



# KIRLOSKAR FERROUS INDUSTRIES LIMITED

A Kirloskar Group Company

Enriching Lives

## FORM A

(Pursuant to clause 31 of the listing agreement)

1	Name of the Company	Kirloskar Ferrous Industries Limited (Scrip code 500245)
2	Annual Financial Statements for the year ended	31st March, 2014
3	Type of Audit observation	Unqualified
4	Frequency of Observation	The Auditor has issued unqualified Audit Report since 1st financial year of the Company i.e. for the period ended 31st March, 1992.

For Kirloskar Ferrous Industries Limited

R. V. Gumaste  
Managing Director

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

S. B. Pagad  
Partner  
Membership No. 206124

For Kirloskar Ferrous Industries Limited

R. S. Srivatsan  
Chief Financial Officer

Pune : 28th April, 2014

For Kirloskar Ferrous Industries Limited

S. N. Inamdar  
Chairman of Audit Committee



Pune : 28th April, 2014



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CIN No. L27101PN1991PLC063223



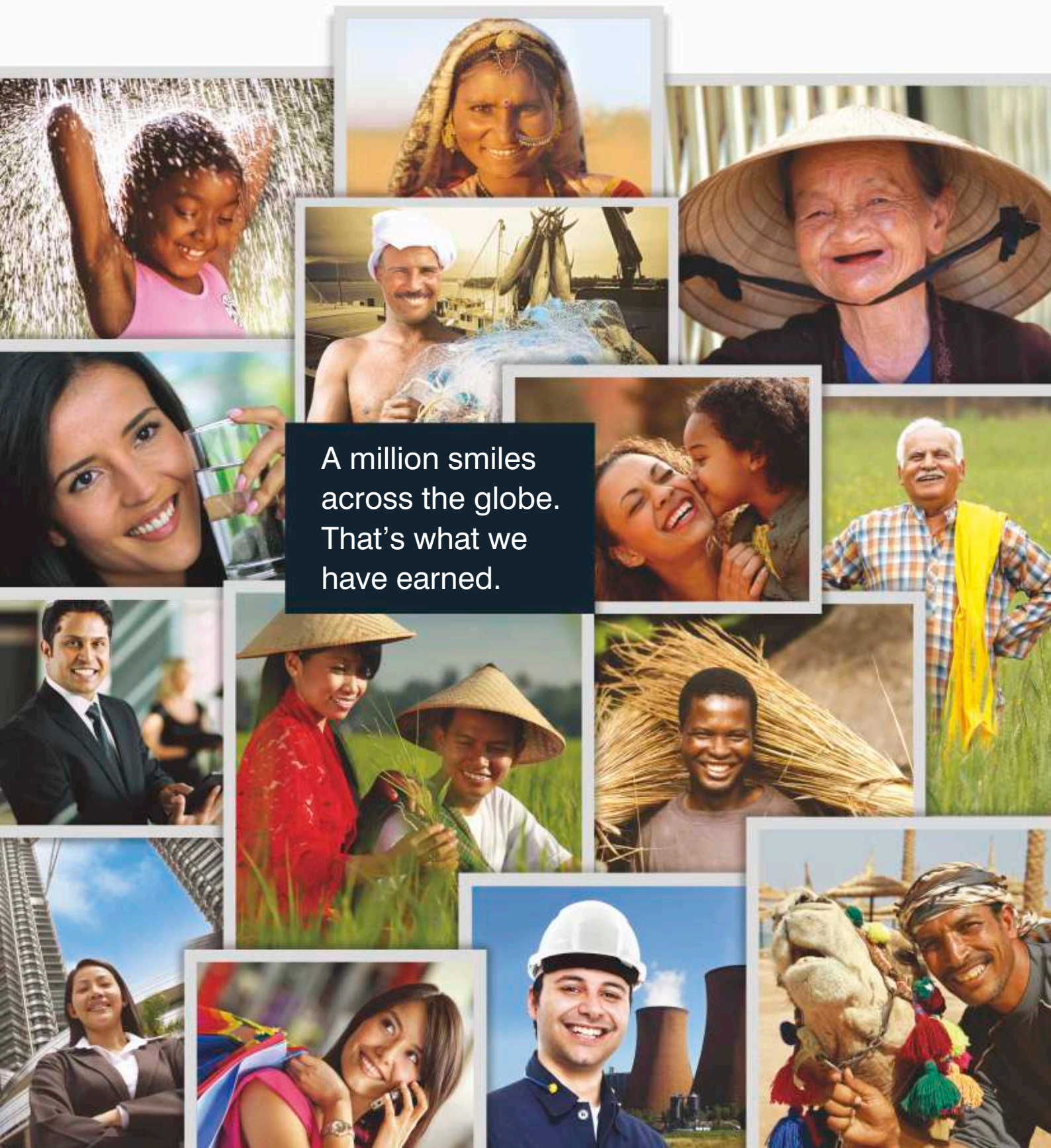


# KIRLOSKAR FERROUS INDUSTRIES LIMITED


A Kirloskar Group Company

23<sup>rd</sup> ANNUAL REPORT 2013 - 2014

Enriching Lives







Bringing about a positive change has been our mission as well as our driving force. The smile on millions of faces is a testimony that we have not just achieved it but enriched lives the world over.

Through our critical engineering solutions across industries - from cooling mega power plants to powering countless applications across industries, from saving a million tonnes of food stock to providing standby power to telecom and defence sectors, and from castings that house automobile engines to greening deserts, quenching thirsts and fuelling CNG vehicles - Kirloskar has made a significant difference across continents. To garner the most valuable asset - a smile of satisfaction.

#### Your Company has earned smiles by:

- Providing castings for tractors for agricultural operations and construction activities.
- Providing castings in multi-utility vehicles and trucks to facilitate transportation of people and goods.
- Providing castings in generating sets for power generation.
- Providing fuel efficient, thin walled, lightweight castings in tractors, automobiles and power generating sets resulting in maximum savings.

**23rd ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2014**

**BOARD OF DIRECTORS**

Mr. Atul C. Kirloskar	Chairman
Mr. Rahul C. Kirloskar	Vice Chairman (Additional Director w.e.f. 28th October, 2013)
Mr. Sanjay C. Kirloskar	(Up to 8th April, 2014)
Mr. R. V. Gumaste	Managing Director
Mr. A. R. Jamenis	
Mr. C. V. Tikekar	
Mr. S. N. Inamdar	
Mr. S. G. Chitnis	
Mr. A. N. Alawani	

**COMPANY SECRETARY**

Mr. C. S. Panicker

**AUDITORS**

M/s. P. G. Bhagwat  
Chartered Accountants

**BANKERS**

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

**REGISTRAR AND SHARE TRANSFER AGENT**

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

**REGISTERED OFFICE**

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

**FACTORY**

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

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Date	: Wednesday, 13th August, 2014	Decade at a Glance	02
Time	: 11.30 A.M.	Directors' Report	03
Venue	: Pudmjee Hall, Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune – 411 002	Report on Corporate Governance	14
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## KIRLOSKAR FERROUS INDUSTRIES LIMITED

### A DECADE AT A GLANCE

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Net sales / revenue from operations	4,970.11	4,827.46	5,251.32	7,284.56	6,991.39	8,069.87	10,917.58	10,896.51	11,981.09	12,321.61
Other income	34.68	44.52	64.37	183.47	50.87	102.27	19.81	20.84	24.91	30.75
<b>Total income</b>	<b>5,004.79</b>	<b>4,871.98</b>	<b>5,315.69</b>	<b>7,468.03</b>	<b>7,042.26</b>	<b>8,172.14</b>	<b>10,937.39</b>	<b>10,917.35</b>	<b>12,006.00</b>	<b>12,352.36</b>
Raw material and stores consumed	4,076.12	3,690.58	3,618.46	5,301.91	5,254.59	5,790.99	8,548.17	8,103.05	8,646.38	9,217.89
Employees remuneration and benefits	119.75	134.46	182.44	296.85	306.52	327.72	330.56	427.73	511.76	495.63
Other expenses	384.93	459.60	639.99	921.82	930.76	1,030.56	1,028.14	1,433.28	1,739.84	1,578.08
<b>Total expenses</b>	<b>4,580.80</b>	<b>4,284.64</b>	<b>4,440.89</b>	<b>6,520.58</b>	<b>6,491.87</b>	<b>7,149.27</b>	<b>9,906.87</b>	<b>9,964.06</b>	<b>10,897.98</b>	<b>11,291.60</b>
<b>Profit before interest, depreciation and amortisation</b>	<b>423.99</b>	<b>587.34</b>	<b>874.80</b>	<b>927.45</b>	<b>550.39</b>	<b>1,022.87</b>	<b>1,030.52</b>	<b>953.29</b>	<b>1,108.02</b>	<b>1,060.76</b>
(% to Total income)	8.47	12.06	16.46	12.45	7.82	12.52	9.42	8.73	9.23	8.59
Interest / finance cost	89.90	69.94	69.32	83.90	117.27	60.59	41.45	104.70	151.80	143.04
Depreciation and amortisation	126.46	119.81	139.88	185.42	230.40	259.65	270.44	291.99	332.03	337.86
<b>Profit/(Loss) before Tax</b>	<b>207.63</b>	<b>397.59</b>	<b>665.60</b>	<b>668.13</b>	<b>202.72</b>	<b>702.63</b>	<b>718.63</b>	<b>556.61</b>	<b>624.19</b>	<b>579.86</b>
(% to Total Income)	4.15	8.16	12.52	8.84	2.88	8.60	6.57	5.10	5.20	4.69
Tax provisions	(10.69)	136.78	220.97	167.81	123.23	211.95	235.34	185.81	233.33	181.49
<b>Net Profit/(Loss) after Tax</b>	<b>218.31</b>	<b>260.81</b>	<b>444.63</b>	<b>490.32</b>	<b>79.49</b>	<b>490.68</b>	<b>483.29</b>	<b>370.80</b>	<b>390.86</b>	<b>398.37</b>
(% to Total Income)	4.36	5.35	8.36	6.58	1.13	6.00	4.42	3.40	3.26	3.23
<b>Share capital</b>										
Equity share capital	722.22	361.11	685.02	685.02	686.47	686.49	686.54	686.54	686.54	686.54
Preference share capital	1,046.86	1,046.86	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,769.08</b>	<b>1,407.97</b>	<b>685.02</b>	<b>685.02</b>	<b>686.47</b>	<b>686.49</b>	<b>686.54</b>	<b>686.54</b>	<b>686.54</b>	<b>686.54</b>
<b>Reserves</b>										
Share premium	-	-	1,929.29	1,929.29	1,937.97	1,938.06	1,938.38	1,938.38	1,938.38	1,938.38
General reserves	-	-	-	50.00	50.00	100.00	150.00	200.00	250.00	300.00
Profit and Loss account	(741.31)	(379.11)	17.04	337.14	298.58	540.91	815.65	976.86	1,191.86	1,339.44
<b>Total</b>	<b>(741.31)</b>	<b>(379.11)</b>	<b>1,946.33</b>	<b>2,316.43</b>	<b>2,286.55</b>	<b>2,578.97</b>	<b>2,904.03</b>	<b>3,115.24</b>	<b>3,380.24</b>	<b>3,577.82</b>
Deferred tax (assets) / liability	(214.11)	(82.35)	100.91	228.95	315.01	319.11	379.68	420.55	514.75	641.76
Long term loans	534.28	323.56	201.08	39.43	188.57	62.85	-	-	804.62	602.31
Net fixed assets including CWIP	1,284.90	1,247.06	1,725.42	2,464.09	3,288.68	3,382.73	3,590.97	3,851.77	4,881.68	5,691.13
Net current assets other than cash and bank #	(329.53)	(60.42)	102.47	371.53	61.19	98.39	67.74	50.49	(17.20)	(413.25)
Cash and bank balance	386.61	83.43	1,105.45	434.29	126.75	166.60	184.02	136.15	145.81	115.24
Non current assets							127.52	183.92	375.87	115.31
<b>Capital employed</b>	<b>1,341.98</b>	<b>1,270.07</b>	<b>***2,056.81</b>	<b>3,269.91</b>	<b>3,476.62</b>	<b>3,647.72</b>	<b>3,970.25</b>	<b>4,222.34</b>	<b>5,386.16</b>	<b>5,508.43</b>
Misc. expenditure	5.96	-	-	-	-	-	-	-	-	-
Net worth *	1,033.73	1,028.86	** 1,459.16	3,001.45	2,973.02	3,265.46	3,590.57	3,801.78	4,066.78	4,264.36
Capital employed *	1,341.98	1,270.07	2,056.81	3,269.91	3,476.62	3,647.72	3,970.25	4,222.34	5,386.16	5,508.43
Return on capital employed %										
Return on networth %										
No. of equity shares	72,222,400	72,222,400	137,005,165	137,005,165	137,294,479	137,297,303	137,308,081	137,308,081	137,308,081	137,308,081
Earnings per share (₹)	2.38	2.88	5.24	3.58	0.58	3.57	3.52	2.70	2.85	2.90
Book value per share (₹)	(0.35)	(0.25)	19.21	21.91	21.65	23.78	26.15	27.69	29.62	31.06
Dividend %				15	10	20	20	20	25	25

Notes:  
 \* Net worth = Share capital + share premium + profit and loss (balance) + general reserves - misc. expenditure.  
 \*\* Net worth of 2006-07 and 2007-08 has been arrived by taking both new equity shares issued on rights basis as well as preference shares redeemed during the year on pro-rata basis.  
 \*\*\* Net worth of 2006-07 has been arrived by taking both new equity shares issued on rights basis as well as preference shares redeemed during the year on pro-rata basis.  
 # Net current assets has been calculated by deducting current liabilities and short term borrowings from the current assets.  
 The figures of 2006-07 include figures of castings division. Solapur unit (acquired from Kirloskar Oil Engines Limited w.e.f. 1 January, 2007) for 3 months i.e. from January 2007 to March 2007 and the financial year 2007-08 for 12 months as such the figures of 2007-08 are not comparable with 2006-07 or earlier years.  
 Figures are as per latest annual report.  
 Figures have been regrouped wherever necessary.

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting 23rd Annual Report together with the Audited Annual Accounts for the year ended 31st March, 2014.

### FINANCIAL PERFORMANCE

The financial results of the Company for the financial year 2013-2014 as compared with the previous year are as follows -

	(Amount in ₹)	
	2013 - 2014	2012 - 2013
Sales and Other Income	<b>12,352,360,181</b>	12,006,002,195
Profit before tax	<b>579,866,258</b>	624,191,494
Provision for tax (including Deferred Tax)	<b>181,489,308</b>	233,327,629
Profit after tax	<b>398,376,950</b>	390,863,865
Balance of Profit brought forward from previous year	<b>1,191,864,220</b>	976,864,750
Excess provision for previous years written back		
a) Dividend	-	(64,479,849)
b) Tax on Dividend	-	(10,460,244)
Profit available for appropriation	<b>1,590,241,170</b>	1,442,668,708

### APPROPRIATIONS

Your Directors propose to appropriate the Profit as under :

Proposed Dividend	<b>171,635,102</b>	171,635,102
Tax on Dividend	<b>29,169,386</b>	29,169,386
Transfer to General Reserve	<b>50,000,000</b>	50,000,000
Balance carried to Surplus Account	<b>1,339,436,682</b>	1,191,864,220

### DIVIDEND

Your Directors have recommended a dividend of 25 percent (₹ 1.25 per equity share).

### MANAGEMENT DISCUSSION AND ANALYSIS

#### A. Economy and Industry Overview

##### Global Economy

The global economical growth at 2.9 percent for the year 2013 was the slowest since 2009. However, a recovery in developed economies is likely to boost global growth to 3.6 percent in 2014 and expected to further improve to 4 percent in 2015.

Global economic activity remains subdued with elevated downside risks. In the US, incoming data point to a slower recovery in domestic demand and weak export activity. In the UK, recovery is gradually gathering momentum on the back of consumer spending. The euro area continues to be in recession with high unemployment. Japan's economy is returning to positive growth with improved industrial production and retail sales. China's GDP growth in Quarter 4 of 2013 slowed down to 7.4 percent as compared with 9.1 percent in Quarter 3.

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## **Indian Economy**

During the current fiscal, the Indian Economy has experienced an adverse mix of slow growth and high inflation.

Growth in second half of 2013-14 is marginally higher than first half, mainly due to a rebound in agriculture output and improved export performance. However, industrial growth continues to stagnate and leading indicators of the services sector exhibit a mixed picture. Durable recovery remains contingent on addressing persistent inflation, and the bottlenecks facing the mining and infrastructure sectors.

The Government, in recent months, has been taking several policy initiatives to speed up infrastructure investment but these measures will take some time to fructify.

According to Central Statistical Office, Indian Economy growth is around 4.9 percent in 2013-14.

Large capital outflows and consequent exchange rate pressures since May 2013 lead to deterioration of Rupee against the US Dollar. Rupee depreciated by 6.6 percent during the period May to June 2013 due to sell-off by foreign institutional investors. Trade deficit widened sharply due to a surge in gold imports. The rupee collapsed to a historic low of ₹ 69.225 to the US dollar.

Considering the depreciation of rupee against the US Dollar, Central Government introduced higher custom duty on gold imports. This initiative coupled with improvement in global trade resulted into, India's trade deficit of US\$ 110 billion during April to December 2013 being 25 percent lower than last year. Consequent to lower trade deficit, Current Account Deficit (CAD) declined and it is likely to be below 2.5 percent of GDP for the full year. Consequently, during the second half of the year rupee started appreciating against the dollar and at the end of the year rupee reached a level of ₹ 59.91.

## **Monetary Policy**

During 2013-14, there was a financial turbulence arising from the US Fed announcement on contemplating tapering of its large scale asset purchase programme. This led to turning of the global interest rate cycle with volatile movements for cross-border capital flows and asset prices. Like most Emerging Market and Developing Economies (EMDEs), India faced capital outflows and intense exchange rate pressures.

There were net FII disinvestments of over US\$13.4 billion prior to September 2013. Large capital outflows and sliding currency brought to fore the underlying macroeconomic weaknesses. Stabilisation of the economy by restoring exchange rate stability became the overriding task for Government and Reserve Bank of India (RBI).

RBI increased short-term interest rates by hiking the Marginal Standing Facility (MSF) rate by 200 bps and removing excess liquidity with a view to defending the rupee exchange rate. Several other measures were introduced, either to restrain the Current Account Deficit (CAD) or to improve its financing. This along with financial market reforms laid down by the Reserve Bank on 4th September, 2013, helped to turn the tide and stabilize financial market conditions. Subsequently rupee started appreciating against US Dollar and the reserve loss has been more than fully recouped.

Capital flows resumed and with the resultant improved stability in the foreign exchange market, the Reserve Bank quickly moved to normalize exceptional liquidity and monetary measures and recalibrate monetary policy, taking into account, the prevailing inflation and growth conditions. The MSF rate was lowered and repo rate was raised. The Reserve Bank has maintained a tight monetary policy stance but has desisted from stiff tightening keeping in mind the weak state of economy.

## **Steel Industry**

India's steel demand grew by just 0.5 percent to 53.78 million tonnes during the April-December period of the current fiscal, impacted by economic slowdown. The future of the Indian steel industry appears to be good and there are several enablers which indicate this and includes low per capita consumption and Government's plan to hike infrastructure spending.



## **Iron ore**

Ban on iron ore mining in Karnataka has adversely affected the iron ore situation in terms of supply, quality and cost. Iron ore prices through auction are at high prices due to shortage.

The Supreme Court had allowed e-auction of iron ore in 2011 after partially lifting iron ore mining ban in Karnataka. Since October 2011 MSTC Ltd has been conducting the auctions. In the beginning, the Apex court-appointed monitoring committee was fixing the base price depending upon the prices of NMDC.

However, this practice was discontinued and private mining companies were allowed to fix the base price. In addition to a very high base price, steel mills in Karnataka have to pay royalty and forest development tax. Usually iron ore prices quoted by miners is royalty paid and forest development tax is not applicable in other states.

The steel industry in and around Karnataka requires 36 million tonnes of iron ore annually. The Supreme Court in April 2013 allowed 115 Category-A and B mines to restart production. Till now, only 21 mines have resumed, with combined annual production capacity of around 22 million including NMDC, leaving a shortfall of around 8 million tonnes to meet the cap of 30 million tonnes per annum imposed by the Supreme Court.

The State Government, in its affidavit, has appealed to the Supreme Court to permit enhanced annual production in certain mines, for a period of two years.

As mentioned in earlier report, the Supreme Court cancelled 49 mining leases of the 'C' category mines and directed that they be auctioned amongst end users. The floor price for such auctions would be based on the market value and ore to be used for captive purposes only. No sale / export would be permissible from 'C' category of mines. Since your Company is actual user and does not own any mine, it can apply for such mines.

Currently, export duty on iron ore is 30 percent. Recently, the Government has imposed a 5 percent duty on pellets.

## **Coke**

Coking coal prices and coke prices came down marginally in the last year. However, due to adverse exchange rate, prices of coke remained high; but with the prices now easing and exchange rate stabilising, it is expected that the coke prices will come to lower levels during the financial year 2014-15.

## **Auto Industry**

A combination of factors - the general economic slowdown, high interest rates and increasing fuel prices - affected the Indian automobile industry to a large extent, resulting in a slide in sales volumes this calendar year. According to industry body Society of Indian Automobiles Manufacturers (SIAM), the sales of passenger vehicles declined by 5.34 percent during April-November 2013 over the same period last year.

Automobile sales in India will continue to remain sluggish until the middle of 2014 as a slowing economy and high ownership costs force buyers to postpone car purchases. Annual car sales dropped for the first time in 11 years in 2013.

## **Auto Industry outlook**

India Ratings and Research has maintained a stable to negative outlook on the automobile sector for 2014-15. The financial profile of most industry players is strong despite all segments displaying a year-on-year (y-o-y) decline in sales volumes during April-December 2013. The agency revised the auto sector outlook from stable to negative in July 2013.



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The agency expects at base case a 3 to 8 percent decline in the passenger vehicle segment which comprises cars, utility and multipurpose vehicles, while the volume growth in the commercial vehicle segment is likely to post a 6 to 9 percent y - o - y decline in domestic volumes in financial year 2014.

### **Tractor industry**

According to the rating agency the growth for the tractor industry during the year under review is around 15 percent, on account of increased domestic sale arising from strong farm sector growth supported by good monsoons.

Despite the relatively dull months of November and December 2013, tractor makers are upbeat on finishing the current fiscal with a 16 to 17 percent year-on-year growth.

### **Tractor industry Outlook**

The tractor industry is expected to grow at around 8 percent during financial year 2014-15.

The outlook for the farm equipment industry remains positive as the market would increasingly move towards farm mechanisation.

Given the scarcity for the farm labour and its high cost, most farm practices will become mechanised in near future and thus increase in demand for tractors on the anvil.

### **Crude oil prices**

International crude oil prices have remained unchanged in the first three quarters.

Over the last year oil prices have averaged US\$97.94. The average price over the last 10 years was US\$76.43. Higher Crude Oil Prices over the last 12 months compared to the average oil prices over the last 10 years serve as an indicator that the long term rate trend in the Crude Oil Price would be up.

## **B. Company Performance**

Inspite of the closure of mines and non availability of iron ore at reasonable price, your Company has been able to run both the blast furnaces during the year, except for stoppage of one of the mini blast furnace for refractory relining.

Commissioning of sinter plant helped the Company to consume iron ore fines instead of lump ore and get the benefit of price difference and reduction in coke consumption.

Even though sluggish market conditions prevailed in auto industry, your Company managed to minimise the impact on the production of castings through orders from new customers.

Your Company achieved net sales of ₹ 12,321 million (previous year ₹ 11,981 million). Sales value has shown a growth of 2.83 percent in spite of stoppage of one of the mini blast furnace for refractory relining.

In terms of volume growth in sales, Pig Iron sales has increased by 16.50 percent, while Castings sales increased by 2.76 percent compared to previous year.

The profit before tax for the year under review stood at ₹ 579.86 million as compared to ₹ 624.19 million of the previous year after providing for depreciation and amortisation.

During the year under review, the Company availed term loan of ₹ 15 Crores for financing capital expenditure.

## **C. Operational Performance**

The slowdown in automobile industry has impacted the demand for castings. However, your Company has managed to maintain the sales.

Your Company sold 60,396 MT castings aggregating to ₹ 4,600.37 million during financial year 2013-14 as compared to 58,773 MT castings aggregating to ₹ 4,420 million in the previous year.

Your Company sold 275,692 MT of pig iron valued at ₹ 7,173.87 million during financial year 2013-14 as compared to 236,633 MT of pig iron valued at ₹ 6,771.08 million in the previous year.

Sinter plant was in operation throughout the year under consideration. The use of sinters in place of iron ore lumps in the Mini Blast Furnace has reduced the consumption of iron ore lumps substantially and consequently reduced the cost of pig iron manufacture.

Your Company faced problems in getting quality iron ore supplies, but managed to ensure availability of iron ore throughout the year, by participating in e-auction.

Due to closure of mines and demand supply gap, iron ore prices have remained high. Available iron ore has been of a low quality and this has affected both the productivity and the cost of manufacture.

Coke prices in the beginning of the year was at US\$ 290 per MT and the prices have come down to a level of US\$ 246 per MT by the end of the year. Rupee depreciated against dollar during this period, and hence benefit of coke price reduction could not be materialised in rupee terms.

Thus, your Company faced a challenging task of managing both the production and the cost of production in these adverse conditions and took appropriate and timely decisions to ensure uninterrupted production and also ensured that the cost of production was also kept reasonably under control.

#### **D. Cost Control**

Your Company adopted following measures to reduce the cost:

- a) Use of sinters to the maximum extent by optimising sinter plant operation thereby reducing the cost of iron ore and also reducing the consumption of coke.
- b) Coke procurement strategies.
- c) Improved operational efficiencies and cost control measures at both Koppal and Solapur Plant.

#### **E. Concerns and Threats**

Iron ore is a major raw material required for production of pig iron. Delay in starting of the closed mines may force the Company to source the iron ore from outside the state, thereby increasing the sourcing cost and put further pressure on profitability.

Demand for the auto and tractors have a direct impact on the performance of your Company and any adverse market condition for these sectors will result into reduced capacity utilisation and profitability.

Further, depreciation of Rupee vis-à-vis US dollar can lead to an increase in price of coke and in the price of crude oil, resulting in increased input costs, thereby putting pressure on profitability.

#### **F. Prospects for the Current Year**

Both 'A' and 'B' Category mines in Karnataka have been cleared for start of operation after fulfilling certain conditions. It is expected that some more mines will become operational and this will lead to improved availability of iron ore. However, the start of mines may take some more time. Mines are also allowed to mine only about 40 percent of earlier mining capacity. This is affecting the mining quantity remaining low and not meeting industry requirements. In a recent Supreme Court judgment mines have been allowed to operate in the state of Goa. This may also improve the iron ore supply and consequent affect on cost of iron ore.

Demand for pig iron is expected to remain stable considering the growth projections by auto sector and tractor sector.

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#### New High Pressure Moulding Line :

Your Company has signed agreements for supply of castings with major OEMs. To meet the demand of new OEMs, your Company has installed a new high pressure moulding line at Koppal plant, Karnataka to enhance the production capacity of castings by 48,000 MT per annum in phase -I. The same has been partly financed by internal generation and partly through long term borrowings.

The new foundry at Koppal has been commissioned on 19th March, 2014. Development of castings is in progress. These castings are getting productionised and will add to the volumes over the year progressively.

To meet the logistics requirements, your Company is proposing to install railway siding at Koppal plant. Your company is installing the fettling and finishing facilities at Koppal plant to cater to the increased production due to new moulding line.

#### **Cautionary Statement**

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

#### **G. Internal Control Systems and their adequacy**

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

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

#### **H. Safety, Health and Environment**

Your Company believes in "Safety First" and is committed to provide "Safe Workplace" by addressing safety, health and environment related issues. Employees are regularly trained to update their awareness and skills. New employees are being given intensive safety induction training. All the statutory requirements related to safety, health and environment are being complied with. As a proactive approach, the periodical safety audit is being conducted to identify unsafe conditions and take proper safety measures. Near miss accidents are recorded and investigated to prevent the occurrence of the same.

Your Company is having an "Occupational Health Centre" with a full-time Doctor and qualified nurses. The pre-employment medical check-up of the employees is being conducted and also thereafter during the continuance of the employment. The Company is having well equipped ambulance which is available at all times.

Your Company is certified for Quality Management Systems under ISO TS 16949:2009, Environmental Management System under ISO 14001:2004 and also certified for Occupational Health and Safety Assessment Series (OHSAS 18001:2007) by Indian Register Quality Systems (IRQS).

Requirements of environmental acts and regulations are complied with. Monitoring and analysis of water, stack emissions and ambient air quality etc., are undertaken periodically to verify whether the level of environmental parameters are maintained, well within the specified limits.

Effluent treatment of wastewater and suppression of fugitive emissions through sprinklers is also carried out effectively.

Sewage Treatment Plant (STP) is operated to treat domestic wastewater with extended biological aeration system. Sludge generated from STP is being used as manure for garden and treated wastewater used for gardening.



Under ISO:14001 and OHSAS : 18001, the following management programs have been taken-up and completed during 2013-14 at its plant at Koppal.

1. Installation and commissioning of dust collection system in Raw Material Handling System to reduce and control dust emission during material feeding.
2. Erected 40 feet tall porous fence (mesh) to prevent the entry of dust to nearby settlement.
3. Construction of around 800 meters of concrete roads inside raw material yard and in north boundary to prevent dust emission due to vehicular movement.
4. Provision of fixed sprinkling system in raw material yards for effective emission control during material handling.
5. Plantation of 5,000 tree saplings in and around Koppal plant to increase the green belt. The total number of plantation undertaken till date is over 130,000.

## **I. Social Responsibility**

Your Company has taken following measures as a part of its corporate responsibility to the society. The Company focuses on rural education, health and hygiene to serve the society in the local vicinity of the plant. Major activities undertaken during the year are as follows:

### Rural Education

1. Financed the purchase of one acre of land for expansion of Government Primary School, Shahapur.
2. Provided school bags and note books to primary school children.
3. Provided desks to the primary schools.
4. Provided financial assistance to the school children for cultural activities and education tour.

### Rural Health and Hygiene

1. Under Grama Nirmalya Yojana, 35 individual toilets have been constructed in the Bevinahalli village with total number of toilets constructed now exceeding 200.
2. Arranged visit of Specialist doctors to Bevinahalli Medical Centre once in a week.

### Community Development

1. Constructed Concrete road of 130 meters in the Bevinahalli Village.
2. Under Women Empowerment, sewing machines have been distributed to 20 families who have undergone tailoring classes conducted in Bevinahalli village.
3. Under Kirloskar–Vasundhara Club, renovated an old pond in the Ramadurga Forest area with the “Shramadana” by the club members.
4. To create environmental awareness amongst the people and school children, 4 days “Vasundhara Film Festival” was organized in Koppal–Hospet–Solapur.

## **J. Human Resource**

Your Company considers human resource to be an important and valuable asset for the organisation. Therefore, it constantly strives to attract and retain best “Talents” for the present and future business needs.

The Company has taken-up the following initiatives:–

1. The Company level “Fast Trackers” and “Future Leaders” have been identified and individual development programmes have been initiated and based on this, the training programmes have been organised by bringing the reputed faculties through an outside agency.
2. Necessary training programmes i.e., technical and soft skills have been organised both in-house and external in association with reputed agencies.
3. Offering career growth at all levels.
4. Giving attention to the “Work Life Balance” of the employees through various initiatives.
5. Working on feedback report on Employee Engagement Survey and implementing the action plans with the intervention of external agency to improve upon employee engagement.

6. Recognising the "Talents" through rewards and awards.
7. Evaluating the performance of the employees through effective Performance Management System.

As on 31st March, 2014 the total number of salaried employees stood at 1,241. The Employer - Employee relations have been generally cordial throughout the year.

## **DIRECTORS**

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

Mr. Rahul C. Kirloskar was appointed as an Additional Director and further as Vice Chairman on the Board with effect from 28th October, 2013 and holds the office upto the date of forthcoming Annual General Meeting. Pursuant to Section 160 of the Companies Act, 2013 the Company has received a notice from a member proposing candidature of Mr. Rahul C. Kirloskar as a Director of the Company alongwith requisite deposit. The Board recommends his appointment as a Director of the Company.

Mr. Sanjay C. Kirloskar resigned from the Board of Directors with effect from 8th April, 2014 due to his commitments. He has been actively associated with the Company over two decades. His expertise and guidance to the Board was of a great help to the Company on many occasions. The Board places on record its gratitude for the guidance received from Mr. Sanjay C. Kirloskar during his tenure as Director and also as a Member of Remuneration Committee and Finance Committee.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

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

- i. That in the preparation of the Accounts for the financial year ended 31st March, 2014 the applicable Accounting Standards have been followed;
- ii. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2014 and of the profit of the Company for the year ended 31st March, 2014;
- iii. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. That the Directors have prepared the accounts for the year ended 31st March, 2014 on a "going concern" basis.

## **CASH FLOW STATEMENT**

A Cash Flow Statement for the year ended 31st March, 2014 is attached with the Annual Audited Accounts of the Company.

## **AUDITORS**

As per provisions of Section 139(2) of the Companies Act, 2013 and rules thereof, no listed Company shall appoint or reappoint an audit firm as auditor for more than two terms of five consecutive years. Every Company existing on the commencement of the Act is required to Company with requirements of Section 139(2) within three years from the date of commencement of the Act.

M/s P.G. Bhagwat, Chartered Accountants (Firm Registration No. 101118W) retire as the Auditors at the conclusion of the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received a certificate from the retiring auditors to the effect that the appointment, if made, will be in accordance with the limit specified in Section 141 of the Companies Act, 2013.

The Board has recommended their re-appointment to hold the office till the conclusion of next Annual General Meeting, i.e. within the transition period allowed as per the Companies Act, 2013.

## **ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

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

## **PARTICULARS OF EMPLOYEES**

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

## **CORPORATE GOVERNANCE**

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

## **APPRECIATION**

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

For and on behalf of the Board of Directors



ATUL C. KIRLOSKAR  
Chairman

Pune : 16th June, 2014



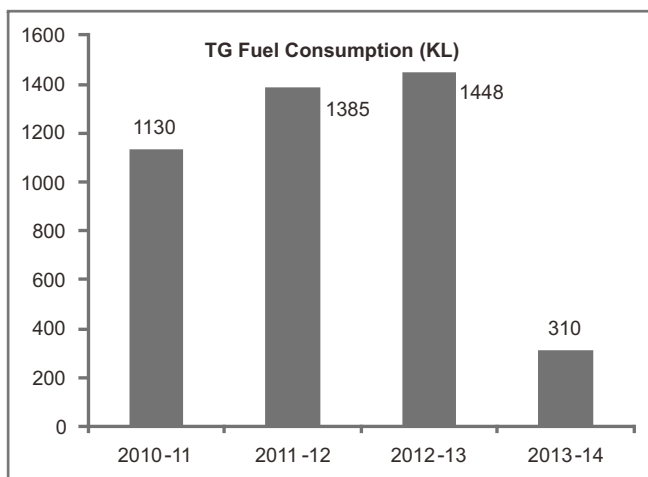
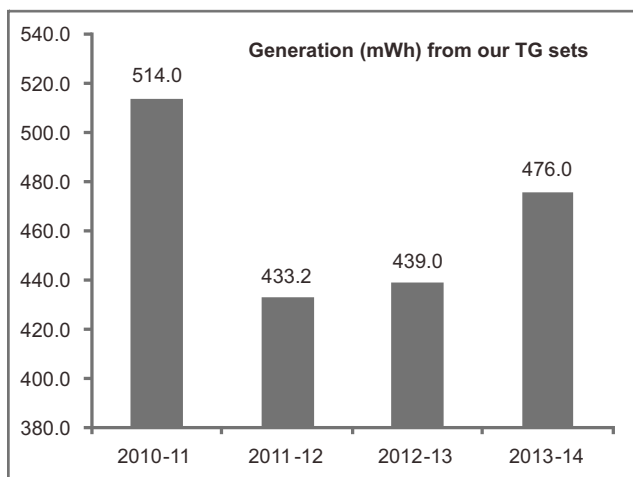
## ANNEXURE - A

### A. CONSERVATION OF ENERGY

#### a) Energy conservation measures taken during the year 2013-14

1. Reduction in power import from grid by doing proper redistribution of loads and thereby utilising the TG Power for RMHS DE System.
2. Installation of energy efficient motors with variable frequency drives for the new RMHS dedusting - MBF 2 Projects.
3. Installation of variable frequency drives for cranes in foundry division.
4. Use for star rating product for all utilities area.
5. Power trading through Indian Energy Exchange resulting in lower power cost.
6. Some old motors replaced with energy efficient motors and along with pumps.
7. Installation of energy efficient motors with variable frequency drives for the new foundry projects.
8. Reduction in blast furnace gas consumption in sinter plant by modifying the burner design. With this the availability of gas for power plant will be more resulting in more power generation.
9. Installation of capacitor banks at compressors house, Lake pump house and Machine shop to improve the power factor.
10. Purchase of power through open access from Global Energy at Solapur plant.
11. Purchase of renewable energy certificates from Indian Energy Exchange.
12. Reduction in energy consumption by sequential operation of 4 compressors and production during night in 2.5 MW Induction furnace at HPML plant efficiently.

#### Figures of Power generation



#### b) Proposals for the year 2014-2015

1. Installation of screw compressors at plant level.
2. Replacement of energy efficient pumps at plant level.
3. Replacement of old motors with energy efficient motors.
4. Installation of energy efficient motors with variable frequency drives for the New Foundry Projects.
5. Plant Level Energy audit at Solapur plant.
6. Installation of energy efficient motors with variable frequency drives for the new MBF cast house fume extraction system.

7. Reduction in power import from grid by doing proper redistribution of loads and thereby utilising the TG Power for Sinter plant crusher house load.
8. Installation of Solar power plant for New Administrative Building at Koppal Plant.

**c) Impact of the above measures**

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

**B. TECHNOLOGY ABSORPTION**

During the year Company continues to work on development of new generation EURO - VI engine blocks and engine heads and Company has progressed on the research and developments and upgraded the capability. Company is also working on technology and process upgrade on fettling and finishing of castings. CNC machining for tooling modification and tooling corrections has been introduced.

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO**

(₹ in Million)

Earnings	0.90
Outgo	2,440.40

**D. RESEARCH AND DEVELOPMENT**

Company focuses in the area of new process development and new product development in the field of foundry. Company is also working for development and progressing in achieving improved processes for manufacture of pig iron and thereby reduce cost of manufacture of pig iron.

**ANNEXURE - B**

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and forming a part of the aforesaid Director's Report :

Name of the Employee	Age (Years)	Qualification	Experience (Years)	Designation / Nature of Duties	Date of Joining	Remuneration ₹	Particulars of Last employment
Mr. R. V. Gumaste	56	B.Tech (Met.)	33	Managing Director	8/11/2001	27,054,353	Chief Executive (Works) Indian Seamless Metal Tubes Limited

**NOTES :**

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

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

### Company's philosophy on Code of Governance

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

### 1. Board of Directors

#### (a) Composition of the Board

The Board of Directors comprised of nine Directors as on 31st March, 2014. Out of these, one is an Executive Director and eight are Non - Executive Directors. Non - Executive Directors constituted more than half of the total number of Directors. Five out of nine Directors are Independent Directors, which duly complies with the requirement of Clause 49 of the Listing Agreement.

#### (b) Number of Board meetings

During the financial year 2013-2014, five meetings of the Board of Directors were held on 29th April, 2013; 26th July, 2013; 28th October, 2013; 30th January, 2014 and 19th March, 2014.

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

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

Name of Directors	Category	Financial Year 2013 – 2014		Attendance at the Last AGM	* Number of Directorships in other Public Limited companies incorporated in India	**Committee positions held in other Public Limited Companies	
		Board Meetings held	Board Meetings attended			Member	Chairman
Mr. Atul C. Kirloskar	Chairman Non - Independent Non Executive	5	5	Yes	8	1	Nil
Mr. Rahul C. Kirloskar ***	Vice Chairman Non - Independent Non Executive	3	3	N.A.	5	3	Nil
Mr. Sanjay C. Kirloskar	Non - Independent Non Executive	5	5	Yes	5	1	Nil
Mr. R. V. Gumaste	Executive	5	5	Yes	Nil	Nil	Nil
Mr. A. R. Jamenis	Independent Non Executive	5	5	Yes	1	1	Nil
Mr. S. N. Inamdar	Independent Non Executive	5	5	Yes	9	3	3
Mr. C. V. Tikekar	Independent Non Executive	5	5	Yes	Nil	Nil	Nil
Mr. S. G. Chitnis	Independent Non Executive	5	5	Yes	Nil	Nil	Nil
Mr. A. N. Alawani	Independent Non Executive	5	4	Yes	6	2	4

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

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

\*\*\* Mr. Rahul C. Kirloskar was appointed as Additional Director and further as Vice Chairman by the Board of Directors at its meeting held on 28th October, 2013.



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

Statement showing number of equity shares of the Company held by the Directors as on 31st March, 2014 :

Name of Directors	Equity Shares of ₹ 5 each
Mr. Atul C. Kirloskar	1,427,939
Mr. Rahul C. Kirloskar	1,425,279
Mr. Sanjay C. Kirloskar	380
Mr. R. V. Gumaste	142,269
Mr. S. N. Inamdar	11,100
Mr. A. N. Alawani	35,000
Mr. A. R. Jamenis	3,400
Mr. C. V. Tikekar	6,000
Mr. S. G. Chitnis	3,100

Declaration of compliance with the Code of Conduct :

The Board of Directors has laid down a Code of Conduct applicable to all Directors and Senior Management of the Company. The Code of Conduct is effective from 1st April, 2005. The Code of Conduct is also posted on the website of the Company at [www.kfil.com](http://www.kfil.com).

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

## 2. Audit Committee

### (a) Composition

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

During the financial year 2013-2014, five Audit Committee meetings were held on 29th April, 2013; 26th July, 2013; 28th October, 2013; 30th January, 2014 and 19th March, 2014.

The details of attendance by Committee Members are as follows –

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

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

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Mr. S. N. Inamdar, Chairman of the Audit Committee, was present at the Annual General Meeting of the Company held on Friday, 26th July, 2013.

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

The Audit Committee has been vested with the following powers :

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

#### **(b) Terms of Reference**

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

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

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

### **3. Subsidiary Company**

The Company does not have any subsidiary company.

### **4. Disclosures**

#### **a) Related Party Transactions**

The Company places all details of related party transactions before the Audit Committee at regular intervals.

During the year, the Company, in its normal course of business, has paid license fees for the use of office premises to its holding company, viz. Kirloskar Industries Limited.

Transactions with the related parties are disclosed in Note No. 35 of the notes forming part of the financial statements in the Annual Report.

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

#### **b) Disclosure of Accounting Treatment**

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

#### **c) Risk Management**

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



#### **d) Details of the Cost Auditor**

With reference to the General Circular No. 15/2011-52/5/CAB-2011 dated 11th April, 2011 issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, New Delhi following are the details of Cost Auditor and filing of cost audit report with the Central Government :

M/s. Parkhi Limaye and Co., Cost Accountants (Firm Registration No. 000191)  
'Aabha', Plot No. 16, Siddhakala Society, Warje, Pune 411 058  
Email ID : parkhilimaye@hotmail.com

Details of filing of the Cost Audit Report for the financial year ended 31st March, 2013 :

Date of Filing : 4th September, 2013

Due Date : 27th September, 2013

#### **f) Other Disclosures**

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

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

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

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

### **5. Remuneration to Directors**

#### **a) Remuneration Committee**

Remuneration Committee comprised of four Directors, viz. Mr. Sanjay C. Kirloskar, Mr. A. R. Jamenis, Mr. S. N. Inamdar and Mr. A. N. Alawani as on 31st March, 2014.

During the financial year, one Remuneration Committee meeting was held on 29th April, 2013 to recommend to the Board of Directors the payment of commission to the Managing Director and to Non - Executive Directors for the financial year 2012–2013.

#### **b) Remuneration to Directors**

##### **I. Remuneration to Managing Director**

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

The Members at the Twenty Second Annual General Meeting held on 26th July, 2013 have approved the re-appointment and the terms of remuneration of Mr. R. V. Gumaste as the Managing Director for a period of 5 years with effect from 1st July, 2013. The Company had entered into an agreement with the Managing Director for a period of 5 years. No notice period and severance fees have been prescribed in the agreement.

Details of remuneration, by payment and provision, to Mr. R. V. Gumaste, Managing Director, for the financial year 2013–2014 are as follows –

Particulars	Amount ₹
Salary	6,300,000
Leave Travel Assistance	90,000
Perquisites	61,103
Commission	15,000,000
Contribution to Provident Fund	662,400
Contribution to Superannuation Fund	828,000
Gratuity	3,497,033
Leave Encashment	615,817
Total	27,054,353

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

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

## II. Remuneration to Non Executive Directors

The Ministry of Corporate Affairs vide its general circular No 4/2011 dated 4th March, 2011 has clarified that the approval of Central Government is not required for payment of remuneration by way of commission to Non Executive Directors, in addition to sitting fees, if the total commission to Non Executive Directors does not exceed 1 percent of net profit of the Company, if it has a Managing Director.

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

Details of commission payable to Non Executive Directors for the financial year 2013–2014 are as follows :

Name of Directors	Amount ₹
Mr. Atul C. Kirloskar	300,000
Mr. Rahul C. Kirloskar	300,000
Mr. Sanjay C. Kirloskar	300,000
Mr. A. R. Jamenis	300,000
Mr. S. N. Inamdar	300,000
Mr. C.V. Tikekar	300,000
Mr. S. G. Chitnis	300,000
Mr. A. N. Alawani	300,000
Total	2,400,000

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

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

## III. Payment of Sitting Fees to Non Executive Directors

The sitting fees of ₹ 10,000 is paid to each Non Executive Director for attending a meeting of the Board or a committee thereof.

Sitting Fees paid to Non Executive Directors during financial year 2013–2014 are as under :

Name of Directors	Sitting Fees ₹
Mr. Atul C. Kirloskar	50,000
Mr. Rahul C. Kirloskar	30,000
Mr. Sanjay C. Kirloskar	60,000
Mr. A. R. Jamenis	110,000
Mr. S. N. Inamdar	110,000
Mr. C. V. Tikekar	100,000
Mr. S. G. Chitnis	100,000
Mr. A. N. Alawani	90,000
Total	650,000

## 6. CEO / CFO Certification

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

- a. They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief :
  - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;
- b. There are, to the best of their knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct;
- c. They accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and they have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or proposed to take to rectify these deficiencies;
- d. They have indicated to the Auditors and the Audit Committee :
  - i. significant changes, if any, in internal control over financial reporting during the year;
  - ii. significant changes, if any, in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud, of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

The above certificate was placed before the meeting of the Board of Directors held on 28th April, 2014.

## 7. Share Transfer Cum Shareholders' / Investors' Grievance Committee

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

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

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

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

The Compliance Officer can be contacted at –

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

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

The total number of complaints received and redressed during the year ended 31st March, 2014 were 51 and there was no complaint pending as on 31st March, 2014.

## 8. General Body Meetings

Details of last three Annual General Meetings held :

Annual General Meeting	Financial Year	Date, Time and Place
20th Annual General Meeting	2010 – 2011	22nd July, 2011 10.00 a.m. The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
No special resolution was passed.		
21st Annual General Meeting	2011 – 2012	24th July, 2012 12 Noon. MDC Auditorium, Yashwantrao Chavan Academy of Development Administration, Raj Bhavan Complex, Near Sakal Nagar, Baner Road, Pune 411007
Two special resolutions were passed :		
<ol style="list-style-type: none"> <li>Approval to avail of professional legal services as an Advocate from Mr. S. N. Inamdar, Non Executive Director and to pay him from time to time the fees for professional services not exceeding ₹ 360,000 per financial year, in addition to the commission on profits and the sitting fees, to which he is entitled as a Director.</li> <li>Approval to the Board of Directors of the Company to decide and pay the remuneration by way of commission, over and above the payment of sitting fees, to Non Executive Directors a sum not exceeding one percent per annum of the net profit of the Company, in any financial year upto a period of 5 years, commencing from the financial year 2012–2013.</li> </ol>		
22nd Annual General Meeting	2012 – 2013	26th July, 2013 12 Noon. MDC Auditorium, Yashwantrao Chavan Academy of Development Administration, Raj Bhavan Complex, Near Sakal Nagar, Baner Road, Pune 411007.
No special resolution was passed.		



## 9. Means of Communication

In compliance with the requirement of the Listing Agreement, the Company regularly intimates financial results to BSE Limited immediately after they are approved by the Board of Directors. The financial results of the Company are also available on the website, viz, [www.bseindia.com](http://www.bseindia.com)

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

The financial results and official news releases of the Company are also displayed on the website of the Company, viz, [www.kfil.com](http://www.kfil.com)

## 10. General Shareholders' Information

Day, Date and Time	Wednesday, 13th August, 2014 at 11.30 A. M.
Venue	The Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002
Financial Year	1st April, 2013 to 31st March, 2014  During the year under review, the results were announced as under – First Quarter      26th July, 2013 Second Quarter    28th October, 2013 Third Quarter      30th January, 2014 Annual                28th April, 2014
Dates of Book Closure	6th August, 2014 to 13th August, 2014 (Both days inclusive)
Dividend payment date	2nd September, 2014
Listing on stock exchange	BSE Limited
Stock Code	500245
ISIN	INE 884B01025

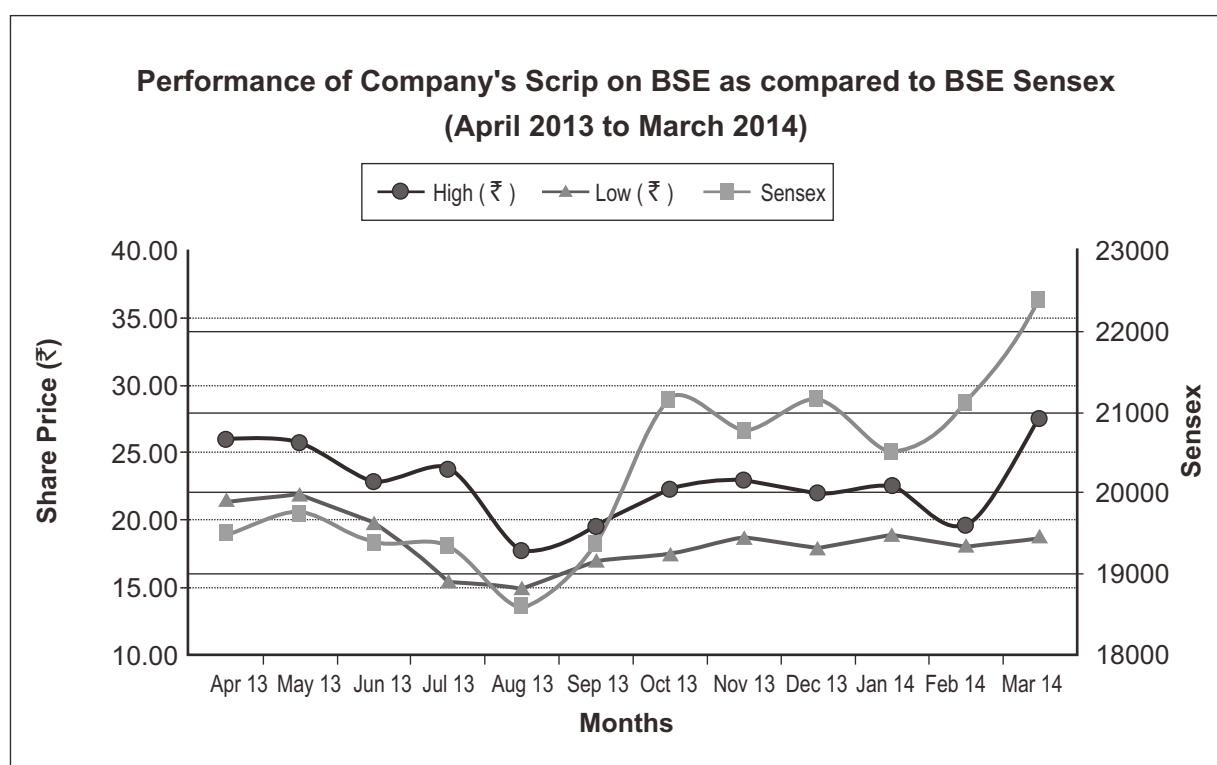
The annual listing fees for the financial year 2013–2014 have been paid to the BSE Limited and there is no amount outstanding as on date.

### Market Price Data

Monthly high / low prices of equity share on the BSE Limited during the financial year 2013–2014 are as follows:

Year	Month	High (₹)	Low (₹)
2013	April	26.00	21.50
	May	25.75	21.90
	June	22.90	19.85
	July	23.75	15.50
	August	18.00	15.00
	September	19.50	17.00
	October	22.25	17.50
	November	22.95	18.75
	December	22.00	17.95
2014	January	22.50	18.95
	February	19.70	18.15
	March	27.50	18.80

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



## Registrar and Share Transfer Agent

The Company entrusted the entire work relating to processing of transfer of securities to M/s. Link Intime India Private Limited, a SEBI Registered Registrar and Share Transfer Agent.

The Registrar and Share Transfer Agent can be contacted at –

Link Intime India Private Limited  
Akshay Complex, Block No 202,  
Second Floor, Off Dhole Patil Road,  
Near Ganesh Temple,  
Pune 411001  
Tel No. (020) 26161629 / 26163503  
Fax No. (020) 26163503  
Email : pune@linkintime.co.in

## Share Transfer System

The applications for transfer of shares in physical form are processed by the Registrar and Share Transfer Agent of the Company and are returned after the registration of transfers within 15 days from the date of receipt, subject to the validity of all documents lodged with the Company. The applications for transfer of shares under objection are returned within a period of a week. The transfer applications are approved at regular intervals.

## Income Tax PAN mandatory for Transfer / Transmission / Deletion / Transposition of securities held in physical form

The Securities and Exchange Board of India (SEBI) vide its Circular nos. MRD/DoP/ Cir-05/2009 dated 20th May, 2009 and SEBI/MRD/DoP/SE/RTA/Cir-03/2010 dated 7th January, 2010 has made it mandatory to furnish a copy of Income Tax PAN card to the Company / the Registrar and Share Transfer Agent for Transfer / Transmission / Deletion / Transposition of securities held in physical form.

## Distribution of Shareholding as on 31st March, 2014

Nominal Value of Shares (₹)		Shareholders		Shares	
From	To	Number	Percentage to Total	Number	Percentage to Total
1	5,000	63,535	93.88	12,606,485	9.18
5,001	10,000	1,702	2.51	2,722,662	1.98
10,001	20,000	1,067	1.58	3,146,272	2.29
20,001	30,000	522	0.77	2,650,728	1.93
30,001	40,000	172	0.25	1,206,812	0.88
40,001	50,000	180	0.27	1,721,202	1.25
50,001	100,000	244	0.36	3,605,483	2.63
100,001 and above		256	0.38	109,648,437	79.86
Total		67,678	100.00	137,308,081	100.00

### Shareholding Pattern as on 31st March, 2014

Category	Number of Shares	Percentage of Shareholding
Promoters and Promoters Group	81,763,944	59.55
Financial Institutions	NIL	NIL
Nationalised Banks	500	0.00
Non Resident Indians	1,366,824	1.00
Mutual Funds	968,884	0.71
Foreign Institutional Investors	47,500	0.03
Domestic Companies	6,694,427	4.88
Trusts	100	0.00
General Public	46,465,902	33.83
Total	137,308,081	100.00

### Equity Shares in electronic form

As on 31st March, 2014, 95.80 percent of paid-up equity share capital of the Company was held in electronic form.

### Transfer of unpaid dividend to Investor Education and Protection Fund (IEPF)

Pursuant to Sections 205A and 205C and other applicable provisions, if any, of the Companies Act, 1956, dividends that are unclaimed for a period of seven years, are statutorily required to be transferred to Investor Education and Protection Fund (IEPF) administered by the Central Government, and thereafter, cannot be claimed by the investors.

No claim shall lie against the said Fund or the Company for unpaid dividends transferred to the Fund nor shall any payment be made in respect of such claim. Members who have not yet encashed their dividend warrant(s) are requested to make their claims without any delay to the Company's Registrar and Share Transfer Agent, i.e. Link Intime India Private Limited.

### Due dates for transfer of unclaimed dividend to IEPF :

Financial Year	Date of Declaration	Date of Payment	Dividend percent	Date on which dividend will become part of IEPF
2007-2008	20th February, 2008	17th March, 2008	15	23rd March, 2015
2008-2009	14th August, 2009	4th September, 2009	10	17th September, 2016
2009-2010	29th July, 2010	20th August, 2010	20	29th August, 2017
2010-2011	22nd July, 2011	11th August, 2011	20	26th August, 2018
2011-2012	24th July, 2012	16th August, 2012	20	27th August, 2019
2012-2013	26th July, 2013	19th August, 2013	25	29th August, 2020

Pursuant to Notification no. G.S.R. 352(E) dated 10th May, 2012, issued by Ministry of Corporate Affairs (MCA), the details of unclaimed and unpaid amount of Dividend due to the shareholders of the Company as of 26th July, 2013 in respect of the financial years 2007–2008, 2008–2009, 2009–2010, 2010–2011 and 2011–2012 are available on Company's website viz. [www.kfil.com](http://www.kfil.com)

### Procedure for dealing with unclaimed shares in terms of Clause 5A of the Listing Agreement

Pursuant to SEBI Circular No. CIR/CFD/DIL/10/2010 dated 16th December, 2010 and Clause 5A of the Listing Agreement, the Company has sent reminder letters to those shareholders, whose share



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certificates have returned undelivered by the postal authorities due to insufficient / incorrect information and are lying with the Company. These share certificates will be sent to eligible shareholders, if these shareholders submit necessary documents to the Company.

#### **Green Initiative in the Corporate Governance - Registration of email address**

In order to enable us to further extend our support towards paperless compliance as a part of Green Initiative in the Corporate Governance, which was introduced by the MCA in the year 2011, the shareholders who have not registered their email address, so far, are requested to register their email addresses.

In respect of shares held in physical form, shareholders are requested to register their email addresses with the Company / the Registrar and Share Transfer Agent. In respect of shares held in electronic form, shareholders are requested to register their email addresses with the Depository Participant.

#### **Nominations in respect of shares held in physical form**

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be vested in the event of death of the registered shareholder(s). The prescribed nomination form can be obtained from the Company or the Registrar and Share Transfer Agent.

Nomination facility for shares held in electronic form is available with the Depository Participant as per the bye laws and business rules applicable to NSDL and CDSL.

#### **Register Your National Electronic Clearing Services (NECS) Mandate**

RBI and SEBI have initiated NECS for credit of Dividend directly to the bank account of shareholders. Shareholders holding shares in electronic mode are requested to register their latest Bank Account details with their Depository Participant and in physical form with the Company's Registrar and Share Transfer Agent viz. Link Intime India Private Limited.

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

There are no convertible instruments outstanding as on 31st March, 2014 for conversion into equity shares.

### **13. Plant Locations**

1. Bevinahalli Village, P.O. Hitnal, Taluka and District Koppal, Karnataka 583234.
2. Hotgi Road, Shivashahi, Solapur, Maharashtra 413224.

**DECLARATION OF COMPLIANCE WITH THE CODE OF CONDUCT**

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

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

For Kirloskar Ferrous Industries Limited,



Ravindranath V. Gumaste  
Managing Director

Pune : 28th April, 2014

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## **AUDITORS' CERTIFICATE ON COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE**

We have examined the compliance of the conditions of Corporate Governance by Kirloskar Ferrous Industries Limited ("the Company") for the year ended 31st March, 2014, as stipulated in Clause 49 of the Listing Agreement of the Company with Stock Exchanges in India.

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

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

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

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

S.B. Pagad  
Partner  
Membership No.206124

Pune : 28th April, 2014

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR FERROUS INDUSTRIES LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 227(3) of the Act, 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 purpose 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;



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- c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e. On the basis of written representations received from the Directors as on 31st March, 2014, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March, 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under Section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

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

S.B. Pagad  
Partner  
Membership No.206124

Pune : 28th April, 2014

## **ANNEXURE TO THE AUDITORS' REPORT**

Referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As informed to us, the fixed assets have been physically verified by the Management at reasonable intervals. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the Books of Account.
- (c) Fixed assets disposed off during the year were not substantial and therefore do not affect the going concern assumption.
- (ii) (a) The inventory was physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable. Stocks lying with third parties at the year-end have been confirmed.
- (b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, clauses 4(iii) (a) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there were adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding Rs. five lakhs in respect of any party during the period have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted deposits from public and hence the provisions of Clause (vi) are not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the Books of Account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- (ix) (a) The Company has generally been regular in depositing undisputed dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Value Added Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues, applicable to it with the appropriate authorities.  
According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2014 for a period of more than six months from the date they became payable.
- (b) According to information and explanation given to us, there are amounts of Excise Duty, Value Added Tax, Service Tax, Custom Duty and Income Tax which have not been deposited on account of dispute as listed below:

Sr. No.	Name of the statute	Nature of the dues	Amount (₹)	Forum where dispute is pending
1	The Central Excise Act, 1944	Duty on pattern development charges	342,068	CESTAT, Bangalore
2	The Central Excise Act, 1944	Interest on refund	341,496	Assistant Commissioner, Central Excise, Bellary
3	The Central Excise Act, 1944	Cenvat credit availed on Electrodes	943,198	Assistant Commissioner, Central Excise, Bellary
4	The Central Excise Act, 1944	Cenvat credit availed on Structural Steel	9,933,307	CESTAT, Bangalore
5	The Central Excise Act, 1944	Cenvat credit availed on Safety shoe and Ceramic Fibre Board	467,910	Commissioner of Central Excise, Belgaum
6	The Central Excise Act, 1944	Cenvat credit availed on Oxygen Gas	891,421	Commissioner of Central Excise (Appeals), Mysore
7	The Finance Act, 1994	Cenvat credit on GTA	7,585,734	Commissioner of Central Excise, Belgaum
8	The Finance Act, 1994	Cenvat credit on GTA	7,270,521	Commissioner of Central Excise, Belgaum
9	The Finance Act, 1994	Cenvat credit availed on Medical and Vehicle Insurance.	772,188	Assistant Commissioner, Central Excise, Bellary
10	The Finance Act, 1994	Penalty on Freight Outward Despatch	2,992,835	CESTAT, Bangalore
11	The Finance Act, 1994	Cenvat credit on Cleaning and maintenance work.	20,734	Commissioner of Central Excise (Appeals), Mysore
12	The Finance Act, 1994	Interest on Cenvat credit availed on Outdoor Catering Service.	161,633	Assistant Commissioner, Central Excise, Bellary
13	The Finance Act, 1994	Service Tax demand on Interest amount paid on Letter of Credit	11,496,454	CESTAT, Bangalore
14	The Customs Act, 1962	Export duty on iron ore	337,883	Commissioner of Custom (Appeals), Bangalore
15	The Income Tax Act, 1961	Disallowance claim of set off of depreciation.	34,515,507	Deputy Commissioner of Income Tax, Pune
16	The Income Tax Act, 1961	Disallowance of Expenses	41,726,230	Commissioner of Income Tax (Appeals), Pune
17	The Income Tax Act, 1961	Depreciation on TG-III	72,579,929	Deputy Commissioner of Income Tax, Pune

18	The Karnataka Value Added Tax Act, 2003	Input Tax Credit disallowance	1,479,449	The Karnataka Appellate Tribunal, Bangalore
19	The Central Excise Act, 1944	Undervaluation of excisable goods	1,876,214	CESTAT, Mumbai
20	The Central Excise Act, 1944	Demand on refund of Interest earlier sanctioned	714,462	CESTAT, Mumbai
21	The Maharashtra Value Added Tax Act, 2002	VAT set off disallowance	183,941	Joint Commissioner of Sales Tax, Kolhapur

- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers. The Company did not have any outstanding debentures or any outstanding loans from financial institution during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society.
- (xiv) According to information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures.
- (xv) As informed to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet and Cash Flow Statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanation given to us, the Company has not made any preferential allotment of any shares to parties and companies covered under Section 301 of the Companies Act, 1956.
- (xix) Since the Company has not issued any debentures during the year, para 4(xix) of the Order regarding creation of security is not applicable.
- (xx) The Company has not made any public issue to raise money.
- (xxi) According to information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

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

S.B. Pagad  
Partner  
Membership No.206124

Pune : 28th April, 2014

## BALANCE SHEET AS AT 31st MARCH, 2014

Particulars	Note No.	As at 31st March, 2014 ₹	As at 31st March, 2013 ₹
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	3	686,540,405	686,540,405
Reserves and surplus	4	3,577,816,674	3,380,244,212
		<b>4,264,357,079</b>	4,066,784,617
<b>Non-current liabilities</b>			
Long-term borrowings	5	602,309,660	804,619,357
Deferred tax liabilities (Net)	6	641,763,510	514,754,229
		<b>1,244,073,170</b>	1,319,373,586
<b>Current liabilities</b>			
Short-term borrowings	7	941,617,499	797,223,939
Trade payables	8	2,475,924,048	1,997,598,240
Other current liabilities	9	746,758,065	447,140,026
Short-term provisions	10	243,064,642	255,003,163
		<b>4,407,364,254</b>	3,496,965,368
<b>TOTAL</b>		<b>9,915,794,503</b>	8,883,123,571
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	11	5,449,895,220	3,671,752,919
Intangible assets	12	13,867,628	11,907,127
Capital work-in-progress		227,363,964	1,198,016,331
Non-current investments	13	100	100
Long-term loans and advances	14	114,409,470	375,345,626
Other non-current assets	15	899,643	526,318
		<b>5,806,436,025</b>	5,257,548,421
<b>Current assets</b>			
Inventories	16	1,622,838,969	1,547,788,493
Trade receivables	17	1,902,842,135	1,531,671,164
Cash and bank balances	18 A	115,241,457	145,810,298
Short-term loans and advances	19	465,689,356	397,960,136
Other current assets	20	2,746,561	2,345,059
		<b>4,109,358,478</b>	3,625,575,150
<b>TOTAL</b>		<b>9,915,794,503</b>	8,883,123,571

Significant Accounting Policies

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The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered Accountants

ATUL C. KIRLOSKAR  
Chairman

R.V.GUMASTE  
Managing Director

S.B.PAGAD  
Partner

C.S.PANICKER  
Company Secretary

R.S.SRIVATSAN  
Senior Vice President-Finance

Pune: 28th April, 2014



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH, 2014**

Particulars	Note No.	For the Year ended 31st March, 2014 ₹	For the Year ended 31st March, 2013 ₹
<b>INCOME</b>			
Revenue from operations (Gross)		<b>13,901,172,668</b>	13,482,523,569
Less: Excise Duty		<b>1,579,562,143</b>	1,501,433,697
Revenue from operations (Net)	<b>21</b>	<b>12,321,610,525</b>	11,981,089,872
Other income	<b>22</b>	<b>30,749,656</b>	24,912,323
Total Revenue		<b>12,352,360,181</b>	12,006,002,195
<b>EXPENSES</b>			
Cost of materials consumed	<b>23</b>	<b>7,861,815,549</b>	7,706,867,631
Changes in inventories of finished goods, work-in-progress and By-products	<b>24</b>	<b>100,550,491</b>	(167,339,215)
Employee benefits expense	<b>25</b>	<b>495,628,397</b>	511,759,559
Finance costs	<b>26</b>	<b>143,039,669</b>	151,798,383
Depreciation and amortisation expense	<b>27</b>	<b>337,857,005</b>	332,029,344
Other expenses	<b>28</b>	<b>2,833,602,812</b>	2,846,694,999
Total Expenses		<b>11,772,493,923</b>	11,381,810,701
Profit before prior period items		<b>579,866,258</b>	624,191,494
Prior period items (Net)		-	-
Profit before tax		<b>579,866,258</b>	624,191,494
Tax expense:			
Current Tax		<b>121,566,183</b>	147,014,513
Short/(Excess) provision of earlier years		<b>(1,659,875)</b>	(7,890,074)
MAT credit Entitlement		<b>(65,426,281)</b>	-
Deferred tax		<b>127,009,281</b>	94,203,190
<b>Profit for the Year</b>		<b>398,376,950</b>	390,863,865
Earnings per equity share:	<b>30</b>		
Basic and Diluted		<b>2.90</b>	2.85

Significant Accounting Policies

**2**

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered Accountants

ATUL C. KIRLOSKAR  
Chairman

R.V.GUMASTE  
Managing Director

S.B.PAGAD  
Partner

C.S.PANICKER  
Company Secretary

R.S.SRIVATSAN  
Senior Vice President-Finance

Pune: 28th April, 2014

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2014

Particulars	2013-14 ₹	2012-13 ₹
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Profit before tax		624,191,494
Add :		
Depreciation	337,857,005	332,029,344
(Profit) / Loss on sale of assets	(6,127,952)	4,447,036
Provision for doubtful debts	(2,866,158)	9,144,551
Bad debts written off	2,866,158	1,548,072
Unrealised Foreign exchange (Gain)/Loss	(308,357)	24,068,734
Finance Costs	143,039,669	151,798,383
	<b>474,460,365</b>	<b>523,036,120</b>
Less :		
Rental income	(1,432,200)	1,147,227,614
Interest income	(9,438,137)	(1,407,913)
Dividend income	(50)	(8,141,184)
Provision no longer required written back	(6,998,611)	(60,550)
Sundry credit balances appropriated	(1,035,985)	(10,578,939)
	<b>(18,904,983)</b>	<b>(96,209)</b>
Operating profit before working capital changes	<b>1,035,421,640</b>	<b>(20,284,795)</b>
Movements in working capital:		
Decrease / (Increase) in Inventories	(75,050,476)	1,126,942,819
Decrease / (Increase) in Trade Receivables	(371,170,971)	(243,639,264)
Decrease / (Increase) in Long Term Loans and Advances	22,610,331	60,193,924
Decrease / (Increase) in Short Term Loans and Advances	2,888,437	(31,871,530)
Decrease / (Increase) in Other Current and non-current Assets	(330,515)	82,710,512
Increase / (Decrease) in Trade Payables	486,668,761	(38,914)
Increase / (Decrease) in Other Current Liabilities	(1,310,348)	(81,412,137)
Increase / (Decrease) in Short Term Provisions	(11,938,521)	(33,010,587)
	<b>52,366,698</b>	<b>12,093,234</b>
Cash generated from operations	<b>1,087,788,338</b>	<b>(234,974,762)</b>
Taxes paid	<b>(125,097,684)</b>	<b>891,968,057</b>
<b>Net cash from operating activities ( A )</b>	<b>962,690,654</b>	<b>(150,125,057)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Purchase of fixed assets, including CWIP and capital advances	(873,818,979)	741,843,000
Proceeds from sale of fixed assets	9,643,046	(1,592,670,228)
Interest received	8,993,825	4,025,004
Dividend received	50	7,012,529
Rental Income	1,432,200	60,550
<b>Net cash used in investing activities ( B )</b>	<b>(853,749,858)</b>	<b>1,407,913</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Interest and other borrowing cost paid	(137,876,845)	(1,580,164,232)
Other Borrowing Costs	-	(148,265,233)
Proceeds from Long Term Borrowings(Net)	49,999,991	-
Increase in Cash Credit	155,917,655	904,619,357
Increase/(Decrease) in Short Term Vendors' Bill Discounting	(11,524,095)	144,976,495
Dividend paid	(166,856,957)	102,597,154
Tax on dividend paid	(29,169,386)	(133,671,701)
<b>Net cash from financing activities ( C )</b>	<b>(139,509,637)</b>	<b>(22,274,803)</b>
<b>Net Increase/(Decrease) in cash and cash equivalents ( A + B + C )</b>	<b>(30,568,841)</b>	<b>847,981,269</b>
<b>Cash and Cash Equivalents at the beginning of the year (Refer Note 18(A))</b>	<b>145,810,298</b>	<b>9,660,037</b>
<b>Cash and Cash Equivalents at the end of the year (Refer Note 18(A))</b>	<b>115,241,457</b>	<b>136,150,261</b>
		<b>145,810,298</b>

### Notes:

- The above Cash Flow Statement has been prepared under the "Indirect Method " as set out in the Accounting Standard - 3 on Cash Flow Statement notified under the Companies (Accounting Standards) Rules, 2006 (as amended).
- Cash and Cash Equivalents include earmarked balances (unpaid dividend accounts) which can be utilised only towards settlement of respective unclaimed dividend.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered Accountants

ATUL C. KIRLOSKAR  
Chairman

R.V.GUMASTE  
Managing Director

S.B.PAGAD  
Partner

C.S.PANICKER  
Company Secretary

R.S.SRIVATSAN  
Senior Vice President-Finance

Pune: 28th April, 2014

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Basis of preparation of financial statements

- a. The financial statements have been prepared and presented in accordance with the generally accepted accounting principles in India (Indian GAAP) under the historical cost convention.
- b. The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956.
- c. The Company follows mercantile system of accounting and recognises income and expenditure on an accrual basis except those with significant uncertainties.
- d. The accounting policies applied by the Company are consistent with those used in the previous year.

### 2. Summary of significant accounting policies:

#### a. Use of Estimates

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

#### b. Fixed Assets (Tangible and Intangible)

- i. Tangible fixed assets are stated at original cost net of accumulated depreciation and impairment loss, if any. The cost of the fixed asset includes the purchase price and the incidental or directly attributable expenses incurred in bringing the asset to its working condition for its intended use.
- ii. Borrowing Costs relating to acquisition and construction of qualifying assets are also included to the extent they relate to the period till such assets are ready to be put to use.
- iii. Pre-operative expenditure including trial run expenses comprising of revenue expenses incurred as reduced by the revenue generated during the period up to commencement of commercial production are treated as part of project costs and are capitalised.
- iv. Intangible assets expected to provide future enduring economic benefits are recorded at the value of consideration paid for acquisition and are carried at cost of acquisition net of accumulated depreciation and impairment loss, if any.
- v. Cost of fixed assets not ready for use before the Balance Sheet date is disclosed as capital work-in-progress.

#### c. Depreciation and Amortisation

- i. The Company has provided for depreciation using straight line method, at the rates specified in Schedule XIV to the Companies Act, 1956, except in case of the following categories of assets, which are depreciated at the rates determined based on useful life of asset as estimated by the management which are higher than the rates specified in Schedule XIV:

Class of Asset	Estimated Useful Life
Plant and Machinery given on lease	5 Years
Vehicles	Ranging from 5 to 10 Years
Office Equipments	Ranging from 3 to 21 Years

- ii. Depreciation on the fixed assets of the casting division at Solapur, acquired under the 'Slump Sale Agreement' entered into with Kirloskar Oil Engines Ltd, is provided on straight line method at the rates specified in Schedule XIV to the Companies Act, 1956 over the remaining useful life of the asset ranging from 1 year to 18 years.
- iii. In respect of specific plant and machinery installed at Koppal and acquired from Kirloskar Oil Engines Ltd, depreciation is provided on straight line method at the rates specified in Schedule XIV to the Companies Act, 1956 over the remaining useful life of the asset ranging from 5 years to 9 years.

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- iv. Fixed assets individually costing Rupees five thousand or less are depreciated at 100 percent over a period of one year.
  - v. Freehold land is not depreciated.
  - vi. In the event of sale/retirement of assets, depreciation is provided up to the date of sale/retirement.
  - vii. The Mining right acquired by the Company is amortized over 11 years being the period of lease.
  - viii. Computer software recognized as intangible asset is amortised on straight line method over an estimated useful life of 6 to 7 years.
- d. Operating leases**
- Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases and assets subjected to operating leases are included in the fixed assets.
- e. Investments**
- Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.
- i. Current Investments are carried at lower of cost and fair value determined on an individual investment basis.
  - ii. Long-term investments are carried at cost.
- f. Inventories**
- i. Raw Materials, Stores and Spares are valued at lower of cost and net realizable value. Cost is determined using Weighted Average method.
  - ii. Work in process and finished goods other than by-products are valued at lower of cost and net realizable value. Cost is arrived at by absorption cost method.
  - iii. By-products are valued at net realisable value.
  - iv. Necessary provisions are made for obsolete and non-moving inventories as per the policy framed by the management and the value of inventory is net of such provision.
  - v. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.
- g. Foreign Currency Transactions**
- i. Initial Recognition: Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.
  - ii. Conversion: Monetary items denominated in foreign currencies other than those covered by forward contracts are reinstated into rupee equivalents at the exchange rates as on the reporting date.
  - iii. Forward Exchange Contracts: In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognised as income or expense over the period of the contract.
  - iv. Exchange Differences: Exchange difference arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs as per AS 16 Borrowing Costs. All other exchange differences arising on settlement/conversion of foreign currency transactions are recognised in the Statement of Profit and Loss.
- h. Revenue Recognition**
- i. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the customer, which generally coincides with their delivery to customers/customers representatives. Sales reported includes excise duty and excludes discounts, rebates, returns, sales tax and value added tax.
  - ii. Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

- iii. Dividend income is recognised when the Company's right to receive dividend is established.
- iv. Lease income in respect of "Operating Lease" is recognised in the Statement of Profit and Loss on a straight-line basis over the lease terms.
- v. All other incomes are accounted for on accrual basis.

**i. Borrowing Costs**

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

**j. Excise Duty**

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

**k. Employee Benefits**

**i. Short Term Employee Benefits:**

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

**ii. Post Employment Benefits:**

**a. Defined Contribution Plan:**

The Company's approved Superannuation Scheme and Central Government Provident Fund Scheme, are defined contribution plans. The contribution paid / payable under the schemes are recognised during the period in which the employee renders the related service.

**b. Defined Benefit Plans:**

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

**l. Taxes on Income**

- i. Deferred tax is recognised on timing differences between the accounting income and the taxable income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

- ii. Provision for current tax is made on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.
- iii. Advance taxes and provisions for current Income Tax are presented in the Balance Sheet after off-setting advance taxes paid and Income Tax provision arising in the same tax jurisdiction and the Company intends to settle the assets and liabilities on a net basis.
- iv. Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period of MAT credit entitlement as per the Income Tax Act, 1961. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement". The Company reviews the same at each Balance Sheet date and writes

down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

**m. Research and Development Expenses**

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

**n. Earnings Per Share**

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

For the purpose of calculating diluted earnings per share, the net profit for the period attributable to equity shareholders and the weighted average number of equity shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

**o. Provisions and Contingencies:**

- i. Necessary provisions are made for the present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.
- ii. However, a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision is made.

**p. Cash and cash equivalents**

Cash and cash equivalents for the purposes of Cash Flow Statement comprise cash at bank and in hand and short term investments with an original maturity of three months or less.

**q. Impairment of Asset**

The Company assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset or a group of asset comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount (economic value in use) of the CGU, to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at any subsequent Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the Statement of Profit and Loss.

3.

SHARE CAPITAL	As at 31st March	
	2014 ₹	2013 ₹
<b>Authorised Share Capital</b>		
210,000,000 (210,000,000) Equity Shares of ₹ 5 each	<b>1,050,000,000</b>	1,050,000,000
117,000,000 (117,000,000) Preference Shares of ₹ 10 each	<b>1,170,000,000</b>	1,170,000,000
<b>Total</b>	<b>2,220,000,000</b>	2,220,000,000
<b>Issued, Subscribed and Paid up Capital</b>		
137,308,081 (137,308,081) Equity Shares of ₹ 5 each	<b>686,540,405</b>	686,540,405
<b>Total</b>	<b>686,540,405</b>	686,540,405



**a. Reconciliation of the shares at the beginning and at the end of the reporting period.**

Particulars	Year ended 31st March, 2014		Year ended 31st March, 2013	
	Number	₹	Number	₹
Equity shares				
Balance at the beginning of the year	137,308,081	686,540,405	137,308,081	686,540,405
Shares issued during the year	-	-	-	-
Shares brought back during the year	-	-	-	-
Balance at the end of the year	137,308,081	686,540,405	137,308,081	686,540,405

**b. Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of Liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of preferential amount. The distribution will be in proportion to the number of equity shares held by the shareholders.

**c. Equity shares held by holding company\***

Name of Shareholder	Year ended 31st March, 2014		Year ended 31st March, 2013	
	No. of shares held	Percentage of holding	No. of shares held	Percentage of holding
Kirloskar Industries Limited*	70,613,876	51.43	66,738,876	48.61

\* Kirloskar Industries Limited has become the Holding Company with effect from 31st May, 2013 consequent to the investment in equity shares of the Company aggregating to 51.43 percent. Kirloskar Industries Limited is the only shareholder holding more than 5 percent of the total equity shares.

**4.**

RESERVES AND SURPLUS		As at 31st March	
		2014 ₹	2013 ₹
<b>a. Securities Premium Account</b>		<b>1,938,379,992</b>	1,938,379,992
<b>Total (a)</b>		<b>1,938,379,992</b>	1,938,379,992
<b>b. General Reserves</b>			
Opening Balance		250,000,000	200,000,000
Add: Current year transfer from Surplus		50,000,000	50,000,000
Closing Balance	<b>Total (b)</b>	<b>300,000,000</b>	250,000,000
<b>c. Surplus in the Statement of Profit and Loss</b>			
Opening Balance		1,191,864,220	976,864,750
Add :			
Net Profit for the current year		398,376,950	390,863,865
Excess Provision for Dividend Written Back		-	64,479,849
Excess Provision for Tax on Dividend Written Back		-	10,460,244
Less :			
Proposed dividend on equity shares		(171,635,102)	(171,635,102)
Tax on above dividend		(29,169,386)	(29,169,386)
Transfer to General Reserves		(50,000,000)	(50,000,000)
Closing Balance	<b>Total (c)</b>	<b>1,339,436,682</b>	1,191,864,220
	<b>Total (a+b+c)</b>	<b>3,577,816,674</b>	3,380,244,212

5.	LONG TERM BORROWINGS	As at 31st March	
		2014 ₹	2013 ₹
<b>a. Secured</b>			
Term Loans			
From Bank		199,999,981	300,000,000
Other Loans			
From Bank under Buyers' Credit		252,309,679	504,619,357
	<b>Total (a)</b>	<b>452,309,660</b>	<b>804,619,357</b>
<b>b. Unsecured</b>			
Term Loans			
From Bank		150,000,000	-
	<b>Total (b)</b>	<b>150,000,000</b>	<b>-</b>
	<b>Total (a+b)</b>	<b>602,309,660</b>	<b>804,619,357</b>

**a. Security for Term Loans / Buyers Credit :**

- (i) Secured Term Loan of ₹ 400,000,000 availed from Bank of Maharashtra(BOM) is secured by an exclusive first charge by way of hypothecation in favour of IDBI Trusteeship Services Limited as Security Trustee for the benefit of BOM, on Hot Blast Stove for MBF - I, Hot Blast Stove for MBF - II, Boiler and Turbo Generator - 5 MW capacity installed at Bevinahalli Village, Koppal District, Karnataka. The loan amount is repayable in 48 equal monthly installments which commenced from April 2013 with a rate of interest at base rate plus 0.15 percent per annum. The balance outstanding as at 31st March, 2014 is ₹ 299,999,989, out of which an amount of ₹ 100,000,008 being repayable in 12 months from the reporting date, has been reflected under Other Current Liabilities as "Current Maturities of Long Term Borrowings".
- (ii) Buyers' Credit of US\$ 9,447,647.49 equivalent ₹ 504,619,357 as given below, availed from The Hongkong and Shanghai Banking Corporation Limited (HSBC) is secured by way of hypothecation in favour of IDBI Trusteeship Services Limited as Security Trustee for the benefit of HSBC, on the following specific assets installed at Bevinahalli Village, Koppal District, Karnataka, out of which an amount of ₹ 252,309,680 being repayable in 12 months from the reporting date, has been reflected under Other Current Liabilities as "Current Maturities of Long Term Borrowings".

Asset Hypothecated	Amount of Loan US\$	Amount of Loan Equivalent ₹	Repayment Schedule and Interest Rate
Core Center Equipment	4,201,752.59	224,016,439	Four equal installments commencing from 8th July, 2014 and the last installment on 29th December, 2015 with a rate of interest at Libor plus 1 percent per annum
Moulding Plant Equipment	5,245,894.90	280,602,918	Four equal installments commencing from 31st July, 2014 and the last installment on 9th October, 2015 with a rate of interest at Libor plus 1 percent per annum
<b>Total</b>	<b>9,447,647.49</b>	<b>504,619,357</b>	

- b.** Unsecured term loan of ₹ 150,000,000 is availed from BNP Paribas on 20th March, 2014 for a tenure of 14 months at interest rate of 10 percent per annum; Interest payable monthly and bullet repayment of principal amount at the end of tenure.

6. DEFERRED TAX LIABILITY ( NET )	As at 31st March	
	2014 ₹	2013 ₹
<b>a. Deferred Tax Liability</b>		
Depreciation	654,454,648	533,672,449
Others	156,219	2,325,830
Total Liability (a)	654,610,867	535,998,279
<b>b. Deferred Tax Assets</b>		
Disallowance under Section 43 B of Income Tax Act	7,549,976	14,972,462
Provision for doubtful debts	5,297,381	6,271,588
Total Assets (b)	12,847,357	21,244,050
Net Deferred Tax Liability ( a - b )	641,763,510	514,754,229

7. SHORT TERM BORROWINGS	As at 31st March	
	2014 ₹	2013 ₹
<b>a) Secured</b>		
Loans payable on demand		
Cash Credit from banks	850,544,440	694,626,785
Vendors' bills discounted	-	86,632,553
Total (a)	850,544,440	781,259,338
<b>b) Unsecured</b>		
Loans payable on demand		
Vendors' bills discounted	91,073,059	15,964,601
Total (b)	91,073,059	15,964,601
Total ( a + b )	941,617,499	797,223,939

**Security for Secured Loans :**

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

Particulars	As at 31st March	
	2014 ₹	2013 ₹
Outstanding amount under non fund based limits :		
i. Aggregate value of the amount outstanding under the letters of credit	1,621,972,724	1,351,408,095
ii. Aggregate value of guarantees outstanding	27,606,000	27,688,000

8. TRADE PAYABLES	As at 31st March	
	2014 ₹	2013 ₹
a. Acceptances	1,050,987,751	1,243,912,850
b. Others	1,424,936,297	753,685,390
Total	2,475,924,048	1,997,598,240

9.	OTHER CURRENT LIABILITIES	As at 31st March	
		2014 ₹	2013 ₹
	a. Creditors for capital goods		
	i. Acceptances	5,721,828	3,344,958
	ii. Others	103,375,222	67,074,362
	b. Current Maturities of Long Term Borrowings (Refer Note no.5a(i) and 5a(ii))	352,309,688	100,000,000
	c. Interest accrued but not due	8,695,974	3,533,150
	d. Other payables		
	i. Taxes and duties	30,781,853	44,315,714
	ii. Payable to employees	53,870,043	60,999,568
	iii. Creditors for expenses	38,527,030	37,432,530
	iv. Unclaimed dividend #	19,065,211	14,287,066
	v. Advance from customers	109,009,372	103,582,111
	vi. Exchange differences on forward contracts	25,401,844	12,570,567
	<b>Total</b>	<b>746,758,065</b>	<b>447,140,026</b>

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

Disclosure in respect of principal and interest pertaining to the "Micro, Small and Medium Enterprises Development Act, 2006". The information has been given in respect of such vendors on the basis of information available with the Company:

Particulars	As at 31st March	
	2014 ₹	2013 ₹
Total outstanding to MSME Suppliers (not due)	23,566,436	26,778,580
Principal amount due remaining unpaid	-	-
Interest on above and unpaid interest	-	-
Interest paid	64,172	7,177
Payment made beyond the appointed day	12,712,087	1,778,991
Interest due and payable for the period of delay	-	-
Interest accrued and remaining unpaid at the end of the year	-	-
Amount of further interest remaining due and payable in succeeding year	-	-

10.	SHORT TERM PROVISIONS	As at 31st March	
		2014 ₹	2013 ₹
	a. Provision for employee benefits		
	i. Contribution to Provident and Superannuation funds	5,590,312	5,421,385
	ii. Gratuity	2,835,068	14,915,678
	iii. Leave encashment	33,651,166	33,657,154
	b. Others		
	i. Proposed dividend	171,635,102	171,635,102
	ii. Tax on proposed dividend	29,169,386	29,169,386
	iii. Wealth tax	183,608	204,458
	<b>Total</b>	<b>243,064,642</b>	<b>255,003,163</b>

11. TANGIBLE ASSETS

Assets	(Amount in ₹)									
	Freehold land	Leasehold land	Buildings	Plant and Equipments	Plant and Equipments under Lease	Furniture and Fixtures	Vehicles	Office Equipments	Computers	Total
Gross Block										
As at 31 March, 2012	41,641,801	44,205,001	881,842,260	4,969,349,058	3,900,774	12,203,133	24,170,225	24,126,761	22,048,154	6,023,487,167
Additions	1,066,760	-	48,573,406	328,660,977	-	860,259	2,001,644	1,418,824	1,809,873	384,391,743
Disposals/Adjustments	-	-	-	47,767,968	-	-	1,308,490	23,458	8,057,286	57,157,202
As at 31st March, 2013	42,708,561	44,205,001	930,415,666	5,250,242,067	3,900,774	13,063,392	24,863,379	25,522,127	15,800,741	6,350,721,708
Additions	2,497,859	-	395,556,771	1,709,895,347	-	702,048	1,916,890	3,492,010	1,074,307	2,115,135,232
Disposals	-	-	-	68,892,932	-	-	2,193,671	184,608	-	71,271,211
<b>As at 31st March, 2014</b>	<b>45,206,420</b>	<b>44,205,001</b>	<b>1,325,972,437</b>	<b>6,891,244,482</b>	<b>3,900,774</b>	<b>13,765,440</b>	<b>24,586,598</b>	<b>28,829,529</b>	<b>16,875,048</b>	<b>8,394,585,729</b>
Depreciation										
As at 31st March, 2012	-	-	298,038,197	2,057,689,856	305,763	8,696,859	6,266,086	12,192,285	17,309,118	2,400,498,164
For the year	-	-	29,298,282	289,951,250	1,761,816	379,974	2,343,620	1,064,076	2,357,650	327,156,668
Disposals	-	-	-	39,996,105	-	-	634,339	2,510	8,053,089	48,686,043
As at 31st March, 2013	-	-	327,336,479	2,307,645,001	2,067,579	9,076,833	7,975,367	13,253,851	11,613,679	2,678,968,789
For the year	-	-	29,128,950	296,637,268	780,155	350,145	4,004,978	1,538,821	1,037,520	333,477,837
Disposals	-	-	-	66,913,307	-	-	800,963	41,847	-	67,756,117
<b>As at 31st March, 2014</b>	<b>-</b>	<b>-</b>	<b>356,465,429</b>	<b>2,537,368,962</b>	<b>2,847,734</b>	<b>9,426,978</b>	<b>11,179,382</b>	<b>14,750,825</b>	<b>12,651,199</b>	<b>2,944,690,509</b>
Net Block										
<b>As at 31st March, 2014</b>	<b>45,206,420</b>	<b>44,205,001</b>	<b>969,507,008</b>	<b>4,353,875,520</b>	<b>1,053,040</b>	<b>4,338,462</b>	<b>13,407,216</b>	<b>14,078,704</b>	<b>4,223,849</b>	<b>5,449,895,220</b>
As at 31st March, 2013	42,708,561	44,205,001	603,079,187	2,942,597,066	1,833,195	3,986,559	16,888,012	12,268,276	4,187,062	3,671,752,919

**12. INTANGIBLE ASSETS**
**(Amount in ₹)**

<b>Assets</b>	<b>Mining Rights</b>	<b>Computer Software</b>	<b>Total</b>
Gross Block			
As at 31 March, 2012	1,150,000	31,593,541	32,743,541
Additions	-	1,813,960	1,813,960
Disposals/Adjustments	-	3,261,508	3,261,508
As at 31st March, 2013	1,150,000	30,145,993	31,295,993
Additions	-	6,339,669	6,339,669
Disposals	-	-	-
<b>As at 31st March, 2014</b>	<b>1,150,000</b>	<b>36,485,662</b>	<b>37,635,662</b>
Depreciation			
As at 31st March, 2012	480,130	17,296,686	17,776,816
For the year	104,191	4,768,485	4,872,676
Disposals	-	3,260,626	3,260,626
As at 31st March, 2013	584,321	18,804,545	19,388,866
For the year	104,190	4,274,978	4,379,168
Disposals	-	-	-
<b>As at 31st March, 2014</b>	<b>688,511</b>	<b>23,079,523</b>	<b>23,768,034</b>
Net Block			
<b>As at 31st March, 2014</b>	<b>461,489</b>	<b>13,406,139</b>	<b>13,867,628</b>
As at 31st March, 2013	565,679	11,341,448	11,907,127

**13.**

<b>NON CURRENT INVESTMENTS</b>	<b>As at 31st March</b>	
	<b>2014 ₹</b>	<b>2013 ₹</b>
Long Term Investments - Trade - Unquoted Fully Paid Equity Shares Kirkoskar Proprietary Limited One Equity Share with a Face Value of ₹ 100 per share	<b>100</b>	100
<b>Total</b>	<b>100</b>	100

**14.**

<b>LONG TERM LOANS AND ADVANCES</b>	<b>As at 31st March</b>	
	<b>2014 ₹</b>	<b>2013 ₹</b>
a. Capital advances		
Unsecured, considered good	<b>30,264,835</b>	268,590,660
b. Security deposits		
Unsecured, considered good	<b>79,086,416</b>	104,103,660
c. Other loans and advances		
i. Unsecured and considered good		
Loans to employees	<b>2,000,773</b>	2,651,306
Claims receivable	<b>3,057,446</b>	-
ii. Doubtful		
Claims receivable	<b>4,500,000</b>	4,500,000
Less: Provision	<b>(4,500,000)</b>	(4,500,000)
<b>Total</b>	<b>114,409,470</b>	375,345,626



15.	OTHER NON CURRENT ASSETS	As at 31st March	
		2014 ₹	2013 ₹
	a. Non-current Bank Balances (Refer Note No.18B)	737,672	407,157
	b. Interest Accrued on Deposits	161,971	119,161
	c. Long term trade receivables		
	Unsecured, considered doubtful	11,085,113	13,951,271
	Less: Provision for doubtful debts	(11,085,113)	(13,951,271)
	<b>Total</b>	<b>899,643</b>	<b>526,318</b>

16.	INVENTORIES	As at 31st March	
		2014 ₹	2013 ₹
	a. i Raw material at site	364,813,057	464,524,393
	ii Raw material in transit	636,000,062	363,333,604
		<b>1,000,813,119</b>	<b>827,857,997</b>
	b. Work-in-progress	243,015,047	206,152,194
	c. Finished goods	80,638,237	205,025,900
	d. Stores and spares	273,149,255	270,503,410
	e. By-Products	25,223,311	38,248,992
	<b>Total</b>	<b>1,622,838,969</b>	<b>1,547,788,493</b>

Details of Work-in-progress

Particulars	As at 31st March	
	2014 ₹	2013 ₹
a. Castings	192,115,356	155,026,549
b. Patterns	41,595,164	43,188,878
c. Others	9,304,527	7,936,767
<b>Total</b>	<b>243,015,047</b>	<b>206,152,194</b>

Details of Finished Goods

Particulars	As at 31st March	
	2014 ₹	2013 ₹
a. Pig iron	79,561,285	201,451,812
b. Others	1,076,952	3,574,088
<b>Total</b>	<b>80,638,237</b>	<b>205,025,900</b>

17.	<b>TRADE RECEIVABLES</b>	<b>As at 31st March</b>	
		<b>2014</b> ₹	<b>2013</b> ₹
	a. Trade receivables outstanding for a period less than six months from the date they are due for payment		
	- Unsecured, considered good	<b>1,881,700,583</b>	1,495,837,904
	<b>Total (a)</b>	<b>1,881,700,583</b>	1,495,837,904
	b. Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
	- Unsecured, considered good	<b>21,141,552</b>	35,833,260
	<b>Total (b)</b>	<b>21,141,552</b>	35,833,260
	<b>Total (a+b)</b>	<b>1,902,842,135</b>	1,531,671,164

18.	<b>CASH AND BANK BALANCES</b>	<b>As at 31st March</b>	
		<b>2014</b> ₹	<b>2013</b> ₹
	A. Current		
	Cash and Cash Equivalents		
	I. Cash on hand	<b>363,101</b>	260,230
	II. Balances with banks		
	In Current Accounts	<b>95,813,145</b>	131,263,002
	Earmarked balances (Unpaid Dividend Accounts)	<b>19,065,211</b>	14,287,066
	<b>Total (A)</b>	<b>115,241,457</b>	145,810,298
	B. Non-current		
	Other Bank Balances		
	I. Margin money deposit	<b>117,046</b>	100,000
	II. Deposits with more than 12 months maturity	<b>620,626</b>	307,157
	<b>Total (B)</b>	<b>737,672</b>	407,157

19.	<b>SHORT TERM LOANS AND ADVANCES</b>	<b>As at 31st March</b>	
		<b>2014</b> ₹	<b>2013</b> ₹
	Unsecured, considered good		
	a. Advance Income Tax (Net of provision)	<b>115,615,394</b>	110,424,018
	b. MAT Credit Entitlement	<b>65,426,281</b>	-
	c. Advances recoverable in cash/kind	<b>111,537,009</b>	117,482,857
	d. Balances with Central Excise / Customs	<b>82,692,406</b>	74,618,400
	e. Balances with Vat Authorities	<b>79,297,170</b>	80,662,220
	f. Prepaid expenses	<b>11,121,096</b>	14,772,641
	<b>Total</b>	<b>465,689,356</b>	397,960,136

20.	OTHER CURRENT ASSETS	As at 31st March	
		2014	2013
		₹	₹
	Interest accrued on deposits	2,746,561	2,345,059
	<b>Total</b>	<b>2,746,561</b>	<b>2,345,059</b>

21.	REVENUE FROM OPERATIONS	For the Year ended 31st March	
		2014	2013
		₹	₹
	a. Sale of products		
	i. Pig Iron	8,074,878,525	7,602,647,308
	ii. Castings*	5,224,497,153	5,005,621,034
	iii. By-products	461,215,424	731,320,439
	b. Other Operating Income		
	i. Scrap Sales	234,080	1,831,627
	ii. Miscellaneous	140,347,486	141,103,161
		<b>13,901,172,668</b>	<b>13,482,523,569</b>
	Less: Excise duty	1,579,562,143	1,501,433,697
	<b>Total</b>	<b>12,321,610,525</b>	<b>11,981,089,872</b>

Product wise sales details (excluding excise duty)

Particulars	For the Year ended 31st March	
	2014	2013
	₹	₹
a. Pig iron	7,173,871,585	6,771,089,327
b. Castings*	4,600,371,831	4,420,022,800
c. Others	547,367,109	789,977,745
<b>Total</b>	<b>12,321,610,525</b>	<b>11,981,089,872</b>

\* Sale value of Castings is net of revenue from trial runs (Refer Note 29(b))

22.	OTHER INCOME	For the Year ended 31st March	
		2014	2013
		₹	₹
	a. Interest	9,438,137	8,141,184
	b. Dividend	50	60,550
	c. Profit on sale of Assets (Net)	6,127,952	-
	d. Other non-operating income		
	i. Rental income ##	1,432,200	1,407,913
	ii. Insurance claim received	70,100	1,246,779
	iii. Provision no longer required written back	6,998,611	10,578,939
	iv. Sundry credit balances appropriated	1,035,985	96,209
	v. Miscellaneous income	5,646,621	3,380,749
	<b>Total</b>	<b>30,749,656</b>	<b>24,912,323</b>

##The Company leases equipments under operating lease agreements that are renewable on a periodic basis at the option of both the lessor and the lessee. Rental payments with applicable taxes under such leases are ₹ 857,784 for the year ended 31st March, 2014 ( Previous Year ₹ 856,428)

Particulars	For the Year ended 31st March	
	2014 ₹	2013 ₹
Lease rent receivable		
Not Later than one year	857,784	856,428
Later than one year and not later than five years	358,124	1,244,171
Later than five years	-	-

<b>23. COST OF MATERIALS CONSUMED</b>	For the Year ended 31st March	
	2014 ₹	2013 ₹
Stock at the beginning of the year	827,857,997	799,994,625
Add : Purchases	8,034,770,671	7,734,731,003
	8,862,628,668	8,534,725,628
Less : Stock at the end of the year	1,000,813,119	827,857,997
Cost of material consumed	7,861,815,549	7,706,867,631

Details of raw materials consumed	For the Year ended 31st March	
	2014 ₹	2013 ₹
a. Iron Ore	2,306,821,155	2,538,736,661
b. Coke	4,281,915,790	3,973,816,242
c. M.S/C.I. Scrap	1,083,487,123	997,268,942
d. Others	189,591,481	197,045,786
<b>Total</b>	7,861,815,549	7,706,867,631

<b>24. CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND BY-PRODUCTS</b>	For the Year ended 31st March	
	2014 ₹	2013 ₹
a. Inventory at the end of the year		
i. Work-in-progress	243,015,047	206,152,194
ii. Finished goods	80,638,237	205,025,900
iii. By-Products	25,223,311	38,248,992
<b>Total (a)</b>	348,876,595	449,427,086
b. Inventory at the beginning of the year		
i. Work-in-progress	206,152,194	175,413,858
ii. Finished goods	205,025,900	92,898,752
iii. By-Products	38,248,992	13,775,261
<b>Total (b)</b>	449,427,086	282,087,871
<b>(Increase)/Decrease ( b-a )</b>	100,550,491	(167,339,215)

25.	<b>EMPLOYEE BENEFITS EXPENSE</b>	<b>For the Year ended 31st March</b>	
		<b>2014</b> ₹	<b>2013</b> ₹
	a. Salaries and incentives	<b>417,284,009</b>	409,207,438
	b. Contributions to -		
	i. Provident Fund	<b>20,651,708</b>	21,340,980
	ii. Superannuation Scheme	<b>1,864,181</b>	2,015,318
	iii. Gratuity	<b>(4,539,777)</b>	21,429,917
	iv. Others	<b>2,515,558</b>	4,896,202
	c. Staff welfare expenses	<b>57,852,718</b>	52,869,704
	<b>Total</b>	<b>495,628,397</b>	511,759,559

26.	<b>FINANCE COSTS</b>	<b>For the Year ended 31st March</b>	
		<b>2014</b> ₹	<b>2013</b> ₹
	a. Interest expense	<b>139,631,682</b>	148,506,089
	b. Other borrowing costs	<b>3,407,987</b>	3,292,294
	<b>Total</b>	<b>143,039,669</b>	151,798,383

27.	<b>DEPRECIATION AND AMORTISATION EXPENSE</b>	<b>For the Year ended 31st March</b>	
		<b>2014</b> ₹	<b>2013</b> ₹
	a. Tangible assets	<b>333,477,837</b>	327,156,668
	b. Intangible assets	<b>4,379,168</b>	4,872,676
	<b>Total</b>	<b>337,857,005</b>	332,029,344

28.	OTHER EXPENSES	For the Year ended 31st March	
		2014 ₹	2013 ₹
	<b>a. OPERATIONAL EXPENSES</b>		
	Consumption of Stores, Spares and Consumables	1,255,527,511	1,106,853,004
	Power, fuel and water	892,167,031	929,598,079
	Machinery hire charges	7,459,857	7,954,336
	Repairs and maintenance		
	- Machinery	75,676,435	78,758,270
	- Buildings	13,285,993	22,102,954
	MBF relining expenses	73,597,023	95,061,509
	Fettling and other Manufacturing Expenses	193,864,142	195,923,134
	Excise duty on Increase / (Decrease) in closing stock of finished goods	(17,050,330)	13,185,762
	<b>Total (a)</b>	<b>2,494,527,662</b>	<b>2,449,437,048</b>
	<b>b. SELLING EXPENSES</b>		
	Freight and forwarding expenses ( Net )	49,815,934	53,177,943
	Advertisement	511,913	1,495,528
	Sales commission and incentive	47,553,875	40,717,843
	Royalty	30,578,989	29,036,501
	<b>Total (b)</b>	<b>128,460,711</b>	<b>124,427,815</b>
	<b>c. ADMINISTRATIVE EXPENSES</b>		
	Rent	881,941	1,010,800
	Rates and taxes	11,077,827	12,127,652
	Insurance	3,204,941	3,077,646
	Other repairs and maintenance	5,711,903	5,311,196
	Travelling expenses	17,186,749	16,178,199
	Legal and professional charges	12,053,227	18,179,128
	Communication expenses	5,777,456	5,602,814
	Printing and stationery	4,868,902	4,105,082
	Auditors remuneration #	1,986,740	1,898,740
	Miscellaneous expenses	35,943,071	34,652,213
	Directors' commission	2,400,000	2,100,000
	Bad debts written off	2,866,158	1,548,072
	Provision for doubtful debts	(2,866,158)	9,144,551
	Directors sitting fees	650,000	600,000
	Donations	22,341,650	15,641,665
	Foreign exchange loss (Net)	86,530,032	137,205,342
	Loss on assets sold, demolished, discarded and scrapped	-	4,447,036
	<b>Total (c)</b>	<b>210,614,439</b>	<b>272,830,136</b>
	<b>Total ( a+b+c)</b>	<b>2,833,602,812</b>	<b>2,846,694,999</b>



# Details of payments to auditors	For the Year ended 31st March	
	2014 ₹	2013 ₹
a. As Auditor		
i. Audit fee	1,075,000	1,075,000
ii. Tax audit fee	190,000	190,000
iii. Limited review	210,000	210,000
b. In other capacity		
i. Taxation matters	32,871	61,550
ii. Certification fees	158,000	73,000
iii. Other Matters	245,000	220,000
c. Reimbursement of expenses	75,869	69,190
<b>Total</b>	<b>1,986,740</b>	<b>1,898,740</b>

**29. Details of Pre-Operative Expenses allocated to New Moulding Line Project at Koppal Plant**

Particulars	For the Year ended 31st March, 2014	
	₹	
a. Expenses		
Cost of material consumed	40,988,834	
Employee Benefit expenses	4,837,158	
Other expenses	23,851,253	69,677,245
Less:		
b. Revenue from trial runs		64,541,000
<b>Net amount</b>		<b>5,136,245</b>

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

Particulars	For the Year ended 31st March	
	2014	2013
a. Net Profit after tax considered for the calculation of EPS (₹)	398,376,950	390,863,865
b. Weighted average number of equity shares used in computing earnings per equity share	137,308,081	137,308,081
c. Earnings per share		
Basic and Diluted (₹)	2.90	2.85
d. Face Value per Equity Share (₹)	5.00	5.00

**31. Disclosure pursuant to Accounting Standard 15 (Revised) Employee Benefits:****Defined Contribution Plan:**

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

Particulars	For the Year ended 31st March	
	2014 ₹	2013 ₹
a. Employer's contribution to provident fund	<b>20,651,708</b>	21,340,980
b. Employer's contribution to superannuation fund	<b>1,864,181</b>	2,015,318

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

The Contribution on account of Superannuation is remitted to Life Insurance Corporation of India, who manages the Superannuation Fund.

**32. Disclosure pursuant to Accounting Standard 15 (Revised) Employee Benefits:****Defined Benefit Plan:**

The Employee Gratuity Fund Scheme is a Defined Benefit Plan. The present value of the obligation is based on the actuarial valuation using Projected Unit Credit Method.

Particulars	Gratuity (Funded)	
	For the Year ended 31st March	
	2014 ₹	2013 ₹
a. Changes in the Present Value of Obligations (PVO)		
PVO at beginning of Period	<b>111,473,895</b>	88,321,848
Interest Cost	<b>8,717,215</b>	7,240,898
Current Service cost	<b>8,467,810</b>	8,415,770
Benefits Paid	<b>(6,371,009)</b>	(6,269,640)
Acturial (Gain)/Loss on obligation	<b>(12,602,815)</b>	13,765,019
PVO at end of period	<b>109,685,096</b>	111,473,895
b. Changes in Fair Value of Plan Assets		
Fair Value of Plan Assets at beginning of period	<b>96,558,217</b>	87,527,491
Adjustment to Opening Fair Value of Plan Assets	<b>3,071</b>	4,515
Expected Return on Plan Assets	<b>9,034,500</b>	8,188,600
Contribution	<b>7,537,762</b>	7,304,081
Benefit Paid	<b>(6,371,009)</b>	(6,269,640)
Acturial (Gain)/Loss on obligation	<b>87,487</b>	(196,830)
Fair Value of Plan Assets at the end of period	<b>106,850,028</b>	96,558,217
c. Fair Value of Plan Assets		
Fair Value of Plan Assets at beginning of period	<b>96,558,217</b>	87,527,491
Adjustment to Opening Fair Value of Plan Assets	<b>3,071</b>	4,515
Actual Return on Plan Assets	<b>9,121,987</b>	7,991,770
Contributions	<b>7,537,762</b>	7,304,081
Benefit Paid	<b>(6,371,009)</b>	(6,269,640)
Fair Value of Plan Assets at end of period	<b>106,850,028</b>	96,558,217
Funded Status	<b>(2,835,068)</b>	(14,915,678)
Excess of actual over estimated return on Plan Assets	<b>87,487</b>	(196,830)

Particulars	Gratuity (Funded)	
	For the Year ended 31st March	
	2014 ₹	2013 ₹
d. Actuarial Gain/(Loss) recognised		
Actuarial Gain/(Loss) for the period (obligation)	<b>12,602,815</b>	(13,765,019)
Actuarial Gain/(Loss) for the period (Plan Assets)	<b>87,487</b>	(196,830)
Total Gain/(Loss) for the period	<b>12,690,302</b>	(13,961,849)
Actuarial Gain/(Loss) recognised for the period	<b>12,690,302</b>	(13,961,849)
Unrecognised Actuarial Gain/(Loss) at end of period	<b>Nil</b>	Nil
e. Amount recognised in the Balance Sheet and Statement of Profit and Loss		
PVO at end of period	<b>109,685,096</b>	111,473,895
Fair Value of Plan Assets at end of Period	<b>106,850,028</b>	96,558,217
Funded Status	<b>(2,835,068)</b>	(14,915,678)
Unrecognised Actuarial Gain/(Loss) at end of period	<b>Nil</b>	Nil
Net Assets/(Liability) recognised in the Balance Sheet	<b>(2,835,068)</b>	(14,915,678)
f. Amount recognised in the Statement of Profit and Loss		
Current Service Cost	<b>8,467,810</b>	8,415,770
Interest Cost	<b>8,717,215</b>	7,240,898
Expected Return on Plan Assets	<b>(9,034,500)</b>	(8,188,600)
Net Actuarial (Gain)/Loss recognised for the period	<b>(12,690,302)</b>	13,961,849
Expenses recognised in Statement of Profit and Loss	<b>(4,539,777)</b>	21,429,917
g. Movements in the Liability recognised in Balance Sheet		
Opening Net Liability	<b>14,915,678</b>	794,357
Adjustment to Opening Fair Value of Plan Assets	<b>(3,071)</b>	(4,515)
Expenses as above	<b>(4,539,777)</b>	21,429,917
Contribution paid	<b>(7,537,762)</b>	(7,304,081)
Closing Net Liability	<b>2,835,068</b>	14,915,678
h. Actuarial Assumptions		
Mortality	<b>LIC(1994-96) Ult</b>	LIC(1994-96) Ult
Discount Rate	<b>9.20%</b>	8.05%
Rate of increase in compensation	<b>7.00%</b>	7.00%
Withdrawal rates	<b>0.80%</b>	0.80%

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

Particulars	As at 31st March 2014 ₹	Percent	As at 31st March 2013 ₹	Percent
a. Balances in Current Accounts with scheduled Banks	<b>90,119</b>	<b>0.08</b>	90,119	0.09
b. Funds with Life Insurance Corporation of India	<b>106,759,909</b>	<b>99.92</b>	96,468,098	99.91
<b>Total</b>	<b>106,850,028</b>	<b>100.00</b>	96,558,217	100.00

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

Class of Provision	Opening balance as on 1st April, 2013 ₹	Provisions for the year ₹	Amounts used during the year ₹	Closing balance as on 31st March, 2014 ₹
Casting rejections	7,006,598	7,181,273	7,006,598	7,181,273

Nature of obligation : Provision for possible obligation towards outflow of resources on casting rejections.

Expected timing of resulting outflow : Substantial costs will be incurred in the next financial year.

34. **Segment Information :** The Company operates in one segment namely "Iron Castings".

35. **Related Party Disclosures :**

Disclosures of transactions with Related Parties are as under:

- Holding Company : Kirloskar Industries Limited (Associate Company till 30th May, 2013)
- Key Management Personnel : Mr. R.V.Gumaste – Managing Director
- Transactions with related parties :

Particulars	Holding Company Year ended 31st March		Key Management Personnel Year ended 31st March	
	2014 ₹	2013 ₹	2014 ₹	2013 ₹
i. Remuneration	-	-	27,054,353	21,394,408
ii. Dividend	88,267,345	66,511,113	123,750	99,000
iii. Building rent paid	540,228	656,184	-	-
iv. Outstanding as on 31st March				
Outstanding receivables	Nil	Nil	-	-
Outstanding payables	900	40,450	-	-
Remuneration payable*	Nil	Nil	19,138,755	18,034,642
Rent deposit receivable	240,000	240,000	-	-

\* As the liability for gratuity is provided on actuarial basis for the Company as a whole, the amount pertaining to key Managerial Personnel is not included.

- Details of payment and provisions on account of remuneration to Key Management Personnel included in the Statement of Profit and Loss are as under :

Particulars	Year ended 31st March	
	2014 ₹	2013 ₹
Salary	6,300,000	4,680,000
Leave travel assistance	90,000	90,000
Perquisites	61,103	44,400
Commission	15,000,000	15,000,000
Contribution to Provident Fund	662,400	489,600
Contribution to Superannuation Fund	828,000	612,000
Gratuity	3,497,033	247,207
Leave encashment	615,817	231,201
<b>Total</b>	<b>27,054,353</b>	<b>21,394,408</b>

36.	Capital and Other Commitments	As at 31st March	
		2014 ₹	2013 ₹
	Estimated amount of contracts remaining to be executed on capital account and not provided for	193,135,593	606,332,965

37.	Contingent Liabilities	As at 31st March	
		2014 ₹	2013 ₹
	Disputed Demands in respect of :		
	a. Central Excise and Customs	18,905,405	5,556,524
	b. Service Tax	30,300,099	11,350,757
	c. Income Tax	179,065,677	50,706,771
	d. Sales Tax	5,443,293	5,350,856
	d. Interest on Electricity Tax	-	604,782
	e. Labour Matters to the extent quantifiable.	1,930,343	1,747,075

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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency	Purpose
<b>As at 31st March, 2014</b>				
i. Payables	USD	7,588,473	485,526,188	Hedging the Risk
ii. Loan (Under Buyers' Credit)	USD	9,447,647	504,619,357	
<b>As at 31st March, 2013</b>				
i. Payables	USD	13,600,000	759,234,481	Hedging the Risk
ii. Loan (Under Buyers' Credit)	USD	9,447,647	504,619,357	

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

Particulars	Currency	Amount in foreign currency	Equivalent Indian currency
<b>As at 31st March, 2014</b>			
i. Trade Receivables	EURO	11,425	940,376
ii. Advance for Supplies	USD	12,414	743,847
	EURO	115,397	9,497,859
iii. Payables	USD	6,659,264	398,916,668
	EURO	15,496	1,275,414
<b>As at 31st March, 2013</b>			
i. Trade Receivables	EURO	11,802	821,210
ii. Payables	USD	2,582,402	140,198,596
	EURO	436,536	30,373,018

39.	Particulars	Year ended 31st March	
		2014 ₹	2013 ₹
	Amount of borrowing costs capitalised	110,686,462	26,270,707

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

Particulars	For the Year ended 31st March	
	2014 ₹	2013 ₹
a. C.I.F. value of imports		
i. Capital goods	122,556,035	645,961,746
ii. Raw materials	2,278,136,522	3,294,509,094
iii. Stores and spares	20,197,950	29,203,676
b. Expenditure in foreign currencies		
i. Interest	16,392,254	21,016,773
ii. Professional fee	-	6,768,567
iii. Others	3,126,630	4,059,701

41. Earnings in foreign exchange :

Particulars	For the Year ended 31st March	
	2014 ₹	2013 ₹
FOB value of exports	901,032	17,190,126

42. a. Imported and Indigenous raw material consumption:

Particulars	For the Year ended 31st March, 2014		For the Year ended 31st March, 2013	
	₹	Percent	₹	Percent
i. Imported	1,900,236,276	24.17	2,515,248,071	32.64
ii. Indigenous	5,961,579,273	75.83	5,191,619,560	67.36
<b>Total</b>	<b>7,861,815,549</b>	<b>100.00</b>	<b>7,706,867,631</b>	<b>100.00</b>

b. Imported and Indigenous Stores and Spares Consumption:

Particulars	For the Year ended 31st March, 2014		For the Year ended 31st March, 2013	
	₹	Percent	₹	Percent
i. Imported	13,386,434	1.07	4,254,872	0.38
ii. Indigenous	1,242,141,077	98.93	1,102,598,132	99.62
<b>Total</b>	<b>1,255,527,511</b>	<b>100.00</b>	<b>1,106,853,004</b>	<b>100.00</b>

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

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered Accountants

ATUL C. KIRLOSKAR  
Chairman

R.V.GUMASTE  
Managing Director

S.B.PAGAD  
Partner

C.S.PANICKER  
Company Secretary

R.S.SRIVATSAN  
Senior Vice President-Finance

Pune: 28th April, 2014



**(For members holding shares in physical form)**

Date :

To,

**Link Intime India Private Limited**

Unit : Kirloskar Ferrous Industries Limited  
Block No. 202, 2nd Floor, Akshay Complex,  
Near Ganesh Temple, Off Dhole Patil Road,  
Pune - 411 001

Dear Sir,

**Subject : Green Initiative in the Corporate Governance – registration of email address**

**Reference :** Folio No.

I/we hereby give my / our consent to register the following email address(es) to receive documents such as, notice calling annual general meeting, annual report comprising of balancesheet, statement of profit and loss, cash flow statement, directors' report, auditors' report, etc. or to receive any other document prescribed under any law, through electronic mode.

Email Address : .....

Thanking you,

Yours faithfully,

Name :	Name :	Name :
Signature of First shareholder	Signature of Second shareholder	Signature of Third shareholder

**TEAR HERE**

**(For members holding shares in electronic form)**

Members, who hold shares in electronic form, are requested **to register email address with the Depository Participant**, by a written communication quoting your DP ID and Client ID, to receive documents such as, notice calling annual general meeting, annual report comprising of balancesheet, statement of profit and loss, cash flow statement, directors' report, auditors' report, etc. or to receive any other document prescribed under any law, through electronic mode.

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An inside view of the new HPML plant at Koppal



Gathering of employees during pooja at HPML plant



View of the new HPML plant at Koppal



CSR activity at a school in a village near Koppal plant



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**KIRLOSKAR FERROUS INDUSTRIES LIMITED**

A Kirloskar Group Company

Regd. Office: 13, Laxmanrao Kirloskar Road, Khadki, Pune - 411 003, INDIA.

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

Email: C.Panicker@kirloskar.com Website: www.kfil.com

CIN - L27101PN1991PLC063223



## KIRLOSKAR FERROUS INDUSTRIES LIMITED

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### NOTICE

Notice is hereby given that the 23rd Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held on Wednesday, the 13th day of August, 2014 at 11.30 am at the Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 to transact the following business :

#### ORDINARY BUSINESS

##### Item No. 1

To receive, consider and adopt the Audited Statement of Profit and Loss for the year ended on 31st March, 2014 and the Balance Sheet as at that date and also the reports of the Auditors and the Board of Directors thereon.

##### Item No. 2

To declare a dividend on equity shares for the financial year ended on 31st March, 2014.

##### Item No. 3

To appoint a Director in place of Mr. Atul C. Kirloskar (DIN 00007387), who retires by rotation and being eligible, offers himself for re-appointment.

##### Item No. 4

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

#### SPECIAL BUSINESS

##### Item No. 5

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

**“RESOLVED THAT**, pursuant to provisions of Section 152, 161 and any other applicable provisions of the Companies Act, 2013 and rules thereof, Mr. Rahul C. Kirloskar (DIN 00007319), who was appointed as 'an Additional Director' and further as 'Vice Chairman' at the meeting of the Board of Directors held on 28th October, 2013 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office as a Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

##### Item No. 6

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

**“RESOLVED THAT**, pursuant to provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and rules thereof (including any statutory modification(s) or reenactment thereof for the time being force), the remuneration of ₹ 250,000 (Rupees Two Lac and Fifty Thousand only) plus applicable taxes thereon and the reimbursement of out of pocket expenses at actual basis to be paid to M/s. Parkhi Limaye and Co, Cost Auditors for the conduct of the cost audit of the Company for the financial year ending 31st March, 2015, as recommended by the Board of Directors, be and is hereby ratified.”



## KIRLOSKAR FERROUS INDUSTRIES LIMITED

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### Item No. 7

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

**“RESOLVED THAT**, pursuant to the provisions of Section 180(1)(c) and other applicable provisions of the Companies Act, 2013 and rules thereof, the consent of the members of the Company be and is hereby accorded to authorise the Board of Directors to borrow from time to time for the purpose of the business of the Company any sum or sums of money, which together with the monies earlier borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) may exceed at any time, the aggregate of the paid-up share capital of the Company and free reserves, by a sum not exceeding ₹ 2,000,000,000 (Rupees Two Hundred Crores).

**FURTHER RESOLVED THAT**, the Board of Directors be and is hereby authorised to borrow and finalise from time to time the terms and conditions of borrowings and to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to the resolution.”

### Item No. 8

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

**“RESOLVED THAT**, pursuant to provisions of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 and rules thereof the consent of the members of the Company be and is hereby accorded to authorise the Board of Directors of the Company to create mortgage and/or charge on all or any of the immovable properties of the Company, both present and future, situated in Karnataka / Maharashtra States, or any other place belonging to the Company and the whole of the undertaking of the Company, to or in favour of Banks / Institutions / Public Financial Institution(s)/ Bodies Corporate / Security Trustees, as may be decided by the Board of Directors, to secure the terms loans and/or the working capital facilities granted / to be granted to the Company upto a sum of ₹ 500 Crores by the Bank(s) / Institutions / Public Financial Institution(s) / Bodies Corporate.

**FURTHER RESOLVED THAT**, the Board of Directors of the Company (including any Committee thereof), be and is hereby authorised to finalise with the existing charge holders and new Bank(s) / Institution(s) / Public Financial Institution(s) / Bodies Corporate / Security Trustees, the terms and conditions of all agreements and documents necessary for creating the mortgage by way of first charge / second charge and to do all such acts, deeds, matters and things as may be necessary or desirable or expedient for implementing the resolution and to solve any question or doubt relating thereto or then considered by the Board of Directors to be in the interests of the Company.”

### Item No. 9

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

**“RESOLVED THAT**, pursuant to provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 and rules thereof, the consent of the members of the Company be and is hereby accorded to modify the following sentence appearing in existing Article 73 of the Articles of Association of the Company, viz.

“The number of Directors shall not be less than 3 nor more than 12 including the Debenture Director and Corporation Director, if any.”





## KIRLOSKAR FERROUS INDUSTRIES LIMITED

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and to replace that sentence as follows :

“The number of Directors shall not be less than 3 nor more than 15 including the Debenture Director and Corporation Director, if any.”

**FURTHER RESOLVED THAT**, the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By order of the Board of Directors

C. S. Panicker  
Company Secretary

Pune : 16th June, 2014



## KIRLOSKAR FERROUS INDUSTRIES LIMITED

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### NOTES :

- i) The Register of Members and the Share Transfer Books of the Company will remain closed from Wednesday, 6th August, 2014 to Wednesday, 13th August, 2014 (both days inclusive).
- ii) A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

**A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.**

Proxy Form/s, in order to be effective, must be received at the Registered Office of the Company at Pune, not later than 48 hours before the time fixed for the meeting.

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

- iii) The dividend, if declared at the Annual General Meeting, will be paid to those members :
  - a) whose names appear as Beneficial Owners as at the end of the business hours on 5th August, 2014 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of equity shares held in electronic form; and
  - b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company / its Registrar and Share Transfer Agent on or before 5th August, 2014.
- iv) Members, who hold shares in physical form, are requested to advise the Company immediately of any change in their addresses.
- v) Members, who hold shares in electronic form, are requested to intimate details regarding change of address, etc. to the Depository Participants, where they have their Demat accounts.
- vi) Members may avail of the facility of dematerialisation by opening Demat accounts with the Depository Participants of either National Securities Depository Limited or Central Depository Services (India) Limited and get equity share certificates held by them dematerialised.
- vii) Members, who hold shares in electronic form, are requested to bring their Client Id and DP Id for easy identification.
- viii) Since the securities of the Company are compulsorily tradable in electronic form, to ensure better investor service and elimination of risk of holding securities in physical form, it is requested that the members holding shares in physical form to get their shares dematerialised at the earliest.
- ix) In case members wish to ask for any information about accounts or operations of the Company, they are requested to send their queries in writing at least 7 days before the date of the meeting, so that the information can be made available at the time of the meeting.
- x) Members / proxies are requested to bring their attendance slip duly filled in.



## KIRLOSKAR FERROUS INDUSTRIES LIMITED

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- xi) Members are requested to bring their copy of the Annual Report for the meeting.
- xii) Members having multiple folios are requested to intimate to the Company such folios to enable the Company to consolidate all shareholdings into one folio.

### xiii) **Green Initiative in the Corporate Governance - Registration of email address**

The members are requested to register email address with the Depository Participant / the Registrar and Share Transfer Agent of the Company, i.e. Link Intime India Private Limited, as the case may be, for service of documents.

### xiv) **Voting through electronic means**

The Companies Act 2013 has prescribed the provisions of voting through electronic means. In compliance with provisions of Section 108 of the Companies Act, 2013 and rules thereof, the Company is pleased to provide members, facility of electronic voting system to exercise their right to vote on business to be transacted at the Annual General Meeting (AGM) of the Company by electronic means through National Securities Depository Limited (NSDL).

Members are requested to follow the instructions below to cast their vote through e-voting :

- (a) User ID and Password for e-voting is provided on the covering letter. Please note that the password is an initial password.
- (b) Login on to the website: [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
- (c) Click on 'Shareholder – Login'
- (d) Put user ID and Password noted in step (a) above as initial password and login.
- (e) If you are logging in for first time, Password Change menu appears. Change the password with new password of your choice with minimum 8 digits / characters or combination thereof. Please note the new password for all the future e-voting cycles. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (f) Home page of e-voting opens. Click on e-Voting: Active Voting Cycles.
- (g) Select “EVEN” (E Voting Event Number) of Kirloskar Ferrous Industries Limited.
- (h) Now you are ready for e-voting as “Cast Vote” page opens.
- (i) Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted.
- (j) Upon confirmation, the message “Vote cast successfully” will be displayed.
- (k) Once you have voted on the resolution, you will not be allowed to modify your vote.
- (l) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter, etc. together with attested specimen signature of the duly authorised signatory(ies), who are authorized to vote, to the Scrutinizer through e-mail to [mjrpcs@gmail.com](mailto:mjrpcs@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)



## KIRLOSKAR FERROUS INDUSTRIES LIMITED

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### **General Instructions for e-voting :**

- In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the Downloads section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
- If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for casting your vote.
- You can also update your mobile number and e-mail ID in the user profile details of the Folio, which may be used for sending future communication(s).
- **The e-voting period commences on Wednesday, 6th August, 2014 (9 am) and ends on Friday, 8th August, 2014 (6 pm). During this period, the members of the Company, holding shares either in physical form or in electronic form, as on the cut-off date (Record Date) of Friday, 4th July, 2014 may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.**
- The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date (Record Date) of Friday, 4th July, 2014.
- Mr. M. J. Risbud, Practicing Company Secretary (Membership No.FCS 810 and CP No. 185) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- The Scrutinizer shall within a period not exceeding three working days from the conclusion of the e-voting period unblock the votes in the presence of at least two witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- The Results shall be declared on or after the AGM of the Company. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.kfil.com](http://www.kfil.com) and on the website of NSDL [www.nsdl.co.in](http://www.nsdl.co.in) within two days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited.

### **For members who wish to vote using Ballot Forms**

- The Ballot Form is provided for the benefit of Members, who do not have access to e-voting facility.
- Pursuant to clause 35B of the listing agreement, members may fill in the Ballot Form enclosed with the Notice (no other form or photocopy of the form will be accepted) and send the same in a sealed envelope addressed to the Scrutinizer, viz. Mr. M. J. Risbud, Practicing Company Secretary c/o Link Intime India Private Limited, (Unit : Kirloskar Ferrous Industries Limited), Block No. 202, Akshay Complex, Second Floor, Off Dhole Patil Road, Near Ganesh Temple, Pune 411001, **so as to reach by 6 pm on 8th August, 2014.** The Ballot Form received thereafter will be strictly be treated as not received.
- **A Member can opt for only one mode of voting i.e. either through e-voting or by the Ballot. If a Member casts votes by both modes, then voting done through e-voting shall prevail and the Ballot Form shall be treated as invalid.**
- Please follow the instructions as mentioned in the Ballot Form.
- The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.kfil.com](http://www.kfil.com) within two days of passing of the resolutions at the Annual General Meeting of the Company and communicated to the BSE Limited.



## KIRLOSKAR FERROUS INDUSTRIES LIMITED

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### STATEMENT ANNEXED TO THE NOTICE PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 AND CLAUSE 49 OF THE LISTING AGREEMENT

#### Item No. 3 of the Notice

##### Mr. Atul C. Kirloskar

Mr. Atul Chandrakant Kirloskar, aged 58 years, began his career with erstwhile Kirloskar Cummins Limited in the year 1978, where he started as a trainee. In December 1981, he was appointed as the Chief Executive of Cummins Diesel Sales and Services.

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

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

He was appointed as a Director of the Company on 10th August, 1992. He is the Chairman of the Company.

He is the Chairman of Finance Committee and Stakeholders Relationship Committee.

#### Other Directorships

Kirloskar Oil Engines Limited	Kirloskar Industries Limited
Kirloskar Brothers Investments Limited	Kirloskar Proprietary Limited
Kirloskar Pneumatic Company Limited	GreenTek Systems (India) Limited
G. G. Dandekar Machine Works Limited	Five Stars Bulkcarriers Limited
Asara Sales and Investments Private Limited	Navsai Investments Private Limited
Toyota Kirloskar Motor Private Limited	

#### Other Committee Positions

Name of the Company	Name of Committee and position held
GreenTek Systems (India) Limited	Audit Committee - Member
Kirloskar Proprietary Limited	Remuneration Committee – Member

He is a brother of Mr. Rahul C. Kirloskar, Vice Chairman.

He holds 1,427,939 (1.04 percent) equity shares in the Company.

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

Mr. Atul C. Kirloskar may be deemed to be concerned or interested, financially or otherwise, in the resolution to the extent of his shareholding.

Mr. Rahul C. Kirloskar, who is his brother and their other relatives, to the extent of their shareholding interest in the Company, may be deemed to be concerned or interested in the resolution.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution as set out in Item No. 3 of the Notice.

The Board recommends the ordinary resolution as set out at Item No. 3 of the Notice for approval by the members.



## KIRLOSKAR FERROUS INDUSTRIES LIMITED

A Kirloskar Group Company

Enriching Lives

### Item No. 5 of the Notice

#### Mr. Rahul C. Kirloskar

Mr. Rahul Chandrakant Kirloskar was appointed as 'an Additional Director' and further as 'Vice Chairman' at the meeting of the Board of Directors held on 28th October, 2013 and holds the office of Director upto the date of the Annual General Meeting.

Pursuant to Section 160 of the Companies Act, 2013 the Company has received a notice in writing from a member proposing candidature of Mr. Rahul C. Kirloskar as a Director of the Company alongwith requisite deposit.

The Board of Directors recommends his appointment as a Director of the Company.

Mr. Rahul C. Kirloskar is qualified as B.S. (Mechanical Engineering) in USA. He has been with the Kirloskar Group of Companies for more than 25 years at senior levels in different capacities. Presently, he is the Executive Chairman in Kirloskar Pneumatic Company Limited. He has actively participated in a week long intensive course for top management professionals of major international companies on Total Quality Management (TQM) in Japan, conducted by Japanese Union of Scientists and Engineering (JUSE). This course has exposed him to the latest methods of TQM prevailing in Japan. He is also on the Board of several companies. He has also been Chairman of the CII Pune Zonal Council as well as CII Maharashtra Council.

He is the Chairman of Corporate Social Responsibility Committee of the Company.

#### Other Directorships

Kirloskar Pneumatic Company Limited	Kirloskar Oil Engines Limited
Kirloskar Proprietary Limited	GreenTek Systems (India) Limited
Alpak Investments Private Limited	Asara Sales and Investments Private Limited
Pratibha Communications Private Limited	

#### Other Committee Positions

Name of the Company	Name of Committee and position held
Kirloskar Pneumatic Company Limited	Investors' Grievance Committee – Member Transfer Committee – Chairman Finance Committee – Member Sale Committee – Member Corporate Social Responsibility Committee – Chairman
Kirloskar Oil Engines Limited	Audit Committee – Member Corporate Social Responsibility Committee – Chairman

He is a brother of Mr. Atul C. Kirloskar, Chairman.

He holds 1,424,279 (1.04 percent) equity shares in the Company.

Mr. Rahul C. Kirloskar may be deemed to be concerned or interested, financially or otherwise, in the resolution to the extent of his shareholding.

Mr. Atul C. Kirloskar, who is his brother and their other relatives, to the extent of their shareholding interest in the Company, may be deemed to be concerned or interested in the resolution.

Save and except the above, none of the other Directors / Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution as set out in Item No. 5 of the Notice.

The Board recommends the ordinary resolution as set out at Item No. 5 of the Notice for approval by the members.





## KIRLOSKAR FERROUS INDUSTRIES LIMITED

A Kirloskar Group Company

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### Item No. 6 of the Notice

The Board of Directors at its meeting held on 28th April, 2014 has appointed M/s. Parkhi Limaye and Co as the Cost Auditors of the Company to conduct the audit of cost records maintained by the Company for the financial year ending 31st March, 2015 and fixed the remuneration of Rs. 250,000 (Rupees Two Lac and Fifty Thousand only) plus applicable taxes thereon and the reimbursement of out of pocket expenses at actual, subject to the ratification of the members at the Annual General Meeting.

Pursuant to the provisions of Section 148 and other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 the remuneration of Cost Auditor shall be recommended by the Audit Committee, approved by the Board of Directors and ratified subsequently by the members. Accordingly, it is proposed to obtain the consent of the members to ratify the remuneration and the reimbursement of expenses at actual to the Cost Auditors for the financial year ending 31st March, 2015.

None of the Directors / Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 6 of the Notice.

The Board recommends the ordinary resolution as set out at Item No. 6 of the Notice for approval by the members.

### Item No. 7 of the Notice

Pursuant to Section 293(1)(d) of the Companies Act, 1956 the members of the Company at their general meeting held on 8th January, 1996 had authorised the Board of Directors to borrow any sum or sums of money from time to time at its discretion, for the purpose of the business of the Company, which together with the monies already borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) may exceed at any time, the aggregate of the paid up capital of the Company and its free reserves (that is to say, reserves not set apart for any specific purpose) by a sum not exceeding ₹ 2,000,000,000 (Rupees Two Hundred Crores).

Section 180 of the Companies Act, 2013 became effective from 12th September, 2013.

As per the General Circular No. 4/2014 dated 25th March, 2014 issued by the Ministry of Corporate Affairs, the ordinary resolution with reference to borrowings, passed under Section 293(1)(d) of the Companies Act, 1956, prior to 12th September, 2013 will be regarded as sufficient compliance of the requirements of Section 180 of the Companies Act, 2013 for a period of one year from 12th September, 2013.

Pursuant to Section 180 of the Companies Act, 2013 and rules thereof, it is proposed to obtain the consent of the members by way of a special resolution to authorise the Board of Directors to borrow from time to time for the purpose of the business of the Company any sum or sums of money, which together with the monies earlier borrowed by the Company (apart from temporary loans obtained from the bankers of the Company in the ordinary course of business) may exceed at any time, the aggregate of the paid-up share capital and free reserves of the Company, by a sum not exceeding ₹ 2,000,000,000 (Rupees Two Hundred Crores).

None of the Directors / Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 7 of the Notice.

The Board recommends the special resolution as set out at Item No. 7 of the Notice for approval by the members.

### Item No. 8 of the Notice

The Company may be required to raise additional term loans for projects depending upon future development. The long-term loans, whenever raised, will have to be secured, if required, by mortgage of the fixed assets of the Company without any right to the lender to sell or dispose of the fixed assets of the Company in any event. In view of the increased requirements of raw materials, the Company may also be required to raise additional



## KIRLOSKAR FERROUS INDUSTRIES LIMITED

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working capital, which, if required, may have to be secured, by a mortgage by way of first or second charge on fixed assets of the Company, without any right to the lender to sell or dispose of the fixed assets of the Company in any event.

Pursuant to Section 180(1)(a) of the Companies Act, 2013 and rules thereof, it is proposed to obtain the consent of the members by way of a special resolution to authorise the Board of Directors to create mortgage and/or charge on all or any of the immovable properties of the Company, both present and future, situated in Karnataka / Maharashtra States or any other place belonging to the Company and the whole of the undertaking of the Company, to or in favour of Banks / Institutions / Public Financial Institution(s)/ Bodies Corporate / Security Trustees, as may be decided by the Board of Directors, to secure the terms loans and/or the working capital facilities granted / to be granted to the Company upto a sum of Rs. 500 Crores by the Bank(s) / Institutions / Public Financial Institution(s) / Bodies Corporate.

None of the Directors / Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 8 of the Notice.

The Board recommends the special resolution as set out at Item No. 8 of the Notice for approval by the members.

### Item No. 9 of the Notice

Section 149(1) of the Companies Act, 2013 allows the maximum strength of 15 Directors.

As per the existing Article 73 of the Articles of Association, the number of Directors of the Company shall not be less than 3 nor more than 12 including the Debenture Director and Corporation Director, if any.

Currently, the Company has eight Directors. In anticipation of the future business requirements, it is proposed to increase the upper limit to fifteen Directors, on an enabling basis.

Accordingly, relevant sentence of Article 73 of the Articles of Association of the Company is sought to be amended in the manner set out in the resolution.

Pursuant to provisions of Section 14 of the Companies Act, 2013, the aforesaid amendment requires approval of the members by way of a special resolution.

A copy of the Articles of Association of the Company together with the proposed alterations would be available for inspection by the members at the Registered Office of the Company during normal business hours on any working day.

None of the Directors / Key Managerial Personnel of the Company or their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 9 of the Notice.

The Board recommends the special resolution as set out at Item No. 9 of the Notice for approval by the members.

By order of the Board of Directors

C. S. Panicker  
Company Secretary

Pune : 16th June, 2014

## Proxy Form

Name of the Company : Kirloskar Ferrous Industries Limited  
 CIN : L27101PN1991PLC063223  
 Registered Office : 13, Laxmanrao Kirloskar Road, Khadki, Pune 411003 (Maharashtra)  
 Tel No (020) 66084664 Fax No (020) 25813208  
 Email : investor@kfil.com Website : www.kfil.com

Name of the member (s)	
Registered address	
Email ID	
Folio No / DP ID and Client ID	

I/We, being the member(s) of ..... shares of the above named Company, hereby appoint :

1. Name : .....  
 Address : .....  
 Email ID : .....  
 Signature : ....., or failing him
  
2. Name : .....  
 Address : .....  
 Email ID : .....  
 Signature : ....., or failing him
  
3. Name : .....  
 Address : .....  
 Email ID : .....  
 Signature : .....

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 23rd Annual General Meeting of the Company, to be held on Wednesday, the 13th day of August, 2014 at 11.30 a.m. at the Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002 and at any adjournment thereof in respect of such resolutions as are indicated below :

Resolution No	Particulars of Resolutions	Optional #	
		For	Against
Ordinary Business			
1	Adoption of the Audited Statement of Profit and Loss, Balancesheet, Reports of the Board of Directors and Auditors for the financial year ended on 31st March, 2014		
2	Declaration of dividend on equity shares for the financial year ended 31st March, 2014		
3	Reappointment of Mr. Atul C. Kirloskar, who retires by rotation		
4	Appointment of M/s. P. G. Bhagwat, Chartered Accountants as Auditors and to authorise the Board of Directors to fix their remuneration		
Special Business			
5	Appointment of Mr. Rahul C. Kirloskar as a Director		
6	Ratification of the remuneration of the Cost Auditors		
7	Authority to the Board of Directors pursuant to provisions of Section 180(1)(c) of the Act for borrowing money upto ₹ 200 Crores over and above the aggregate of paid up share capital and free reserves of the Company		

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Resolution No	Particulars of Resolutions	Optional #	
		For	Against
Special Business			
8	Authority to the Board of Directors pursuant to provisions of Section 180(1)(a) of the Act to create mortgage and/or charge on all or any of the immovable properties of the Company to secure the terms loans and/or the working capital facilities granted / to be granted to the Company upto a sum of ₹ 500 Crores		
9	Amendment to existing Article 73 of the Articles of Association		

Signed this ..... day of ..... 2014

Signature of Member :

Signature of Proxy holder(s) :

Affix  
Revenue  
Stamp

.....

**Notes :**

- This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**
- A Proxy need not be a member of the Company.**
- A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10 percent of the total share capital of the Company carrying voting rights. A member holding more than 10 percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- # This is only optional. Please put a 'X' in the appropriate column against the resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all the resolutions, your Proxy will be entitled to vote in the manner as he / she thinks appropriate.
- Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.

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## ATTENDANCE SLIP

Name of the Company : Kirloskar Ferrous Industries Limited  
CIN : L27101PN1991PLC063223  
Registered Office : 13, Laxmanrao Kirloskar Road, Khadki, Pune 411003 (Maharashtra)  
Tel No (020) 66084664 Fax No (020) 25813208  
Email : investor@kfil.com Website : www.kfil.com

Please fill Attendance Slip, sign and hand it over at the entrance of the Meeting Hall.

Name and Address of the Member


DP ID. \*

Client ID \*

Folio No.

No. of shares

I hereby record my presence at the **23RD ANNUAL GENERAL MEETING** of the Company held on Wednesday, 13th day of August, 2014 at 11.30 a.m. at the Pudmjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411002.

Signature of the Member or the Proxy

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\* Applicable for investors holding shares in electronic form.

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