

KALYANI INVESTMENT COMPANY LIMITED



KALYANI
DRIVING INNOVATION

BOARD OF DIRECTORS

Mr. Amit B. Kalyani
Chairman

Mr. S.S. Vaidya

Mr. B.B. Hattarki

Mr. C.G. Patankar

Mr. R.K. Goyal

COMPANY SECRETARY

Mr. Tushar Meher

REGISTERED OFFICE

Mundhwa, Pune - 411 036

Phone : +91-020-26715000 / 66215000

Fax : +91-020-26821124

Website : www.kalyani-investment.com

E-mail : investor@kalyani-investment.com

AUDITORS

Mr. Prashant V. Deo

Chartered Accountant

Flat No.11, Building No.8-B,

Laxminarayannagar No.4

Co-op Hsg. Society,

Erandawana, Pune - 411 004

BANKERS

Canara Bank

HDFC Bank Limited

REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited

Block No.202, Akshay Complex,

2nd Floor, Off Dhole Patil Road,

Near Ganesh Mandir, Pune – 411 001

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3RD ANNUAL GENERAL MEETING

Day : Saturday
Date : 28th July, 2012
Time : 2.00 p.m. (I.S.T.)
Place : Registered Office,
Kalyani Investment Company Limited,
Mundhwa, Pune - 411 036

**REPORT ON CORPORATE GOVERNANCE**

Kalyani Investment has been practicing the principles of good Corporate Governance and lays strong emphasis on transparency and proper disclosures. The Company believes that timely disclosures, transparent accounting policies and strong Board go a long way in protecting shareholders trust while maximising long term corporate value. The Company recognises that good Corporate Governance is a continuing exercise and is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchanges.

This chapter of the report, plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitutes the compliance report of the Company on Corporate Governance during the year 2011-12.

1. BOARD LEVEL ISSUES**COMPOSITION OF THE BOARD :**

As on 31st March, 2012, the Board of Directors of Kalyani Investment comprised five directors. The Board consists of Non-Executive Chairman, who is a Relative of Promoter and four Non-Executive Independent Directors. Details are given in Table 1.

NUMBER OF BOARD MEETINGS :

During the year 2011-12, the Board of the Company met seven times on 25th May, 2011, 29th July, 2011, 12th August, 2011, 25th October, 2011, 21st January 2012, 5th March, 2012 and 26th March, 2012. All the meetings were held in such manner that the gap between two consecutive meetings was not more than four months.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS :

Table 1: The composition of the Board, the category of Directors, their attendance record and the number of directorships :

Table - 1 - Details about Board of Directors of the Company							
Name of the Director	Category	Particulars of Attendance			Number of Directorships and Committee Memberships / Chairmanships in Public Limited Companies		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr.Amit B. Kalyani Chairman	Relative of Promoter Non-Executive	7	7	Yes	14	5	—
Mr.S.S. Vaidya	Non-Executive	7	6	Yes	11	5	5
Mr.B.B. Hattarki	Non-Executive	7	6	Yes	9	3	4
Mr.C.G. Patankar	Non-Executive	7	6	Yes	7	4	—
Mr.R.K. Goyal*	Non-Executive	5	5	N.A	3	1	—

* Co-opted as an Additional Director w.e.f. 12th August, 2011

As detailed in the table above, none of the Directors is a member of more than ten Board level Committees of public limited companies in which they are Directors or a Chairman of more than five such Committees.

BOARD PROCEDURE :

Information Supplied to the Board

Among others, information supplied to the Board includes :

- Annual operating plans and budgets and any updates thereof
- Quarterly results for the Company
- Minutes of meetings of committees
- Sale of material nature of investments, assets, which is not in normal course of business
- Non-Compliance of any regulatory, statutory nature or listing requirements etc. if any
- Materially important show cause, demand notices if any

The Board of the Company is presented with all the relevant information on various vital matters affecting the working of the Company as well as those matters, which require deliberation at the highest level. Board Members are given appropriate documents / detailed notes and information in advance of each Board and Committee Meeting.

DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY :

There have been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2011-12.

AUDIT COMMITTEE :

As on 31st March, 2012, the Audit Committee of Kalyani Investment comprised three members, of which all are Independent Directors. All the members have accounting and finance management expertise. The Chairman of the Audit Committee is Mr.B.B. Hattarki. Mr.S.S. Vaidya and Mr.C.G. Patankar are the other members of the Committee.

The representatives of the Statutory Auditors and remaining Board Members are permanent invitees to the Audit Committee Meetings. The Secretary of the Company also acts as the Secretary of the Audit Committee.

During the year 2011-12 Audit Committee met on 25th May, 2011, 29th July, 2011, 25th October, 2011, 21st January, 2012 and 26th March, 2012. Particulars relating to the attendance at the Audit Committee meetings held during the year are given below :

Name of Director	Category	Number of Meetings held	Number of Meetings attended
Mr.B.B. Hattarki, Chairman	Independent	5	4
Mr.S.S. Vaidya	Independent	5	4
Mr.C.G. Patankar	Independent	5	4

The functions of the Audit Committee includes the following :

- Oversight of the company's financial reporting process and the disclosure 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/quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory / internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any.
- Discussions with statutory auditors before audit commences, about the 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, if any, in the payment to the shareholders (in case of non payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews :

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.

REMUNERATION OF DIRECTORS :

No remuneration was paid to any Directors during the year 2011-12, except commission of ₹ 5,000,000/- (Rupees Five Million only) proposed and payable to Mr.R.K. Goyal, after adoption of financial statements by the shareholders, at the ensuing Annual General Meeting. The Company does not have any stock option scheme.

SHAREHOLDING OF DIRECTORS :

Name of the Director	Relationship with other Directors	No. of Shares held
Mr.Amit B. Kalyani, Chairman	None	3,169
Mr.S.S. Vaidya	None	—
Mr.B.B. Hattarki	None	—
Mr.C.G. Patankar	None	477
Mr.R.K. Goyal	None	—

**CODE OF CONDUCT :**

The Board of Kalyani Investment has laid down a Code of Conduct for all the Board Members. All the Board Members have affirmed compliance with the Code of Conduct.

2. MANAGEMENT**MANAGEMENT DISCUSSION AND ANALYSIS :****STRUCTURE OF THE COMPANY AND THRUST OF THE BUSINESS :**

Kalyani Investment is a Core Investment Company holding more than 90% of its assets in investments in shares of or debts in Group Companies. The thrust of business is to hold and continue to hold securities in Kalyani Group Companies.

RISKS AND CONCERNS :

Kalyani Investment's income is mainly from the dividends that may be receivable on investments held by it / may be held in future. Any adverse impact on the industries of which securities are held by Kalyani Investment, also have a bearing on the performance of Kalyani Investment. Any slowdown in the growth of Indian economy or future volatility in global financial market, could also adversely affect the business.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

The Company has well established internal control system commensurate with its size and nature of business which provides for efficient use and safeguarding of resources, accurate recording of transactions and custody of assets, compliance with prevalent statutes, adherence to applicable accounting standards and policies and IT systems which include controls for facilitating the above.

Cautionary Statement

Statements in this management discussion and analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results may differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include a downtrend in the industry - global or domestic or both, significant changes in political and economic environment in India, applicable statutes, litigations etc.

DISCLOSURES BY MANAGEMENT TO THE BOARD :

All disclosures relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and the interested Directors do not participate in the discussions nor do they vote on such matters.

3. SHAREHOLDERS**DISCLOSURES REGARDING APPOINTMENT OR RE-APPOINTMENT OF DIRECTORS :**

Mr.S.S. Vaidya and Mr.C.G. Patankar, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Mr.R.K. Goyal, appointed as an Additional Director, with effect from 12th August, 2011, is seeking an appointment as Director pursuant to the Notice received from the Member of the Company, signifying his intention to propose Mr.R.K. Goyal, as candidate for the office of Director. Details of directors to be re-appointed / appointed, are given below :

Mr.S.S. Vaidya born on 9th August, 1955 is a Chartered Accountant. He is a partner of M/s Kunte & Vaidya, Chartered Accountants, Pune. He has been in practice for over 31 years and has vast experience in Corporate & Legal field, Tax Laws, Company Law, Foreign Exchange Laws etc. Mr.Vaidya also serves on the Boards of Bosch Chassis Systems India, Nandi Infrastructure Corridor Enterprises, Sahyadri Hospitals, BF Utilities, Nandi Economic Corridor Enterprises, Sharp India, MRF, Foundation Brake Manufacturing, Nandi Highway Developers and Kalyani Steels.

Mr.C.G. Patankar, born on 6th June, 1956, holds a Bachelor's Degree in Science and he is a Chartered Accountant, having a rich experience of more than 35 years. Mr.Patankar also serves on the Board of Kalyani Steels, Kalyani Thermal, Kalyani Mukand, Kalyani International, Hospet Steels and Spice Islands Apparels.

Mr.R.K. Goyal, born on 18th May, 1958, is a Managing Director of Kalyani Steels Limited. Mr.Goyal, is an Engineering Graduate and M.B.A., having more than 30 years of rich experience, in Steel Industry, particularly in stainless steel, for more than 25 years. Before joining Kalyani Steels Limited, Mr.Goyal was working as Director - Strategy and Corporate Affairs in JSL Stainless Limited and was responsible for performance management of companies in JSL Group, Overall Growth Strategy Formulation, Mining Business, Strategic Alliances, Mergers & Acquisitions and Indirect Taxation. Mr.Goyal also serves on the Board of Kalyani Carpenter Special Steels.

COMMUNICATION TO SHAREHOLDERS :

Kalyani Investment puts all vital information relating to the Company and its performance, including financial results, official announcements and communication to the investors and analysts on its website www.kalyani-investment.com regularly for the benefit of the public at large.

Financial results are published in leading newspapers such as Financial Express (All Editions) and Loksatta (Pune) and are also sent to the Stock Exchanges immediately after they are approved by the Board.

Letters and Transfer Deeds received from shareholders are acted upon and replied promptly.

INVESTOR GRIEVANCES :

The Company has in place Shareholders' / Investors' Grievance Committee for redressing Shareholders' / Investors' complaints. The Committee comprises of Mr.B.B. Hattarki, Chairman and Mr.C.G. Patankar, Director. During the year 2011-12 Shareholders' / Investors' Grievance Committee met on 25th May, 2011, 29th July, 2011, 24th October, 2011 and 21st January, 2012. Particulars relating to the attendance at the Shareholders' / Investors' Grievance Committee meetings held during the year are given below :

Name of Director	Category	Number of Meetings held	Number of Meetings attended
Mr.B.B. Hattarki, Chairman	Independent	4	4
Mr.C.G. Patankar	Independent	4	4

During the year 2011-12 two complaints were received, which were redressed. The status of complaints is also reported to the Board of Directors, as an agenda item. Mr.Tushar Meher, Company Secretary, is the Compliance Officer.

The Company has already provided separate E-mail ID for registering complaints by investors (investor@kalyani-investment.com) and the said E-mail ID is also displayed on the web-site.

SHARE TRANSFER :

The Company has constituted the 'Share Transfer Committee', which meets twice a month to approve share transfers, transmissions, consolidation, sub-division, issue of duplicate certificates and requests for dematerialisation of Company's shares. The Committee comprises of Mr.B.B. Hattarki and Mr.C.G. Patankar Directors of the Company.

DETAILS OF NON-COMPLIANCE :

Kalyani Investment has complied with all the requirements of regulatory authorities. No penalties were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter relating to the capital market during the period under report.

GENERAL BODY MEETINGS :

Particulars of General Body Meetings held since incorporation are given below :

Date	Time	Type of Meeting	Venue	Special Resolutions Passed
29th August, 2009	10.30 a.m.	Extraordinary General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	1*
18th January, 2010	10.30 a.m.	Extraordinary General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	1**
24th November, 2010	11.00 a.m	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	1***
12th August, 2011	2.00 p.m	Annual General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	—

* Special Resolution was passed, under Section 31 of the Companies Act, 1956, for Amendment in Articles of Association for Increase in Authorised Capital.

** Special Resolution was passed, under Section 100 of the Companies Act, 1956 for Reduction of Capital i.e. for cancellation of 50,000 Equity Shares of ₹ 10/- each pursuant to Scheme of Arrangement.

*** Special Resolution was passed for Obtaining Consent for Payment of Commission to Directors other than Executive / Wholetime Directors.

No Special Resolution was put through postal ballot in the last year.

This year no resolution is proposed to be taken up through postal ballot.

COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS :

The Company is fully compliant with the applicable mandatory requirements of the Clause 49. It has not adopted any non-mandatory requirements.

**SHAREHOLDER INFORMATION****ANNUAL GENERAL MEETING :**

Day and Date : Saturday, 28th July, 2012 at 2.00 P.M.

Venue : Registered Office of the Company at Mundhwa, Pune - 411 036

FINANCIAL CALENDAR :

1st April to 31st March

BOOK CLOSURE :

The books will be closed from Friday, 27th July, 2012 to Saturday, 28th July, 2012 (both days inclusive), as an Annual Closure for the Annual General Meeting.

LISTING :

National Stock Exchange of India Limited (NSE)

Bombay Stock Exchange Limited (BSE)

Pune Stock Exchange Limited (PSE)

STOCK CODES :

NSE : KICL

BSE : 533302

ISIN in NSDL and CDSL : INE029L01018

STOCK DATA :

Table below gives the monthly high and low prices and volumes of trading of Equity Shares of the Company at National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) for the year 2011-12.

Month & Year	NSE			BSE		
	High (₹)	Low (₹)	Volume (No. of Shares Traded)	High (₹)	Low (₹)	Volume (No. of Shares Traded)
April, 2011	1,000.00	830.00	8,361	945.00	828.20	10,321
May, 2011	897.90	655.00	14,154	865.00	651.00	12,070
June, 2011	800.00	597.25	34,640	795.00	615.40	17,523
July, 2011	727.95	632.00	20,784	725.00	630.00	18,457
August, 2011	649.95	385.00	11,066	659.95	400.20	19,245
September, 2011	574.45	431.00	12,848	535.00	431.30	22,246
October, 2011	589.00	470.00	9,176	574.90	480.00	5,682
November, 2011	520.00	406.25	6,368	519.90	400.00	8,819
December, 2011	465.00	335.20	6,304	449.00	325.05	7,321
January, 2012	485.00	352.10	6,175	459.00	355.05	9,023
February, 2012	525.00	409.05	9,764	530.00	408.65	13,083
March, 2012	489.00	400.00	9,004	474.95	380.05	7,162

REGISTRAR AND TRANSFER AGENTS AND SHARE TRANSFER SYSTEM :

M/s. Link Intime India Private Limited, Block No.202, Akshay Complex, 2nd Floor, Off Dhole Patil Road, Near Ganesh Mandir, Pune - 411 001 are the Registrar and Transfer Agents of the Company and carry out the share transfer work on behalf of the Company.

PATTERN OF SHAREHOLDING BY OWNERSHIP AS ON 31.03.2012 :

Category	No. of Equity Shares held	Shareholding %
Promoters	2,628,245	60.208
Mutual Funds / UTI	482,403	11.051
Banks	178	0.004
FII's	54,543	1.249
Bodies Corporate	470,657	10.782
NRI's	15,859	0.363
Foreign Companies / Foreign National	86	0.002
Indian Public	713,335	16.341
TOTAL	4,365,306	100.000

PATTERN OF SHAREHOLDING BY SHARE CLASS AS ON 31.03.2012 :

Shareholding Class	No. of Shareholders	No. of Shares held	Shareholding %
Up to 5000	24,198	824,341	18.884
5001 to 10,000	13	91,769	2.102
10,001 to 20,000	6	86,931	1.991
20,001 to 30,000	4	108,680	2.490
30,001 to 40,000	1	35,447	0.812
40,001 to 50,000	3	141,767	3.248
50,001 to 100,000	1	52,003	1.191
100,001 and above	5	3,024,368	69.282
TOTAL	24,231	4,365,306	100.000

DEMATERIALISATION :

The Company's Equity Shares are under compulsory Demat Trading. As on 31st March, 2012, dematerialised shares accounted for 90.90% of the total Equity.

INVESTORS CORRESPONDENCE ADDRESS :

- | | |
|---|--|
| 1) Link Intime India Private Limited
Registrar & Transfer Agent
Block No. 202, Akshay Complex, 2nd Floor,
Off Dhole Patil Road, Near Ganesh Mandir,
Pune - 411 001
Phone No. : 020 - 26161629 / 26160084
Telefax : 020 - 26163503
E-Mail : pune@linkintime.co.in | 2) Kalyani Investment Company Limited,
Secretarial Department
Mundhwa, Pune - 411 036
Phone No. : 020-26715000 / 66215000
Fax No. : 020-26821124
E-mail : investor@kalyani-investment.com |
|---|--|

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of
Kalyani Investment Company Limited

I have examined the compliance of conditions of Corporate Governance by KALYANI INVESTMENT COMPANY LIMITED ("the Company") for the year ended 31st March, 2012, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

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

In my opinion and to the best of my information and according to the explanations given to me and the representations made by the management, I certify that, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

I 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.

Place : Pune
Date : 26th May, 2012

P. V. Deo
Chartered Accountant
Membership No.41609

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting the Third Annual Report on the business and operations of the Company and the Audited Financial Statements for the year ended 31st March, 2012.

1. Financial Results :

During the year under review, your Company has made a net profit of ₹ 164,797,391/- as compared to ₹ 63,656,329/- in the previous year.

2. Dividend :

Your Directors have declared interim dividend of 14% on Non-Cumulative Redeemable Preference Shares during the year ended 31st March, 2012.

Your Directors do not recommend any dividend on Equity Shares of the Company for the year ended 31st March, 2012.

3. Directors :

Mr.R.K. Goyal who was co-opted on the Board of the Company as an Additional Director, with effect from 12th August, 2011, holds office till the ensuing Annual General Meeting. Notice proposing appointment of Mr.R.K. Goyal as Director having been received, the matter is included in the Notice for the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr.S.S. Vaidya and Mr.C.G. Patankar, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

These appointments form part of the Notice of the Annual General Meeting and the Resolutions are recommended for your approval. Profiles of these Directors, as required by the Corporate Governance Code (Clause 49 of the Listing Agreement), are given in the report on Corporate Governance.

4. 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 that :

- i) in the preparation of the financial statements for the year ended 31st March, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and of the profit of the Company for the year under review;
- iii) the Directors had 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; and
- iv) the Directors had prepared the financial statements for the year ended 31st March, 2012, on a 'going concern' basis.

5. Fixed Deposits :

The Company has not accepted any deposits from the public.

6. Auditors :

You are requested to re-appoint the Auditor of the Company for the Current Year to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

7. Particulars of Employees :

During the year, no person was employed for the whole or part of the year and was in receipt of remuneration at the rate of ₹ 6,000,000/- per annum or ₹ 500,000/- per month or in excess thereof as the case may be, respectively.

8. Conservation of energy, technology absorption and foreign currency exchange earnings & outgo :

Your Directors have nothing to report on the aforesaid matters as your company is not engaged in manufacturing, has no foreign collaboration and has not exported or imported any goods or services.

for and on behalf of the Board of Directors

Place : Pune

Date : 26th May, 2012

Amit B. Kalyani

Chairman

**AUDITOR'S REPORT**

To
The Members of
Kalyani Investment Company Limited

I have audited the attached Balance Sheet of Kalyani Investment Company Limited (the Company) as at 31st March, 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my Audit.

1. I conducted my audit in accordance with auditing standards generally accepted in India. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
2. As required by the Companies (Auditors' Report) Order, 2003, read with the Companies (Auditor's Report) (Amendment) Order, 2004, both issued by the Central Government in terms of Section 227 (4-A) of the Companies Act, 1956, I enclose in the Annexure, a statement on the matters specified in the said order.
3. Further to my comments in the Annexure referred to in paragraph '2' above :
 - (a) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
 - (b) In my opinion, proper books of account, as required by law have been kept by the Company so far as appears from my examination of the books.
 - (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 my opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement, dealt with by this report, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (e) On the basis of the written representations received from the Directors as at 31st March, 2012 and taken on record by the Board of Directors, I report that none of the Directors of the Company, was disqualified as at 31st March, 2012, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (f) In my opinion and to the best of my knowledge and belief and according to the explanations given to me, the accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - (i) In so far as it relates to the Balance Sheet of the state of the Company's affairs as at 31st March, 2012;
 - (ii) In so far as it relates to the Statement of Profit and Loss, of the profit of the Company for the financial year ended on that date; and
 - (iii) In so far as it relates to the Cash Flow Statement, of the Cash Flows of the Company for the financial year ended on that date.

Place : Pune
Date : 26th May, 2012

P. V. Deo
Chartered Accountant
Membership No.41609

Annexure referred to in Paragraph '2' of the Auditor's Report to the members of KALYANI INVESTMENT COMPANY LIMITED (the company) for the year ended 31st March, 2012

On the basis of such checks as were considered appropriate and in accordance with the information and explanations given to me, I report as under :

- (i) Since the Company does not own any fixed assets, the provisions of Clause No.4(i) of the Order do not apply to the Company.
- (ii) Since the Company does not carry any inventory, the provisions of Clause No.4(ii) of the Order do not apply to the Company.
- (iii) The Company has not granted or taken any loans to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence, the provisions of Clause No.4(iii) of the Order do not apply to the Company.
- (iv) Since the Company is a Core Investment Company not carrying any inventory or fixed assets, the provisions of Clause No.4(iv) of the Order do not apply.
- (v) The Company has not carried out any transactions in pursuance of contracts or arrangements required to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted deposits from the public within the meaning of Sections 58A or 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed, thereunder.
- (vii) In my opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under Section 209 (1)(d) of the Companies Act, 1956 for the business in which the Company is engaged.
- (ix) (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities, undisputed statutory dues including Income Tax, other taxes, cess and statutory dues applicable to it. As explained to me by the Management, the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and the Employees' State Insurance Act, 1948 do not apply to the Company. According to the information and explanations given to me, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, Cess were outstanding as at 31st March, 2012 for a period of more than six months from the date those became payable.
(b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Cess which have not been deposited on account of any dispute.
- (x) The Company does not have any accumulated losses as at 31st March, 2012 and has not incurred any cash loss in the year and also in the previous year.
- (xi) The Company has neither borrowed any moneys from any financial institution or bank; nor issued any debentures. Hence, the provisions of Clause No.4(x) of the Order do not apply to the Company.
- (xii) According to the information and explanations given to me, the Company has not given any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The Company is not a chit fund, nidhi or mutual benefit fund/society. Therefore, the provisions of Clause No.4(xiii) of the Order do not apply to the Company.
- (xiv) According to the information and explanations given to me, the Company is a Core Investment Company and does not deal or trade in shares, debentures, securities and other investments. Therefore, the provisions of Clause No.4(xiv) of the Order do not apply to the Company.
- (xv) According to the information and explanations given to me, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Since the Company has not raised any term loans, the provisions of Clause No.4(xvi) of the Order do not apply to the Company.
- (xvii) According to the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that no long term funds have been used to finance short term assets. Similarly, no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares, within the meaning of Section 81(1A) of the Companies Act, 1956, to parties and companies covered in the register maintained under Section 301 of the said Act.
- (xix) Since the Company has not issued any secured debentures, during the year covered by this report, the Clause No. (xix) of the Order does not apply to the Company.
- (xx) Since the Company has not raised any money by public issues during the year, Clause No.(xx) of the Order, does not apply to the Company.
- (xxi) Based upon the audit procedures performed and the information and explanations given by the Management, I report that no fraud on or by the Company has been noticed or reported during the course of my audit.



KALYANI

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BALANCE SHEET AS AT 31ST MARCH, 2012

	Note No.	₹	₹	As at 31st March, 2011 ₹
I. EQUITY AND LIABILITIES :				
1. Shareholders' Funds :				
a) Share Capital	3.1	619,653,060		619,653,060
b) Reserves and Surplus	3.2	2,802,180,755		2,731,105,188
			3,421,833,815	3,350,758,248
2. Non-Current Liabilities :				
a) Long-Term Provisions	3.3		48,905	21,940
3. Current Liabilities :				
a) Trade Payables	3.4	—		31,593
b) Other Current Liabilities	3.5	18,585,943		339,107
c) Short-Term Provisions	3.6	62,535		31,229
			18,648,478	401,929
TOTAL			3,440,531,198	3,351,182,117
II. ASSETS :				
1. Non-Current Assets :				
a) Non-Current Investments	3.7	3,380,735,589		3,329,117,748
b) Long-Term Loans and Advances	3.8	9,921		—
			3,380,745,510	3,329,117,748
2. Current Assets :				
a) Current Investments	3.9	57,887,039		18,474,082
b) Cash and Cash Equivalents	3.10	321,449		1,944,557
c) Short-Term Loans and Advances	3.11	1,577,200		1,645,730
			59,785,688	22,064,369
TOTAL			3,440,531,198	3,351,182,117
Significant Accounting Policies and Notes forming part of the Accounts	1, 2, 3			
The notes above referred form an integral part of the Balance Sheet				

As per my attached Report of even date

On behalf of the Board of Directors

P. V. Deo
Chartered Accountant
Membership No.41609

Tushar Meher
Company Secretary

Amit B. Kalyani
Chairman

R.K. Goyal
Director

Place : Pune
Date : 26th May, 2012

Place : Pune
Date : 26th May, 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

	Note No.	₹	₹	Year ended 31st March, 2011 ₹
Revenue from Operations	3.12	387,507		—
Other Income	3.13	209,215,011		76,326,911
Total Revenue			209,602,518	76,326,911
Expenses				
a) Employee benefit expenses	3.14	2,120,635		2,010,465
b) Other expenses	3.15	42,564,450		10,658,808
Total Expenses			44,685,085	12,669,273
Profit before Exceptional Items and Tax			164,917,433	63,657,638
Exceptional Items			—	—
Profit before Tax			164,917,433	63,657,638
Tax Expense :				
a) Current tax expense		(120,000)		(450)
b) Tax expense for earlier years		(42)		(859)
			(120,042)	(1,309)
Profit for the year			164,797,391	63,656,329
Earnings per Share (of ₹ 10/- each) (Refer Note No. 3.25) :				
a) Basic			16.28	3.81
b) Diluted			16.28	3.81

Significant Accounting Policies and
Notes forming part of the Accounts

1, 2, 3

The notes above referred form an integral part of the Statement of Profit and Loss

As per my attached Report of even date

On behalf of the Board of Directors

P. V. Deo
Chartered Accountant
Membership No.41609

Tushar Meher
Company Secretary

Amit B. Kalyani
Chairman

R.K. Goyal
Director

Place : Pune
Date : 26th May, 2012

Place : Pune
Date : 26th May, 2012



KALYANI

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

	Note No.	₹	₹	Year ended 31st March, 2011 ₹
A. Cash Flow from Operating Activities :				
Net Profit after tax and exceptional items			164,797,391	63,656,329
Adjusted for :				
Dividend received		(193,568,841)		(76,325,452)
Diminution in value of investment		20,173,699		—
Profit on sale of investments		(15,646,000)		(92)
Loss on sale of investments		17,995		—
Share in profit of partnership firm		(170)		—
Tax expense		120,042		1,309
			(188,903,275)	(76,324,235)
Operating Profit before working capital changes :			(24,105,884)	(12,667,906)
Changes in :				
Loans and Advances		58,360		(59,727)
Liabilities and Provisions		5,191,690		(244,328)
			5,250,050	(304,055)
Cash generation from Operations			(18,855,834)	(12,971,961)
Direct Taxes paid			(119,793)	640
Net Cash used in Operating Activities			(18,975,627)	(12,971,321)
B. Cash flow from Investing Activities :				
Purchase of Investments			(460,000,627)	(17,498,923)
Sale of Investments			364,424,135	2,795,930
Dividend received			193,568,841	76,325,452
Share in profit of partnership firm			170	—
Net Cash from Investing Activities			97,992,519	61,622,459
C. Cash flow from Financing Activities :				
Interim Dividend on Preference Share Capital			(80,640,000)	(40,320,000)
Dividend Distribution tax paid			—	(6,696,648)
Net Cash used in Financing Activities :			(80,640,000)	(47,016,648)
Net changes in Cash and Cash Equivalents (A+B+C) :			(1,623,108)	1,634,490
Cash and Cash Equivalents, at the beginning :			1,944,557	310,067
Cash and Cash Equivalents, at the close :			321,449	1,944,557
Significant Accounting Policies and Notes forming part of the Accounts	1,2,3			

The notes above referred form an integral part of the Cash Flow Statement

As per my attached Report of even date

On behalf of the Board of Directors

P. V. Deo
Chartered Accountant
Membership No.41609

Tushar Meher
Company Secretary

Amit B. Kalyani
Chairman

R.K. Goyal
Director

Place : Pune
Date : 26th May, 2012

Place : Pune
Date : 26th May, 2012

Notes forming part of the Financial Statements for the year ended 31st March, 2012 :**1. Company Overview :**

The Company is a Non Deposit taking Core Investment Company, as defined in the Core Investment Companies (Reserve Bank) Directions, 2011. Since the Company is not a Systemically Important Non Deposit taking Core Investment Company, it is not required to obtain Certificate of Registration under Section 45-IA of the Reserve Bank of India Act, 1934.

2. Statement of Significant Accounting Policies :**2.1 Method of Accounting :**

- a) The Company follows mercantile system of accounting and recognises income and expenditure on accrual basis.
- b) Financial statements are prepared on historical cost convention. These costs are not adjusted to reflect the impact of the changes in the purchasing power of money.

2.2 Use of Estimates :

The preparation of the financial statements in conformity with the GAAP requires that the Management makes estimates and assumptions, which affect the reported amounts of assets and liabilities, disclosure of contingent liabilities, as at the date of the financial statements, and the reported amounts of revenue and expenses during the year under report. Contingencies are recorded, when it is probable that a liability will be incurred and the amount can be reasonably estimated. Actual results could differ from those estimates.

2.3 Investments :

- a) Long Term Investments are carried at cost. Provision for diminution is made to recognise a decline other than temporary, in value of investments.
- b) Short Term Investments are carried at lower of cost and fair value.

2.4 Revenue Recognition :

- a) The Company recognises income on accrual basis. However, revenue recognition is postponed in respect of specific items of income, where the ultimate collection, thereof is uncertain.
- b) Dividend is accrued in the year in which it is declared whereby a right to receive is established.
- c) Profit / loss on sale of investments is recognised on the contract date.

2.5 Employee Benefits :**a) Post-employment benefits plan :**

Contributions to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur. Past service cost is recognised immediately, to the extent the benefits are already vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to the present value of the available refunds and reductions in future contributions to the scheme.

b) Short term employee benefits :

The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by the employees is recognised during the period when the employee renders the service. These benefits include compensated absences such as paid annual leave.

c) Long term employee benefits :

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as liability at the present value of the defined benefit obligation at the balance sheet date, with actuarial valuation being carried out at each balance sheet date.

**Notes forming part of the Financial Statements for the year ended 31st March, 2012 (continued) :****2.6 Taxation :**

- a) Provision for income tax is made on the basis of taxable income for the current accounting year, in accordance with the provisions of the Income Tax Act, 1961.
- b) Deferred Tax resulting from timing differences of material amounts between Book Profits and Tax Profits is accounted for at the applicable rate of Tax to the extent the timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realised.

2.7 Earnings per share :

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of extra-ordinary / exceptional item, if any. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

2.8 Provisions, Contingent Liabilities and Contingent Assets :

Provisions are made for present obligations arising out of past events, which are likely to result in an outflow of resources embodying economic benefits at an amount, which can be reliably estimated.

Items not classified as provisions as envisaged above are treated as contingent liabilities, which are disclosed by way of a note and are not provided for in the books of accounts.

Contingent assets are neither recognised nor disclosed.

2.9 Cash Flow Statement :

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

3. Notes on Accounts :

		As at 31st March, 2012	As at 31st March, 2011
		₹	₹
3.1 SHARE CAPITAL :			
Authorised :			
12,000,000	(12,000,000) Equity Shares of ₹ 10/- each	120,000,000	120,000,000
60,000,000	(60,000,000) 14% Non-Cumulative Redeemable Preference Shares of ₹ 10/- each	600,000,000	600,000,000
	TOTAL	<u>720,000,000</u>	<u>720,000,000</u>
Issued, Subscribed and Paid up :			
4,365,306	(4,365,306) Equity Shares of ₹ 10/- each, fully paid up ^(a)	43,653,060	43,653,060
57,600,000	(57,600,000) 14% Non-Cumulative Redeemable Preference Shares of ₹ 10/- each ^(b)	576,000,000	576,000,000
	TOTAL	<u>619,653,060</u>	<u>619,653,060</u>

- (a) These shares have been allotted to the shareholders of Kalyani Steels Limited, on 27th April, 2010, in terms of the Composite Scheme of Arrangement sanctioned by the Hon'ble High Court of Judicature at Bombay on 12th March, 2010.
- (b) These shares have been allotted to Kalyani Steels Limited, on 27th April, 2010, in terms of the Composite Scheme of Arrangement sanctioned by the Hon'ble High Court of Judicature at Bombay on 12th March, 2010.
- (c) Equity Shares of the Company have a par value of ₹ 10/-. Each holder of Equity Shares is entitled to one vote per share. In the event of liquidation of the Company, the holders of Equity Shares will be entitled to receive surplus assets of the Company, remaining after distribution of all preferential amounts.

Notes forming part of the Financial Statements for the year ended 31st March, 2012 (continued) :

- (d) 14% Non-Cumulative Redeemable Preference Shares of the Company have a par value of ₹ 10/-. These shares carry preferential right to be paid a fixed dividend of 14% on the paid up value of the shares, if and when declared by the Company.

These shares carry, in the event of winding up or repayment of capital, a preferential right to be repaid the amount of capital paid up.

These shares are redeemable at the end of 20 years from 1st October, 2009 with an option to the Company to redeem those in one or more tranches at any time after 1st October, 2010.

- (e) The reconciliation of the number of Equity Shares outstanding and the amount of Equity Share capital as at 31st March, 2012 and 31st March, 2011 is set out below :

	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares	Amount in ₹	No. of Shares	Amount in ₹
Balance at the beginning of the year	4,365,306	43,653,060	50,000	500,000
Add : Shares issued during the year	—	—	4,365,306	43,653,060
Less : Cancelled during the year	—	—	(50,000)	(500,000)
Balance at the close of the year	4,365,306	43,653,060	4,365,306	43,653,060

- (f) The reconciliation of the number of Preference Shares outstanding and the amount of Preference Share capital as at 31st March, 2012 and 31st March, 2011 is set out below :

	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares	Amount in ₹	No. of Shares	Amount in ₹
Balance at the beginning of the year	57,600,000	576,000,000	—	—
Add : Shares issued during the year	—	—	57,600,000	576,000,000
Balance at the close of the year	57,600,000	576,000,000	57,600,000	576,000,000

- (g) Details of Shareholders holding more than 5% of the aggregate issued and subscribed Equity Shares :

Name of the Shareholder(s)	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares	%	No. of Shares	%
BF Investment Limited	1,705,242	39.06	1,705,237	39.06
Ajinkya Investment and Trading Company	326,182	7.47	326,182	7.47
Sundaram Trading and Investment Private Limited	584,732	13.40	569,119	13.04
ICICI Prudential Dynamic Plan [#]	248,100	5.68	—	—

[#] Did not hold more than 5% as at 31st March, 2011

- (h) Details of Shareholders holding more than 5% of the aggregate issued and subscribed 14% Non-Cumulative Redeemable Preference Shares :

Name of the Shareholder(s)	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares	%	No. of Shares	%
Kalyani Steels Limited	57,600,000	100.00	57,600,000	100.00



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Notes forming part of the Financial Statements for the year ended 31st March, 2012 (continued) :

	As at 31st March, 2012	As at 31st March, 2011
₹	₹	₹
3.2 RESERVES AND SURPLUS :		
Reserve Fund (Under Section 45IC(1) of the Reserve Bank of India Act, 1934) :		
As per last Account	12,743,900	11,900
Add : Set aside this financial year	32,960,000	12,732,000
	45,703,900	12,743,900
General Reserve :		
As per last Account	2,714,406,048	2,714,406,048
Add : Set aside this financial year	8,240,000	—
	2,722,646,048	2,714,406,048
Surplus in the Statement of Profit and Loss :		
As per last Account	3,955,240	47,559
Add : Profit for the year transferred from the Statement of Profit and Loss	164,797,391	63,656,329
Amount available for appropriation	168,752,631	63,703,888
Less : Appropriations		
Dividend on Preference Share Capital	80,640,000	40,320,000
Dividend Distribution Tax	13,081,824	6,696,648
Amount transferred to General Reserve	8,240,000	—
Amount transferred to Reserve Fund	32,960,000	12,732,000
	134,921,824	59,748,648
	33,830,807	3,955,240
TOTAL	2,802,180,755	2,731,105,188
3.3 LONG TERM PROVISIONS :		
Provision for Employee Benefits :		
for Employees' Gratuity (Refer Note No.3.18)	48,905	21,940
TOTAL	48,905	21,940
3.4 TRADE PAYABLES :		
For expenses	—	31,593
TOTAL	—	31,593
3.5 OTHER CURRENT LIABILITIES :		
Withholding taxes	12,404	4,902
Dividend Distribution Tax	13,081,824	—
Accrued Expenses	5,491,715	334,205
TOTAL	18,585,943	339,107
3.6 SHORT TERM PROVISIONS :		
Provision for Employee Benefits :		
for Employees' Leave Encashment (Refer Note No.3.18)	62,535	31,229
TOTAL	62,535	31,229
3.7 NON-CURRENT INVESTMENTS, AT COST :		
Other than Trade :		
(i) Equity Instruments, Quoted :		
Investments in Associates :		
5,155,650 (5,155,650) Equity Shares of ₹ 10/- each fully paid up of Hikal Limited	65,610,549	65,610,549
Investments in Other Companies :		
6,062,342 (6,062,342) Equity Shares of ₹ 5/- each fully paid up of BF Utilities Limited	36,190,426	36,190,426
Carried over	36,190,426	101,800,975

KALYANI INVESTMENT

Notes forming part of the Financial Statements for the year ended 31st March, 2012 (continued) :

			As at 31st March, 2012	As at 31st March, 2011
		₹	₹	₹
	Brought over	36,190,426	65,610,549	101,800,975
31,656,095	(31,656,095) Equity Shares of ₹ 2/- each fully paid up of Bharat Forge Limited	1,376,310,874		1,376,310,874
6,062,342	(6,062,342) Equity Shares of ₹ 5/- each fully paid up of BF Investment Limited	342,370,519		342,370,519
—	(25,000) Equity Shares of ₹ 2/- each fully paid up of Sterlite Technologies Limited	—		1,437,500
—	(500) Equity Shares of ₹ 5/- each fully paid up of Kirloskar Ferrous Industries Limited	—		7,500
—	(15,431) Equity Shares of ₹ 10/- each fully paid up of Bank of Baroda	—		1,519,130
—	(12,200) Equity Shares of ₹ 10/- each fully paid up of Canara Bank	—		427,000
			1,754,871,819	1,823,873,498
(ii) Equity Instruments, Unquoted :				
Investments in Associates :				
579,000	(579,000) Equity Shares of ₹ 10/- each fully paid up of Kalyani Agro Corporation Limited	173,700		173,700
	Less : Determined diminution in value, written off	(173,699)		—
		1		173,700
4,900	(4,900) Equity Shares of ₹ 10/- each, fully paid up of KG Renewable Energy Private Limited	49,000		49,000
450,000	(—) Equity Shares of ₹ 10/- each, fully paid up of Lord Ganesha Minerals Private Limited	75,187,500		—
	Less : Determined diminution in value, written off	(20,000,000)		—
		55,187,500		—
			55,236,501	222,700
Investments in Other Companies :				
56,155,556	(56,155,556) Equity Shares of ₹ 10/- each fully paid up of Kalyani Gerdau Steels Limited ^{\$}	561,555,560		561,555,560
22,005	(22,005) Equity Shares of ₹ 100/- each fully paid up of Dandakaranya Investment and Trading Limited	2,200,500		2,200,500
22,005	(22,005) Equity Shares of ₹ 100/- each fully paid up of Hastinapur Investment and Trading Limited	2,200,500		2,200,500
22,005	(22,005) Equity Shares of ₹ 100/- each fully paid up of Dronacharya Investment and Trading Limited	2,200,500		2,200,500
220,000	(220,000) Equity Shares of ₹ 10/- each fully paid up of Campanula Investment and Finance Limited	2,200,000		2,200,000
220,000	(220,000) Equity Shares of ₹ 10/- each fully paid up of Cornflower Investment and Finance Limited	2,200,000		2,200,000
245,000	(245,000) Equity Shares of ₹ 10/- each fully paid up of Carpenter Kalyani Special Alloys Private Limited	2,462,250		2,462,250
	Less : Provision for diminution in value	(2,217,250)		(2,217,250)
		245,000		245,000
5,001,000	(5,001,000) Equity Shares of ₹ 10/- each fully paid up of KSL Holdings Private Limited	50,160,050		50,160,050
			622,962,110	622,962,110
			2,498,680,979	2,447,058,308
	Carried over			
\$ 28,560,000 (28,560,000) Equity Shares are pledged with Stressed Assets Stabilisation Fund in terms of Corporate Debt Restructuring Approval of Kalyani Gerdau Steels Limited.				



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Notes forming part of the Financial Statements for the year ended 31st March, 2012 (continued) :

		As at 31st March, 2012	As at 31st March, 2011
	₹	₹	₹
Brought over		2,498,680,979	2,447,058,308
(iii) Preference Shares, Unquoted :			
Investments in Other Companies :			
75,486,111 (75,486,111) 0.1% Non-Cumulative Redeemable Preference Shares of ₹ 10/- each fully paid up of Kalyani Gerdau Steels Limited	845,444,440		845,444,440
53,000 (53,000) 12% Non-Cumulative Redeemable "C" Preference Shares of ₹ 100/- each fully paid up of Sundaram Trading & Investment Private Limited	5,300,000		5,300,000
		850,744,440	850,744,440
(iv) Debentures, Unquoted :			
Investments in Other Companies :			
— (313,050) 0% Optionally Fully Convertible Debentures of ₹ 100/- each, fully paid up of Gloxinia Investment and Finance Limited	—		31,305,000
313,000 (—) 0% Fully Convertible Debentures of ₹ 100/- each, fully paid up of Gloxinia Investment and Finance Limited	31,300,000		—
		31,300,000	31,305,000
(v) In a Partnership Firm :			
M/s Sundaram Enterprises (Refer Note No.3.20)		10,170	10,000
TOTAL		3,380,735,589	3,329,117,748
Book Value of Quoted Investments : 1,820,482,368	1,823,873,498		
Book Value of Unquoted Investments : 1,560,253,221	1,505,244,250		
Market Value of Quoted Investments : 14,157,159,008	17,762,850,937		
Aggregate provision for diminution of in value of investments : 2,217,250	2,217,250		
3.8 LONG TERM LOANS AND ADVANCES (UNSECURED, GOOD) :			
Advance tax paid net of provision for taxation		9,921	—
TOTAL		9,921	—
3.9 CURRENT INVESTMENTS, AT LOWER OF COST AND FAIR VALUE :			
Other than trade :			
In Units of Mutual Funds, Unquoted :			
2,865,229 (103,091) Units of ₹ 10/- each of HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend Option - Reinvest	28,742,541		1,034,159
29,138 (17,436) Units of ₹ 1,000/- each of UTI Treasury Advantage Fund - Institutional Plan (Daily Dividend Option) - Reinvestment	29,144,498		17,439,923
TOTAL		57,887,039	18,474,082
3.10 CASH AND CASH EQUIVALENTS :			
Cash on hand		803	4,588
Balances with banks			
In current accounts		320,646	1,939,969
TOTAL		321,449	1,944,557
3.11 SHORT TERM LOANS AND ADVANCES (UNSECURED, GOOD) :			
Other Loans and Advances		1,577,200	1,645,730
TOTAL		1,577,200	1,645,730

KALYANI INVESTMENT

Notes forming part of the Financial Statements for the year ended 31st March, 2012 (continued) :

	Year ended 31st March, 2012	Year ended 31st March, 2011
	₹	₹
3.12 REVENUE FROM OPERATIONS :		
Interest received on loans	387,507	—
TOTAL	387,507	—
3.13 OTHER INCOME :		
Dividend received on long term investments	189,616,187	73,267,760
Dividend received on short term investments	3,952,654	3,057,692
Profit on sale of long term investments (Net)	15,646,000	—
Profit on sale of short term investments (Net)	—	92
Share in profit of partnership firm (Refer Note No.3.20)	170	—
Miscellaneous Income	—	1,367
TOTAL	209,215,011	76,326,911
3.14 EMPLOYEE BENEFIT EXPENSES :		
Salaries, Allowances, Bonus	1,944,534	1,871,832
Contributions to Provident and Other Funds	176,101	138,633
TOTAL	2,120,635	2,010,465
3.15 OTHER EXPENSES :		
Rates and Taxes	1,537,637	460,972
Professional Fees	7,992,451	2,550,650
Commission to Non-Executive Directors	5,000,000	—
Fees and Subscription	476,027	512,308
Printing and Stationery	643,388	484,316
Communication Charges	1,063,598	506,800
Advertisement Expenses	167,752	381,019
Audit Fees (Refer Note No.3.17)	168,540	226,115
Sundry Expenses	5,323,363	4,856,085
Determined diminution in the value of long term investments written off	20,173,699	—
Loss on sale of short term investments (Net)	17,995	—
Share Issue expenses	—	680,543
TOTAL	42,564,450	10,658,808
3.16 Contingent Liabilities not provided for :	—	—
3.17 Payment to Auditor, inclusive of Service Tax :		
As auditor	140,450	88,240
For tax audit	—	27,575
For certification	28,090	110,300
TOTAL	168,540	226,115

3.18 Disclosure pursuant to Accounting Standard – 15 (Revised) on “Employee Benefits”

a) Defined contribution plans :

Employee Benefit Expenses are reimbursed by the Company to another company. The Company recognises amounts reimbursed for Provident Fund and Superannuation Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, specified percentage of the payroll costs is contributed to the funds.

The Company recognised amount aggregating to ₹ 136,285/- (Previous Year : ₹ 108,889/-) reimbursed for the provident and superannuation fund contributions in the Statement of Profit and Loss. The contributions payable to this plan are at the rates specified in respective legislations.

b) Defined benefits plans :

The Company reimburses annual contributions to the Employees’ Group Gratuity cum Life Insurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for the qualified employees. The Scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days’ salary payable for each completed year of service or part



Notes forming part of the Financial Statements for the year ended 31st March, 2012 (continued) :

thereof, in excess of six months, for continuous service upto 10 years and equivalent to one month's salary payable for each completed year of service or part thereof, in excess of six months, for continuous service of more than 10 years. Vesting occurs upon completion of five years of service.

The present value of defined benefit obligation and the related current service costs were measured using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date.

The following table sets out the funded status of the gratuity plan and the amounts recognised in the financial statements for the year ended 31st March, 2012 :

Sr. No.	Particulars	₹	Previous year ₹
I	Change in benefit obligations :		
	Projected benefit obligation, at the beginning of the year	21,940	—
	Interest cost	1,777	—
	Past service cost	—	—
	Current service cost	24,869	21,940
	Benefits paid	—	—
	Actuarial (gain) / loss	319	—
	Present benefit obligation, at the end of the year	48,905	21,940
II	Fair Value of Plan Assets :		
	Fair Value of Plan Assets, at the beginning of the year	—	—
	Effect of Demerger	—	—
	Expected return on Plan Assets	—	—
	Employer's contributions	—	—
	Benefits paid	—	—
	Actuarial gain / (loss)	—	—
	Fair Value of Plan Assets, at the end of the year	—	—
III	Amount recognised in the Balance Sheet :		
	Present benefit obligation, at the end of the year	48,905	21,940
	Fair Value of Plan Assets, at the end of the year	—	—
	Funded status	(48,905)	(21,940)
	Unrecognised actuarial gain / loss	—	—
	Net asset / (liability) recognised in the Balance Sheet	(48,905)	21,940
IV	Amounts recognised in the Statement of Profit and Loss :		
	Current service cost	24,869	21,940
	Past service cost	—	—
	Interest cost	1,777	—
	Expected return on plan assets	—	—
	Net actuarial (gain) / loss recognised	319	—
	Expenses recognised in the Statement of Profit and Loss	26,965	21,940
V	Actuarial assumptions :		
	Discount rate	8.50%	8.10%
	Salary escalation rate	7.00%	7.00%
	Expected rate of return on Plan Assets	0.00%	0.00%
	Expected average remaining working lives of employees (years)	7.83	8.43

c) Other Long Term Employee Benefits :

The table below gives summary of the Company's obligations for other long term employee benefits in the form of compensated absences.

Sr. No.	Particulars	₹	Previous year ₹
1	Present Value of Obligation	62,535	31,229
2	Fair Value of Plan Assets	—	—
3	Net asset / (liability) recognised in the Balance Sheet	(62,535)	(31,229)

Notes forming part of the Financial Statements for the year ended 31st March, 2012 (continued) :

3.19 Related Party Disclosures :

a) Related Parties and their relationships :

- i) Associates
 - KG Renewable Energy Private Limited
 - Hikal Limited
 - Lord Ganesha Minerals Private Limited
- ii) Joint Ventures
 - M/s Sundaram Enterprises

b) Transactions with Related Parties :

Particulars	Associates ₹	Joint Venture ₹	Total ₹
Dividend Received	30,933,900	—	30,933,900
	(41,245,200)	—	(41,245,200)
Unsecured Loan given	—	—	—
	(7,120)	—	(7,120)
Repayment of Unsecured Loan given	7,120	—	7,120
	—	—	—
Share in profit of partnership firm	—	170	170
	—	—	—
Capital Contribution/Investment in shares	75,187,500	—	75,187,500
	(49,000)	(10,000)	(59,000)

(Figures in bracket indicate previous year)

c) Balances with Related Parties :

Particulars	Associates ₹	Joint Venture ₹	Total ₹
Unsecured Loan given	—	—	—
	(7,120)	—	(7,120)
Balance on Capital with partnership firm	—	10,170	10,170
	—	(10,000)	(10,000)
Current	—	—	—
	(7,120)	—	(7,120)
Non Current	—	10,170	10,170
	—	(10,000)	(10,000)

(Figures in bracket indicate previous year)

3.20 Investment in Capital of Partnership Firm :

The Company is a partner in M/s Sundaram Enterprises. The names of partners, their capital contributions and their respective profit / loss sharing ratios are under :

Name of the Partner	Capital Contribution		Profit / Loss Sharing Ratio	
	As at 31st March, 2012 ₹	As at 31st March, 2011 ₹	As at 31st March, 2012 %	As at 31st March, 2011 %
Kalyani Investment Company Limited	10,170	10,000	20%	20%
BF Investment Limited	30,511	30,000	60%	60%
Sundaram Trading and Investment Private Limited	5,085	5,000	10%	10%
Gulbakshi Realty Private Limited	5,085	5,000	10%	10%
TOTAL	50,851	50,000	100%	100%



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Notes forming part of the Financial Statements for the year ended 31st March, 2012 (continued) :

The details of the aggregate amounts of the assets, liabilities, income and expenses of M/s Sundaram Enterprises, related to the Company's interest therein, based on its accounts for the year ended 31st March, 2012 are as under :

	Year ended 31st March, 2012		Year ended 31st March, 2011	
	Total	Share of the Company	Total	Share of the Company
	₹	₹	₹	₹
Assets	152,491	30,498	150,000	30,000
Liabilities	101,640	20,328	100,800	20,160
Income	2,391	478	—	—
Expenses	740	148	800	160

3.21 The Company does not owe any moneys to the suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006.

3.22 75,486,111 - 0.1% Non-Cumulative Redeemable Preference Shares of ₹ 10/- each fully paid up of Kalyani Gerdau Steels Limited are redeemable on 31st March, 2026.

3.23 18,000 - 12% Non-Cumulative Redeemable "C" Preference Shares of ₹ 100/- each fully paid up of Sundaram Trading and Investment Private Limited are redeemable on or before 11th October, 2014.

35,000 - 12% Non-Cumulative Redeemable "C" Preference Shares of ₹ 100/- each fully paid up of Sundaram Trading and Investment Private Limited are redeemable on or before 26th July, 2027.

3.24 Each of the 313,000 - 0% Fully Convertible Debentures of ₹ 100/- each fully paid up of Gloxinia Investment and Finance Private Limited are compulsorily convertible on or before 29th March, 2022, into Equity Shares of ₹ 10/- each fully paid up at such price as shall be fixed by company upon the expiry of the period of 10 years from the date of original issue viz. 29th March, 2012.

3.25 Earnings per share :

	Year ended 31st March, 2012	Year ended 31st March, 2011
	₹	₹
Profit for the year, as per the Statement of Profit and Loss	164,797,391	63,656,329
Less : (i) Dividend on Preference Share Capital	(80,640,000)	(40,320,000)
(ii) Dividend Distribution Tax	(13,081,824)	(6,696,648)
(a) Profit attributable to equity shareholders	71,075,567	16,639,681
(b) Weighted Average Number of Equity Shares, outstanding during the period	4,365,306	4,365,306
(c) Earnings per Share (of ₹ 10/- each) :		
Basic (₹ per share) (a / b) :	16.28	3.81
Diluted (₹ per share) (a / b) :	16.28	3.81

3.26 The Revised Schedules VI has become effective from 1st April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified whenever necessary to correspond with the current year's classification / disclosure.

As per my attached Report of even date

On behalf of the Board of Directors

P. V. Deo
Chartered Accountant
Membership No.41609

Tushar Meher
Company Secretary

Amit B. Kalyani
Chairman

R.K. Goyal
Director

Place : Pune
Date : 26th May, 2012

Place : Pune
Date : 26th May, 2012



KALYANI

DRIVING INNOVATION

KALYANI INVESTMENT COMPANY LIMITED

MUNDHWA, PUNE - 411 036
MAHARASHTRA, INDIA.