higher by Rs. 459,839/- net of taxes.
 24. The Company has calculated its tax liability for the year after considering MAT credit entitlement. Provision for Current Tax includes additional provision amounting to Rs. 22,039,157/- (Previous year normal provision of Minimum Alternate Tax (MAT) of Rs. 39,620,000/-) relating to Minimum Alternate Tax (MAT) for prior periods pursuant to amendment made to Finance Act, 2008.
 25. Short term compensated absence benefits (both vesting and non vesting) are accounted for on the basis of the actual valuation of the leave entitlement as on the Balance Sheet date. Hitherto the vesting short term compensated absences were accounted for on claim basis. Had the Company continued to follow the earlier policy the profit before tax for the year would have been higher by Rs. 936,361/-
 26. Company acquired the Casting Division of Kirloskar Oil Engines Ltd., at Solapur, effective January 01, 2007, and therefore current year's figures are not comparable with those of the previous year.
 27. Previous years figures have been regrouped wherever considered necessary to make them comparable with those of the current year.

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

I. Registration Details:

Registration No.

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

1	1
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 Balance Sheet Date

3	1	0	3	2	0	0	8
---	---	---	---	---	---	---	---

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

Public Issue	Rights Issue																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L				<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L			
		N	I	L													
		N	I	L													
Bonus Issue	Private Placement																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L				<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>N</td><td>I</td><td>L</td><td></td><td></td><td></td></tr></table>			N	I	L			
		N	I	L													
		N	I	L													

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

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

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

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

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

Item Code No.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>7</td><td>2</td><td>0</td><td>1</td><td>1</td><td>0</td></tr></table>			7	2	0	1	1	0
		7	2	0	1	1	0		
Product Description	Non Alloy Pig Iron containing by weight 0.5% or less of Phosphorous.								
Item Code No.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td>7</td><td>3</td><td>2</td><td>5</td><td>1</td><td>0</td></tr></table>			7	3	2	5	1	0
		7	3	2	5	1	0		
Product Description	Industrial Castings of non-malleable cast iron								
Item Code No.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>7</td><td>3</td><td>2</td><td>5</td><td>9</td><td>9</td><td>0</td><td>9</td></tr></table>	7	3	2	5	9	9	0	9
7	3	2	5	9	9	0	9		
Product Description	Industrial Castings of other cast articles of Iron or steel.								
Item Code No.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>7</td><td>6</td><td>1</td><td>6</td><td>9</td><td>9</td><td>9</td><td>0</td></tr></table>	7	6	1	6	9	9	9	0
7	6	1	6	9	9	9	0		
Product Description	Aluminum Castings								
Item Code No.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>3</td><td>2</td><td>8</td><td>0</td><td>9</td><td>0</td></tr></table>	8	4	3	2	8	0	9	0
8	4	3	2	8	0	9	0		
Product Description	Agricultural Implements								
Item Code No.	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>1</td><td>3</td><td>3</td><td>0</td><td>3</td><td>0</td></tr></table>	8	4	1	3	3	0	3	0
8	4	1	3	3	0	3	0		
Product Description	Self Priming Pumps.								

Signatures to Schedules 1 to 19

As per our report of even date attached

For M/s P. G. Bhagwat
Chartered Accountants

S.B.PAGAD
Partner

Pune : 19th June, 2008

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Associate Vice President-Finance

ATTENDANCE SLIP

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

**17th Annual General Meeting on
28th August, 2008 at 11.30 A.M.**

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

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

I hereby record my presence at the 17th Annual General Meeting of the Company at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 on Thursday, the 28th August, 2008 at 11.30 A.M.

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

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

TEAR HERE

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

PROXY

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

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 17th Annual General Meeting of the
Company, to be held at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru
Stadium, Swargate Corner, Pune 411002 on Thursday, the 28th August, 2008 at 11.30 A.M. and at any
adjournment thereof.

In witness whereof, I/we have set my/our hand/hands this day of 2008.

Please
affix
15 paise
Revenue
Stamp

(Signature of the member across the stamp)

Note : The Proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting.

