

KIRLOSKAR FERROUS INDUSTRIES LIMITED
Annual Report 2008-2009



Enriching Lives

Let's celebrate the spirit

Painting the future GREEN.



Since its inception over a century ago, the Kirloskar Group has contributed significantly to the Green revolution in India and has been a harbinger of prosperity to millions.

The colour Green is synonymous with growth and prosperity and symbolises balance, harmony and renewal. At Kirloskar, we imbibe the spirit of Green, and strive endlessly with single-minded zeal to spread the colour of prosperity and growth in India and across the world.

Even in these trying times, your Company has excelled by continuous innovation, proactive planning and strategic measures.

By setting new engineering benchmarks and redefining paradigms, we are all set to paint the future GREEN.

And ready to harvest the global opportunities that the future holds.



Achievements in Green

- Installed biogas system by re-using canteen food waste. The energy generated is being used for canteen cooking.
- Installed Solar Steam Generation System and the energy generated is being used for lighting purpose around Lake "C" (water storage reservoir) and also for canteen.
- Installed Sewage Treatment Plant of capacity 250 kilo liters per day to treat domestic waste-water and to re-use treated water for watering of garden and of sludge for use in garden as manure.
- Installed Drip irrigation for gardening, using process treated waste-water.
- In the process of obtaining Carbon Credit - Clean Development Mechanism for stoves and power plant.
- By installing energy pumps and variable frequency drives in the Mini Blast Furnace, energy consumption has been reduced in pig iron plant.
- Plantation of around 4,000 trees in and around the factory premises during financial year 2008-2009. Around 60,000 trees have been planted till date.

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008-2009

18th Annual Report for the
financial year ended on 31st March, 2009

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr. C. S. Panicker

AUDITORS

M/s P. G. Bhagwat
Chartered Accountants

BANKERS

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

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited
(Formerly known as Intime Spectrum Registry Limited)
Akshay Complex, Block No 202, 2nd Floor,
Off Dhole Patil Road, Near Ganesh Temple,
Pune - 411 001

REGISTERED OFFICE

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

FACTORY

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

Information for Shareholders

18th Annual General Meeting

Date	: Friday, 14th August, 2009
Time	: 11 a.m.
Venue	: Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002
Dates of Book Closure	: 11th August, 2009 to 14th August, 2009 (Both days inclusive)

Contents

	Page No.
Board of Directors	1
Decade at a glance	2
Notice	3
Directors' Report	6
Report on Corporate Governance	15
Auditors' Report	32
Balance Sheet	36
Profit & Loss Account	37
Cash Flow Statement	38
Schedules to the Accounts	39
Notes forming part of the Accounts	45
Balance Sheet Abstract & Company's General Business Profile	57

KIRLOSKAR FERROUS INDUSTRIES LIMITED
A DECADE AT A GLANCE

(Rupees in Million)

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Net Sales	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	6,991.39
Other Income	8.89	11.96	7.36	8.32	94.36	34.68	44.52	64.37	183.47	50.87
Total Income	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	7,042.26
Raw Material & Stores consumed	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	5,254.72
Employees remuneration & benefits	82.71	88.42	96.05	108.85	107.25	119.75	134.46	182.44	296.85	306.52
Other Expenses	379.11	340.57	302.95	342.79	456.43	384.93	459.60	639.99	921.82	930.63
Total Expenses	1,964.45	2,187.96	2,031.42	2,190.26	3,219.93	4,580.80	4,284.64	4,440.89	6,520.58	6,491.87
Profit Before Interest, Depreciation & Amortisation	263.73	169.79	243.06	329.43	633.97	423.99	587.34	874.80	927.45	550.39
(% to Total Income)	11.84	7.20	10.69	13.07	16.45	8.47	12.06	16.46	12.45	7.82
Interest	324.57	371.11	244.51	161.14	231.46	89.90	69.94	69.32	83.90	117.27
Depreciation and Amortisation	139.23	137.92	133.62	134.00	130.07	126.46	119.81	139.88	185.42	230.40
Profit/(Loss) before Tax	(200.07)	(339.24)	(135.07)	34.29	272.44	207.63	397.59	665.60	658.13	202.72
(% to Total Income)	(8.98)	(14.39)	(5.94)	1.36	7.07	4.15	8.16	12.52	8.84	2.88
Tax Provisions	0.23	0.08	40.85	4.59	(44.72)	(10.68)	136.78	220.97	167.81	123.23
Net Profit/(Loss) after Tax	(200.30)	(339.32)	(175.92)	29.70	317.16	218.31	260.81	444.63	490.32	79.49
(% to Total Income)	(8.99)	(14.39)	(7.73)	1.18	8.23	4.36	5.35	8.36	6.58	1.13
Share Capital										
Equity share capital	585.00	625.00	722.22	722.22	722.22	722.22	361.11	685.02	685.02	686.47
Preference share capital	450.00	684.20	986.26	1,046.86	1,046.86	1,046.86	1,046.86	-	-	-
Total	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	686.47
Reserves										
Share Premium	-	-	-	-	-	-	-	1,929.29	1,929.29	1,937.97
General Reserves	-	-	-	-	-	-	-	-	50.00	50.00
Profit & Loss Account	(865.78)	(1,205.10)	(1,381.02)	(1,147.50)	(830.35)	(741.31)	(379.11)	17.04	337.14	298.58
Total	(865.78)	(1,205.10)	(1,381.02)	(1,147.50)	(830.35)	(741.31)	(379.11)	1,946.33	2,316.43	2,286.55
Loans	1,734.34	1,882.05	1,622.29	1,262.27	622.99	534.28	323.57	201.08	39.43	188.57
Net Fixed Assets	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	3,288.68
Net Current Assets other than Cash & Bank	12.68	192.46	269.68	71.21	(102.36)	(329.53)	(60.42)	102.47	371.54	61.19
Cash & Bank Balance	34.11	60.74	75.77	125.81	107.02	386.61	83.43	1,105.45	434.28	126.75
Capital employed	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	3,476.62
Misc. Expenditure	36.59	26.37	43.71	36.07	16.17	5.96	-	-	-	-
Net Worth*	132.63	77.73	283.75	585.51	922.56	1,021.81	1,028.86	**1,459.16	2,951.45	2,923.02
Return on Capital employed %	6.67	1.63	5.62	11.57	37.54	22.17	36.81	35.73	22.69	15.83
Return on Networth %	-	-	-	5.07	34.38	21.37	25.35	30.47	16.61	2.72
No. of Equity Shares	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	137,294,479
Earnings per share (Rs.)	-	(6.71)	(2.63)	(0.18)	3.75	2.38	2.88	5.24	3.58	0.58
Book Value per share (Rs.)	(5.43)	(9.70)	(9.73)	(6.39)	(1.72)	(0.35)	(0.25)	19.21	21.91	21.65
Dividend %	-	-	-	-	-	-	-	-	15%	10%

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 18th Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held on Friday, the 14th day of August, 2009 at 11 a.m. at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002 to transact the following business:

ORDINARY BUSINESS

Item No. 1

To receive, consider and adopt the Audited Profit and Loss Account for the year ended on 31st March, 2009 and the Balance Sheet as at that date and also the reports of the Auditors and the Board of Directors thereon.

Item No. 2

To declare a dividend on equity shares for the financial year ended on 31st March, 2009.

Item No. 3

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

Item No. 4

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

Item No. 5

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

Item No. 6

To appoint M/s P. G. Bhagwat, Chartered Accountants, as the Statutory Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

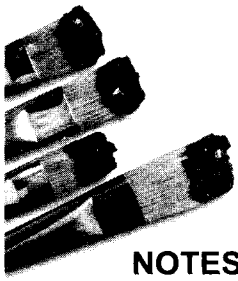
Registered Office :
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003.

Pune : 9th June, 2009

By order of the Board of Directors



C. S. Panicker
Company Secretary



NOTES:

- i) The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday, the 11th August, 2009 to Friday, the 14th August, 2009 (both days inclusive).
 - ii) A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

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 dividend, if declared at the Annual General Meeting, will be paid to those members :
 - a) whose names appear as Beneficial Owners as at the end of the business hours on 10th August, 2009 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of equity shares held in electronic form; and
 - b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Share Transfer Agent on or before 10th August, 2009.
 - iv) Members, who hold shares in physical form, are requested to advise the Company immediately of any change in their addresses.
 - v) Members, who hold shares in electronic form, are requested to intimate details regarding change of address, etc. to the Depository Participants, where they have their Demat accounts.
 - vi) Members may avail of the facility of dematerialisation by opening Demat accounts with the Depository participants of either National Securities Depository Limited or Central Depository Services (India) Limited and get equity share certificates held by them dematerialised.
 - vii) Members, who hold shares in electronic form, are requested to bring their Client Id and DP Id for easy identification.
 - viii) Since the securities of the Company are compulsorily tradable in electronic form, to ensure better investor service and elimination of risk of holding securities in physical form, it is requested that the shareholders holding shares in physical form to get their shares dematerialised at the earliest.
 - ix) In case members wish to ask for any information about accounts or operations of the Company, they are requested to send their queries in writing at least 7 days before the date of the meeting, so that the information can be made available at the time of the meeting.
 - x) Members / proxies are requested to bring their attendance slip duly filled in.
 - xi) Members are requested to bring their copy of the Annual Report for the meeting.
 - xii) Members having multiple folios are requested to intimate to the Company such folios to enable the Company to consolidate all shareholdings into one folio.
-

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

Item No. 3 of the Notice

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

He holds 3,040 (0.002 %) equity shares in the Company.

Item No. 4 of the Notice

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

He holds 380 (0.0003 %) equity shares in the Company.

Item No. 5 of the Notice

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

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

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

Pune : 9th June, 2009

By order of the Board of Directors,



C. S. Panicker
Company Secretary



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting 18th Annual Report together with the Audited Annual Accounts for the year ended 31st March, 2009.

FINANCIAL PERFORMANCE

The financial results of the Company for the financial year 2008 - 2009 as compared with the previous year are as follows -

	(Amount in Rupees)	
	2008 - 2009	2007 - 2008
Sales and other Income	7,042,262,288	7,448,032,539
Profit before tax	202,722,050	658,127,620
Provision for tax (including Deferred Tax)	123,234,490	167,808,071
Profit after tax	79,487,560	490,319,549
Balance of Profit brought forward from previous year	337,138,017	17,035,363
Profit available for appropriation	416,625,577	507,354,912

APPROPRIATIONS

Your Directors propose to appropriate the Profit as under :

Proposed Dividend	100,893,965	-
Interim Dividend	-	102,753,874
Tax on Dividend	17,146,929	17,463,021
Transfer to General Reserve	-	50,000,000
Balance carried to Balance Sheet	298,584,683	337,138,017

DIVIDEND

Your Directors have recommended a dividend of 10 percent (50 paise per Equity share).

MANAGEMENT DISCUSSION AND ANALYSIS

A. Economy and Industry Overview

The Financial Year 2008-2009 was a challenging year. Raw material prices had peaked and energy costs were at the highest levels. Owing to the downturn in economy, it was a challenge to maintain the margins on one hand, and to manage the risks on the other. During the year under review, the economy trend changed from a strong growth to a lower growth rate. During the third and fourth quarter, the sales, both in terms of quantity and value, came down and there was a drop in the capacity utilisation. North American economy and the European economy went into contraction, which also had an impact on the Indian Economy. Overall, world economic growth came down from 5.2 % in 2007 to 3.4 % in 2008. This had an impact of slowdown in the economy witnessed in the second half of financial year 2008 - 2009.

During the year under review, the Indian Economy recorded a lower growth of 6.75% as compared to 8% in the earlier year.

In the Auto sector, the sale of passenger vehicles registered a growth at 0.13%, passenger cars at 1.3% and multi-purpose vehicles at 5.69%.

The sale of commercial vehicles segment witnessed a steep decline by 21.69% over the last year and the sales of three - wheelers registered a decline of 4.13% as compared to last year.

Exports, overall, have been good for the Auto sector, except commercial vehicles. There has been a substantial growth in passenger vehicles enabling the exports to grow by almost 54%.

The Tractor industry showed growth in the first half of the year and decline in the second half.

On the Iron and Steel front, the crude steel production in India reached a level of around 54 million ton. India is now the fifth largest producer of steel in the world.

The pig iron prices did show an increasing trend till the end of the first half of the year. Increased prices of pig iron brought the demand down and higher raw material prices forced many pig iron manufacturers to close the furnaces or to reduce the production. Export of pig iron was not viable due to levy of Export Tax. In the international market, pig iron prices have come down due to downturn in the economy.

During the third quarter of the year, pig iron prices declined due to less demand from the foundries operating at low capacity, availability of steel scrap at cheaper price, and abundant availability of basic grade pig iron produced by steel manufacturers (due to decline in steel prices).

In the last quarter of the year under review, the pig iron prices stabilised due to the increase in steel scrap prices, reduction of pig iron stocks with the manufacturers and due to increased demand from the domestic market.

The global demand for metallurgical coal and coke was increasing during the first half of the year under review, consequent to which the prices were rising. The met coke prices increased from USD 520 per MT to USD 755 per MT till September 2008.

Thereafter, the coke prices started declining and reached a level of USD 280 per MT by the end of March 2009. This drop in the coke prices was mainly on account of weak demand in steel market, inventory buildup of coal and coke purchased at higher price by many pig iron and steel manufacturers, and due to availability of imported coke from countries such as Japan, Russia, Colombia and others besides China.

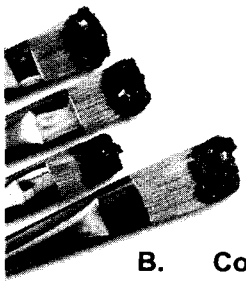
The iron ore prices which were at a level of Rs.2,780 per MT at the beginning of the financial year rose to a level of Rs.3,900 per MT by mid September 2008. Thereafter, the prices started dropping and reached a level of Rs.1,500 per MT in December 2008 owing to the weak demand from China and overall gloomy steel market. During the last quarter of the year under review, the price of iron ore again picked up to reach a level of Rs.2,050 per MT.

The daily average price of Indian basket of crude oil increased from USD 99.40 per barrel in March 2008 to a peak of USD 141.50 on 3rd July, 2008 and thereafter declined to a level of USD 46.65 on 31st March, 2009.

The cost of operations has increased for importers who depend on crude oil, metals and other raw material required for their operations, owing to the depreciation of rupee against dollar.

The long term outlook of Indian Economy looks good as India is set to become the third largest economy after China and USA by the year 2020.

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



B. Company Performance

During the year under review, your Company achieved Net Sales of Rs. 6,991 Million (previous year Rs. 7,264 Million).

The sales value decreased as compared to previous year due to the market conditions in third and fourth quarter.

The Company had achieved a cumulative profit before tax of Rs. 278.70 Million for the half year ended 30th September, 2008, but due to slow down in the economy, usage of high priced raw materials and foreign exchange fluctuations, the cumulative profit before tax came down to Rs. 86.10 Million at the end of third quarter. However in the last quarter, with the reduction in raw material prices, increased capacity utilization due to favourable market conditions and with innovative measures taken to control cost, the cumulative profit before tax for the year has risen to Rs. 202.72 Million (previous year Rs. 658.13 Million).

There has been a rise in the interest rates on borrowings during the year under review. However, there has been a slight softening in interest rate in the last quarter with the measures taken by Reserve Bank of India.

Relining expenses of Rs. 66.15 Million incurred for one of the Mini Blast Furnaces has reduced the profitability of the Company during the year under review.

During the year under review, the installation of a new high pressure moulding line with other utility equipments has been completed at Solapur plant. The commercial production has commenced from 1st September, 2008.

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

During the year under review, your Company sold 145,559 MT of pig iron valued at Rs. 3,532 Million as compared to 212,792 MT of pig iron valued at Rs. 3,684 Million in the previous year; and 39,366 MT castings aggregating to Rs. 2,469 Million as compared to 49,964 MT castings aggregating to Rs. 2,579 Million in the previous year.

Owing to higher raw material costs and availability of steel scrap at cheaper rates, there was a low demand for pig iron for the greater part of the year and the production of pig iron was carried at a lesser capacity utilisation.

Demand for the castings reduced in the third quarter of the year under review, on account of turmoil in the Auto and Tractor industry arising from the change in the domestic and international scenario.

Cost of imported raw material, viz. Coke, increased on account of increased coke prices in the market coupled with Indian Rupee depreciating against the US Dollar.

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

D. Cost Control

Your Company adopted following measures to reduce the cost :

- a) Initiation of energy conservation projects.
 - b) Usage of BHQ and silicious iron ore to reduce the raw material costs.
 - c) Increased procurement of coke in domestic market instead of imported coke to mitigate the risk on prices of coke.
-

E. Concerns and Threats

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

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.

F. Prospects for the Current Year

The steel industry, the automotive sector and tractor industry have direct impact on the business of the Company. Despite the slowdown in the general economy, the above sectors are expected to perform better. This will help in having a sustained demand both for pig iron and castings.

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 costs 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 by enhancing the captive generation;
- d) Identified energy conservation projects.

The Company proposes to finance the installation of Turbo Blower, stoves in second Mini Blast Furnace, installation of sinter plant out of the funds generated from internal accruals.

Cautionary Statement

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

G. Internal Control Systems and their adequacy

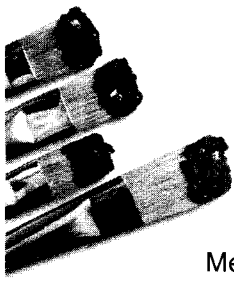
The Company has a proper and adequate system of controls in order to ensure that all assets are safeguarded against loss from unauthorised use or disposal. All transactions are properly checked, verified, recorded and reported correctly.

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

H. Safety, Health and Environment

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

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



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

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

Requirements of environmental acts and regulations are complied with. Monitoring and analysis of waste water, stack emissions and ambient air quality are undertaken periodically to verify whether the level of environmental parameters are well within the specified limits. ISO-14001-2004 for Environment management systems has been re-certified for the Company by IRQS, in March 2008.

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

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

I. Social Responsibility

As a part of its corporate responsibility to the society, your Company has been supporting and providing assistance to nearby villages at 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 medicines are 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, 2009 the total number of salaried employees stood at 1,251. The Employer - Employee Relations have been generally cordial throughout the year.

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

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

Till 31st March, 2009, the Company had received applications from warrant holders for conversion of 289,494 warrants into equity shares for an amount aggregating to Rs.10,132,290 (inclusive of securities premium). Out of the above, 289,314 warrants amounting to Rs.10,125,990 have been converted into 289,314 Equity Shares of Rs. 5 each (Equity share capital Rs.1,446,570 and securities premium Rs.8,679,420) during the year. The balance 180 warrants amounting to Rs.6,300 were pending for allotment at the end of the year.

The Board of Directors at its meeting held on 9th June, 2009 has decided to extend the validity of warrant exercise period by a further period of three years from 13th March, 2010 till 13th March, 2013 subject to the approval of warrant holders and subject to such other necessary approvals as may be required as per applicable laws.

DIRECTORS

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

The brief resumes and other details relating to the Directors, who are proposed to be re-appointed, 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, 2009 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, 2009 and of the profit of the Company for the year ended 31st March, 2009;
- 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, 2009 on a "going concern" basis.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended 31st March, 2009 is attached with the Annual Audited Accounts of the Company.

AUDITORS

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

The Board has recommended their re-appointment.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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



PARTICULARS OF EMPLOYEES

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

CORPORATE GOVERNANCE

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

APPRECIATION

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

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman

Pune : 9th June, 2009

ANNEXURE - A

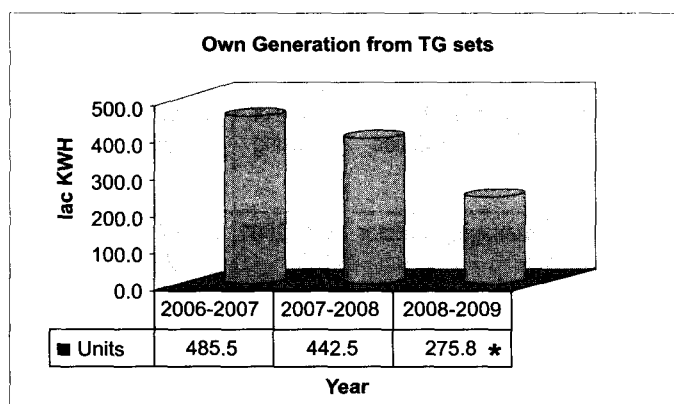
**DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31st MARCH , 2009
AND FORMING PART THEREOF**

A CONSERVATION OF ENERGY:

a. Energy conservation measures taken during the year 2008-2009 are as follows :

1. Variable frequency drives for fan of Metallic Blast Pre-heaters at MBF-II to reduce power consumption, was installed.
2. Based on the energy audit conducted in 2007-2008, second phase of replacement of pumps with suitable capacity was completed.
3. Installation of medium frequency induction furnaces for energy conservation, stepless control and dual track controls. Installation of Divided Blast Cupola for productivity increase and improved efficiency.
4. Optimisation of fuel consumption in metallic blast pre-heater of Blast Furnace-II by online monitoring of oxygen content in flue gas.
5. Commenced processing of Clean Development Mechanism (CDM) for Stove for MBF - I.
6. Use of CFLs instead of tubelights to reduce power consumption.
7. Audit findings of energy conservation in respect of fuel consumption, thermal efficiency, power consumption are being implemented.
8. Use of furnace oil for sand drying system instead of high speed diesel for operational cost benefit.
9. On-line energy monitoring system at plant level as an energy conservation measure.
10. Installation of energy efficient screw compressors.
11. Installation of Fluidised Bed Combustion (FBC) boiler (Designed for optimum fuel consumption) for sand drying.
12. 200 CFL lamps (5, 6, 18, 24 watts) given to all colony members as an energy conservation activity at Solapur Plant .
13. Installed two Solar water heating systems at guest house at Solapur Plant.
14. Installation of transparent sheets to the roofing structure.

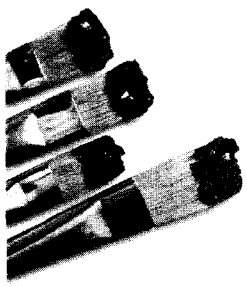
Figures of Power generation :



* "Low Production due to market conditions"

b. Additional proposals for the year 2009-2010 :

1. Installation of shaftless stoves for Blast Furnace II is in progress and is expected to be completed in the FY 2009-2010 .
2. Installation of 4.5 MW Power plant to utilise excess Blast Furnace Gas is in progress and is expected to be completed in FY 2009-2010



3. Installation of variable frequency drive for boiler feed pumps and conveyors to reduce power consumption.
4. Use of Blast Furnace gas for sand drying and Core drying system instead of high speed diesel / furnace oil.
5. Replacement of reciprocating compressors with centrifugal compressors to enhance energy efficiency.
6. Establishing Clean Development Mechanism (CDM) for projects like Power Plant III and Hot Blast Stoves - II.
7. Replacement of tubelights with CFLs to reduce electricity consumption.
8. Replacement of energy efficient pumps with suitable capacity in power plant.

c. Impact of the above measures:

1. Reduction in consumption of coke by 50 kg/THM.
2. Reduction in energy consumption.
3. Conservation of non-renewable energy resources.
4. More generation of power resulting in less dependency on grid Power.
5. Improvement in operational efficiency and widening the scope for energy conservation.

B. TECHNOLOGY ABSORPTION:

Use of Kalugin shaftless stove technology for stoves of Mini Blast Furnace - II.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(Rupees in Million)
Earnings	256.20
Outgo	1,538.55

ANNEXURE B

**DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31ST MARCH , 2009
AND FORMING PART THEREOF**

Information pursuant to Section 217 (2 A) 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	51	B.Tech (Met.)	28	Managing Director	8/11/2001	9,221,329	Chief Executive(Works) Indian Seamless Metal Tubes Ltd.,

NOTES :

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

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

Company's philosophy on Code of Governance:

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

1. Board of Directors

(a) **Composition of the Board**

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

(b) **Number of Board meetings**

During the year, five meetings of the Board of Directors were held on 19th June, 2008; 24th July, 2008; 25th October, 2008; 24th January, 2009 and 19th March, 2009.

(c) **Directors' attendance record and directorships held**

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

Name of Directors	Category	Financial Year 2008-09		Attendance at the Last AGM	* Number of Directorships in other Public Limited Companies incorporated in India	**Committee positions held in Other Public Limited Companies	
		Board Meetings Held	Board Meetings Attended			Member	Chairman
Mr. Atul C. Kirloskar	Chairman Non - Independent Non Executive	5	5	Yes	4	Nil	2
Mr. Sanjay C. Kirloskar	Non - Independent Non Executive	5	5	No	7	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	1
Mr. S. N. Inamdar	Independent Non Executive	5	5	Yes	9	2	3
Mr. C. V. Tikekar	Independent Non Executive	5	5	Yes	Nil	Nil	Nil
Mr. S. G. Chitnis	Independent Non Executive	5	5	Yes	Nil	Nil	Nil
Mr. A. N. Alawani	Independent Non Executive	5	5	Yes	5	3	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.



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

Statement showing number of securities of the Company held by the Directors as on 31st March, 2009 :

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	3,400	NIL
Mr. S. N. Inamdar	6,100	NIL
Mr. C.V. Tikekar	6,000	NIL
Mr. S. G. Chitnis	3,100	NIL
Mr. A. N. Alawani	35,000	21,700

Declaration of compliance with the Code of Conduct :

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

All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct. A declaration to that effect signed by Mr. R. V. Gumaste 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 acts as the Secretary of the Committee.

During the financial year 2008 - 2009, six Audit Committee meetings were held on 23rd May, 2008; 19th June, 2008; 24th July, 2008; 25th October, 2008; 24th January, 2009 and 19th March, 2009.

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	6
Mr. C. V. Tikekar	Independent Non - Executive	6
Mr. A. R. Jamenis	Independent Non - Executive	6
Mr. S. G. Chitnis	Independent Non - Executive	6

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

Mr. S. N. Inamdar, Chairman of the Audit Committee, was present at the Annual General Meeting of the Company held on Thursday, the 28th August, 2008.

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

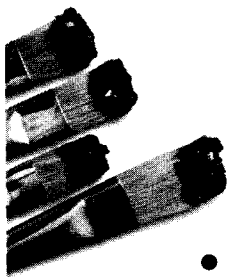
The Audit Committee has been vested with the following powers :

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

(b) Terms of Reference :

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

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



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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, debentureholders, 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.
 - 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 18 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 2008 - 2009, 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 was 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, 2009 the projected and the actual application of funds are as given below :

Particulars	Projection as given in the Letter of Offer	Actual expenditure incurred till 31st March, 2009 (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	*1,095.78
Installation of Hot Blast Stoves for MBF - I	191.33	*207.49
Installation of Turbo Blower for MBF-I	165.39	127.13
Total	2,353.41	2,687.27

(Rupees in Million)

* The expenditure of Rs. 1,095.78 Million and Rs. 207.49 Million incurred towards the installation of Moulding Line and the installation of Hot Blast Stoves for MBF - I respectively, as on 31st March, 2009 have been financed as follows :

- a. Rs. 869.21 Million from the proceeds of Rights Issue; and
- b. Balance Rs. 434.06 Million from Internal generations and Long Term Borrowings.

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

- a. Towards Issue expenses : Rs. 14.19 Million
- b. Towards Rights Issue objects : Rs. 2,253.21 Million

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.

Till 31st March, 2009, the Company has received applications from warrant holders for conversion of 289,494 Detachable Warrants into 289,494 Equity Shares for an amount aggregating to Rs. 10,132,290 (inclusive of the securities premium).

The Detachable Warrants Issue proceeds have been utilised as under :

- 1. Rs. 10,125,990 has been utilised for the installation of Sinter Plant after the allotment of 289,314 Equity shares; and
- 2. the balance amount of Rs. 6,300 was kept in a separate bank account till the allotment of 180 Equity Shares on 10th April, 2009.



e) **Other Disclosures**

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

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

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

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

5. **Remuneration to Directors**

a) **Remuneration Committee :**

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

During the financial year, one Remuneration Committee Meeting was held on Thursday, 19th June, 2008 to recommend to the Board of Directors the payment of commission to the Managing Director and to Non - Executive Directors for the financial year 2007 - 2008.

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 2008 - 2009 are as under :

Name of Directors	Sitting Fees (Rs.)
Mr. Atul C. Kirloskar	30,000
Mr. Sanjay C. Kirloskar	30,000
Mr. A. R. Jamenis	115,000
Mr. S. N. Inamdar	60,000
Mr. C. V. Tikekar	105,000
Mr. S. G. Chitnis	105,000
Mr. A. N. Alawani	75,000
Total	520,000

Subject to the approval of the members in the general meeting, the Board of Directors at its meeting held on 19th June, 2008 has reappointed Mr. R. V. Gumaste as the Managing Director for a period of 5 years with effect from 1st July, 2008 and fixed the terms of his remuneration.

Further, the members at the Seventeenth Annual General Meeting held on 28th August, 2008 have approved the re-appointment of Mr. R. V. Gumaste as the Managing Director for a period of 5 years and the terms of remuneration payable to him.

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

Details of remuneration, by payment and provision, to Mr. R. V. Gumaste, Managing Director, for the financial year 2008 - 2009 are as follows -

Particulars	Amount (Rs.)
Salary	4,680,000
Contribution to Provident Fund	489,600
Contribution to Superannuation Fund	612,000
Perquisites	29,868
Leave Travel Assistance	90,000
Commission	3,000,000
Gratuity	-
Leave Encashment	319,861
Total	9,221,329

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.

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

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

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

Details of Commission payable to Non - Executive Directors for the financial year 2008 - 2009 are as follows -

Name of Directors	Amount (Rs.)
Mr. Atul C. Kirloskar	150,000
Mr. Sanjay C. Kirloskar	150,000
Mr. A. R. Jamenis	150,000
Mr. S. N. Inamdar	150,000
Mr. C.V. Tikekar	150,000
Mr. S. G. Chitnis	150,000
Mr. A. N. Alawani	150,000
Total	1,050,000

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

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



6. CEO / CFO Certification

The Chief Executive Officer, i.e. the Managing Director and the Chief Financial Officer, i.e. the Vice President (Finance) heading the finance functions 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 9th June, 2009.

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

1. Mr. Atul Chandrakant Kirloskar

Mr. Atul C. Kirloskar, aged 53 years, began his career with the erstwhile Kirloskar Cummins Limited in the year 1978, where he started as a trainee. In December 1981, he was appointed as the Chief Executive of Cummins Diesel Sales and Services.

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

He is a member of the World Economic Forum. He is the Member of Confederation of Indian Industries' on the National Committee and Defence Committee. He is past President of Mahratta Chamber of Commerce, Industries and Agriculture, Pune.

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

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

Other Directorships

Kirloskar Oil Engines Limited
 Kirloskar Engines India Limited
 Kirloskar Systems Limited
 G. G. Dandekar Machine Works Limited
 Five Stars Bulkcarriers Private Limited
 Navsai Investments Private Limited
 Toyota Kirloskar Motor Private Limited

Other Committee Positions :

Name of the Company	Name of Committee and position held
Kirloskar Systems Limited	Audit Committee - Chairman Share Transfer and Investors Relations Committee-Chairman Remuneration Committee - Chairman

2. Mr. Sanjay Chandrakant Kirloskar

Mr. Sanjay C. Kirloskar, aged 52 years, graduated with a Degree in mechanical engineering from Illinois Institute of Technology, Chicago, USA. He underwent practical training in a number of Kirloskar Group Companies.

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

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

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

Other Directorships

Kirloskar Brothers Limited
 Kirloskar Pneumatic Company Limited
 Kirloskar Oil Engines Limited
 Kirloskar Systems Limited
 Kirloskar Ebara Pumps Limited
 Kirloskar Constructions and Engineers Limited
 Kirloskar Silk Industries Limited
 Pooja Credits Private Limited
 Prakar Investments Private Limited

Other Committee Positions :

Name of the Company	Name of Committee and position held
Kirloskar Brothers Limited	Shareholders' / Investors' Grievance Committee - Member
Kirloskar Oil Engines Limited	Audit Committee - Member Share Transfer cum Shareholders' / Investors' Grievance Committee - Chairman
Kirloskar Ebara Pumps Limited	Share Transfer Committee - Chairman Remuneration Committee - Chairman
Kirloskar Pneumatic Company Limited	Finance Committee - Chairman Share Transfer Committee - Member

3. Mr. Chintaman Vishwanath Tikekar

Mr. Chintaman V. Tikekar, aged 76 years, graduated from the College of Engineering, Pune with a degree in metallurgical engineering with distinction. He then worked at the heat treatment shop of Premier Automobiles for over a year. Thereafter, he joined Tata Engineering Company Limited (TELCO) and during the course of service he was sent by them to visit the plant of Daimler Benz at Germany for specialised on the job training in heat treatment of automobile components, material testing and in process technologies.

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

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

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

He is a Director of Ekartha India Private Limited.

He is neither a Member nor Chairman of any Committee in any other Public Limited Company.

8. Shareholders' / Investors' Grievance Committee

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

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

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

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

The Compliance Officer can be contacted at -

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

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

The total number of complaints received and redressed during the year ended 31st March, 2009 were 364 and there was no complaint pending as on 31st March, 2009.

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
15th Annual General Meeting	2005 - 2006	28th July, 2006 * 11.30 a.m The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002
* One Special Resolution passed for 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 a.m The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002.
No special resolution was passed.		
17th Annual General Meeting	2007 - 2008	28th August, 2008 ** 11.30 a.m The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002.
** Two Special Resolutions were passed -		
(a) To create, offer, issue and allot not more than 12,00,000 Equity Shares under one or more Employees Stock Option Scheme(s).		
(b) Payment of commission to Non - Executive Directors a sum not exceeding one percent per annum of the Net Profit in any financial year upto a period of 5 years, commencing from the financial year 2007 - 2008.		

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

10. Means of Communication

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

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

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

11. General Shareholders' Information

Annual General Meeting	
Day, Date and Time	Friday, 14th August, 2009 at 11 a.m
Venue	The Pudmjee Hall, Maharashtra Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002
Financial Year	1st April, 2008 to 31st March, 2009 During the year under review, the results were announced as under - First Quarter 24th July, 2008 Second Quarter 25th October, 2008 Third Quarter 24th January, 2009 Annual 9th June, 2009
Date of Book Closure	From 11th August, 2009 to 14th August, 2009 (both days inclusive)
Dividend payment date	On or after 4th September, 2009
Listing on stock exchange	Bombay Stock Exchange Limited
Stock Code	500245
ISIN	INE 884B01025

The Annual Listing Fees for the financial year 2008 - 2009 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 2008 - 2009 are as follows :

Year	Month	High (Rs.)	Low (Rs.)	
2008	April	47.20	39.95	
	May	44.80	37.55	
	June	37.00	27.70	
	July	29.85	24.80	
	August	31.70	26.50	
	September	26.95	19.90	
	October	19.50	11.05	
	November	15.37	11.20	
	December	14.02	11.48	
	2009	January	15.35	11.64
		February	12.06	10.82
		March	11.16	9.16

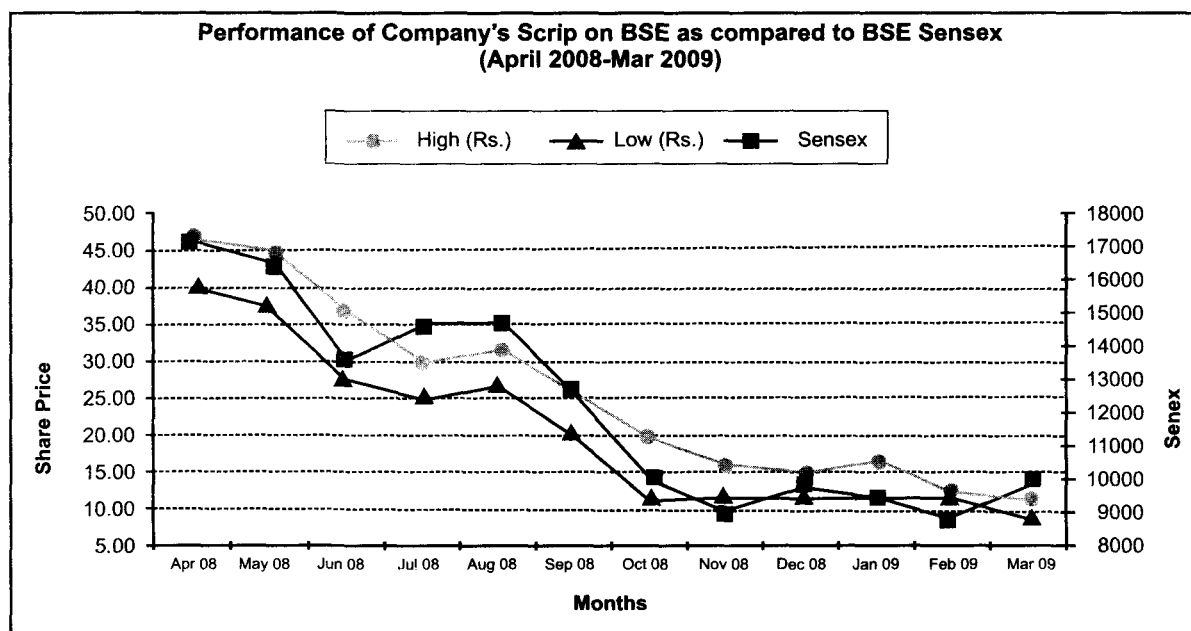
KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008 - 09

Monthly High / Low Closing Prices of Detachable Warrant on the Bombay Stock Exchange Limited during the financial year 2008 - 2009 are as follows :

Year	Month	High (Rs.)	Low (Rs.)	
2008	April	18.64	13.25	
	May	14.90	11.84	
	June	11.05	6.49	
	July	7.60	4.70	
	August	7.94	5.56	
	September	6.90	2.56	
	October	3.06	1.57	
	November	2.40	1.05	
	December	2.10	1.24	
	2009	January	1.90	1.08
		February	1.48	0.90
		March	1.08	0.58

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



Registrar & Share Transfer Agent -

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

M/s. Link Intime India Private Limited was formerly known as M/s. Intime Spectrum Registry Limited.

The Registrar & Share Transfer Agent can be contacted at -

Link Intime India Private Limited
Akshay Complex, Block No 202,
Second Floor, Off Dhole Patil Road,
Near Ganesh Temple,
Pune 411 001
Tel No. (020) 26051629 / 26053503
Fax No. (020) 26053503
Email : pune@linkintime.co.in

Share Transfer System:

The applications for transfer of Shares / Warrants in physical form are processed by the Registrar and Share Transfer Agent of the Company and are returned after the registration of transfers within 30 days from the date of receipt, subject to the validity of all documents lodged with the Company. The 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, 2009 :

Range of Shares		Shareholders		Shares	
From	To	Number	Percentage to Total	Number	Percentage to Total
1	5,000	75,770	94.31	15,567,954	11.34
5,001	10,000	2,056	2.56	3,297,539	2.40
10,001	20,000	1,139	1.42	3,326,408	2.42
20,001	30,000	546	0.68	2,778,300	2.02
30,001	40,000	164	0.20	1,168,631	0.85
40,001	50,000	210	0.26	2,000,955	1.46
50,001	100,000	229	0.28	3,383,731	2.47
100,001 & above		230	0.29	105,770,961	77.04
Total		80,344	100.00	137,294,479	100.00

Shareholding Pattern as on 31st March, 2009 :

Category	Number of Shares	Percentage of Shareholding
Promoter Companies	80,467,620	58.61
Financial Institutions	3,565,000	2.60
Nationalised Banks	600	0.00
Non Nationalised Banks	NIL	NIL
Non Resident Indians	1,485,743	1.08
Mutual Funds	4,573,266	3.33
Foreign Institutional Investor	81,100	0.06
Domestic Companies	8,174,095	5.95
General Public	38,947,055	28.37
Total	137,294,479	100.00

Income Tax PAN mandatory for transfer of shares in physical form

The Securities and Exchange Board of India (SEBI) vide its circular no. MRD/DoP/Cir-05/2009 dated 20th May, 2009 has made it mandatory for the transferee(s) to furnish a copy of Income Tax PAN card to the Company / the Registrar & Share Transfer Agent for registration of transfer of shares in physical form.

Accordingly, the transferee(s) are requested to furnish a copy of Income Tax PAN card for registration of transfer of shares in physical form.

Equity Shares in electronic form :

As on 31st March, 2009, 91.60 percent 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 and allotted 64,782,765 Equity Shares of Rs. 5 each alongwith 64,782,765 Detachable Warrants.

Detachable Warrants are tradable on the stock exchange.

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

Detachable Warrants in electronic form :

As on 31st March, 2009, 99.74 percent of Detachable Warrants are held in electronic form.

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

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

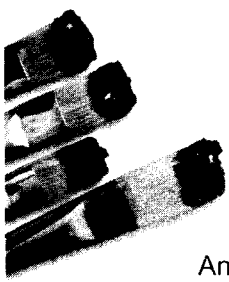
Call Option in terms of the Letter of Offer dated 2nd January, 2007

The Company also has a one - time call option of compulsory conversion of 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 outstanding Detachable Warrants and will seek compulsory conversion of Detachable Warrants into Equity Shares at the warrant exercise price. Warrants shall lapse on the call option date, or the end of warrant exercise period, whichever is earlier.

General Information for Detachable Warrants conversion

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



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

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

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.

Assuming that all Detachable Warrants are converted into Equity Shares, the Paid up Equity Share Capital of the Company will enhance from Rs. 686,472,395 (137,294,479 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 holder to make nomination without any delay. The nominee shall be the person in whom all the rights of transfer and / or amount payable in respect of the shares shall vest in the event of death of shareholder(s). A minor can also be a nominee, provided the name of the Guardian is given in the nomination form.

The facility of nomination is not available to non - individual shareholders such as bodies corporate, financial institutions, karta of hindu undivided family and holders of power of attorney. Nominations will have to be made in prescribed form, which can be obtained from the registered office of the Company or the Share Transfer Agent.

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 Engines India Limited, Kirloskar Pneumatic Company Limited, Kirloskar Ferrous Industries Limited, Pooja Credits Private Limited, Kirloskar Systems Limited, Asara Sales & Investments Private Limited, Navsai Investments Private Limited, Prakar Investments Private Limited, Alpak Investments Private Limited, Achyut & Neeta Holdings & Finance Private Limited, Sri Harihareshwara Finance & Investments Private Limited, Cees Investments & Consultants Private Limited, Kirloskar Integrated Technologies Limited (Formerly known as 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, The Kolhapur Steel Limited, Koppal Mines & Minerals Private Limited, Gondwana Engineers Limited, Kirloskar Chillers Private Limited, Hematic Motors Private Limited, Pressmatic Electro Stampings Private Limited, Quadromatic Engineering Private Limited, Suman Kirloskar, Mrinalini Kirloskar, Neeta A. Kuikarni, 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, Komal 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 THE CODE OF CONDUCT

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

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

For Kirloskar Ferrous Industries Limited,



Ravindranath V. Gumaste
Managing Director

Pune : 9th June, 2009

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, 2009, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange in India.

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

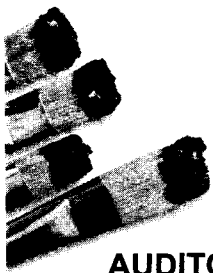
In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For M/s P.G.Bhagwat
Chartered Accountants

Pune : 9th June, 2009

S.B. Pagad
Partner
Membership No.206124



AUDITOR'S REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** ('the Company') as at 31st March, 2009, 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, 2009, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 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, 2009;
 - (b) In the case of the Profit and Loss Account of the profit for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For M/s P. G. BHAGWAT
Chartered Accountants

S. B. Pagad
Partner

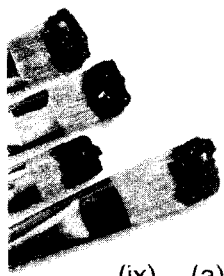
Membership No.: 206124

Pune : 9th June, 2009

ANNEXURE TO THE AUDITORS' REPORT

STATEMENT REFERRED TO IN PARAGRAPH 3 OF THE AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF **KIRLOSKAR FERROUS INDUSTRIES LIMITED** ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2009

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As informed to us, the fixed assets have been physically verified by the Management at reasonable intervals. 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.
- (b) According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable, except the following

Name of the statute	Nature of the dues	Amount (Rs.)
Government of Karnataka (Electricity Board)	Interest on delayed payment	707,970

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	342,068	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	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	424,984	Assistant Commissioner, Central Excise
Central Excise Act, 1944	Interest on Cenvat Credit reversal	27,319	Assistant Commissioner, Central Excise
Central Excise Act, 1944	Cenvat Credit availed	5,584,499	Additional Commissioner of Central Excise
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	1,851,250	Joint Commissioner of Commercial Taxes, Davangere
Income Tax Act, 1961	Minimum Alternate Tax	20,491,056	Additional Commissioner of Income Tax, Pune -disallowed. Appeal filed in ITAT
Income Tax Act, 1961	Minimum Alternate Tax	29,553,560	Commissioner of Income Tax (A), Pune
The Bombay Provincial Municipal Corporation Act, 1949	Octroi	9,425,295	Commissioner of Solapur Municipal Corporation

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008-09

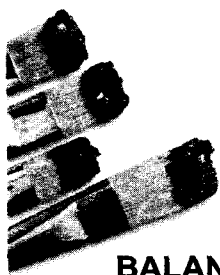
- (x) The Company does not have accumulated losses as at the date of Balance Sheet. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to banks. Repayment to financial institutions / debentureholders is not applicable as the Company has not borrowed from financial institutions / issued debentures.
- (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) Since the Company has not issued any debentures during the year, para 4(xix) of the order regarding creation of security is not applicable.
- (xx) 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 : 9th June, 2009



BALANCE SHEET AS AT 31st MARCH, 2009

	SCHEDULE		As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
I. SOURCES OF FUNDS:				
1. Shareholders' Funds:				
(a) Share Capital	1	686,472,395		685,025,825
(b) Convertible Warrants application money pending allotment into Equity Shares		6,300		65,800
(c) Reserves and Surplus	2	<u>2,286,556,615</u>		<u>2,316,430,529</u>
			2,973,035,310	<u>3,001,522,154</u>
2. Loan Funds :				
(a) Secured Loans	3	188,571,428		39,433,346
(b) Unsecured Loans		-		-
			188,571,428	<u>39,433,346</u>
3. Deferred Tax Liability - Net				
	4		315,017,205	228,950,293
Total			<u><u>3,476,623,943</u></u>	<u><u>3,269,905,793</u></u>
II. APPLICATION OF FUNDS:				
1. Fixed Assets:				
(a) Gross Block	5	4,315,723,814		3,306,479,682
(b) Less : Depreciation		<u>1,661,191,384</u>		<u>1,518,617,403</u>
(c) Net Block		2,654,532,430		1,787,862,279
(d) Capital Work-in-Progress		<u>634,150,735</u>		<u>676,227,557</u>
			3,288,683,165	<u>2,464,089,836</u>
2. Investments				
	6		100	100
3. Current Assets, Loans and Advances:				
(a) Inventories	7	576,625,481		932,347,502
(b) Sundry Debtors	8	691,951,063		951,049,287
(c) Cash and Bank Balances	9	126,753,883		434,285,511
(d) Other Current Assets	10	36,545,672		82,279,691
(e) Loans and advances	11	368,516,543		650,371,683
	(A)	<u>1,800,392,642</u>		<u>3,050,333,674</u>
Less : Current Liabilities and Provisions	12			
(a) Liabilities		1,444,119,333		2,201,050,204
(b) Provisions		<u>168,332,631</u>		<u>43,467,613</u>
	(B)	<u>1,612,451,964</u>		<u>2,244,517,817</u>
Net Current Assets	(A)-(B)		187,940,678	<u>805,815,857</u>
Total			<u><u>3,476,623,943</u></u>	<u><u>3,269,905,793</u></u>
Notes forming part of the accounts	18			

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R. V. GUMASTE
Managing Director

S.B.PAGAD
Partner

C. S. PANICKER
Company Secretary

R. S. SRIVATSAN
Vice President-Finance

Pune : 9th June, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

	SCHEDULE	For the year ended 31st March, 2009 Rs.	For the year ended 31st March, 2008 Rs.
INCOME			
Sales & Operating Income		7,215,783,901	7,640,944,252
Sale of byproducts, waste and scrap		680,858,020	796,760,191
		<u>7,896,641,921</u>	<u>8,437,704,443</u>
Less : Excise Duty & Education Cess on Excise Duty		<u>905,248,050</u>	<u>1,173,141,938</u>
Net Sales		6,991,393,871	7,264,562,505
Other Income	13	50,868,417	183,470,034
		<u>7,042,262,288</u>	<u>7,448,032,539</u>
EXPENDITURE			
Material Consumed	14	5,254,716,012	5,301,911,074
Employee Remuneration & Benefits	15	306,523,046	296,851,387
Operational and Establishment Expenses	16	929,597,221	909,310,520
Interest	17	117,274,684	83,902,218
Depreciation and Amortisation	5	230,400,407	185,423,129
		<u>6,838,511,370</u>	<u>6,777,398,328</u>
Profit for the year		203,750,918	670,634,211
Prior period Expenses (Net)		1,028,868	12,506,591
Profit before Tax		<u>202,722,050</u>	<u>658,127,620</u>
Provision for Taxation:			
Deferred Tax		86,066,912	128,040,572
Fringe Benefit Tax		1,625,000	2,330,940
Current Tax	22,588,928		98,914,484
Less : Minimum Alternate Tax Credit Entitlement		<u>-</u>	<u>(61,659,157)</u>
		22,588,928	37,255,327
Wealth Tax		161,641	181,232
Short (Excess) Provision of earlier years		12,792,009	-
Profit After Tax		<u>79,487,560</u>	<u>490,319,549</u>
Balance brought forward from previous year		337,138,017	17,035,363
Profit available for Appropriation		<u>416,625,577</u>	<u>507,354,912</u>
Appropriations			
Transfer to General Reserve		-	50,000,000
Interim Dividend		-	102,753,874
Proposed Dividend (Refer Note No. 22)		100,893,965	-
Tax on Dividend (Refer Note No. 22)		17,146,929	17,463,021
Balance carried to Balance sheet		<u>298,584,683</u>	<u>337,138,017</u>
		<u>416,625,577</u>	<u>507,354,912</u>
Earnings Per Share: (Refer Note No.18)			
Basic Earnings Per Share of Face Value of Rs. 5 each		0.58	3.58
Diluted Earnings Per Share of Face Value of Rs. 5 each		0.58	3.03
Notes forming part of the accounts	18		

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

S.B.PAGAD
Partner

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Vice President-Finance

Pune : 9th June, 2009



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

	2008-2009	2007-2008
	Rs.	Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	202,722,050	658,127,620
Adjustments for:		
Depreciation	230,400,407	185,423,129
Profit on sale of assets	-	(21,402,497)
Loss on sale of assets	13,213,607	605,809
Interest paid	117,274,684	83,902,218
Interest income	(15,514,732)	(70,799,116)
Dividend Income	(1,562,698)	(5,509,965)
Rent on Building	(275,081)	(3,205,770)
	<u>343,536,187</u>	<u>169,013,808</u>
Operating profit before working capital changes	546,258,237	827,141,428
Decrease/(Increase) in Trade & Other Receivables	353,850,919	(372,553,768)
Decrease/(Increase) in Inventories	355,722,021	(404,602,614)
(Decrease)/Increase in Trade Payables	(751,515,391)	783,407,979
	<u>(41,942,451)</u>	<u>6,251,597</u>
Cash generated from operations	504,315,786	833,393,025
Taxes Paid	(50,204,211)	(81,849,368)
Net cash from operating activities	<u>454,111,575</u>	<u>751,543,657</u>
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of assets	(832,510,613)	(1,162,166,645)
Sale of assets	10,479,492	23,929,031
Interest received	15,192,016	72,521,582
Dividend received	1,562,698	5,509,965
Rent on Building	275,081	3,205,770
Net cash used in investing activities	<u>(805,001,326)</u>	<u>(1,057,000,297)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Interest paid	(115,846,449)	(83,902,218)
Amount received towards conversion of warrants into Equity Shares	10,066,490	65,800
Proceeds/(Repayment) of Long Term Borrowings (Net)	149,138,082	(161,649,996)
Dividend on Equity Shares	-	(102,753,874)
Tax on Dividend	-	(17,463,021)
Net cash used in financing activities	<u>43,358,123</u>	<u>(365,703,309)</u>
Net increase/(decrease) in cash & cash equivalents	<u>(307,531,628)</u>	<u>(671,159,949)</u>
Opening Cash and Cash Equivalents	434,285,511	1,105,445,460
Closing Cash and Cash Equivalents	126,753,883	434,285,511

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

S.B.PAGAD
Partner

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Vice President-Finance

Pune : 9th June, 2009

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008-09

Schedule Nos. 1 to 12 annexed to and forming part of Balance Sheet as at 31st March, 2009

	As at 31st March, 2009 Rs.	As at 31st March, 2008 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 :		
137,294,479 (137,005,165) Equity Shares of Rs.5 each (Refer Note No. 7)	686,472,395	685,025,825
	<u>686,472,395</u>	<u>685,025,825</u>
SCHEDULE 2		
RESERVES AND SURPLUS		
i. Securities Premium Account		
As per Last Balance Sheet	1,929,292,512	1,929,292,512
Add : Received during the year (Refer Note No. 7)	8,679,420	-
	1,937,971,932	<u>1,929,292,512</u>
ii. General Reserve		
As per Last Balance Sheet	50,000,000	-
Transfer From Profit and Loss Account	-	50,000,000
	50,000,000	<u>50,000,000</u>
iii. Surplus as per annexed Profit and Loss Account	298,584,683	337,138,017
	<u>2,286,556,615</u>	<u>2,316,430,529</u>
SCHEDULE 3		
SECURED LOANS		
Term Loans :		
a) from Banks (Refer Note No. 6 A)	188,571,428	39,433,346
b) Interest accrued & due on above loans	-	-
	188,571,428	39,433,346
Cash Credit from Banks (Refer Note No. 6 B)	-	-
	<u>188,571,428</u>	<u>39,433,346</u>
SCHEDULE 4		
DEFERRED TAX - Liability (Net)		
Deferred Tax Assets:		
Disallowance under Section 43 B of Income Tax Act	20,480,181	17,904,440
Provision for doubtful debts	4,319,735	5,384,386
Total Assets	<u>24,799,916</u>	<u>23,288,826</u>
Deferred Tax Liabilities:		
Depreciation	339,817,121	252,239,119
Total Liabilities	<u>339,817,121</u>	<u>252,239,119</u>
Liability (Net)	<u>315,017,205</u>	<u>228,950,293</u>

SCHEDULE 5**FIXED ASSETS**

(Amount in Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION / AMORTISATION				NET BLOCK	
	AS AT 01.04.08	ADDITIONS	DELETIONS/ ADJUSTMENTS	AS AT 31.03.09	AS AT 01.04.08	FOR THE YEAR	DELETIONS/ ADJUSTMENTS	AS AT 31.03.09	AS AT 31.03.09	AS AT 31.03.08
INTANGIBLE ASSETS										
GOODWILL	33,502,465	-	-	33,502,465	13,958,988	11,166,372	-	25,125,360	8,377,105	19,543,477
COMPUTER SOFTWARE	14,396,934	1,080,000	-	15,476,934	773,652	2,566,847	-	3,340,499	12,136,435	13,623,282
TANGIBLE ASSETS										
FREEHOLD LAND	39,119,774	82,886	-	39,202,660	-	-	-	-	39,202,660	39,119,774
LEASEHOLD LAND	39,243,357	-	-	39,243,357	-	-	-	-	39,243,357	39,243,357
MINING RIGHTS	1,150,000	-	-	1,150,000	63,867	103,668	-	167,535	982,465	1,086,133
BUILDINGS	605,515,662	253,927,595	-	859,443,257	199,223,752	24,033,022	-	223,256,774	636,186,483	406,291,910
PLANT & MACHINERY	2,539,862,345	863,888,317	109,752,149	3,293,998,513	1,291,082,661	190,091,497	86,450,675	1,394,723,483	1,899,275,030	1,248,779,684
FURNITURE & FIXTURES	18,572,676	1,068,169	1,767,378	17,873,467	10,847,092	969,314	1,375,751	10,440,655	7,432,812	7,725,584
VEHICLES	15,116,469	716,692	-	15,833,161	2,667,391	1,469,687	-	4,137,078	11,696,083	12,449,078
Total	3,306,479,682	1,120,763,659	111,519,527	4,315,723,814	1,518,617,403	230,400,407	87,826,426	1,661,191,384	2,654,532,430	1,787,862,279
<i>Previous Year Total</i>	<i>2,860,861,576</i>	<i>453,912,944</i>	<i>8,294,838</i>	<i>3,306,479,682</i>	<i>1,333,991,104</i>	<i>185,423,129</i>	<i>796,830</i>	<i>1,518,617,403</i>	<i>1,787,862,279</i>	

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008-09

	As at 31st March, 2009 Rs.	As at 31st March, 2008 Rs.
SCHEDULE 6		
INVESTMENTS		
Long Term Investments (At cost)		
Fully Paid Equity Shares		
Trade - Unquoted		
Kirloskar Proprietary Limited	100	100
One Equity Share with a Face value of Rs. 100 per share		
	<u>100</u>	<u>100</u>

SCHEDULE 7

INVENTORIES

(As certified by the Managing Director)

a) Raw Materials	273,512,542	541,892,528
b) Non reusable waste	30,948,226	113,865,639
c) Stores and Spares	128,179,685	150,752,135
d) Goods in transit	-	8,847,506
e) Finished Goods	40,265,417	25,155,432
f) Work-in-Progress	103,719,611	91,834,262
	<u>576,625,481</u>	<u>932,347,502</u>

SCHEDULE 8

SUNDRY DEBTORS

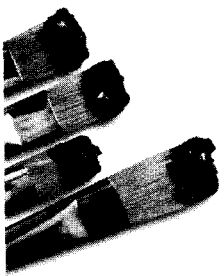
(Unsecured and considered good)

a) Debts outstanding for a period exceeding six months		
Considered Good	12,460,724	22,063,113
Considered Doubtful	1,643,138	11,341,087
	<u>14,103,862</u>	<u>33,404,200</u>
Less: Provision for doubtful debts	1,643,138	11,341,087
	12,460,724	22,063,113
b) Others - Considered Good	679,490,339	928,986,174
	<u>691,951,063</u>	<u>951,049,287</u>

SCHEDULE 9

CASH AND BANK BALANCES

Cash on Hand	197,785	198,973
Balances with Scheduled banks :		
In Current Accounts	116,161,865	177,449,716
In Margin Money Deposit	-	8,536,670
In Fixed Deposit	10,394,233	248,100,152
	<u>126,753,883</u>	<u>434,285,511</u>



As at
31st March, 2009 31st March, 2008
Rs. Rs. Rs.

SCHEDULE 10

OTHER CURRENT ASSETS

Interest accrued on investments and deposits	712,084	389,368
Claims Receivable	40,420,799	86,390,323
Less: Provision for doubtful claims	<u>4,587,211</u>	<u>4,500,000</u>
	35,833,588	81,890,323
	<u>36,545,672</u>	<u>82,279,691</u>

SCHEDULE 11

LOANS AND ADVANCES

(Unsecured considered good)

Advances recoverable in cash or in kind or for value to be received	87,230,661	233,098,098
Advance against capital expenditure	27,632,561	273,808,783
Prepaid Expenses	2,291,827	2,630,019
Sundry Deposits	44,310,090	36,511,369
Balance with Central Excise & Customs	133,345,777	43,634,829
Advance Income Tax, Tax deducted at source and MAT	73,705,627	60,688,585
Credit Entitlement (Net of Provision for Tax)		
	<u>368,516,543</u>	<u>650,371,683</u>

SCHEDULE 12

CURRENT LIABILITIES & PROVISIONS

CURRENT LIABILITIES

Sundry Creditors :

1) Dues to Micro, Small & Medium Enterprises (Ref. Note No. 9)	1,943,191	-
2) Others	<u>1,372,180,273</u>	<u>2,160,085,211</u>
	1,374,123,464	2,160,085,211
Earnest Money Deposit received	-	163,000
Investor Education and Protection Fund #		
Unclaimed Dividend	2,186,901	5,748,993
Interest Accrued but not due on Secured Loans	1,428,235	-
Advance from customers	<u>66,380,733</u>	<u>35,053,000</u>
	<u>1,444,119,333</u>	<u>2,201,050,204</u>

Provisions for :

Gratuity	28,373,776	23,417,079
Wealth Tax	161,641	181,232
Proposed Dividend	100,893,965	-
Tax on Proposed Dividend	17,146,929	-
Fringe Benefit Tax	-	-
Compensated Absences	21,756,320	19,869,302
	<u>168,332,631</u>	<u>43,467,613</u>

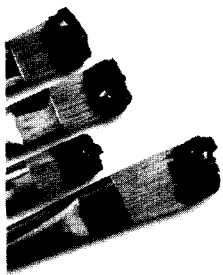
Note: There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008-09

Schedules 13 to 17 annexed to and forming part of Profit and Loss Account for the Year ended 31st March, 2009

		For the year ended 31st March, 2009	For the year ended 31st March, 2008
	Rs.	Rs.	Rs.
SCHEDULE 13			
OTHER INCOME			
Interest on deposits ((T.D.S.Rs. 3,334,760) (Rs.15,845,094))		15,514,732	70,799,116
Dividend Income		1,562,698	5,509,965
Rent on Building		275,081	3,205,770
Profit on sale of assets		-	21,402,497
Miscellaneous Income		4,866,411	7,418,449
Provision no longer required written back		27,537,117	27,013,078
Sundry credit balances appropriated		770,287	4,847,957
Insurance claim received		342,091	392,900
Foreign Exchange Gain		-	32,024,532
Sales Tax Refund		-	10,855,770
		<u>50,868,417</u>	<u>183,470,034</u>
SCHEDULE 14			
MATERIAL CONSUMED			
(a) Raw Materials Consumed :			
Opening Stock	541,892,528		260,305,826
Add : Purchases	<u>4,270,002,547</u>		<u>4,983,445,549</u>
	4,811,895,075		5,243,751,375
Less : Closing Stock	<u>273,512,542</u>		<u>541,892,528</u>
		4,538,382,533	4,701,858,847
(b) Stores and spares consumed		662,717,919	674,128,363
(c) Decrease / (Increase) in stocks :			
Stock at close :			
Work-in-process	103,719,611		91,834,262
Finished Goods	40,265,417		25,155,432
Non Reusable Waste	<u>30,948,226</u>		<u>113,865,639</u>
	(a) <u>174,933,254</u>		<u>230,855,333</u>
Less : Stock at commencement :			
Work-in-process	91,834,262		68,319,175
Finished Goods	25,155,432		46,973,519
Non Reusable Waste	<u>113,865,639</u>		<u>42,775,287</u>
	(b) <u>230,855,333</u>		<u>158,067,981</u>
	(b) - (a)	55,922,079	(72,787,352)
Excise duty on Increase / (Decrease) in closing stock of finished goods		(2,306,519)	(1,288,784)
		<u>5,254,716,012</u>	<u>5,301,911,074</u>



For the year ended 31st March,2009
Rs.

For the year ended 31st March,2008
Rs.

SCHEDULE 15

EMPLOYEE REMUNERATION AND BENEFITS

Salaries, Wages and Bonus	249,269,447	235,060,723
Company's Contribution to Provident & other funds	32,293,583	35,664,655
Employees' Welfare Expenses	24,960,016	26,126,009
	<u>306,523,046</u>	<u>296,851,387</u>

SCHEDULE 16

OPERATIONAL AND ESTABLISHMENT EXPENSES

Power, fuel and water	321,095,062	288,140,532
Insurance	1,702,196	2,592,633
Machinery Hire	2,178,579	668,577
Repairs & Maintenance		
- Building	5,640,400	12,912,629
- Machinery	35,629,436	45,823,727
- Others	17,319,212	14,517,273
MBF Relining and related expenses	66,150,873	2,954,461
Fettling & Labour charges	82,678,456	109,529,916
Rent	851,040	854,683
Rates and Taxes	7,176,370	18,311,704
Travelling Expenses	10,065,466	14,050,631
Administrative Expenses	76,690,101	96,363,661
Directors' Commission	4,050,000	6,200,000
Bank Charges	9,324,148	9,169,622
Selling Expenses	177,011,963	271,048,545
Bad debts written off	11,267,164	5,496,957
Provision for Doubtful Debts	(9,619,936)	(1,445,840)
Directors Sitting fees	520,000	275,000
Donations	1,693,689	11,240,000
Loss on assets sold/ discarded	13,213,607	605,809
Foreign Exchange Loss	94,959,395	-
	<u>929,597,221</u>	<u>909,310,520</u>

SCHEDULE 17

INTEREST

- On Fixed Loans	32,177,655	12,116,234
- On others	85,097,029	71,785,984
	<u>117,274,684</u>	<u>83,902,218</u>

NOTES FORMING PART OF THE ACCOUNTS**SCHEDULE - 18****[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 notified under Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.
- b) The Company follows mercantile system of accounting and recognises income & 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 Solapur unit from Kirloskar Oil Engines Ltd. has been treated as goodwill.

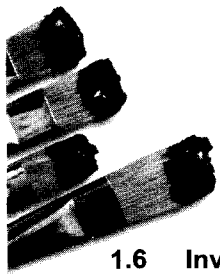
1.4 Depreciation & Amortisation

- 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 Solapur unit from Kirloskar Oil Engines Ltd. is amortised over a period of 36 months commencing from 1st January, 2007.
- d) Mining Rights are amortised over the period of lease agreement.
- e) On all other fixed assets, depreciation is provided on straight line method in the manner and at the rates specified in Schedule-XIV to the Companies Act, 1956.

1.5 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.
- 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, Central Government Provident Fund Scheme, are defined contribution plans. The contribution paid / payable under the schemes are recognized during the period in which the employee renders the related service.

ii) **Defined Benefit Plans:**

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

1.12 Taxes on Income

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

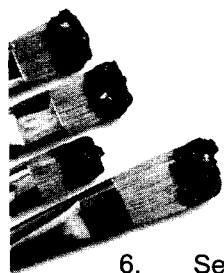
Revenue expenditure on the Research & Development is charged off as expense in the year in which incurred. Capital expenditure is grouped with Fixed Assets under appropriate heads & Depreciation is provided as per the rates applicable.

1.14 Earnings Per Share

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

OTHER NOTES

Sr. No.	Particulars	2008-09 (Rs.)	2007-08 (Rs.)
2.	Estimated amount of contracts remaining to be executed on capital account and not provided for	331,329,529	961,347,302
3.	Contingent Liabilities not provided for in respect of:		
	a) Central Excise (Matter Subjudice)	17,533,337	16,334,221
	b) Sales Tax (under Appeal)	3,620,604	3,619,354
	c) Income Tax (MAT) (Matter Subjudice)	50,044,616	20,491,056
	d) Export Duty	Nil	244,412
	e) Electricity Tax (Interest)	Nil	1,612,752
	f) Labour Matters (Matter Subjudice) , to the extent quantifiable.	1,886,448	4,277,948
4.	i) Aggregate value of the letter of credit outstanding (Refer Note No: 6 B)	699,846,296	904,039,697
	ii) Aggregate Value of Guarantees outstanding	Nil	Nil
5.	Amount of borrowing costs capitalized	Nil	Nil



6. Security:

A) Term Loan:

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

B) Working Capital facilities:

Working Capital Facilities (Fund based and Non - Fund based) aggregating to Rs. 4,500,000,000 (previous year Rs. 2,150,000,000) sanctioned by the Consortium of Banks are secured by first charge by way of hypothecation on the current assets, both present and future, in favour of IDBI Trusteeship Services Limited, as Security Trustee for the benefit of the Consortium of Banks.

7. Warrants:

The holders of 64,782,765 warrants are entitled to apply for one equity share of Rs.5 each per warrant at a premium of Rs.30 at any time within the warrant exercise period i.e., between 13th March, 2008 to 13th March, 2010. The Company will also have one time call option of compulsory conversion of warrants at any time within the warrant exercise period.

Till 31st March, 2009, the Company has received applications from warrant holders for conversion of 289,494 warrants into equity shares for an amount aggregating to Rs.10,132,290 (inclusive of securities premium). Out of the above, 289,314 warrants amounting to Rs. 10,125,990 have been converted into 289,314 Equity Shares (Equity Share Capital Rs. 1,446,570 and Securities Premium Rs. 8,679,420) till 31st March, 2009.

As on 31st March, 2009, warrants 180 numbers (Previous year 1,500 numbers) aggregating to Rs.6,300 (Previous year Rs.52,500) were pending for conversion into Equity Shares.

8. Interest paid on others Rs. 85,097,029 (Previous year Rs. 71,785,984) is after deducting Rs.1,292,168 (Previous Year Rs. 2,693,564) being interest received from customers/suppliers/contractors. [Tax deducted on interest received Rs. Nil (Previous Year Rs. Nil)].

9. Disclosure in respect of Principal and interest pertaining to the "Micro, Small and Medium Enterprises Development Act, 2006" based on available details is as under:-

Particulars	2008-2009 (Rs.)
Principal amount remaining unpaid as on 31.03.2009	1,943,191
Interest on above and unpaid interest	255,399
Interest paid	36,578
Payment made beyond the appointed day	8,454,031
Interest due and payable for the period of delay	291,977
Interest accrued and remaining unpaid at the end of the year	255,399
Amount of further interest remaining due and payable in succeeding year	Nil

Note: In the previous year, the Company had 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 could not be compiled and therefore was not disclosed for that year.

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

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008-09

11. Remuneration to Auditors (Excluding Service Tax):

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Statutory Auditors:		
a) Audit Fees	765,000	765,000
b) Tax Audit Fees	130,000	130,000
c) Certification & Other Services	273,600	302,272
d) Expenses reimbursed	58,014	51,038
Total	1,226,614	1,248,310

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

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
(a) C.I.F. value of imports		
Capital Goods	587,746,675	196,397,601
Raw Materials	925,616,627	1,871,906,911
Stores & Spares	8,293,738	38,577,926
(b) Expenditure in foreign currencies		
Interest	16,557,248	56,091,763
Others	350,267	4,081,298

13. Earnings in Foreign Exchange

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
FOB Value of Exports	256,208,606	366,296,453

14. Details of raw material consumption:

(i) Raw Material Consumed:

Particulars	Unit	2008-09		2007-08	
		Qty.	Rs.	Qty.	Rs.
(a) Iron Ore Lumps	MT	350,212	877,818,410	491,577	1,211,914,650
(b) Coke	MT	141,845	2,989,326,164	211,652	2,700,589,960
(c) M.S/C.I. Scrap	MT	18,888	436,219,353	22,121	441,209,078
(d) Others			235,018,606		348,145,159
Total			4,538,382,533		4,701,858,847

Imported and Indigenous Raw Material Consumption:

Particulars	2008-09		2007-08	
	Rs.	Percent	Rs.	Percent
(a) Imported	1,241,305,058	27.35	2,171,360,370	46.18
(b) Indigenous	3,297,077,475	72.65	2,530,498,477	53.82
Total	4,538,382,533	100.00	4,701,858,847	100.00

(ii) Imported and Indigenous Stores & Spares Consumption:

Particulars	2008-09		2007-08	
	Rs.	Percent	Rs.	Percent
(a) Imported	3,367,691	0.51	9,379,630	1.39
(b) Indigenous	659,350,228	99.49	664,748,733	98.61
Total	662,717,919	100.00	674,128,363	100.00

15. Details of Licensed and Installed capacity and Production:

A. Licensed and installed capacity:

Class of goods	Unit	Licensed Capacity		Installed Capacity	
		2008-09	2007-08	2008-09	2007-08
Liquid Metal for Pig Iron	MT	NotApplicable		240,000	240,000
Investment / Steel Castings *	MT	200	200	200	200
Castings *#	MT	60,000*	24,000*	112,000	84,000

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

Casting capacity :

Particulars	MT
Capacity as on 01.04.2008	84,000
Less: Capacity removed during the year	(8,000)
Add: Capacity added during the year w.e.f. 01.09.2008	36,000
Capacity as on 31.03.2009	112,000

B. Production:

Class of Goods	Unit	2008-09	2007-08
Liquid Metal			
- Consumed in Foundry	MT	29,597	37,377
- Consumed for Manufacture of Pig Iron *	MT	159,783	222,606
Castings	MT	42,026	51,190
Investment Castings	MT	62	71

* Includes 2,579 MT for internal consumption (previous year 8,025 MT)

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008 - 09

C. Stock and Turnover:

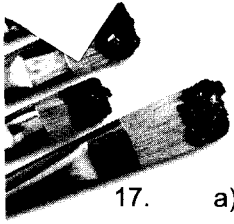
Class of Goods	Unit	Opening Stock		Closing Stock		Turnover	
		2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
(a) Pig Iron							
Quantity	MT	834	2,080	1,855	834	145,559	212,792
Value (Rs.)		16,070,562	30,983,339	36,667,263	16,070,562	3,532,162,076	3,684,390,548
(b) Castings							
Quantity	MT	1	44	Nil	1	39,366	49,964
Value (Rs.)		18,984	2,854,009	Nil	18,984	2,468,790,501	2,578,810,642
(c) Investment castings							
Quantity	MT	1.69	2.48	Nil	1.69	64	72
Value (Rs.)		52,435	861,075	Nil	52,435	53,673,003	50,135,695
(d) Others							
Value (Rs.)		9,013,451	12,275,096	3,598,154	9,013,451	936,768,291	951,225,620
Total							
Value (Rs.)		25,155,432	46,973,519	40,265,417	25,155,432	6,991,393,871	7,264,562,505

Notes:

- (i) Castings turnover has been arrived after considering the rejections of 2,660 MT amounting to Rs. 183,480,367 (Previous Year 1,228 MT amounting to Rs. 62,644,587).
- (ii) Opening stock of 1 MT of castings amounting to Rs.18,984 and 1.69 MT of Investment castings amounting to Rs.52,435 which were unserviceable were treated as rejections during the year.

16. Following Investments are purchased and sold during the period :

Particulars	No. of Units	Face Value (Rs.)	Cost Price (Rs.)
ICICI Prudential Institutional Liquid Plan	14,110,720	10	140,879,000
-Super Institutional Daily Div- Reinvest Dividend			
ING Liquid Fund Institutional	48,355,732	10	483,347,000
- Daily Dividend Option			
DWS Insta Cash Plus Fund	18,048,668	10	185,530,000
- Regular Plan Daily Dividend			
DWS Insta Cash Plus Fund	5,242,629	10	52,422,223
- Institutional Plan Daily Dividend			
Birla Sun Life Liquid Plus	1,000,684	10	10,000,000
- Institutional - Daily Dividend -Reinvestment			
Birla Sun Life Cash Plus	1,192,533	22	26,463,642
- Institutional - Growth			
Total			898,641,865



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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency	Purpose
Liabilities Payable				
2008-09	USD	1,750,000	90,410,000	Hedging the Risk
2007-08	USD	6,000,000	242,064,842	Hedging the Risk

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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency
2008-09			
Assets Receivable	EURO	47	3,150
	USD	226,585	11,485,403
Liabilities Payable	USD	1,927,749	99,240,510
	EURO	1,037,024	70,693,947
	JPY	3,249,790	1,710,040
2007-08			
Assets Receivable	USD	340,951	14,428,782
Liabilities Payable	USD	17,146,590	687,578,270
	EURO	453,554	18,187,515

18. Earnings per Equity Share (EPS) :

		2008-09 (Rs.)	2007-08 (Rs.)
a)	Basic Earnings Per Share		
	Basic	0.58	3.58
	Diluted	0.58	3.03
b)	The amount of profit considered for Calculation of EPS is as follows: Net Profit after tax	79,487,560	490,319,549
c)	Basic Earnings per equity share has been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the period. Weighted average number of equity shares used in computing earnings per equity share:	137,206,540	137,005,165
d)	Face value of each equity share	5	5

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008-09

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 2008-09 (Rs.)	Key Management Personnel 2007-08 (Rs.)
Remuneration	9,221,329	10,100,322
Dividend	Nil	7,125

20. Managerial Remuneration :

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

Particulars	(Rs.)	2008-09 (Rs.)	2007-08 (Rs.)
Profit for the year		79,487,560	490,319,549
Add: Provision for taxation		123,234,490	167,808,071
Directors' remuneration		10,271,329	12,300,322
		212,993,379	670,427,942
Less: Provision for doubtful debts		9,619,936	1,445,840
		203,373,443	668,982,102
Less:			
a) Provision for doubtful debts no longer required written back	15,000		1,590,425
b) Capital profit on sale of assets	Nil		21,372,733
		15,000	22,963,158
Net Profit as per Section 309(5) of the Companies Act, 1956		203,358,443	646,018,944
(ii) Remuneration payable to Managing Director @ 5% on above profits		10,167,922	32,300,947
Restricted to		9,221,329	10,100,322
Commission to other Directors' @ 1% of Profits		2,033,584	6,460,189
Restricted to		1,050,000	2,200,000

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

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Salary	4,680,000	4,680,000
Contribution to Provident Fund	489,600	489,600
Contribution to Superannuation Fund	612,000	612,000
Perquisites	29,868	28,860
Leave Travel Assistance	90,000	22,500
Commission	3,000,000	4,000,000
Gratuity	Nil	61,541
Leave Encashment	319,861	205,821
Total	9,221,329	10,100,322

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

- a. Defined Contribution Plan:

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

Particulars	2008-09 (Rs.)	2007-08 (Rs.)
Employer's Contribution to Provident Fund	15,243,894	13,627,875
Employer's Contribution to Superannuation Fund	1,700,182	3,918,965

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

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

- b. Defined Benefit plan:

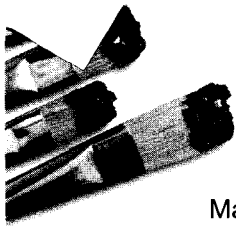
The Employee Gratuity Fund Scheme is a defined benefit plan. The present value of the obligation is based on the actuarial valuation using Projected Unit Credit Method.

Particulars	Gratuity (Funded) 2008-09 (Rs.)	Gratuity (Funded) 2007-08 (Rs.)
1) Changes in the Present Value of Obligations (PVO)		
PVO at beginning of Period	62,025,965	49,994,477
Interest Cost	4,781,091	3,685,762
Current Service cost	5,660,660	3,467,032
Benefits Paid	(4,524,653)	(1,701,967)
Acturial (gain)/loss on obligation	6,284,025	6,580,661
PVO at end of period	74,227,088	62,025,965

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008 - 09

Particulars	Gratuity (Funded) 2008-09 (Rs.)	Gratuity (Funded) 2007-08 (Rs.)
2) Changes in fair value of plan assets		
Fair Value of Plan Assets at beginning of period	38,608,886	23,070,841
Expected Return on Plan Assets	3,676,978	2,427,100
Contribution	8,364,305	14,435,830
Benefit Paid	(4,524,653)	(1,701,967)
Actuarial (gain)/loss on obligation	(272,204)	377,082
Fair Value of Plan Assets at the end of period	45,853,312	38,608,886
3) Fair value of plan assets		
Fair Value of Plan Assets at beginning of period	38,608,886	23,070,841
Actual Return on Plan Assets	3,404,774	2,804,182
Contributions	8,364,305	14,435,830
Benefit Paid	(4,524,653)	(1,701,967)
Fair Value of Plan Assets at end of period	45,853,312	38,608,886
Funded Status	(28,373,776)	(23,417,079)
Excess of actual over estimated return on Plan Assets	(272,204)	377,082
4) Actuarial Gain/(Loss) Recognised		
Actuarial Gain/(Loss) for the period (obligation)	(6,284,025)	(6,580,661)
Actuarial Gain/(Loss) for the period (Plan Assets)	(272,204)	377,082
Total Gain/ (Loss) for the period	(6,556,229)	(6,203,579)
Actuarial Gain/(Loss) Recognised for the period	(6,556,229)	(6,203,579)
Unrecognised Actuarial Gain/ (Loss) at end of period	Nil	Nil
5) Amount Recognised in the Balance Sheet and statement of Profit & Loss A/c		
PVO at end of period	74,227,088	62,025,965
Fair value of Plan Assets at end of Period	45,853,312	38,608,886
Funded Status	(28,373,776)	(23,417,079)
Unrecognised Actuarial Gain/ (Loss) at end of period	Nil	Nil
Net Assets/ (Liability) recognised in the Balance Sheet	(28,373,776)	(23,417,079)
6) Amount recognised in the Statement of Profit & Loss A/c		
Current Service Cost	5,660,660	3,467,032
Interest Cost	4,781,091	3,685,762
Expected Return on Plan Assets	(3,676,978)	(2,427,100)
Net Actuarial (Gain)/Loss recognised for the period	6,556,229	6,203,579
Expenses recognised in statement of Profit & Loss A/c	13,321,002	10,929,273
7) Movements in the Liability recognised in Balance Sheet		
Opening Net Liability	23,417,079	26,923,636
Expenses as above	13,321,002	10,929,273
Contribution paid	(8,364,305)	(14,435,830)
Closing Net Liability	28,373,776	23,417,079
8) Actuarial Assumptions		
Mortality	LIC(1994-96) Ult	LIC(1994-96) Ult
Discount Rate	7.50%	8.00%
Rate of increase in compensation	7.00%	7.00%
Withdrawal rates	0.80%	0.80%



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

Particulars	2008-09 (Rs.)	Percent	2007-08 (Rs.)	Percent
In Government Securities	Nil	0.00	1,326,031	3.43
State Government Bonds	1,192,425	2.60	992,538	2.57
Balances in Current Accounts with scheduled Banks	249,353	0.54	151,084	0.39
Income Tax Authorities (TDS)	45,594	0.10	Nil	0.00
Funds with Life Insurance Corporation of India	44,365,940	96.76	36,139,233	93.61
Total	45,853,312	100.00	38,608,886	100.00

c. Amount recognised as an expense in respect of long term compensated absences is Rs. 3,512,497 (Previous Year Rs. 8,204,315).

22. Details of Proposed Dividend and tax thereon, as on 31st March, 2009 :

Particulars	Dividend (Rs.)	Tax on Dividend (Rs.)
(a) On Paid up Equity Share capital as on 31st March 2009	68,647,240	11,666,598
(b) Provision towards likely conversion of 64,493,451 Warrants into Equity Shares of Rs.5 each on or before book closure date	32,246,725	5,480,331
Total	100,893,965	17,146,929

Provision as per (b) above shall be reversed to extent of the warrants not converted into Equity Shares as on book closure date.

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

KIRLOSKAR FERROUS INDUSTRIES LIMITED

Annual Report 2008 - 09

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

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

Signatures to Schedules 1 to 18

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

S.B.PAGAD
Partner

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Vice President-Finance

Pune : 9th June, 2009

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

ATTENDANCE SLIP

18th Annual General Meeting on 14th August , 2009 at 11 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 18th Annual General Meeting of the Company at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 on Friday, the 14th day of August, 2009 at 11 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-----

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

PROXY FORM

I/We
L.F. No / DP Id and Client Id of
being member/members of Kirloskar Ferrous Industries Limited, do hereby appoint
of or failing
him/her of as my/our proxy in
my/our absence to attend and vote for me/us and on my/our behalf at the 18th Annual General Meeting of the
Company, to be held at Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru
Stadium, Swargate Corner, Pune 411002 on Friday, the 14th day of August, 2009 at 11 A.M. and at any
adjournment thereof.

In witness whereof, I/we have set my/our hand/hands this day of 2009.

Please
affix
Re. 1
Revenue
Stamp

(Signature of the member across the stamp)

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

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As many of you are aware, the Kirloskar Group began large-scale operations with Kirloskar Brothers Limited's flagship plant in Kirloskarvadi in 1910. From pioneering India's agricultural success-story with innovative products like the iron plough to being the acknowledged leader in engineering solutions globally, the brand "Kirloskar" has come a long way.



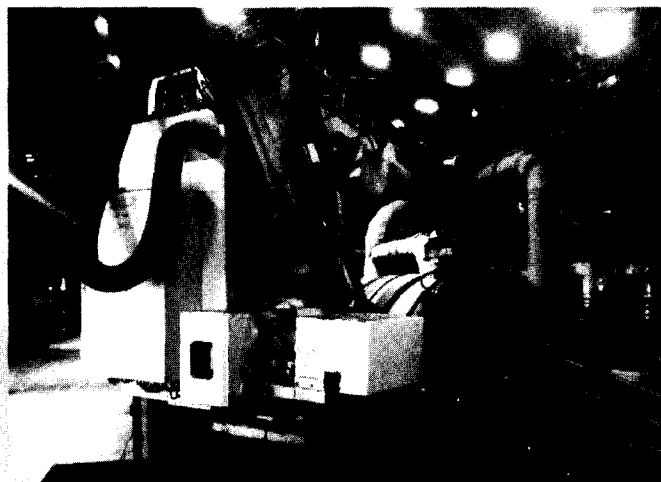
Enriching Lives

Let's celebrate the spirit

Having made a difference to the lives of millions worldwide, your Company has brought growth and prosperity across continents. Celebrating 2009-2010 as the centenary year of this remarkable journey, we look forward to transforming fortunes. This is the legacy of the Kirloskar Group. This is the legacy we will build on.



Machining Line for Cylinder Heads at Solapur



Manipulator for Castings Handling at Hospet



Enriching Lives

KIRLOSKAR FERROUS INDUSTRIES LIMITED

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

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

E-mail: csp@koel.co.in Website: www.kirloskar.com