

KIRLOSKAR PNEUMATIC CO. LTD.
35TH ANNUAL REPORT 2009 - 2010



Enriching Lives

Let's celebrate the spirit



ENGINEERING SMILES GLOBALLY



At Kirloskar, engineering world-class products is not enough. What drives us, is bringing a smile on the faces of our customers. Because in their smile, lies our future. Needless to say, when it comes to creating technologically superior products, we are second to none.

We have established our leadership position in supplying systems for utilising coal bed methane from the eastern coal deposits in our country. Our technology translates into an incredible amount of carbon credits to the end users. Further, this gas is used in non-polluting green energy power generation and fuelling CNG driven vehicles for reducing air pollution.

We have also maintained our leadership position in supplying CNG compressor packages for fueling vehicles and have contributed to our nation's thrust in introducing CNG driven vehicles for reducing air pollution.

We have developed systems for recovering flare gas at on-shore and off-shore Oil & Gas fields, which till recently was being flared into the atmosphere. This has resulted in reducing air pollution and enabled a great amount of carbon credits to the end users.

To aid in the development of renewable energy, we have developed gear boxes for large wind turbines.



BOARD OF DIRECTORS

Mr. Rahul C. Kirloskar	Chairman (w.e.f. March 9, 2010)
Mr. Sanjay C. Kirloskar	Chairman (upto March 9, 2010)
Mr. Vikram S. Kirloskar	
Mr. A. C. Mukherji	
Mr. J. Y. Tekawade	
Mr. P. S. Jawadekar	
Mr. G. Krishna Rao	
Mr. D. R. Swar	
Mr. Aditya Kowshik	Executive Director
Mr. H. R. Mustikar	Managing Director (Upto July 5, 2009)

COMPANY SECRETARY

Mr. Kedar P. Phadke

STATUTORY AUDITORS

M/s. Dalal & Shah
Chartered Accountants,
Mumbai

BANKERS

Bank of India
Bank of Maharashtra
ICICI Bank Ltd.
State Bank of India
Union Bank of India
HDFC Bank Ltd.

REGISTERED OFFICE

Hadapsar Industrial Estate,
Pune 411 013

LOCATION OF PLANTS

Pune and Saswad

REGISTRAR & TRANSFER AGENT

Link Intime (India) Pvt. Ltd.

Pune Office :

Akshay Complex, No. 202,
2nd Floor, Near Ganesh Temple,
Off Dhole Patil Road,
Pune 411 001

Mumbai Office :

C-13, Pannalal Silk Mills Compound,
LBS Marg,
Bhandup West,
Mumbai 400 078

Information for shareholders

Annual General Meeting	
Date	: Monday, 26th July 2010
Time	: 11.30 a.m.
Venue	: Pudumjee Hall Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002
Dates of Book Closure	: 20th July 2010 to 26th July 2010 (both days inclusive)

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NOTICE OF 35TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 35th Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Monday the 26th day of July, 2010 at 11.30 a.m. at Pudumjee Hall, Maharashtra Chamber of Commerce, Industries & Agriculture, Tilak Road, Pune 411 002 to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2010 and the Profit and Loss Account for the year ended 31st March, 2010 and the Auditors' and Directors' Report thereon.
2. To declare dividend on equity shares for the financial year ended on 31st March, 2010.
3. To appoint a Director in place of Mr. J. Y. Tekawade, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. P. S. Jawadekar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

NOTES :

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
- 2 The Proxy Form duly executed and stamped should reach the Company's Registered Office 48 hours before the time of the Meeting.
- 3 The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 20th day of July, 2010 to Monday, the 26th day of July, 2010 (both days inclusive).
- 4 The dividend as recommended by the Board, if declared at the meeting, will be paid after July 26, 2010 to those members whose names appear on the Company's Register of Members on July 20, 2010. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as on July 20, 2010 for this purpose.
- 5 Members to note that Link Intime India Pvt. Ltd. (LI IPL) will be mandatorily printing shareholder's bank account details on the dividend warrants as advised by the Securities and Exchange Board of India (SEBI). Those Members who have not furnished their bank account details may furnish the same to LI IPL on or before July 20, 2010. Members holding shares in dematerialized form must therefore give instructions regarding their Bank account details to their Depository Participants.
- 6 Members are requested to sign at the place provided on the attendance slip and handover the same at the entrance of the Meeting.
- 7 Queries on Accounts of the Company, if any, may please be sent to the Company Secretary at the Registered Office of the Company seven (7) days in advance of the Meeting so that the answers may be made available at the Meeting.
- 8 Members are requested to bring their personal copy of the Annual Report to the Meeting.
- 9 Re-appointment of Directors at the Annual General Meeting :
Mr. J Y Tekawade and Mr. P S Jawadekar, retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49(IV)(G)(i) of the Listing Agreement relating to the Code of Corporate Governance, the particulars of the aforesaid Directors are given below :
Profile of Directors retiring by rotation :
A. Mr J. Y. Tekawade, Agriculturist, is having good and varied experience in Corporate Sector. He is a social worker from Shirampur. He was appointed as Member of Legislative Council, Maharashtra State for 12 years from 1985. Mr J. Y. Tekawade is also Founder member of The Shirampur Peoples Co-Op Bank Ltd. He had Won the Gold Medal from the Government of India for producing highest sugarcane per acre.

The Directorship/Committee membership in other companies of Mr J. Y. Tekawade is as follows:

Name of the Company	Board position held	Committee Membership
Yashparva Agro Processing Private Ltd	Director	—

Mr. J. Y. Tekawade holds 104 equity shares in the Company.

- B. Mr. P. S. Jawadekar, graduate with Electrical Engineering having a good and varied experience of more than 3 decades in the industry and with professional institutions, gained experience in technology sourcing, technology development and management, structuring of business units, human resources and industrial relations management marketing management, quality management and leadership development.

The Directorship/Committee membership in other companies of Mr P. S. Jawadekar is as follows:

Name of the Company	Board position held	Committee Membership
Kirloskar Brothers Ltd	Director	Audit Committee Finance Committee Compensation Committee -Chairman
Kirloskar Constructions & Engineers Limited	Director	—
CMC Commutators Pvt. Ltd.	Director	—

Mr. P. S. Jawadekar do not hold any shares in the Company

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013
Date : April 28, 2010

By Order of the Board of Directors



Kedar P. Phadke
Company Secretary



DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting their Report along with the Audited Accounts for the year ended March 31, 2010.

FINANCIAL RESULTS

The Financial results for the year ended March 31, 2010 are summarised below:

	(Figures in Rs.)	
	<u>2009-10</u>	<u>2008-09</u>
Gross Profit	755,788,674	678,916,523
Less:		
Depreciation	73,507,753	52,795,946
Provision for Taxation	206,572,078	208,610,048
Fringe Benefit Tax	-	9,000,000
Profit after tax	475,708,843	408,510,529
Balance of Profit from previous year	168,404,348	151,504,514
Add / (Less)		
Tax adjustments for earlier years	3,403,713	8,688,402
Expenses in respect of Previous Year	(66,670)	(26,765)
Transferred to General Reserve	300,000,000	250,000,000
Proposed Dividend	154,132,056	128,443,380
Tax on Proposed Dividend	26,187,036	21,828,952
Surplus carried to Balance Sheet	167,131,142	168,404,348

OPERATIONS

The Global Economic Crisis witnessed in the later part of the last year impacted the executable order board for the first quarter of the year 2009-10. The corresponding sales therefore in the first quarter were lower by Rs.550 million and this shortfall could not be recouped through out the year. Thus your Company could register sales of Rs.4533 million during the year under report as against Rs.5185 million during 2008-09.

However, various measures undertaken to strengthen operations, costs reduction to improve bottom line have resulted in improvement in profit after tax from Rs.408 million of the previous year to Rs.475 million in the year 2009-10.

ENERGY CONSERVATION

Kirloskar Pneumatic, Hadapsar and Saswad Plant jointly participated in State & National level "Energy Management & Conservation Competition" organized by MEDA (Maharashtra Energy Development Agency) and CII (Confederation of Indian Industries) and bagged third prize & "Energy Efficient Unit Award" respectively.

Kirloskar Pneumatic, Hadapsar Plant bagged the "Third Prize" in Kirloskar Group Energy Conservation Competition, which was held among the Kirloskar Group Companies

DIVIDEND

The Board of Directors have recommended a dividend of Rs. 12/- per Equity Share for the year ended March 31, 2010 as against Rs. 10/- per Equity Share paid last year.

FIXED DEPOSIT

As on 31st March, 2010 there are no fixed deposits either outstanding or unclaimed.

PROSPECTS

The Gas Compression business is growing and your company is prepared to meet this challenge.

As a preferred supplier for Refrigeration & AC Packages your company has bagged many prestigious orders during the year and has been selected for many more in the coming years.

During the year, 1 MW range wind turbine gearbox was successfully developed and we expect to commence serial production.

DIRECTORS

Mr. Sanjay C. Kirloskar expressed his inability to continue as the Chairman of the Company w.e.f February 24, 2010 due to other pre-occupations, but continues to act as the Director of the Company.

He was elected as the Chairman of the Company on July 6, 1999 and continued to act as Chairman of the Company over a decade.

The Board places on record its appreciation of the rich and varied experience, advise, counsel and guidance received during his tenure as the Chairman of the Company.

The Board unanimously elected Mr. Rahul C. Kirloskar as the Chairman of the Company w.e.f. March 9, 2010.

Mr. J Y Tekawade and Mr P S Jawadekar retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

The Company conforms to the norms of Corporate Governance as envisaged in the Listing Agreement with the Bombay Stock Exchange Ltd. A separate report on Corporate Governance, along with Statutory Auditors' Certificate on the Compliance, Management Discussions and Analysis, is attached and forms part of the Annual Report.

STATUTORY DISCLOSURES

1. Conservation of Energy, Technology Absorption and Foreign Exchange

The information required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, pertaining to Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo, is given in the Annexure I to this Report and forms part of this Report.

2. Subsidiary Company

During the year Khosla Indair Limited a subsidiary of the company, ceased to be the subsidiary of the company.

3. Particulars of Employees

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is given in the Annexure to the Directors' Report. However as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to the Members of your Company excluding the aforesaid information. Any Member interested in obtaining the said annexure may write to the Secretarial Department at the Registered Office of the Company.



4. Directors' Responsibility Statement

The Directors confirm that :

- i. In preparation of Annual Accounts, the applicable accounting standards have been followed.
- ii. The Directors have selected such accounting policies and applied them consistently in order to show true and fair view of the state of affairs.
- iii. The Directors have taken proper care in maintaining accounting records as per the provisions of the Companies Act, 1956, for safeguarding Company's Fixed Assets for preventing and detecting fraud and other irregularities.
- iv. The Annual Accounts are prepared on the principle of going concern.

5. Cash Flow

A Cash Flow statement for the year ended March 31, 2010 is attached to the Balance Sheet.

AUDITORS

The Auditors of the Company, M/s. Dalal & Shah, Firm Registration No. 102021W, Chartered Accountants, Mumbai, retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate pursuant to Section 224(1-B) of the Companies Act, 1956 has been received.

EMPLOYEES

The Company follows pragmatic methods towards human resource retention and development. The human skill development part is taken care of through training programs. The training programs are designed in a systematic manner after identifying an individual's training needs. Cutting across the organizational hierarchy, training sessions are held for promoting team spirit and for addressing training needs. The motivation part is taken care of through empowerment and ensuring healthy working environment. The dual remuneration system assured as well as performance related; promotes talent within the Company. The Company endeavours to ensure that its different functions are adequately manned.

Employee relations achieved an important milestone with peaceful wage settlement signed with Workers Union on March 8, 2010 for a period of 36 months effective from 1st January, 2010.

Industrial relations continued to be cordial during the year.

The Company had 985 permanent employees on its roll as on 31st March, 2010.

ACKNOWLEDGEMENT

The Directors wish to convey their appreciation to all of the Company's employees for their efforts as well as their collective contribution to the Company's performance. The Directors would also like to thank the employee's union, shareholders, customers, dealers, suppliers, bankers and all other business associates for the continuous support given by them to the Company and their confidence in its management.

For and on behalf of the Board of Directors

RAHUL C. KIRLOSKAR
Chairman

Place : Pune
Date : April 28, 2010

ANNEXURE I TO THE DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956.

A. Conservation of Energy

- a) Energy Conservation measures taken:
- Power regeneration
 - Energy conservation measures taken during the designing New TRM shop for Utilities and Lighting. Installed Energy Efficient T5 lighting, Welded overhead grid for compressed air & all cranes with VFD for all motions.
 - Installation of Translucent Sheet on Roof for Natural Lighting in shops.
 - Many such initiatives have been put in place.
- b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy.

Proposals.

- Energy conservation awareness training and competition for employee's motivation.
- Heat Treatment shop reduction of heat loss.
- Procurement of Energy Star labeled products for future use.
- Installation of Wind ventilators on Foundry roof for Natural air circulation.
- Rain Water Harvesting in the company premises.
- Continuous Sand mixer with sand re-claiming plant at foundry.
- Innovation is our MANTRA and a large number of proposals are being studied upon.

Investment :

Estimated additional investment for above proposals is about Rs. 3.5 Million

- c) Impact of the measures at (a) & (b) for reduction of energy consumption and consequent impact on the cost of production of goods. Estimated saving from activities mentioned in (a) and (b) above is about Rs. 7.60 Million per year.
- d) Total Energy consumption and energy consumptions per unit of production as per prescribed Form-A. Not given, as the Company is not covered under the list of specified industries.

B. Technology Absorption :

Research and Development (R & D) :

1. Specific areas in which R & D is carried out by the Company :

- Technology transfer for dry screw for further models & centrifugal compressors.
- Introduction of new model of portable compressor
- Development of Refrigeration Compressor
- Development of Engineered Compressor Drive Set
- Indigenous CNG Compressor prototype Developed and Tested.
- Prototype Development of 1 MW Wind turbine Gearbox.
- Prototype Development of High Power Marine Gearbox.
- Design & Development of Light Weight Marine Gearbox.

2. Benefits derived as a result of above R & D :

- Penetration in the market for industrial segment and general engineering with the help of oil injected screw compressors.
- Introduction of new model of Diesel Portable Compressor in international market.
- Increasing of KC Compressor share in export market.
- Business growth in Marine Refrigeration & Air - Conditioning market.
- Business growth in High power Marine Gearboxes.
- Business growth in Planetary Wind Turbine Gearboxes.



3. Future plan of Action :

- Integrated packages of electrical oil injected screw compressors.
- Design & Development of new Refrigeration Compressor.
- Manufacture of CNG Compressors.
- Design of API 618 Process gas compression systems.
- Design of refrigeration system with Centrifugal Compressor (compliant to API 617).
- Prototype development of Light Weight Marine Gearbox.

4. Expenditure on R & D

(Rs. in Million)

a) Capital	-----
b) Recurring	29.81
c) Total	<u>29.81</u>
d) Total R&D Expenditure as a Percentage of total turnover	<u>0.66%</u>

5. Technology Absorption, Adaptation & Innovation :

1. Efforts in brief, made towards Technology Absorption, Adaptation & Innovation:
 - Technology absorbed for the dry screw packaging and manufacturing of key components of the centrifugal compressors
 - Building expertise for the application and product development in the area of special products.
2. Benefits derived as a result of the above efforts :
 - Increase in Market share through addition of new range of products.
 - Products with latest technology available to customer.
 - Minimise breakdown of equipments, resulting into Customer satisfaction.
3. Information regarding Imported Technology during last 5 years

Technology Imported and fully absorbed	Year of Import
Development of NOPV MG-88/CW Marine Gearbox.	2007
System Engineering for API 618 Gas Compression Systems	2009

C. Foreign Exchange Earnings and Outgo :

- Foreign exchange outgo Rs. 611 Mn.
- Foreign exchange earned Rs 173 Mn.

For and on behalf of the Board of Directors

RAHUL C. KIRLOSKAR
Chairman

Pune : April 28, 2010

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company as a part of Kirloskar Group, is committed to maintain high standards of Corporate Governance. To us, Corporate Governance means conduct of business with transparency, accountability and business prosperity with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of all other stakeholders as well.

2. BOARD OF DIRECTORS :

i. Composition and Category of Directors :

The Board of Directors of the Company represents an optimum mix of professionalism, knowledge and experience, comprises of Executive, Non-Executive and Independent Directors. The Chairman is a Non-Executive Director. In all, there are 9 Directors including 5 Non Executive & Independent Directors, 3 Non-Executive Directors and 1 Executive Director. As on March 31, 2010, the composition of the Board of Directors of the Company meets the stipulated requirements of clause 49 of the Listing Agreement of the Stock Exchange.

ii. Number of Meetings :

During the year ended on March 31, 2010 five Board Meetings were held on April 25, 2009, July 18, 2009, October 24, 2009, January 22, 2010 and March 9, 2010. The Annual General Meeting of the Company was held on July 18, 2009.

iii. Director's attendance record and directorships held :

The details of attendance of the Directors at the various Board Meetings, Annual General Meeting and also the number of other Directorships and Committee Memberships / Chairmanships are as follows :

Name of the Director & Position	No. of Board Meetings attended	Directorships in other companies as disclosed			
		Public	Private	Committee Membership*	Committee Chairmanship
Non - Executive Directors					
Mr. Rahul C. Kirloskar Chairman	5	6	4	1	-
Mr. Sanjay C. Kirloskar	5	7	3	3	1
Mr. Vikram S. Kirloskar	3	5	9	1	-
Independent & Non - Executive Directors					
Mr. A. C. Mukherji	5	7	-	9	4
Mr. J. Y. Tekawade	5	-	1	-	-
Mr. P. S. Jawadekar	5	2	1	1	-
Mr. G. Krishna Rao	5	-	-	-	-
Mr. D. R. Swar@	5	3	-	-	-
Executive Directors					
Mr. H. R. Mustikar # Managing Director	1	2	1	-	-
Mr. Aditya Kowshik Executive Director	5	-	1	-	-

* Only two Committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

Mr. H. R. Mustikar completed his term on July 5, 2009 as per the Agreement entered, he also ceases to be the Director of the Company w.e.f. July 6, 2009.

@ Mr. D. R. Swar was appointed as an additional Director on April 25, 2009 and the shareholders at their Annual General Meeting held on July 18, 2009 have approved the same.

All Directors attended the Annual General Meeting held on July 18, 2009.



3. AUDIT COMMITTEE :

i. Composition

The Audit Committee consists of Mr. A. C. Mukherji, Mr. G. Krishna Rao, and Mr. J. Y. Tekawade. Mr. A. C. Mukherji, Independent Director is the Chairman of the Audit Committee. Chairman, Executive Director, Vice President & Finance Controller attend the Audit Committee Meetings. The representatives of the Statutory Auditors, Internal Auditors and Operational Heads are invited to the Meetings. The Internal Auditors submit their report to the Audit Committee. Company Secretary acts as Secretary to the Audit Committee.

ii. Terms of Reference

The role and terms of reference of the Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. These include oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; reviewing annual and quarterly financial statements with management before submission to the Board; reviewing the adequacy of internal control systems and performance of external and internal auditors with management.

iii. Meetings & attendance of the Audit Committee

The Audit Committee met four times during the year i.e. on April 25, 2009, July 18, 2009, October 24, 2009 and January 22, 2010 which were attended by all the members.

4. REMUNERATION COMMITTEE :

i. Composition

The Remuneration Committee comprises of 3 Directors consisting of Mr. P. S. Jawadekar, who is the Chairman of the Committee, Mr. G. Krishna Rao and Mr. J. Y. Tekawade. Company Secretary acts as Secretary to the Committee.

ii. Terms of Reference

The functioning and terms of reference of the Committee are as prescribed under Clause 49 of the Listing Agreement. It determines the Company's policy on all elements of remuneration packages of all the Directors including salary, benefits, bonus, stock options, pension rights and compensation payment etc.

iii. Meetings & attendance of the Remuneration Committee

During the year, Remuneration Committee Meeting was held on April 25, 2009 which was attended by all the members.

iv. Remuneration Policy

The Board determines the remuneration payable to the Executive Directors taking into account their qualification, expertise and contribution and based on recommendations of the Remuneration Committee. Non-Executive Directors are paid sitting fees for attending Board / Committee Meetings as decided by the Board within the limits prescribed under the Companies Act, 1956.

Commission payable to Non-Executive Directors is limited to a fixed amount per year as determined and approved by the Board based on their attendance and contribution at the Board and Committee Meetings. The total amount of commission to Non-Executive Directors is within the limit of 1% of the net profits of the Company for the year, calculated as per the provisions of the Companies Act, 1956, subject to necessary approvals, as applicable.

v. Details of remuneration paid / payable to Directors for the year 2009-10:

A. Non Executive Directors

Name of Director	Sitting Fees Paid (Rs.)	*Commission on Net profit (Rs.)	Salary & Perquisites (Rs.)	Total (Rs.)	No. of shares held
Mr. Rahul C. Kirloskar	55,000	1,50,000	-	2,05,000	4,40,309
Mr. Sanjay C. Kirloskar	45,000	1,50,000	-	1,95,000	
Mr. Vikram S. Kirloskar	15,000	90,000	-	1,05,000	-
Mr. A. C. Mukherji	45,000	4,50,000	-	4,95,000	-
Mr. J. Y. Tekawade	60,000	4,50,000	-	5,10,000	104
Mr. P. S. Jawadekar	30,000	1,50,000	-	1,80,000	-
Mr. G. Krishna Rao	60,000	4,50,000	-	5,10,000	-
Mr. D. R. Swar	35,000	1,50,000	-	1,85,000	

* Payable only on adoption of accounts in the ensuing Annual General Meeting.

B. Remuneration paid / payable to Mr. Aditya Kowshik, Executive Director and Mr. H. R. Mustikar, Ex-Managing Director

Amount in Rupees

Particulars	Mr. Aditya Kowshik From 01-04-2009 to 31-03-2010	Mr. H. R. Mustikar From 01-04-2009 to 05-07-2009
Salary	1,800,000	875,333
House Rent Allowance	180,000	121,200
Contribution to :		
Provident Fund	216,000	105,040
Superannuation Fund	270,000	131,300
Gratuity Fund	150,000	68,492
Other perquisites	246,740	2,261,281
Commission	6,000,000*	1,500,000*
TOTAL	8,862,740	5,062,646
No. of shares held	NIL	7,436

* Payable only on adoption of accounts in the ensuing Annual General Meeting.

5. INVESTORS' GRIEVANCE COMMITTEE

The Committee functions under the Chairmanship of Mr. G. Krishna Rao, a Non-Executive Director, Mr. Rahul C. Kirloskar & Mr. J. Y. Tekawade, Directors as its members. Mr. Kedar P. Phadke, Company Secretary is the Compliance Officer.

During the year, two Investors' Grievance Committee Meetings were held on October 24, 2009 and March 9, 2010 and both were attended by all the members.

The Company has received 4 complaints during the year and all of them were resolved. There were no complaints pending as on March 31, 2010.

6. GENERAL BODY MEETINGS

i. The details of the last three Annual General Meetings are as follows :

Date	Time	Location
July 18, 2009	02.30 pm	Kirloskar Kisan Compound, Karve Road, Kothrud, Pune 411 038.
July 19, 2008	11.30 am	} Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002.
July 21, 2007	02.30 pm	

ii. Special Resolutions passed in last 3 AGM's :

The shareholders of the Company have passed the following (1) one special resolution at the following Annual General Meeting.

July 19, 2008

Approval to Employee Stock Option Scheme for permanent employees including all the Directors of the Company.

iii. Postal Ballot

No Resolution was passed through postal ballot last year. No Resolution is proposed to be conducted through postal ballot this year.

7. DISCLOSURES :

- i. During the year 2009-2010, the Company had no materially significant related party transaction that has potential conflict of interest with the interest of Company at large.
- ii. There was no non-compliance by the Company, penalties or strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital Markets, during the last three years.
- iii. The Company does not have a formal Whistle Blower Policy. However, no personnel has been denied access to the Audit Committee.



- iv. The Company has complied with all mandatory requirements of clause 49 of the listing agreement. Company has not adopted any non-mandatory requirements of clause 49 except that it has formed the Remuneration Committee.

8. MEANS OF COMMUNICATION :

The quarterly, half yearly, nine monthly and yearly financial results are published in the leading news papers viz. all editions of Business Standard (English) and Loksatta (Marathi). The Company updates its results on its website www.kirloskarkpcl.com & its group companies website at www.kirloskar.com.

9. GENERAL SHAREHOLDER INFORMATION :

i. Annual General Meeting :

Date	July 26, 2010
Day	Monday
Time	11.30 a.m.
Venue	Pudumjee Hall Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002

ii. Financial Year :

1st April to 31st March

iii. Book Closure :

Tuesday, July 20, 2010 to
Monday, July 26, 2010
(both days inclusive)

iv. Dividend Payment Date :

on or after 26th July 2010

v. Listing on :

Bombay Stock Exchange Limited

vi. Stock Code :

505283

vii Depositories :

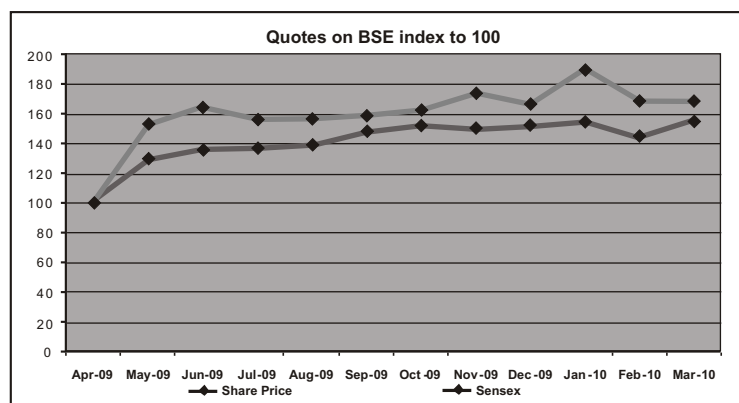
National Securities Depository Ltd.
Central Depository Services (I) Ltd.
ISIN No. - INE811A01012

viii. Market Price Data :

Market Price Data as per Bombay Stock Exchange Ltd., i.e. High-Low and close for each month during this financial year

Year	High (Rs.)	Low (Rs.)	Close (Rs.)
April 2009	261	164	243
May 2009	400	245	399
June 2009	429	335	391
July 2009	408	340	352
August 2009	409	337	387
September 2009	414	370	374
October 2009	424	361	392
November 2009	454	376	413
December 2009	435	378	424
January 2010	495	387	396
February 2010	440	375	396
March 2010	440	389	415

ix. Stock Performance in comparison to BSE Sensex :



x. Registrar & Transfer Agent :

M/s. Link Intime (India) Private Limited are the Registrar & Transfer Agents for shares in physical form as well as electronic mode.

xi. Share Transfer System :

Share Transfers are registered and returned within a period of 15 days from the date of receipt, provided the documents are correct and valid in all respects.

xii. Distribution of Shareholding as on March 31, 2010

HOLDING		No. of Members	Percentage (%)	No. of Shares of Rs. 10/- each	Percentage (%) to Capital
UPTO	500	19,547	96.98	8,37,442	6.52
501	1000	304	1.51	2,54,554	1.98
1001	2000	128	0.64	1,97,979	1.54
2001	3000	45	0.22	1,13,890	0.89
3001	4000	22	0.11	79,866	0.62
4001	5000	27	0.13	1,27,245	0.99
5001	10000	21	0.10	1,47,899	1.15
10001	AND ABOVE	62	0.31	1,10,85,463	86.31
TOTAL		20,156	100.00	12,844,338	100.00

xiii. Shareholding Pattern as on March 31, 2010

	Category	No. of Shares of Rs. 10/- each	Percentage of shareholding
A.	Promoters	71,73,983	55.85
B.	Mutual Funds & UTI	16,10,675	12.54
C.	Banks, Financial Institutions & Insurance Companies	98,360	0.77
D.	Other Corporate Bodies	11,72,305	9.13
E.	General Public	27,60,702	21.49
F.	NRIs	28,313	0.22
	Grand Total	1,28,44,338	100.00

The constituents of 'Group' as prescribed in Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 comprises Better Value Holdings Private Limited, Kirloskar Industries Limited, Kirloskar Engines India Limited, Kirloskar Brothers Limited, Kirloskar Ferrous Industries Limited, Pooja Credits Private Limited, Kirloskar Silk Industries Limited, Kirloskar Constructions and Engineers Limited, Gondwana Engineers Limited, The Kolhapur Steel Limited, Kirloskar Corrocoat Private Limited, Kirloskar Systems Limited, Asara Sales & Investments Private Limited, Cees Investments and Consultants Private Limited, Navsai Investments Private Limited, Prakar Investments Private Limited, Alpak



Investments Private Limited, Achyut & Neeta Holdings & Finance Private Limited, Sri Harihareshwara Finance & Investments Private Limited, VikramGeet Investments and Holdings Private Limited, Kirloskar Integrated Technologies Limited, Kothrud Power Equipment Limited, Koppal Mines & Minerals Private Limited, Kirloskar Proprietary Limited, G. G. Dandekar Machine Works Limited, Mahila Udyog Limited, Kirloskar Chillers Private Limited, Kirloskar Roadrailer Limited, Hematic Motors Private Limited, Pressmatic Electro Stampings Private Limited, Quadromatic Engineering Private Limited, Kirloskar Brothers Investments Limited, Kirloskar Consultants Limited, Suman Kirloskar, Mrinalini Kirloskar, Neeta A. Kulkarni, Atul C. Kirloskar, Arti Kirloskar, Gauri Kirloskar, Aditi Kirloskar, Sanjay C. Kirloskar, Pratima Kirloskar, Alok Kirloskar, Rama Kirloskar, Rahul C. Kirloskar, Alpana Kirloskar, Alika Kirloskar, Aman Kirloskar, Gautam A. Kulkarni, Jyotsna Kulkarni, Nihal Kulkarni, Gargi Nihal Kulkarni, Shruti Kulkarni, Ambar Kulkarni, Komal Kulkarni, Vikram S. Kirloskar, Geetanjali Kirloskar, Manasi Kirloskar, Roopa Gupta and Chandrashekhar H. Naniwadekar.

xiv. Dematerialisation of Shares & liquidity :

The name of the Company appears in the compulsory Trading List and 95.82% of Share Capital is in Electronic Form as on March 31, 2010.

xv. Company has not issued GDRs / ADRs / Warrants or any convertible instruments.

xvi. Plant Locations & Address for Correspondence :

Registered Office of the Company

Secretarial Department
Kirloskar Pneumatic Co. Ltd.
Hadapsar Industrial Estate,
Pune 411 013
Phone No. 020 - 26727000
Fax No. 020 - 26870297 / 634
Email : sec@kpcl.net

Registrar & Transfer Agent :

Link Intime (India) Private Limited

Pune Office :

Akshay Complex, No. 202, 2nd Floor,
Near Ganesh Temple,
Off. Dhole Patil Road,
Pune 411 001
Phone Nos. : 020-26053503/ 51629 / 50084
Fax No. 020 - 26053503
Email : pune@linkintime.co.in

Plant Locations :

PUNE

Hadapsar Industrial Estate,
Pune 411 013

Saswad

Saswad,
Tal.: Purandar
Dist. Pune

Mumbai Office :

C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup, West
Mumbai 400 078
Phone No. : 022-25963838
Fax No. 022-25946969
Email : mumbai@linkintime.co.in

DECLARATION FOR COMPLIANCE WITH THE CODE OF CONDUCT

Pursuant to Clause 49 I (D)(ii) of the Listing Agreement I, hereby declare that all Board Members & Senior Management personnel have affirmed compliance with the Code of Conduct made effective from April 1, 2005.

Kirloskar Pneumatic Company Limited

Aditya Kowshik
Executive Director

Pune : April 28, 2010

COMPLIANCE CERTIFICATE

To,
The Board of Directors
Kirloskar Pneumatic Co. Ltd.
Hadapsar Industrial Estate,
Pune 411 013

Re.: REPORT ON CORPORATE GOVERNANCE

We have examined the records concerning the Company's compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the Stock Exchange of India, for the financial year ended 31st March 2010.

The objective of our examination is to give our opinion on whether the Company has complied with the conditions of Corporate Governance as stipulated in the provisions of Clause 49 of the Listing Agreement entered into by the Company with the Bombay Stock Exchange Limited.

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

We have conducted our examination on the basis of the relevant records and documents maintained by the Company and furnished to us for examination and the information and explanations given to us by the Company.

Based on such examination, in our opinion, the Company has complied with the conditions of the Corporate Governance, as stipulated in Clause 49 of the Listing Agreements of the Bombay Stock Exchange Limited.

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

For DALAL & SHAH
Firm Registration Number : 102021W
Chartered Accountants

SHISHIR DALAL
Partner
Membership No: 37310

MUMBAI : April, 28 2010



MANAGEMENT DISCUSSIONS AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

The recessionary trends of the last year due to global financial crisis impacted sales of both the segments. However, during the year the order board of the Company improved significantly. Consequently, the Company is in a position to achieve a sizeable growth during the current year.

BUSINESS SEGMENTS (SEGMENT-WISE PERFORMANCE)

The Company has two major business segments viz. Compression Systems and Transmission Products.

Compression Systems

The Compression Systems are set-up at Hadapsar and Saswad, both at Pune, manufacturing a wide variety of compressors, and also undertaking design, packaging of conventional and high-tech refrigeration systems and serving various industries such as Power Generation, Air Separation, Textile, Iron and Steel, Oil & Gas, Cement, Sugar, Defence, Railways, Construction & Mining, Fertilizers, Pharmaceuticals, Dairy, Brewery, Fish & Meat Processing, Cold Storage, Ice Plant etc. The plant at Saswad also packages Gas Compression systems for CNG Stations, Refineries and Petrochemical Industry.

Transmission Products

The Transmission Products are manufactured at Hadapsar, Pune for Rail Traction Gears, Wind Turbine Gearboxes, Marine Gearboxes for Naval and commercial ships and gearboxes for industrial applications.

PERFORMANCE

During the year, the turnover of Compression Systems Segment, was Rs. 3,903.68 million, (previous year Rs. 4,235.982million)

The turnover of Transmission Products Segment was Rs. 629.11 million, (previous year Rs. 948.84 million).

OUTLOOK

Your Company is focused on

- 1) Oil & Gas
- 2) Food
- 3) Power
- 4) Railways
- 5) Indian Navy

In addition to above sectors, the general trend in the Indian industrial sector is positive resulting better order booking of the Company in the current financial year.

The current year too will see the considerable investment in all these areas and our product lines have been geared up to meet these demands.

Your Company received a prestigious order for supply of Refrigeration Compressor Package for Coal Gasification Plant.

OPPORTUNITIES, THREATS AND CONCERNS

Compression Systems Segment

The Gas Compression Industry is slated for a major growth, though the competition is getting tougher as all multi national companies are entering into India. Your Company has ability to produce cost effective state of the art packages and effective after sales & service will enable it to retain its market share.

Business for Gas Compression System for CNG Packages is slated for growth as Government has planned on expanding the city Gas Distribution projects to over 300 cities in India.

Venturing into new business arena viz. "Offering solution for Lump Sump turnkey contracts in Gas Compression System" has opened host of new opportunities for expanding the business. Undertaking such projects have inherent

risks of design implementations. The Company is prepared and confident of over coming such risks.

Variation in foreign rate exchange is a matter of concern and a challenge. Your Company is taking appropriate steps to safeguard against adverse fluctuations in foreign exchange rates.

Our growing business in the export market for KC Compressors and our dominance in the Indian Market is attracting more multi nationals companies into India.

Transmission Products Segment

Rail Traction Sector

Increase in demand for Railway Rolling Stock and technology up gradation have resulted in substantial rise in business potential. Global market for Traction Gearing is also open and that has opened new business avenues.

Industrial Sector

Our leadership in sub MW Wind Turbine Gear Box market has been proven and because of thrust on non conventional energy, the Company has good business opportunities in this sector in coming years. In line with the market trend, the company has taken up development of various Mega Watt class Wind Turbine Gearboxes also. During the year, 1MW Wind Turbine Gear boxes have been successfully developed.

Marine Gearboxes

With ambitious ship acquisition plan of Indian Navy, many new business opportunities have emerged in this sector.

Developments of new markets and up gradation of technology has been undertaken to sustain the growth rate.

With opening up of markets, lowering of custom duties, international acquisitions, competition from overseas has intensified, which has affected margins. Different cost reduction projects and new vendor development activities have been taken up to counter these issues.

A new modern facility for manufacture of gearboxes has been setup to meet the market demand.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems to ensure maintenance of proper accounting records, their accuracy and Accounting Standards, safeguarding of Company's assets and assessing its risk for insurance coverage.

Our Company has appointed Internal Auditors for review of Internal Control Systems. The detailed reports of Internal Auditors are presented to the Audit Committee. The compliances of observations of Internal Auditors are monitored by the management.

SAFETY, HEALTH AND ENVIRONMENT

The Company is ISO 9001, ISO 14001 and OHSAS 18001 certified and is giving due importance to safety, health and environment related issues. The employees are educated and trained to improve awareness and skills in their respective areas of operations.

Besides effluent treatment of waste products, lot of attention has been given to improve greenery all around the manufacturing plants, through massive tree plantation programmes.

The Company has a well equipped Occupational Health Centre that delivers qualitative preventive health services not only to the employees but also to their families and to the society at large. First aid preparedness in Factories is ensured round the clock. Medical surveillance that includes pre-employment, periodic medical examinations and occupational rehabilitation is ensured so that employee health and well being are maintained. Hospitalized employees are given meaningful help and reassurance. Annual Wellness Planner ensures that all employees are covered under preventive health checks and health promotion programmes.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company aspires to be an excellent, society oriented and ethical organisation. Corporate social responsibility is an important component of the Company Mission Statement. CSR includes creating healthy and safe working conditions that protect the people as well as the environment. All efforts are made to ensure that the processes and the products of the Company are eco-friendly. The Company has evolved CSR Initiatives for the surrounding community



that focuses on education, health and environment. Some of the examples of CSR Initiatives are self development program for socio-economically challenged students, support to meritorious, socially and physically challenged students, Kirloskar Eco Clubs in schools, blood donation camps, community health camps, eye care for school children, teachers training, health awareness and health checks, HIV / AIDS Workplace Intervention in collaboration with Avert Society etc. The Company actively encourages employee volunteering in all its CSR initiatives.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

To meet the Company's long term vision and various emerging challenges, the Company has put together a number of initiatives, e.g. significant strides have been made in organizational renewal programme, with focus on enhancing organizational efficiency, employee competence and commitment, keeping in mind the flexibility required to meet changing market requirements and to use manpower gainfully and enhance their productivity.

Upgrading skills and competence across all levels and functions especially to meet the technological challenges will gather momentum. The Company plans to build on people and processes.

The Company's Future Leaders Programme seeks to identify, leverage and appropriately deploy talent within the Company keeping in view the long-term objectives of the Company.

The Company is also focusing beyond the workplace with programmes such as training to its employees and engaging and recognizing employees in social activities.

Employee relations achieved an important milestone with the wage settlement signed with Workers Union on March 8, 2010 for a period of 36 months effective from 1st January, 2010.

The relations with the employees at all levels continue to be cordial. As on March 31, 2010, the total strength was 985 employees.

REPORT OF THE AUDITORS TO THE MEMBERS

1. We have audited the attached Balance Sheet of KIRLOSKAR PNEUMATIC COMPANY LIMITED, as at 31st March 2010 and the related Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto, which we have signed under reference to this report. 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 misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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 the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of sub section (4A) of Section 227 of 'the Companies Act, 1956' of India (the 'Act'), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us we give in the Annexure a Statement on the matters specified in paragraph 4 and 5 of the Order;
4. Further to our comments in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books ;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by the report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet and the Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub section (3C) of Section 211 of the Act ;
 - (e) On the basis of the written representations received from the Directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said Financial Statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of the affairs of the Company as at 31st March, 2010,
 - (ii) In the case of the Profit and Loss Account, of the Profit for the year ended on that date, and
 - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For DALAL & SHAH
Firm Registration Number : 102021W
Chartered Accountants

SHISHIR DALAL
Partner
Membership No: 37310

MUMBAI : April, 28 2010



ANNEXURE TO THE AUDITORS' REPORT

Referred to in Paragraph 3 of the Auditors' Report of even date to the Members of KIRLOSKAR PNEUMATIC COMPANY LIMITED on the Financial Statements for the year ended 31st March, 2010.

On the basis of the records produced to us for our verification / perusal, such checks as we considered appropriate, and in terms of information and explanations given to us on our enquiries, we state that:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets;
- (b) As explained to us, considering the nature of the Fixed Assets, the same have been physically verified by the management at reasonable intervals during the year as per the verification plan adopted by the Company, which is reasonable having regard to the size of the company and nature of its assets. According to the information and explanations given to us and the records produced to us for our verification, discrepancies noticed on such physical verification were not material and the same have been properly dealt with in the Books of Account;
- (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year;
- (ii) (a) The inventories (excluding stocks with third parties) has been physically verified by the management during the year. In respect of inventories lying with third parties, these have substantially confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management as explained to us are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business
- (c) According to the records produced to us for our verification, we are of the opinion that the Company is maintaining proper records of its inventory. Further, the discrepancies noticed on physical verification of inventories referred to above, as compared to book records, though not material, have been properly dealt with in the books of account;
- (iii) (a) As per the information and explanation given to us and the records produced to us for our verification the company has not granted, secured or unsecured, loans to companies, firms and other parties covered in the register maintained under section 301 of the Act.
- (b) As per the information and explanation given to us and the records produced to us for our verification the company has not taken, secured or unsecured, loans from companies, firms and other parties covered in the register maintained under section 301 of the Act.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and also for the sale of goods and services. As per the information given to us, no major weaknesses in the internal controls have been identified by the management or the internal auditor of the company. During the course of our audit, nothing had come to our notice that may suggest a major weakness in internal control systems of the company;
- (v) (a) On the basis of the audit procedures applied by us, and according to the information and explanations given to us on our enquiries on this behalf and the records produced to us for our verification, the transactions required to be entered into the register in pursuance of section 301 of the Companies Act, 1956, have been so entered;
- (b) The transactions so entered, aggregating in excess of Rs. 500,000/- in respect of each party during the year, have been in our opinion, as per the information and explanation given to us, made at prices, which are reasonable, having regard to the prevailing market prices available with the Company for such transactions or prices at which transaction for similar goods have been made with other parties at the relevant time.
- (vi) The Company has not accepted any deposits from public in terms of Section 58A and 58AA of the Act and the rules framed there under.
- (vii) On the basis of the internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with the size and nature of its business;

- (viii) The Company has made a representation to the Central Government stating that provisions under Section 209(1)(d) of the Companies Act, 1956, are not applicable to the Company as the products manufactured by the Company are not covered under the said section and the rules made there under viz: Cost Accounting Records (Engineering Industries) Rules, 1984, Consequently, the cost records have not been made and maintained;
- (ix) (a) According to the records of the Company, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise duty, Cess and other Statutory dues with the appropriate authorities;
- (b) On the basis of our examination of the documents and records of the Company and the information and explanations given to us upon our enquiries in this regards, disputed amounts payable in respect of Sales Tax, Income Tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty/ Cess not deposited with the appropriate authorities are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	Non production of C Forms	83,000	A Y 1992-93	Commissioner Appeal
	Appeal against incorrect Assessment order	752,000	A Y 2004-05 & 2005-06	Commissioner Appeal
	Demand under Works Contract Tax	188,000	A Y 1985-86	Tribunal
	Demand under Works Contract Tax	287,000	A Y 1985-86, 1986-87 & 1987-88	High Court
Income Tax	Disallowance of certain expenditure	712,000	A Y 1969-70 to A Y 1978-79	High Court
Service Tax	Additional Demand for non Payment of service tax on export commission	2,235,848	P Y 2004-08	Commissioner Appeal
	Demand for Payment of service tax on gross value of Invoice	308,620	P Y 2003-06	Tribunal
Excise	Demands received	7,725,957	P Y 2002-03, 2005-07.	Tribunal

- x) The Company has no accumulated losses as at 31st March 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
- xi) The Company has not defaulted in repayment of dues to banks. The Company has not borrowed any sums from Financial Institutions nor through Debentures as at the balance sheet date.
- xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii) The Company has maintained proper records of transaction and contracts in respect of investments in securities and timely entries have been made therein. Further, such securities have been held by the company in its own name.



- xiv) The terms and conditions at which guarantees have been given by the company for loans taken from financial institutions and/ or banks by others are, in our opinion, not prejudicial to the interest of the company.
- xv) As per the information and explanations given to us, term loans obtained by the company, in our opinion, have been applied for the purpose for which they were obtained;
- xvi) On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us upon our enquiries in this regards, the funds raised on short term basis have not been used for long term investment;
- xvii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
- xviii) The Company has not issued any debentures and hence the company has not created any security or charge in respect thereof.
- xix) The Company has not raised any money by public issues during the year.
- xx) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management;

In view of the nature of activities carried on by the Company clause no (xiii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

For DALAL & SHAH
Firm Registration Number : 102021W
Chartered Accountants

SHISHIR DALAL
Partner
Membership No: 37310

MUMBAI : April, 28 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule	Rs.	As at 31 st March 10 Rs.	As at 31 st March 09 Rs.
I. SOURCES OF FUNDS :				
1 Shareholders' Funds :				
(a) Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	<u>1,479,668,379</u>		<u>1,180,941,585</u>
			1,608,111,759	<u>1,309,384,965</u>
2 Loan Funds :				
(a) Secured loans	3	299,040,000		372,708,083
(b) Unsecured loans	4	<u>1,480,765</u>		4,241,770
			300,520,765	<u>376,949,853</u>
3 Deferred Tax Adjustments (See Note 17) Deferred Tax Liability (Net)			<u>20,600,762</u>	14,628,684
	Total		<u>1,929,233,286</u>	<u>1,700,963,502</u>
II. APPLICATION OF FUNDS :				
1 Fixed Assets				
(a) Gross Block		1,444,015,830		1,128,293,631
(b) Less: Depreciation		<u>719,919,022</u>		<u>649,339,504</u>
(c) Net Block	5	724,096,808		<u>478,954,127</u>
(d) Capital work in progress, expenditure to date		<u>39,762,112</u>		96,937,052
			763,858,920	575,891,179
2 Technical Know-how	6		28,617,974	32,784,641
3 Investments	7		272,186,899	207,198,206
4 Current Assets Loans and Advances :				
(a) Inventories	8	741,598,572		1,024,228,570
(b) Sundry Debtors	9	1,395,659,766		1,338,505,404
(c) Cash & Bank Balances	10	259,790,224		308,765,562
(d) Loans and Advances	11	<u>476,500,189</u>		511,855,968
			2,873,548,751	<u>3,183,355,504</u>
Current Assets Loans and Advances : Less: Current Liabilities and provisions :				
(a) Liabilities	12	1,582,343,166		1,891,446,036
(b) Provisions	13	<u>426,636,092</u>		<u>406,819,992</u>
			2,008,979,258	<u>2,298,266,028</u>
Net Current Assets			<u>864,569,493</u>	<u>885,089,476</u>
	Total		<u>1,929,233,286</u>	<u>1,700,963,502</u>
Notes forming part of the Financial Statements	20			

As per our attached report of even date

For and on behalf of Board of Directors

For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

Aditya Kowshik
Executive Director

Rahul C. Kirloskar
Chairman

Shishir Dalal
Partner
Membership No. 37310
Mumbai, April 28, 2010.

Kedar P. Phadke
Company Secretary

Suhas S. Kolhatkar
Vice President & Finance Controller
Pune, April 28, 2010



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

	Schedule	Rs.	Current Year Rs.	Previous Year Rs.
INCOME :				
Sales (Gross)	14		4,742,350,335	5,649,183,640
Less: Excise Duty			209,554,268	464,360,596
Net Sales			4,532,796,067	5,184,823,044
Other Income	15		99,706,367	72,534,423
			4,632,502,434	5,257,357,467
EXPENDITURE :				
Materials Consumed & Manufacturing Expenses	16	2,836,426,299		3,450,927,502
Employees' Emoluments	17	531,876,521		510,375,877
Sundry Expenses	18	489,813,931		593,484,467
Interest & Other Finance Charges	19	18,597,009		23,653,098
Depreciation		73,507,753		52,795,946
			3,950,221,513	4,631,236,890
Profit before Taxation			682,280,921	626,120,577
Taxation :				
Current Tax (Including Wealth Tax Rs.600,000 Previous Year Rs.450,000)			200,600,000	210,000,000
Deferred Tax (See Note 17)			5,972,078	(1,389,952)
Fringe Benefit Tax			-	9,000,000
Profit after Taxation			475,708,843	408,510,529
As per last Account			168,404,348	151,504,514
Add / (Less) Tax Adjustments in respect of earlier years (Net)			3,403,713	8,688,402
			647,516,904	568,703,445
Expenses in respect of previous years			(66,670)	(26,765)
			647,450,234	568,676,680
Less: Transferred to General Reserve			300,000,000	250,000,000
Proposed Dividend			154,132,056	128,443,380
Tax on Proposed Dividend			26,187,036	21,828,952
			480,319,092	400,272,332
Balance carried to Balance Sheet			167,131,142	168,404,348
Earning per Share :				
Net Profit after Tax (After prior period adjustments)			479,045,886	417,172,166
Weighted average number of Shares			12,844,338	12,844,338
Basic and Diluted Earning Per Share (Rs.) of the face value of Rs.10/- Notes forming part of the Financial Statements	20		37.29	32.48

As per our attached report of even date

For and on behalf of Board of Directors

For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

Aditya Kowshik
Executive Director

Rahul C. Kirloskar
Chairman

Shishir Dalal
Partner
Membership No. 37310
Mumbai, April 28, 2010.

Kedar P. Phadke
Company Secretary

Suhas S. Kolhatkar
Vice President & Finance Controller
Pune, April 28, 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

PARTICULARS	Rs.	2009-2010 Rs.	2008-2009 Rs.
(I) OPERATING ACTIVITIES			
(A) PROFIT BEFORE TAXATION		682,280,921	626,120,577
(B) ADJUSTMENTS :			
Add :			
(i) Depreciation	73,507,753		52,795,946
(ii) Amount written off against Tech. Knowhow	4,166,667		-
(iii) Bad Debts	8,565,959		3,143,345
(iv) " Loss on Assets sold, discarded, demolished or scrapped "	375,505		-
(v) Interest on Secured / Unsecured Loans	18,597,009		23,653,098
(vi) Tax Adjustments in respect of earlier years	3,403,713		8,688,402
		108,616,606	88,280,791
		790,897,527	714,401,368
Less :			
(i) Investment Income included above :			
(a) Dividend	12,394,699		14,593,936
(b) Interest received	3,474,854		6,182,643
	15,869,553		20,776,579
(ii) Surplus on Sale of Assets	209,515		1,576,488
(iii) Profit on sale on investment	42,952,605		-
(iv) Provision no longer required	3,549,839		4,058,126
(v) Expenses in respect of previous year	66,670		26,765
(vi) Income Tax & Wealth Tax paid	200,262,353		214,796,660
		262,910,535	241,234,618
CASH FROM OPERATIONS		527,986,992	473,166,750
(C) (INCREASE) / DECREASE IN CURRENT ASSETS			
(i) Inventories	282,629,998		(306,713,030)
(ii) Sundry Debtors	(65,720,321)		20,726,180
(iii) Other Current Assets, Loans & Advances	(24,065,641)		(52,211,641)
		192,844,036	(338,198,491)
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		(293,774,096)	432,677,629
		(100,930,060)	94,479,138
NET CASH FROM OPERATIONS		427,056,932	567,645,888



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010 (Contd.)

PARTICULARS	Rs.	2009-2010 Rs.	2008-2009 Rs.
(II) INVESTMENT ACTIVITIES			
(i) Investments net.	(22,036,088)		(171,091,425)
(ii) Capital Expenditure	(249,300,956)		(204,144,191)
(iii) Advances Against Capital Contracts	(2,230,183)		(23,913,956)
(iv) Technical Know-how	(5,000,000)		(7,500,000)
(v) Sale proceeds of Assets	1,599,850		1,635,553
		(276,967,377)	(405,014,019)
(vi) Investment Income :			
(a) Dividend	12,394,699		14,593,936
(b) Interest received	3,960,166		6,182,643
		16,354,865	20,776,579
NET CASH FROM INVESTING ACTIVITIES		(260,612,512)	(384,237,440)
(III) FINANCING ACTIVITIES			
(i) Increase / (Decrease) in Secured Loans	(41,328,083)		215,719,510
(ii) Cash Credit	-		(68,455,060)
(iii) Interest on Secured / Unsecured Loans	(23,036,730)		(23,069,860)
(iv) Increase / (Decrease) in Unsecured Loans	(2,761,005)		(3,813,970)
(v) Dividend & Dividend Tax paid	(148,293,940)		(103,770,751)
NET CASH FROM FINANCING ACTIVITY		(215,419,758)	16,609,869
NET CHANGE IN CASH + CASH EQUIVALENTS (I+II+III)		(48,975,338)	200,018,317
Cash & Cash Equivalents as at 1-4-2009 (Opening Balance)		308,765,562	108,747,245
Cash & Cash Equivalents as at 31-3-2010 (Closing Balance)		259,790,224	308,765,562

As per our attached report of even date

For and on behalf of Board of Directors

For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

Aditya Kowshik
Executive Director

Rahul C. Kirloskar
Chairman

Shishir Dalal
Partner
Membership No. 37310
Mumbai, April 28, 2010.

Kedar P. Phadke
Company Secretary

Suhas S. Kolhatkar
Vice President & Finance Controller
Pune, April 28, 2010

SCHEDULES

Schedule Nos. 1-20 annexed to and forming part of the Financial Statements for the year ended 31st March, 2010

	As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
SCHEDULE 1 : SHARE CAPITAL :		
AUTHORISED :		
15,000,000 Equity Shares of Rs.10/- each	150,000,000	150,000,000
	<u>150,000,000</u>	<u>150,000,000</u>
ISSUED AND SUBSCRIBED :		
12,844,338 Equity Shares of Rs. 10/- each	128,443,380	128,443,380
	<u>128,443,380</u>	<u>128,443,380</u>
PAID UP :		
12,844,338 Equity Shares of Rs.10/- each fully paid	128,443,380	128,443,380
Total	<u>128,443,380</u>	<u>128,443,380</u>

Notes :

- i. 1,495,100 Equity Shares of Rs 10/- each were allotted as fully paid up Bonus Shares by capitalization of General Reserve.
- ii. 592,000 Equity Shares of Rs. 10/- each were allotted as fully paid up as per Delhi High Court Amalgamation order without payment being received in cash.
- iii. 2,590,138 Equity Shares of Rs. 10/- each were allotted to Equity Shareholders of Erstwhile Kirloskar Pneumatic Co. Ltd. on Amalgamation as per scheme approved by the High Court of judicature at Mumbai.

SCHEDULE 2 : RESERVES AND SURPLUS :

Capital Reserve :		
As per last Account	27,965	27,965
Revaluation Reserve:		
As per last Account	10,691,349	10,691,349
Securities Premium (Share Premium) Account:		
As per last Account	51,817,923	51,817,923
General Reserve		
As per last Account	950,000,000	700,000,000
Add: Set aside this year	<u>300,000,000</u>	<u>250,000,000</u>
	1,250,000,000	950,000,000
Surplus as per annexed Profit & Loss Account	167,131,142	168,404,348
Total	<u>1,479,668,379</u>	<u>1,180,941,585</u>



	As at 31 st March, 2010 Rs.	As at 31 st March, 2009 Rs.
SCHEDULE 3 : SECURED LOANS :		
Rupee Term Loan from ICICI Bank Ltd. (For Security See note (a) below)	50,000,000	90,000,000
Bank of India -External Commercial Borrowing (For Security See note (b) below)	249,040,000	281,380,000
Other Loans		
From ICICI Bank Ltd. (Secured against hypothecation of specific Vehicles purchased)	-	1,328,083
Total	<u>299,040,000</u>	<u>372,708,083</u>

Note :

- (a) Rupee Term Loan from ICICI Bank Ltd., is secured by a) Second charge by way of executing legal Mortgage of immovable properties situate at i) Hadapsar Industrial Estate, Pune both present and future ii) Saswad within the limits of Saswad Municipal Corporation both present & future iii) All movable assets of the Company present and future b) Corporate Guarantee by M/s. Kirloskar Oil Engines Ltd.
- (b) ECB of US\$ 5,500,000 (US\$ Five Million Five Hundred Thousand) from Bank of India, UK, is secured by first exclusive legal charge on specific assets worth Rs. 40 Crores.

SCHEDULE 4 : UNSECURED LOANS :

Sales Tax Interest Free Loan from The State Industrial and Investment Corporation of Maharashtra Ltd.	1,480,765	4,241,770
Total	<u>1,480,765</u>	<u>4,241,770</u>

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	LAND	BUILDINGS	WATER TANK AND PIPELINES	PLANT & MACHINERY (INCLUDING EQUIPMENTS)	ELECTRICAL INSTALLATION	FURNITURE & FIXTURE	VEHICLE	LEASED ASSET PLANT & MACHINERY	TOTAL 31/3/2010	AS AT 31/3/2009
	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.	RS.
GROSS BLOCK AT COST :										
As at 01/04/2009	2,164,553	111,894,833	1,942,215	837,576,997	17,498,548	54,239,021	43,248,211	49,037,904	1,117,602,282	978,285,239
Increase due to Revaluation on 30/06/84	-	-	-	10,691,349	-	-	-	-	10,691,349	10,691,349
Additions	-	35,119,568	-	275,412,171	3,023,614	2,256,534	4,604,386	-	320,416,273	139,905,934
Deductions and adjustments	-	926,641	-	339,968	-	22,295	3,405,170	-	4,694,074	588,891
Apportioned Cost as at 31/03/2010	2,164,553	146,087,760	1,942,215	1,123,340,549	20,522,162	56,473,260	44,447,427	49,037,904	1,444,015,830	1,128,293,631
DEPRECIATION :										
Up to 31/03/2009	-	48,338,966	1,942,215	486,393,388	13,657,737	31,152,878	18,816,416	49,037,904	649,339,504	597,073,384
For the year	-	3,827,563	-	63,501,647	385,530	2,119,344	3,673,669	-	73,507,753	52,795,946
Deductions and Adjustments	-	551,137	-	339,968	-	22,295	2,014,835	-	2,928,235	529,826
Total Depreciation up to 31/03/2010	-	51,615,392	1,942,215	549,555,067	14,043,267	33,249,927	20,475,250	49,037,904	719,919,022	649,339,504
NET BLOCK										
As at 31/03/2010	2,164,553	94,472,368	-	573,785,482	6,478,895	23,223,333	23,972,177	-	724,096,808	478,954,127
As at 31/03/2009	2,164,553	63,555,867	-	361,874,958	3,840,811	23,086,143	24,431,795	-	478,954,127	

- (a) Includes premises on Ownership basis in Co-operative Societies Rs. 844,900/- (Previous year Rs. 844,900/-)
- (b) Additions include Interest capitalised Rs. 3,366,422/- (Previous year Rs. 194,412/-)
- (c) Additions include (Gain)/ Losses on fluctuations of foreign exchange rates in respect of foreign currency borrowing consequent to amendment to AS 11 aggregating Rs. (14,584,521/-) (Previous year Rs. 2,339,396/-)

	As at 31 st March, 2010 Rs.	As at 31 st March, 2009 Rs.
SCHEDULE 6 : TECHNICAL KNOWHOW :		
As per last Account	32,784,641	20,284,641
Acquired during the year	-	12,500,000
	<u>32,784,641</u>	<u>32,784,641</u>
Less : Written off during the year (See note 18)	4,166,667	-
Total	<u><u>28,617,974</u></u>	<u><u>32,784,641</u></u>

SCHEDULE 7 : INVESTMENTS AT COST :

LONG TERM INVESTMENTS :

Government and Trust Securities

Quoted :

Unit Trust of India :

201.988 units of Rs.10/- each in UTI Balanced fund (Growth)	8,063	8,063
4,524.825 (4,319.657) units of Rs.10/- each in UTI Balanced fund (Dividend Plan-Re-investment)	71,848	68,854
	<u>79,911</u>	<u>76,917</u>
3300 Master Shares of Rs.10/- each	8,244	8,244
	<u>88,155</u>	<u>85,161</u>

Fully paid Equity Shares :

Trade, Unquoted :

1 Share of Rs.100/- each in Kirloskar Proprietary Ltd.	100	100
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Other, Quoted :

100,000 Shares of Rs.10/- each in The Mysore Kirloskar Ltd.	2,400,000	2,400,000
" Less: Provision for diminution in value "	<u>(2,399,999)</u>	<u>(2,399,999)</u>
	1	1
50,000 Shares of Rs.10/- each in Kirloskar Ghatge Patil Auto Ltd.	500,000	500,000
" Less: Provision for diminution in value "	<u>(499,999)</u>	<u>(499,999)</u>
	1	1
9,398 Shares of Rs.10/- each in Housing Development Finance Corporation Ltd.	117,475	117,475
375,000 Shares of Rs.10/- each in Kirloskar Investment and Finance Ltd.	5,000,000	5,000,000
" Less: Provision for diminution in value "	<u>(3,863,750)</u>	<u>(3,863,750)</u>
	<u>1,136,250</u>	<u>1,136,250</u>
Carried Over (1) Rs.	1,253,727	1,253,727
Carried Over (2) Rs.	88,255	1,338,988
	<u>1,341,982</u>	<u>1,338,988</u>



Brought Over (1) Rs.	1,253,727	88,255	1,253,727
Brought Over (2) Rs.		1,341,982	1,338,988
10,059 shares of Rs.10/- each in ICICI Bank Ltd.	206,101		206,101
2,000,000 Shares of Rs.5/- each in Kirloskar Ferrous Industries Ltd.	20,000,000		20,000,000
500 Equity Shares of Rs.10/- each in HDFC Bank Ltd.	5,000		5,000
1,400 Equity shares of Rs. 10/- each in Punjab National Bank	43,400		43,400
		21,508,228	21,508,228
Unquoted :			
245,000 (4,95,000) Equity Shares of Rs.10/- each in Khosla Indair Limited	2,450,000		4,950,000
(Ceased to be subsidiary during the year)			
" Less: Provision for diminution in value "	(2,449,755)		(4,949,500)
	245		500
1,272 Shares of Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.	833,984		833,984
56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.	1,120,932		1,120,932
1 share of Rs.100/- fully paid in The Nasik Merchants' Co-operative Bank Ltd.	100		100
490,000 (7,50,000) Equity Shares of Rs.10/- each fully paid in Kirloskar Chillers Pvt.Ltd	4,900,000		7,500,000
62,500 Shares of Rs.20/- each fully paid in The Cosmos Co-operative Bank Ltd.	1,250,000		1,250,000
		8,105,261	10,705,016
In Debentures and Bonds :			
Quoted :			
\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs.44/- per Debenture - matured on 01.06.1998 awaiting realisation	1,100,000		1,100,000
" Less: Provision for diminution in value "	(1,099,999)		(1,099,999)
		1	1
CURRENT INVESTMENTS			
Unquoted :			
Mutual Funds			
- (4,166,946.40) Units of Rs.10/- each of Birla Sunlife Short Term Fund (Liquid Fund)	-		41,692,382
- (2,009,890.64) Units of Rs.10/- each of BSL Dynamic Bond Fund -Retail Plan Monthly Dividend	-		20,114,546
Carried Over Rs.		29,701,745	94,105,434

Brought Over Rs.	29,701,745	94,105,434
- (1,913,397.78) units of Rs.10/- each of Reliance Short Term Fund Retail Plan - Dividend Plan	-	20,315,984
5,605,960.74 (2,427,162.24) units of Rs. 10/- each of Reliance Medium Term Fund- Daily Dividend Plan	95,836,701	41,493,552
2,364,143.901 (3,072,517.91) units of Rs.10/- each of Fidelity Ultra Short Term Debt Fund Institutional Daily Dividend	23,650,423	30,757,525
2,574,867.81 (-) units of Rs.10/- each of ICICI Prudential Short Term Plan - DR - Fortnightly	30,902,276	-
4,994,323.22 (-) units of Rs.10/- each of IDFC Money Manager Fund Investment Plan - Investment Plan B Daily Dividend	50,018,147	-
20,65,570.92 (-) units of Rs. 10/- each of HDFC Cash Management Fund Treasury Advantage Plan Wholesale Daily Dividend	20,720,774	-
2,132,095.380 (2,049,078.97) units of Rs. 10/- each of HDFC Cash Management Fund Treasury Advantage Plan Wholesale Weekly Dividend	21,356,833	20,525,211
	242,485,154	174,899,200
Total	272,186,899	207,198,206

	Book Value as at		Market Value as at	
	31st March, 2010 Rs.	31st March, 2009 Rs.	31st March, 2010 Rs.	31st March, 2009 Rs.
Quoted	21,596,383	21,593,389	105,781,114	41,484,510
Unquoted	250,590,516	185,604,817		
Total Rs.	272,186,899	207,198,206		

\$ Included in market value at face value / paid up value, whichever is lower, as the quotations are not available.

Note : Investments made by the Company being of long term nature, diminution in the value of quoted investments are generally not considered to be a permanent nature. However, provision for such diminution as considered necessary by the Management has been made in the Financial statements.

Following investments are purchased and sold during the year

Name	No.of units	Face value	Purchase cost Rs.
Sundaram BNPP Ultra ST Fund Inst. Div.Reinvestment Daily	2,939,125.237	10.037	29,500,000
Sundaram BNPP Money Fund Super Inst.daily Div.Reinvestment	7,895,167.347	10.095	79,704,083
Treasury Plan Super Inst Plan C - Weekly Div	4,997,201.567	10.006	50,000,000
GCCD IDFC Cash Fund Super Inst Plan C Daily Dividend	4,998,750.312	10.003	50,000,000
Reliance Liquid Fund Treasury Plan - Instutional Option Daily Dividend Plan	6,541,420.273	15.287	100,000,000
Fidelity Cash Fund (Retail) Daily Dividend	808,422.352	10.003	8,086,245



	As at 31 st March, 2010 Rs.	As at 31 st March, 2009 Rs.
SCHEDULE 8 : INVENTORIES		
General Stores & Spares-		
Stores, Spares, Jigs & Fixtures, etc., at cost, (except Jigs and Patterns which are at cost, less amounts written-off)	26,534,417	26,276,790
Stock-in-Trade :		
Raw Materials, at cost	328,622,626	337,253,294
Work-in-progress :		
Work-in-Progress expenditure to date at cost (including factory made components Rs. 117,001,527/- Previous year Rs. 121,986,014/-)	360,248,071	513,140,207
Finished Goods, at cost or net realisable value whichever is lower As Certified by the Executive Director	5,138,017	20,462,438
Goods in Bonded Warehouse, cost to date	21,055,441	127,095,841
Total	741,598,572	1,024,228,570

SCHEDULE 9 : SUNDRY DEBTORS, UNSECURED :

Sundry Debtors, Good :		
(a) Outstanding over six months	268,940,334	229,253,257
(b) Other	1,126,719,432	1,109,252,147
	1,395,659,766	1,338,505,404
Total	1,395,659,766	1,338,505,404

SCHEDULE 10 : CASH AND BANK BALANCES :

Cash on hand	656,186	694,727
Bank Balances :		
With Scheduled Bank :		
In Current and Cash Credit Accounts	259,134,038	151,990,835
"In Fixed Deposits - ECB Proceeds parked with Banks, pending utilisation."	-	156,080,000
	259,134,038	308,070,835
Total	259,790,224	308,765,562

	As at 31 st March, 2010 Rs.	As at 31 st March, 2009 Rs.
--	--	--

SCHEDULE 11 : LOANS AND ADVANCES :

UNSECURED , GOOD :

(Unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received	247,953,775	237,737,034
Advances to Suppliers of Capital Goods	2,230,183	23,913,956
Dues from other companies promoted by the Company	534,981	635,247
Sundry Deposits	22,208,372	21,402,892
Balances with Central Excise	6,243,719	12,100,033
Income Tax paid in advance	197,329,159	207,066,806
Fringe Benefit Tax paid in Advance	-	9,000,000
Total	<u>476,500,189</u>	<u>511,855,968</u>

SCHEDULE 12 : LIABILITIES :

Acceptances	9,687,924	69,152,451
Sundry Creditors :		
(i) Due to Micro, Small and Medium Enterprises (See Note 11)	-	-
(ii) Other Creditors	<u>730,386,998</u>	<u>1,042,715,821</u>
	730,386,998	1,042,715,821
Other Liabilities	373,733,157	331,015,807
Advances Received	462,195,070	443,612,345
Unclaimed Dividend	4,136,442	2,158,049
Interest accrued but not due on loans	2,203,575	2,791,563
Total	<u>1,582,343,166</u>	<u>1,891,446,036</u>

SCHEDULE 13 : PROVISIONS :

Provision for Taxation		
Income Tax	200,000,000	209,550,000
Wealth Tax	600,000	450,000
Fringe Benefit Tax	-	9,000,000
Provision for Long Term Employee Benefits (See Note No. 13)	45,717,000	37,547,660
Proposed Dividend	154,132,056	128,443,380
Provision for Tax on Dividend	26,187,036	21,828,952
Total	<u>426,636,092</u>	<u>406,819,992</u>



	Current Year Rs.	Previous Year Rs.
SCHEDULE 14 : SALES :		
Sales	4,651,665,618	5,638,998,746
Erection, Job work, Operation & Maintenance Charges	90,684,717	10,184,894
Total	<u>4,742,350,335</u>	<u>5,649,183,640</u>

SCHEDULE 15 : OTHER INCOME :

Dividend	12,394,699	14,593,936
Interest received	3,474,854	6,182,643
Interest (Gross, Tax deducted Rs 266,002 /-, Previous Year Rs.839,410/-)		
Insurance Claim Received	117,088	736,467
Miscellaneous Receipts	34,765,162	39,094,953
Profit on Sale of Investments	42,952,605	-
Surplus on Sale of Assets	209,515	1,576,488
Sundry Credit Balances appropriated	143,802	701,446
Bad Debts / Liquidated Damages Recovered	2,098,803	5,590,364
Provisions no longer required Written Back	3,549,839	4,058,126
Total	<u>99,706,367</u>	<u>72,534,423</u>

SCHEDULE 16 : MATERIALS CONSUMED AND MANUFACTURING EXPENSES :

(a) Raw Materials (including components) consumed :		
Stocks at commencement	337,253,294	278,537,508
Add : Purchases	2,391,277,148	3,355,634,668
	<u>2,728,530,442</u>	3,634,172,176
Less : Stocks at close	328,622,626	337,253,294
	<u>2,399,907,816</u>	3,296,918,882
(b) Excise Duty on Increase/(Decrease) in stocks of Finished Goods	(1,247,439)	(2,931,884)
(c) Manufacturing Expenses :		
Stores and Spares Consumed (including amounts written off against Jigs and Patterns)	78,680,169	109,621,727
Manufacturing Expenses	98,507,725	116,226,548
Power, Fuel and Water	48,511,981	53,959,015
Building Repairs	21,721,734	25,306,457
Machinery Repairs	14,164,967	22,182,116
	<u>261,586,576</u>	327,295,863
(d) Freight and Octroi	7,962,789	8,822,560
(e) (Increase) / Decrease in Stocks :		
Stocks at close :		
Work-in-Progress	360,248,071	513,140,207
Finished Goods	5,138,017	20,462,438
	<u>365,386,088</u>	533,602,645
Less : Stocks at commencement :		
Work-in-Progress	513,140,207	325,611,914
Finished Goods	20,462,438	28,812,812
	<u>533,602,645</u>	354,424,726
	<u>168,216,557</u>	(179,177,919)
Total	<u>2,836,426,299</u>	<u>3,450,927,502</u>

SCHEDULE 17 : EMPLOYEES' EMOLUMENTS :

	Current Year Rs.	Previous Year Rs
Salaries, Wages, Bonus, etc.	415,892,965	374,716,284
Incentive	10,967,843	29,428,649
Contribution to Provident and Other Funds, etc.	52,227,310	47,185,008
Welfare Expenses	52,788,403	59,045,936
Total	<u>531,876,521</u>	<u>510,375,877</u>

SCHEDULE 18. : SUNDRY EXPENSES :

Rent	4,147,910	4,491,629
Rates and Taxes	10,232,514	4,216,874
Insurance	3,361,258	5,178,025
Sundry Repairs	7,860,265	9,817,444
Commission and Discount	68,511,657	89,649,497
Royalty	17,604,663	13,274,384
Travelling Expenses	62,658,352	67,700,436
Excise Duty, net	4,943,603	39,111,781
Sales Tax	16,788,831	1,522,737
Postage, Telephones, Telex Expenses	15,233,946	14,031,881
Bank Charges	35,530,221	37,131,362
Freight Outward	36,320,128	55,736,538
Vehicle Expenses	14,307,468	15,745,330
Printing and Stationery	5,645,611	7,490,323
Legal and Professional Charges	34,824,510	37,794,968
Advertisement and Publicity Expenses	8,076,638	10,954,966
Donations	8,250,000	13,700,000
Miscellaneous Expenses	33,416,689	76,211,256
Auditors' Remuneration	1,758,553	1,370,624
Directors' Fees and Travelling Expenses	2,836,083	2,251,450
Director's Remuneration : Salary	10,476,533	15,419,581
Loss on Assets sold, discarded, demolished or scrapped	375,505	-
Technical Service charges	992,346	18,123,344
Amount written off against technical know-how	4,166,667	-
Bad Debts and Sundry Debit Balances written off	8,565,959	3,143,345
Liquidated Damages	72,928,021	49,416,692
Total	<u>489,813,931</u>	<u>593,484,467</u>

SCHEDULE 19 : INTEREST AND OTHER FINANCE CHARGES :

Interest :		
On Fixed Loans	14,016,241	10,039,595
Other	<u>4,580,768</u>	<u>13,613,503</u>
	18,597,009	23,653,098
Total	<u>18,597,009</u>	<u>23,653,098</u>



SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS :

	As at 31 st March, 2010	As at 31 st March, 2009
	Rs.	Rs.
1	Significant Accounting Policies followed by the Company are as stated in the statement annexed to the Schedule (Annexure A)	
2.	A Contingent Liabilities not provided for in respect of :	
(a)	Claims against the Company not acknowledged as Debts, estimated at	54,009,661
(b)	Income Tax Matters under Dispute	19,282,704
(c)	Disputed Central Excise Matters	9,380,960
(d)	Disputed Sales Tax Demands	1,227,000
(e)	Guarantees to Housing Development Finance Corporation Limited for housing loans to employees	1,187
(f)	Guarantees given by Company to Customers for the contracts undertaken in usual course of business	2,447,723
B.	Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable.	
3	Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	178,461,206
4	Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31st March 2010.	742,818,543
5	Payment to Auditors (Net of Service Tax):	
(a)	As Auditors	1,100,000
(b)	In Other Capacity	
	For Tax Audit	200,000
	For Certificates	25,000
		1,325,000
(c)	For Expenses	45,624
		1,370,624

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.) :

	2009-10	2008-09
	Rs.	Rs.
6 C.I.F. Value of Imports, Expenditure and Earnings in Foreign Currencies :		
(a) C.I.F. Value of Imports :		
Raw Materials (including components and spares)	486,137,327	919,434,140
Capital Goods	82,435,724	118,463,281
(b) Expenditure in Foreign Currencies :		
(i) Commission on Exports	3,916,003	2,236,401
(ii) Royalty	1,917,805	176,748
(iii) Interest	10,385,553	388,824
(iv) Professional Fees	11,627,483	6,729,768
(v) Other matters	14,767,802	20,778,134
(c) Earnings in Foreign Currencies :		
F.O.B. Value of Exports	172,851,189	196,603,403

7 The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme, of the Government of India, at concessional rates of Duty with an obligation to fulfill quantified exports. The export obligation is fulfilled completely and there is no pending export obligation against Export Promotion Capital Goods Scheme.

8 Details of Raw Materials Consumption :
(a) Raw Materials (including Components) consumed :

	Unit	CURRENT YEAR		PREVIOUS YEAR	
		2009-10		2008-09	
		<u>Quantity</u>	<u>Rs.</u>	<u>Quantity</u>	<u>Rs.</u>
Steel Bars and Plates	M.T.	48.797	3,196,219	112.768	6,920,597
Pipes	Mtrs.	31,604	7,780,606	44,768	8,536,356
Castings	Nos.	44,770	58,229,837	54,433	54,497,510
Forgings	Nos.	17,388	224,261,148	24,008	320,280,935
Foundry Raw material	Ton	837	22,066,244	1,501	49,536,628
Components	Nos.	3,274,879	1,842,305,213	5,849,911	2,633,306,196
Others			242,068,549		223,840,660
			<u>2,399,907,816</u>		<u>3,296,918,882</u>

(b) Imported and Indigenous Raw Materials Consumption (including Components) :

	2009-2010		2008-2009	
	<u>Rs.</u>	<u>Percentage</u>	<u>Rs.</u>	<u>Percentage</u>
Imported	484,885,198	20.20	938,987,796	28.48
Indigenous	1,915,022,618	79.80	2,357,931,086	71.52
	<u>2,399,907,816</u>	<u>100.00</u>	<u>3,296,918,882</u>	<u>100.00</u>



SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS : (Contd.) :

9 Details of Licensed and Installed Capacity, Production, Stocks and Turnover :

(A) Licensed and Installed Capacity and Production

Class of Goods	(a) Licensed Capacity		Installed Capacity*		Production	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
	Nos.	Nos.	Nos.	Nos.	Nos.	Nos.
Compressors	9,846	9,846	5,501	5,781	1,969	2,642
Transmission Equipment and Gear Boxes	4,300	4,300	142	280	142	260

(a) Annual capacity on maximum utilisation basis.

* Note : Installed Capacity

Most of the Plant & Machinery being common for different products manufactured by the Company and installed capacity being dependent on Product Mix, which in turn is decided by the actual demand for various products from time to time and also on availing of subcontracting facilities, it is not ascertainable for the Company to indicate the exact installed capacity. The Company has, however, indicated the installed capacity on the basis of year's Products Mix as certified by the Executive Director of company and being a technical matter, accepted by the Auditors as correct.

(B) Stocks and Turnover :

Class of Goods	Stocks at Commencement		Stocks at Close		Turnover (including Works Contracts)		Sundry (a)							
	2009-10		2008-09		2009-10		2008-09							
	Nos.	Rs.	Nos.	Rs.	Nos.	Rs.	Nos.	Rs.						
Compressors	49	17,336,257	81	22,827,688	13	1,936,254	49	17,336,257	1,996	1,127,626,484	2,639	1,904,695,858	9	35
Transmission Equipment and Gear Boxes	1	584,239	4	1,446,036	2	2,609,752	1	584,240	141	173,969,439	263	363,273,950	-	-
Others		2,541,941		4,539,088		592,011		2,541,941		3,231,200,144		2,916,853,236		
Total		20,462,437		28,812,812		5,138,017		20,462,438		4,532,796,067		5,184,823,044		

(a) Includes units scrapped, dismantled used as spares, capitalised, captive given as free replacements.

10 Managerial Remuneration :

a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Managing Director and Executive Director as under :

	Mr.H.R.MUSTIKAR Managing Director 01.04.2009 to 05.07.2009	Mr.A.KOWSHIK Executive Director 01.04.2009 to 31.03.2010	2009-10 Rs.	2008-09 Rs.
Salary	875,333	1,800,000	2,675,333	3,908,710
House Rent Allowance	121,200	180,000	301,200	510,871
Commission	1,500,000	6,000,000	7,500,000	11,000,000
Contribution to :				
Provident Fund	105,040	216,000	321,040	469,045
Superannuation Fund	131,300	270,000	401,300	586,307
Gratuity Fund (Refer Note 1)	68,492	150,000	218,492	324,520
Other perquisites	2,261,281	246,740	2,508,021	291,362
Gross Remuneration	5,062,646	8,862,740	13,925,386	17,090,815

Notes :

- As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included in the above figures for the purpose of computation of net profit in terms of Section 349 of Companies Act, 1956, as per rules of the company.

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS : (Contd.) :

2. As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in the above figures, for the purpose of computation of Net Profit in terms of Sec 349 of the Companies Act.

b) Computation of net profit under section 349 of the Companies Act, 1956.

	2009-10	2008-09
	Rs.	Rs.
1 Net Profit as per Profit & Loss Account	682,280,921	626,120,577
2 ADD.		
Directors Remuneration	15,965,386	18,390,815
Loss on sale of Assets	375,505	-
	698,621,812	644,511,392
3 LESS		
Expenditure in respect of previous year	66,670	26,765
Profit on sale of Assets & Investments	43,162,120	1,576,488
	43,228,790	1,603,253
Net Profit U/S 349	655,393,022	642,908,139
Maximum permissible Remuneration payable to Managing Director & Executive Director Restricted to Maximum Permissible Commission to Non Executive Directors Restricted to	65,539,302 13,925,386 6,553,930 2,040,000	64,290,814 17,090,815 6,429,081 1,300,000

11. The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information there are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31st March, 2010.

12. Foreign Exchange Derivatives & Exposures not hedged at close of the year

(A) Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31.03.2010	31.03.2009
Forward Contracts	USD	Purchase	776,100	-
Currency Swap	USD	Purchase	4,812,500	-

All derivatives stated above are for the purpose of hedging the underlying foreign currency exposures.

(B) Exposure not hedged

Nature of Instrument	Currency	31.03.2010	31.03.2009
Receivable	GBP	15,025	114,470
	USD	253,031	424,083
Payable	GBP	402,216	236,363
	USD	984,666	1,242,386
	EUR	204,693	2,834,353
	JPY	8,390,000	27,446,500
	CHF	-	12,236
	SEK	6,500	79,208



SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.) :

13 Disclosure pursuant to Accounting Standard - 15 (Revised) " Employee Benefits" :

a. Defined Contribution Plans:

Amount of Rs. 33,956,061 /- (Previous Year Rs. 33,366,525/-) is recognised as expense and included in "Employee Emoluments" in Schedule 17 in the Profit and Loss Account.

b. Defined Benefit Plans:

i Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :

	2009-10	2008-09
	Rupees	Rupees
	Gratuity	
a. Present value of Defined Benefit Obligation at the beginning of the year	126,094,913	117,115,264
b. Interest cost	10,087,593	9,369,221
c. Current service cost	6,552,453	6,552,453
d. Actuarial Losses / (Gains)	14,045,773	7,910,470
e. Benefits paid	18,181,435	14,852,495
f. Present value of Defined Benefit Obligation at the close of the year	138,599,297	126,094,913

ii Changes in the fair value of Plan Assets and the reconciliation thereof:

	Gratuity	
a. Fair value of Plan Assets at the beginning of the year	133,986,328	115,441,194
b. Add :Expected return on Plan Assets	12,414,570	10,595,154
c. Add / (Less) : Actuarial Losses / (Gains)	-	-
d. Add : Contributions	11,000,000	22,802,475
e. Less: Benefits Paid	18,181,435	14,852,495
f. Fair value of Plan Assets at the close of the year (includes Rs.32 Lacs with trust, previous year Rs.32 Lacs)	139,219,463	133,986,328

iii Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the Balance Sheet:

	Gratuity	
a. Present value of Defined Benefit obligation	138,599,297	126,094,913
b. Less: Fair value of Plan Assets - with LIC	136,019,463	130,786,328
c. Less: Fair value of Plan Assets - with Trust	3,200,000	3,200,000
d. Net Liability / (Asset) recognised in the Balance Sheet	(620,166)	(7,891,415)

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.) :

	2009-10	2008-09
	Rupees	Rupees
	Gratuity	
iv.	Amount recognised in the Profit and Loss Account are as follows :	
	6,552,453	6,552,453
a. Current Service Cost		
b. Interest Cost	10,087,593	9,369,221
c. Expected return on Plan Assets	12,414,570	10,595,154
d. Actuarial Losses / (Gains)	14,045,773	7,910,470
e. Past service costs	-	-
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	18,271,249	13,236,990

- v. Broad Categories of plan assets as a percentage of total assets as at 31.03. 2010

The plan assets are with Life Insurance Corporation of India and the Trust's Investments are in State Government Securities.

- vi Actuarial Assumptions at the Balance Sheet date:

	Gratuity	
a. Discount Rate	8%	8%
b. Expected rate of return on Plan Assets	9.40%	9.20%
c. Salary Escalation rate	5%	5%

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

- vii General Descriptions of significant Defined plans:

Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit as per the scheme of the Company, for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier. The benefit vests only after five years of continuous service.

- viii The company has valued the compensated absences, as specified in AS 15 (Revised) on actuarial basis. Further para 132 of AS 15 (Revised 2005) does not require any specific disclosure except where the expense resulting from compensated absences is of such size, nature or incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).



14 Details of Segment Reporting

A. Information about Business Segment - Primary (See Note below)		2009-10			2008-09		
		COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
Sr. No.	Particulars	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Segment Revenue						
	Sales	3,903,681,990	629,114,077	4,532,796,067	4,235,981,162	948,841,881	5,184,823,044
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	3,903,681,990	629,114,077	4,532,796,067	4,235,981,162	948,841,881	5,184,823,044
2	Result						
	Segment Result	843,209,250	2,970,869	846,180,119	647,340,796	186,804,920	834,145,716
	Less: Unallocable Corporate Expenses (Net of Income)			145,302,189			184,372,041
	Operating Profit before Interest			700,877,930			649,773,675
	Less: Interest			18,597,009			23,653,098
	Profit before Tax			682,280,921			626,120,577
3	Other Information						
	Segment Assets	2,583,273,757	828,468,031	3,411,741,788	2,436,753,749	920,420,359	3,357,174,108
	Add: Unallocable common assets			526,470,756			642,055,422
	Total Assets			3,938,212,544			3,999,229,530
	Segment Liabilities	1,310,719,634	307,800,532	1,618,520,166	1,561,582,095	352,953,552	1,914,535,647
	Add: Unallocable common liabilities			390,459,092			383,730,381
	Total Liabilities			2,008,979,258			2,298,266,028
4	Capital Expenditure During the year	120,490,828	199,925,445	320,416,273	71,277,675	68,628,259	139,905,934
5	Depreciation	41,590,132	31,720,701	73,310,833	34,659,528	17,939,498	52,599,026
	Add: Unallocable Depreciation			196,920			196,920
				73,507,753			52,795,946
6	Non Cash Expenditure	4,166,667	-	4,166,667			-
B Secondary Segment - Geographical by Customers							
1	Segment Revenue						
	In India			4,359,944,878			4,988,219,641
	Outside India			172,851,189			196,603,403
	Total			4,532,796,067			5,184,823,044

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.) :

C Other Disclosures

- 1 Segments have been identified in line with the Accounting standard, AS-17 "Segment Reporting" (AS -17), taking in to account the organisation structure as well as the differing risks and returns.
- 2 Company has disclosed Business Segment as the primary segment.
- 3 Composition of Business Segment

Name of the Segment :	Comprises of :
a) Compression Systems	Air & Gas Compressors, Air conditioning & Refrigeration Compressors and Systems etc.
b) Transmission Equipments	Power Transmission Equipments (Torque Convertor), Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.
- 4 The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis
- 5 The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 1 of Schedule 19 to the Accounts.

15 Disclosure of Transactions with Related Parties as required by the AS -18

(A) Name of the related party and nature of relationship where control exists

Names of Related parties

1) Subsidiary Company	Khosla Indair Ltd.	Ceased to be Subsidiary during the Year and now an Associate company.
2) Associate Company	Kirloskar Chillers Pvt. Ltd.	
3) Key Management Personnel	Mr.H.R.Mustikar Mr.Aditya Kowshik	Upto 5th July 2009
4) Relatives of Key Management Personnel	Mrs. Snehlata H. Mustikar Mr. Milind H. Mustikar Mr. Mukul H. Mustikar Mrs. Kanchan M Mustikar Mrs. Gauri M Mustikar Master Pranav M Mustikar Master Aditya M Mustikar Miss Madhura M Mustikar Miss Mrunal M Mustikar Mr. Yeshwant P Kulkarni Mrs. Premlata Y Kulkarni Mr. Mohan R Mustikar Mrs. Anjali M Mustikar Mrs. Usha S. Kale Mr. Shyamkant P Kale Mrs. Kavita Kowshik Mr. Karn Kowshik Ms. Meera Kowshik Ms. Laxmi Chalapathi Ms. Sarayu Mr. H. L. Narasimha	Wife Son Son Son's Wife Son's Wife Son's Son Son's Son Son's Daughter Son's Daughter Brother Brother's Wife Brother Brother's Wife Sister of Mr. H. R. Mustikar Sister's husband Wife Son Daughter Mother Sister of Mr. Aditya Kowshik Sister's husband

Note : Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.



SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.) :

(B) Related Party Transactions

Nature of Transaction	Year	Subsidiary Company	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchase of Goods	2009-10	-	7,717,437	-	-	7,717,437
	2008-09	-	-	-	-	-
Sale of Goods / Assets	2009-10	-	-	-	-	-
	2008-09	-	578,052	-	165,000	743,052
Services Rendered	2009-10	-	470,520	-	-	470,520
	2008-09	6,865	739,950	-	-	746,815
Services Received	2009-10	-	-	-	-	-
	2008-09	-	6,013	-	356,168	362,181
Dividend Received	2009-10	-	1,500,000	-	-	1,500,000
	2008-09	-	7,500,000	-	-	7,500,000
Dividend Paid	2009-10	-	-	126,030	10,990	137,020
	2008-09	-	-	85,281	7,693	92,974
Remuneration paid **	2009-10	-	-	13,925,386	-	13,925,386
	2008-09	-	-	17,090,815	-	17,090,815
Receivable	2009-10	-	534,981	-	-	534,981
	2008-09	1,177,378	1,393,766	-	-	2,571,144
Payable	2009-10	-	-	7,500,000	-	7,500,000
	2008-09	-	-	11,000,000	-	11,000,000
Investment	2009-10	-	4,900,245	-	-	4,900,245
	2008-09	500	7,500,000	-	-	7,500,500

** The amount of Gratuity is included as per the rules of the Company

- 16 The Company has entered into agreements in the nature of Lease / Leave and Licence agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and Licence and disclosure required as per accounting standard 19 with regard to the above is as under.
- Payment under Lease / Leave and License for period :
 - Not later than 1 year Rs. 1,955,522/-
 - Later than 1 year but not later than 5 years Rs. 507,630/-
 - There are no transaction in the nature of Sub Lease.
 - Payments recognised in the Profit and Loss Account for the year ended 31st March, 2010 Rs. 4,147,910 /-
 - Period of Agreement is generally for Eleven Months and renewable at the option of Lessee.
- 17 As required by Accounting Standard 22, "Accounting for taxes on Income ", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs. 5,972,078/- in the Profit and Loss Account, The details of which are as under.

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.) :

Particulars	Rupees		
	Balance as at 1st April 2009	Arising During the Year	Balance as at 31st March 2010
I. Deferred Tax Liabilities			
a. Depreciation	40,532,844	5,820,776	46,353,620
II. Deferred Tax Assets			
Disallowances under section 43b of the Income tax Act	25,904,160	(151,302)	25,752,858
Net Deferred Tax Liability	14,628,684	5,972,078	20,600,762

- 18 In accordance with the Accounting Standard 26, "Intangible Assets" expenditure on Technical Know-how on Project under implementation will be amortized on commencement of commercial production. Expenditure of Rs. 12,500,000/- on Technical Know-how, in respect of which commercial production has been started, is being amortised over a period of three years.
- 19 The company, in terms of Notification issued by Ministry of Corporate Affairs on 31st March, 2009, had exercised the option of implementing the provisions of newly inserted Paragraph 46 of Accounting Standard 11, ' Accounting for the Effects of Changes in Foreign Exchange Rates', prescribed by Companies (Accounting Standards)Amendment Rules, 2009 . The Company has outstanding long term foreign currency loans which are categorized as Long Term Foreign Currency Monetary Item as referred in the said notification. Accordingly Rs. 27,750,189/- being gain for the year ended 31st March 2010 (Rs 13,721,930/- being loss for the year ended 31st March 2009) has been adjusted against the cost of Fixed Assets.
- 20 Information required in terms of Part IV of Schedule VI to the Companies Act, 1956, as compiled by the Company, is attached.
- 21 Previous years figures have been regrouped wherever necessary to make them comparable with those of the current year.

As per our attached report of even date

For and on behalf of Board of Directors

For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

Aditya Kowshik
Executive Director

Rahul C. Kirloskar
Chairman

Shishir Dalal
Partner
Membership No. 37310
Mumbai, April 28, 2010.

Kedar P. Phadke
Company Secretary

Suhas S. Kolhatkar
Vice President & Finance Controller
Pune, April 28, 2010



ANNEXURE “A” REFERRED TO IN NOTE NO.1 IN SCHEDULE NO.20 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010.

Statement of Significant Accounting Policies :

1 System of Accounting :

- (i) The Company, except under significant and uncertain circumstances, follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
- (ii) The Financial Statements are based on historical costs.
- (iii) Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.
- (iv) Estimates and assumptions used in the preparation of the Financial Statements are based upon Management’s evaluation of the relevant facts and circumstances as of the date of the financial statements, which may differ from the actual results at a subsequent date.

2 Fixed Assets and Depreciation :

A. Fixed Assets :

- a) Fixed Assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
- b) Plant & Machinery of Faridabad Unit acquired before 30th June, 1984, are taken at revalued cost and those acquired after 30th June, 1984, are valued at landed cost.

B. Depreciation on Assets (other than Freehold Land) :

(a) On Plant and Machinery given on Lease :

Depreciation on Plant and Machinery given on Lease is being provided at the rates worked on Straight Line Method over the primary period of Lease Agreement or at the rate specified in Schedule XIV to the Companies Act, 1956, whichever is higher, on pro-rata basis.

Asset	Primary Lease Period	Rate on Straight Line Method	
		Over the primary Period of Lease	As specified in Schedule XIV
Plant and Machinery	8 years	12.50%	10.34%
Plant and Machinery	5 years	20.00%	10.34%

(b) Depreciation on Assets :

- (i) Depreciation on Additions to the Fixed Assets up to 31st March, 1961, is being provided on “Written Down Value” Method in accordance with the Provisions of Section 205(2)(a) of the Companies Act, 1956, at the rates specified in Schedule No.XIV to the said Act.
- (ii) Depreciation on Additions to Assets from 1st April, 1961, to 30th September, 1987, is being provided for on Straight Line basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, pursuant to Circular No.1/1/86/CLV No.15-(50)84 CL VI dated 21st May, 1986, issued by the Department of Company Affairs, at the rates corresponding to the rates (inclusive of multiple shift allowance) applicable under the Income Tax Rules 1962 as in force at the time of acquisition / installation and on Additions on or after 1st October, 1987, on the same basis at the rates specified in Schedule No.XIV to the Companies Act, 1956.
- (iii) Depreciation on assets of erstwhile Faridabad unit has been charged on Straight Line Method as per rates prescribed by Schedule XIV to the Companies Act, 1956. Depreciation on additions made after 16th December, 1993, has been charged on Straight Line Method at the revised rates as prescribed in Schedule XIV to the Companies Act 1956 and substituted by Notification GSR No.756 (E) dated 16th December, 1993, of the Department of Company Affairs, Government of India.

**ANNEXURE "A" REFERRED TO IN NOTE NO.1 IN SCHEDULE NO.20 TO
THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010**

- (iv) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as required by Schedule XIV to Companies Act, 1956.
- (v) Depreciation on Additions, on account of increase in rupee value due to Foreign Exchange fluctuations, is being provided at the rates of depreciation over the future life of said assets.
- (vi) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such Assets are sold, discarded or demolished.
- (vii) No Depreciation is being charged on Revaluation amount of the Fixed Assets.

3 Technical Know-how Fees :

Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. (Also see note no. 18)

4 Investments :

- a. Long Term Investments are valued at Cost of acquisition less estimated diminution in value determined to be of permanent nature.
- b. Current investments are mainly comprising of investments in mutual funds and are stated at lower of cost or fair value.

5 Inventories :

Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.

- (i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis
- (ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
- (iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
- (iv) Jigs & Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
- (v) Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
- (vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
- (vii) Excise / Customs Duty :
Excise Duty on Finished Goods and Customs Duty on imported materials are accounted on production of Finished Goods / Receipt of materials in Customs Bonded Warehouse.

6 Foreign Currency Conversion :

a. "Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction."



**ANNEXURE "A" REFERRED TO IN NOTE NO.1 IN SCHEDULE NO.20 TO
THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2010**

- b. "Conversion
Current assets and current liabilities, Secured Loans designated in foreign currencies are revalorised at the rate prevailing on the date of Balance Sheet."
- c. "Exchange Differences
Exchange differences arising on the settlement and conversion on foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31 March 2009, eligible exchange difference on foreign currency loans is adjusted in the cost of the asset to be depreciated over the balance life of the asset. (For change and effect see Note no.19)"
- d. "Forward Contracts
Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose. In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate prevailing on the date of forward contract (i.e. forward premium / discount) is amortised as income or expense over the life of the contract, except in respect of the liabilities for the acquisition of qualifying assets, where such amortization is adjusted in the cost of the corresponding asset."
- 7 Borrowing Cost :
Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.
- 8 Sales :
(i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.
(ii) Export Sales are accounted for on the basis of dates of Bills of Lading.
(iii) Construction Contract Sales :
In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.
- 9 Income Tax
Tax Expense comprises both current and deferred tax. Provision for current tax is made on the basis of taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and incase of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.
- 10 Employee Benefits
(A) Short term Employee Benefits :
All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia etc. and are recognised in the period in which the employee renders the related service.

(B) Post Employment Benefits ;

(i) Defined Contribution Plans :

The Company's approved superannuation scheme, State Government Provident Fund Scheme and Employee State Insurance Scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.

(ii) Defined Benefits 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.

(iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.

(iv) Termination benefits are recognised as an expense as and when incurred.

11 Provisions

Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and which can be reliably estimated.



PART - IV
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details		
Registration No.	:	110307
State Code	:	11
Balance Sheet Date	:	31-03-2010
		(Amount in Rs. Thousand)
II. Capital raised during the year		
Public Issue	:	—
Rights Issue	:	—
Bonus Issue	:	—
Private Placement	:	—
Re-issue of Forfeited Shares	:	—
III. Position of Mobilisation and Deployment of Funds		
Total Liabilities	:	3938213
Total Assets	:	3938213
Source of Funds		
Paid-up Capital	:	128443
Reserves and Surplus	:	1479668
Secured Loans	:	299040
Unsecured Loans	:	1481
Deferred Tax Liability	:	20601
	Total	1929233
Application of Funds		
Net Fixed Assets	:	763859
Investments	:	272187
Net Current Assets	:	864569
Misc. Expenditure (including Technical Know-how)	:	28618
	Total	1929233
IV. Performance of Company		
Turnover	:	4632502
Total Expenditure	:	3950222
Profit / Loss before Tax	:	682281
Profit / Loss after Tax	:	479046
Earning Per Share in Rs.	:	37.29
Dividend rate %	:	120
V. Generic Names of Principal Products / Services of the Company		
i) Item Code No.	:	356501000
(ITC Code)		
Product Description	:	Air & Gas Compressor
ii) Item Code No.	:	375308000
(ITC Code)		
Product Description	:	Marine Gear Boxes
iii) Item Code No.	:	356106000
(ITC Code)		
Product Description	:	Industrial Air-conditioning & Refrigeration Equipment

KIRLOSKAR PNEUMATIC COMPANY LIMITED

REGISTERED OFFICE : HADAPSAR INDUSTRIAL ESTATE, PUNE 411 013

ATTENDANCE SLIP

PLEASE BRING THIS ATTENDANCE SLIP AND HAND IT OVER AT THE VENUE OF THE MEETING AT PUDUMJEE HALL, MAHRATTA CHAMBER OF COMMERCE, INDUSTRIES AND AGRICULTURE, PUNE.

NAME & ADDRESS OF THE MEMBER

FOLIO NO.

DP ID*

CLIENT ID *

I/We hereby record my/our presence at the Annual General Meeting of the Company at the Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002 on Monday, the 26th July 2010 at 11.30 a.m.

SIGNATURE OF THE MEMBER OR PROXY

SHARE(S) HELD

*Applicable to members holding shares in Electronic Form

KIRLOSKAR PNEUMATIC COMPANY LIMITED

REGISTERED OFFICE : HADAPSAR INDUSTRIAL ESTATE, PUNE 411 013

PROXY FORM

I / We.....of
.....of.....in the
district of.....being a member(s) of the above named Company
hereby appoint.....of.....in the district
of.....or failing him / her
.....of.....in the district of
.....as my / our Proxy to vote for me / us on my / our behalf at the Annual
General Meeting of the Company to be held on Monday, the 26th July 2010 at 11.30 a.m. and at any adjournment thereof.

Signed this.....day of.....2010.

FOLIO NO.		SHARES HELD	
*DP ID		*CLIENT ID	

Affix
Revenue
Stamp

*Applicable to members holding shares in Electronic Form

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



◀ Battery of KC KCX series compressors at EOU unit for food processing and preservation

Refrigeration package for refinery process for Euro IV Fuel ▶



◀ 1MW wind turbine planetary gearbox on factory test bed.

High-pressure, water-cooled compressor for marine industry. ▶





Enriching Lives

KIRLOSKAR PNEUMATIC CO. LTD.

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Tel.: +91 (20) 2672 7000. Fax: +91 (20) 2687 0297 / 2681 2822
E-mail: sec@kpcl.net | Website: www.kirloskarkpcl.com www.kirloskar.com