



KALYANI FORGE LIMITED

BOARD OF DIRECTORS

NEELKANTH A. KALYANI
(Chairman)

MRS. R. G. KALYANI
(Vice Chairperson and
Managing Director)

G. N. KALYANI

UMESH R. LAHOTI

C. H. NANIWADEKAR

PRADIP P. NADKARNI

A. R. JAMENIS

S. RAVINDRAN

CHIEF EXECUTIVE OFFICER

K.V.L.N. MURTY

CHIEF FINANCE OFFICER

MANGESH ANNACHHATRE

COMPANY SECRETARY

NIRNOY SUR

BANKERS:

State Bank of India,
Bank of Maharashtra,
DBS Bank Ltd.
Citi Bank NA,
HDFC Bank

SOLICITORS & ADVOCATES :

Karnik & Karnik
Pune

AUDITORS :

M/S. P. G. Bhagwat
Chartered Accountants,
Pune.

REGISTERED OFFICE:

Shangrila Gardens,
'C' Wing, 1st Floor,
Opp. Bund Garden,
Pune-411 001.
Website: www.kalyaniforge.co.in

WORKS:

- Hot Forging Division (HFD)
Metal Forms Division (MFD)
Koregaon Bhima,
Tal. : Shirur,
District: Pune 412 207.
- Precision Autocomp Division (PAD)
Gat No. 914/1 & 2, Sanaswadi
Tal. : Shirur,
District: Pune 412 208.



KALYANI FORGE LIMITED
Regd. Office : Shangrila Gardens, "C" Wing,
1st floor, Opposite Bund Garden, Pune 411 001

NOTICE

NOTICE is hereby given that the Thirty-second Annual General Meeting of the Members of KALYANI FORGE LIMITED will be held at Poona Club Ltd., 6, Bund Garden Road, Pune-411 001 on Saturday, the 23rd day of July, 2011 at 11.00 a.m., to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2011, Profit & Loss Account for the year ended 31st March, 2011 and reports of the Directors Auditors thereon;
2. To declare dividend on equity shares;
3. To appoint a Director in place of Dr. N.A. Kalyani who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Mr. A.R. Jamenis, who retires by rotation and being eligible, offers himself for re-appointment;
5. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an ORDINARY RESOLUTION.

"RESOLVED THAT the Company's retiring auditors, M/s P.G.Bhagwat, Chartered Accountants of Pune (Firm Registration No.-101118W), be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors be and are hereby authorized to fix their remuneration for the said period."

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as SPECIAL RESOLUTION:

"RESOLVED THAT Pursuant to Section 309 and other applicable provisions of The Companies Act, 1956, If any, and subject to such permissions, consents and approvals, as may be required, approval of the members be and is hereby accorded to the payment and distribution, for five financial years commencing from April, 01, 2011, of a commission not exceeding 1 % (one percent) of the net profits of the company calculated in accordance with the provisions of sections 198, 349 of the companies act, 1956, amongst the non-executive directors of the company or any one or more of them in such proportion and in such manner and in all respects as may be decided by the board of directors of the company from time to time and such payment shall be made in respect of the profits of the company for each financial year, provided that for the purpose of calculating the commission payable for any part of the financial year of the company, such profits shall be deemed to have accrued or arisen at an even rate throughout the year and shall be pro-rated for each director having regard to the period during which he has served as a director during the relevant financial year."

By Order of the Board of Directors
For Kalyani Forge Ltd.,

Pune
30th May, 2011

Nirnoy Sur
Company Secretary

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Proxies, in order to be effective, must be deposited with the Company at its Registered office not less than 48 hours before the time fixed for holding the Annual General Meeting.
3. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 6 being special business is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 16th day of July, 2011, to Saturday, the 23rd day of July, 2011, both days inclusive.
5. Members are requested to:
 - a) intimate any change in their address to the Company's Registrar and Share Transfer agents, Link Intime India Pvt. Ltd, Block No.202, Second Floor, Akshay Complex, Off.Dhole Patil Road, Near Ganesh Mandir, Pune - 411 001 in case of those who are holding in physical form , in case of electronic holders the same has to be sent to respective DP.
 - b) Quote client ID and DP ID numbers in respect of shares held in dematerialization form and ledger folio number in respect of shares in physical form in all correspondence.
6. Members/ Proxies are requested to bring Annual Report and attendance slip duly filled in.
7. Corporate members intending to send their authorized representative to attend meeting are requested to send a certified true copy of Board Resolution authorizing their representatives to attend and vote on their behalf at the Annual General Meeting.
8. Members holding equity shares in multiple folios in the identical order of names are requested to consolidate their holding into one folio.
9. Members desirous of getting any information concerning the accounts or operation of the Company, are requested to address their queries to the Company Secretary at least ten days in advance of the Annual General Meeting so that the information required can be made available at the meeting to the extent possible.
10. The dividend, as recommended by the Board ,if declared at the Annual General Meeting will paid on or after - 23rd July, 2011 to those persons or their mandate:
 - a) Whose names appear as Beneficial Owners as at the end of the business hours on Saturday, 16th July, 2011 in the list of Beneficial Owners to be furnished by NSDL and CDSL in respect of the 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 /Registrar and Share Transfer Agents on or before 23 rd July, 2011.
11. Members holding shares in dematerialized form are requested to intimate any change in their address/name, bank details, ECS Mandates, nominations, power of attorney, etc. to their respective DPs only.
12. Members holding shares in physical form are requested to intimate any change in address, bank details, etc. to the Company's Registrar and Share Transfer Agents :

Link Intime India Pvt. Ltd,
Block No.202, Second Floor,
Akshay Complex
Off.Dhole Patil Road,
Near Ganesh Mandir,
Pune - 411 001.
Telephone - 9520 2605 1629 Fax - 9520 2605 3503
E-mail :pune@linkintime.co.in



13. Equity Shareholders who have not dematerialized are advised to dematerialize their shareholding, to avoid inconvenience in future and to reap benefits of de-materialization.
14. In order to provide better service to the Shareholders, the Company has introduced, in the year 2005, Electronic Clearing Service (ECS) for payments of dividend. Shareholders desirous of availing ECS facility may provide the required information to our Registrar and Transfer Agents.
15. Documents referred to in any of the items of the Notice are available for inspection at the Registered Office address of the Company on any working day, up to the 23rd July, 2011, during business hours of the Company.

16. Unclaimed Dividends:

The details of dividend paid by the Company and their respective due dates of the proposed transfer to such Fund of the Central Government if they remain unencashed are as under

Dividend for the year	Date of declaration of Dividened	Dividend Rs. Per share	Due date of the proposed transfer to the Central Government
2003-04	22-Sep-2004	2	21-Sep-2011
2004-05	21-Sep-2005	2	20-Sep-2012
2005-06	12-Sep-2006	2.2	11-Nov-2013
2006-07	22-Sep-2007	2.2	21-Sep-2014
2007-08	20-Sep-2008	2.2	19-Sep-2015
2008-09	18-Jul-2009	1.2	17-Jul-2016

It may please be noted that no claim will lie from a member once the transfer is made to the credit of Investor Education and Protection Fund of the Central Government, under the amended provisions of Section 205(C) of the Companies Act, 1956.

In view of the regulation, the shareholders are advised to send the entire unencashed dividend warrants to the Registered Office of the Company for revalidation and encash them before the due date for transfer to the Central Government.

17. Sending the annual report on E-mail of shareholders is allowed and thus you are requested to send your e mail ID if you want the annual report to be sent on e-mail. If you choose to receive the annual report on your e-mail then no separate annual report would be sent to you by post.

It would be your responsibility to report any changes in the e-mail ID that you have registered with us or your decision to receive the annual report by post instead. Any member may insist for physical copies of the annual report and the same would be sent to him free of cost.

By Order of the Board of Directors
For Kalyani Forge Ltd.,

Pune
30th May, 2011

Nirnoy Sur
Company Secretary

Regd. Off.
Shangrila Gardens,
'C' Wing, 1st Floor,
Opp. Bund Garden,
Pune-411 001.



ANNEXURE TO THE NOTICE**Explanatory Statement as required by Section 173(2) of the Companies Act, 1956.****Item No.6:**

Section 309(4) of the Companies Act, 1956, allows payment of commission upto aggregate of 1 % of the net profits of the Company to all the Non-Executive Directors of the Company put together, if the Company has a Managing or Whole-time Director. For this purpose, a Special Resolution approved by the members of the Company is a pre-requisite.

The members of the Company in their Annual General Meeting held on 29th September, 2006, had approved payment of remuneration to Non Executive Directors by way of commission, till the Financial year ended on 31.03.2011. The proposed Special Resolution under Item no.6 is to consider the payment of such remuneration by way of commission to Non-Executive Directors for further period of five years commencing from 01.04.2011.

All the Non-Executive Directors may be regarded as interested in the resolution.

By Order of the Board of Directors
For Kalyani Forge Ltd.,

Pune
30th May, 2011

Nirnoy Sur
Company Secretary

**DIRECTORS' REPORT****For the year ended 31st March, 2011**

To
The Members,

The Directors have pleasure in presenting their 32nd Annual Report on the business and operations of the Company together with audited statement of accounts for the year ended 31st March, 2011.

1. FINANCIAL RESULTS:

Particulars	(Rs.Millions)	
	Financial Year	
	(2010-11)	(2009-10)
Total Income	2617.30	1826.1
Gross Profit before Depreciation,	2394.58	1694.5
Profit after Depreciation	101.45	59.4
Profit for the year	67.70	39.13
Add/Less : Prior Period Adjustment	-3.24	-6.03
Add : Balance of Profit from Previous Year	563.63	544.20
Profit available for appropriation	628.09	577.29
Less : Transfer to General Reserve	4.9	6
Less : Proposed Dividend on Equity Capital	7.3	6.5
Less : Tax on above dividend	1.2	1.1
Surplus retained in Profit and Loss A/C	614.7	563.6

2. DIVIDEND:

Your Directors recommend dividend of Rs.2.00 per equity share of Rs.10 each (20%) for year ended 31st March,2011.

3. PERFORMANCE REVIEW:

More significantly, the utilization of assets in Machine Shop improved leading to supply of value added forgings to customers. Between April, 2010 and March, 2011, the sale of value added forgings increased from Rs.101.86 million to Rs.216 Million a month. During the year the product sales mix was modified so as to exclude dies with high material consumption.

During the financial year we continued with new product development initiatives which will translate into business in the times to come.

4. DIRECTORS:

During the year under review, there is no change in the composition of the Board of Directors of the Company.

Pursuant to Section 256 of the Companies Act, 1956 read with articles 160,161 of Articles of Association of the Company, Dr. Neelkanth A. Kalyani and Mr.A.R. Jamenis, Directors retire by rotation and are eligible for re-appointment at the ensuing Annual General Meeting.

The brief profile of the Directors seeking re-appointment, forms part of the Corporate Governance Report.

5. TRANSFER TO GENERAL RESERVE:

During the year a sum of Rs 4,90,000 has been transferred to the General Reserve Account.

6. AUDITORS:



The Auditors of the Company M/s.P.G. Bhagwat, Chartered Accountants, Pune, who retire at the ensuing Annual General Meeting and are eligible for reappointment. They have confirmed their eligibility under Section 224 of the, Companies Act, 1956 for reappointment as Auditors of the Company.

7. AUDITORS' REPORT:

The observations made in the Auditors' Report, read together with the relevant notes thereon, are self explanatory and hence does not call for any comments under Section 217(3) of the Companies Act, 1956.

8. DIRECTORS' RESPONSIBILITY STATEMENT:

To the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956:

- i) that in the preparation of the annual accounts for the Financial Year ended 31st March, 2011, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) that the Directors have selected such accounting policies and applied them consistently and judgments and estimates have been made that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on 31st March, 2011, and of the profit of the Company for the year ended on that date;
- 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 and
- iv) that the annual accounts have been prepared on a going concern basis.

9. CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with the Stock exchanges, a separate section on corporate governance practice followed by the Company, together with a certificate from the Company's Auditors confirming compliance, is set out in the annexure forming part of this report.

10. PARTICULARS OF EMPLOYEES:

There is no employee whose particulars are required to be given under section 217(2A) (a) of the Companies Act 1956 read with Notification dated 31st March, 2011 by MOCA.

11. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 are given in Annexure I to the Directors' Report.

12. APPRECIATION:

Your Directors would like to thank to the Bankers, Central and State Government, Stock Exchange, other Regulatory Agencies, Investors, Shareholder and Employees of the Company and wish to acknowledge and place on record their sincere appreciation for the continuous excellent support given by them to the Company and their confidence in its management. Industrial relations continued to be cordial and peaceful.

For and on behalf of the Board of Director

Pune
30th May, 2011

Rohini.G. Kalyani
Vice Chairperson & Managing Director

**ANNEXURE - I TO THE DIRECTORS' REPORT:**

Information as per Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March, 2011.

A) CONSERVATION OF ENERGY:

- a. Energy conservation measures taken:

Preventive measures to reduce the consumption per unit of production have been taken.

- b. Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the schedule thereto:

Sr No	Description	Current Year 2010-11	Last Year 2009-10
1)	Power and Fuel Consumption		
i)	Electricity		
	a) Purchased Units (KWH)	28,112,760	21,573,453
	Total amount (Rs)	157,224,030	109,052,009
	Rate/Unit (Rs)	5.60	5.05
	b) Own Generation		
	i) Through Diesel Generator (KWH)	16,744	241,211
	ii) Through Steam Turbine / Generator	-	-
ii)	Coal	-	-
iii)	Fuel Oil (LDO + Fuel Oil):		
	Quantity (Litres)	1,289,512	1,297,140
	Total Amount (Rs)	52,871,647	47,710,930
	Avg. Rate / Litre (Rs) - LDO	41.62	36.78
	Avg. Rate / Litre (Rs) - Fuel Oil	28.23	
2)	Consumption per unit of Production :		
	Product: High Quality Close Tolerance Die Forgings		
	Unit: M.T.	17623	12,803
	Electricity (KWH)	1595	1,665
	Fuel Oil (KL/Ton)	0.073	0.101
	Coal	NIL	NIL

*We could maintain total cost with percentage in use in costs of LDO and Furnace oil

B) TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form-B of the Annexure to the Rules :

A. Specific areas in which R&D was carried out by the Company :

- a) During the year Kalyani Forge's Engineering Team developed variety of parts to customers' specific requirements. These developments involved new raw material processing, die developments and try outs. Some of these includes components like stainless steel, 309 grade for Honeywell and many other parts.
- b) R&D is being continued to improve die life, die down time and in reduction of raw material utilization, which has yielded benefits.
- c) In the area of cold forging, we have procured a new 650t Automatic Press and successfully tried out the press. We also copied the dies, which we got manufactured at M/s. Zeno Tech Japan with less than half cost with in house resources.

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

- a) We have improved the process of stainless steel by solution annealing with water tank instead of



reheating and quenching, which resulted in substantial fuel cost saving.

- b) We have successfully implemented use of furnace oil for the heat treatment furnaces instead of LDO, which also will give substantial reduction in fuel cost for the year 2011-12.

C. Future plan of action

- a) Automation of Presses – Automation of one Press in MFD for Tulips.
b) Automation of 650T Cold Forging Press implementation.

D. Expenditure on R&D :

	(Rs. in Million)
i) Capital	0.913
ii) Recurring	<u>2.722</u>
iii) Total	<u>3.636</u>
iv) Total R&D Expenditure as a percentage of total turnover	0.15%

E. Technology Absorption, Adaptation and Innovation :

Having completed adoption of fracture split technology, the Company is now moving towards adoption of technology for critical automotive connecting rods for the overseas markets where the accuracies required in weight involved are higher. The Company has also been successful in innovating for new suspension arm parts for heavy vehicles.

C) FOREIGN EXCHANGE USED AND EARNED :

	(Rs in Million)
Used	61.83
Earned	527.28

For and on behalf of the Board of Director

Pune
30th May, 2011

Rohini.G. Kalyani
Vice Chairperson & Managing Director

**MANAGEMENT DISCUSSION AND ANALYSIS****A) Economic Scenario and Industry Structure :**

Coming out of the Global Recession during 2008-09, Indian economy showed strong growth especially in the second half of 2009-10 and 2010-11. GDP grew over 8.3% in 2010-11. Significant part of this growth is the contribution of industrial growth at 8.4% compared to 8.1% in 2009-10.

While the automotive industry growth was stagnant during 2009-10, the industry growth was over 27% in 2010-11. The leading segment of the growth was the commercial vehicle segment with a growth of overall 32%. The following table indicates segment-wise growth of automotive industry over last 3 years. Along with this growth, the commodity prices (steel and oil) hardened during the second half of the financial year putting significant pressure on the cost of manufacturing across the automotive and automotive component industry :

Segment	2008-09	2009-10	2010-11
Passenger Car	1,838,697	2,351,240	2,987,296
Commercial Vehicle	417,126	566,608	752,735
3-Wheeler	501,030	619,093	799,553
2-Wheeler	8,418,626	10,512,889	13,376,451
Total	11,175,479	14,049,830	17,916,035

Source: SIAM Report

B) Opportunities & Threats:

During the year 2009-10 M/s. Kalyani Forge Ltd had systematically identified and implemented cost reduction measures. All those components which were contributing very low for profitability where the value addition per kg of input/finish weight are lower are identified and requested the customers to increase the price and where ever we could not get the required price, we requested them to find an alternative for those components.

A detailed Budget for the year 2011-12 has been made with such minute details as the division, the cost code-wise, item-wise consumption to be made per month for the year 2011-12 and is being monitored fortnightly.

In some low volume products as the inventory costs are high your company requested the customers to make alternative arrangement. We could get approx. Rs. 2.20 per input Kg of raw material in most of the cases as conversion cost increase and we are using approximately 2000 tonnes of input steel.

The major threat continues to be in the spiraling input costs which are effecting the bottom-line. Attracting and retaining the talents especially in the Machining line is becoming more and more difficult as the salaries offered in the region are increasing with arrival of multinational companies in the region.

C) Outlook :

All macro economic indicators show a positive outlook for the year 2011-12. The economy is expected to grow over 7.5% to 8.4% and industrial output is estimated to be growing at 12% in 2011-12. Automotive Industry, which is the main stay of your business, is also expected to grow over more than 10%.

In the light of the above, Kalyani Forge's growth in top-line is expected to be 15%. With leaner cost structure established during last year, bottom-line growth is expected to be significantly higher than the top-line growth.

D) New Business Development :

Traditionally, Automotive Industries grow with launch of new vehicles periodically and Tier I Companies growth is critically dependent on the ability to develop and launch new products on time to the OEMs. Over the last 3 decades, Kalyani Forge has developed and sustained this capability. In the year 2011-12, revenue on account of new products will be more than 20% of total revenue. Organizationally, Kalyani Forge has recently aligned itself to ensure that enhanced focus is given to both business development and new product launches. We are specializing in the forging and machining of Connecting rods.

**E) Risks and Concerns:**

One of the key risks we are facing is related to attrition and retention of talent, both at working level and at managerial level. Being a Technology Company, hiring and retaining top-notch talent is a key to continued success of our Organization.

With export opportunities opening up again after recession and in the year 2010-11, your Company's revenues through exports would be close to 31% in the year 2011-12. Exposure to export market has its own set of risks in terms of business continuity and maintaining highest product quality.

F) Internal Controls and Adequacy:

Through the year 2010-11 both with external help and internal controls, the SAP utilization has improved significantly ensuring timely and accurate data for decision making. We are continuing to invest in training of people in using SAP. We are also integrating as many control processes as possible in SAP to ensure adequate internal controls in place.

With more and more of Internal Auditors for finding loop holes in internal controls has helped us to improve in every area of our business.

The recent detailed budget and budgetary control further helped us in finding deviations faster and to take remedial measures.

G) Financial and Operational performance :

During the year **2010-11** the Company produced **17398 MT** of forgings as against **12803 MT** produced during the year **2009-10**. More significantly, the utilization of assets in Machine Shop improved leading to supply of value added forgings to customers. Between April, 2010 and March, 2011, the sale of value added forgings increased from Rs.101.86 million to Rs.216 Million a month. More components were added in the warm and cold forging division with the output improving by 17% in 2010-11 compared to 2009-10.

In terms of cost control, several initiatives like raw material yield improvement, power consumption, oil consumption, stores and die steel consumption were deployed leading to overall control in cost of manufacturing.

H) Manpower Development in HR and Industrial relations:

As the economy improved during 2010-11, the Company started rehiring employees to support the growth. Many of the employee benefits which were curtailed during the recession were reinstated. Industrial relation continued to be cordial during the Financial Year.

I) Wage Agreement :

We have successfully implemented the wage agreement with Union.

J) Corporate Social Responsibility :

As a part of its corporate responsibility to the society, your Company has been supporting and providing assistance to nearby villages by providing books and other stationery, providing clean drinking water facility, sharing knowledge and experience with students by the Company employees, giving donations to NGOs for upliftment of unprivileged communities.

K) Cautionary Statements:

Statements in the management discussions and analysis section describing company's projections, estimations, expectation and predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from the expressed or implied. Important factors that would make a difference to the company's operations include demand supply conditions, raw material prices, changes in government regulations, tax regimes, competition, economic developments within and outside the country, etc.

**REPORT ON CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance is given below:

MANDATORY REQUIREMENTS**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:**

Kalyani Forge Limited is committed and continues to focus on good Corporate Governance by being transparent and by maintaining a high level of integrity, accountability and social responsibility. The Company has set its corporate governance philosophy to enhance the long-term value of Company's stakeholders.

In our endeavor to adopt the best Corporate Governance and disclosure practices, the Company complies with all the requirements of the Clause 49 of the Listing Agreement(s), entered with National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

2. BOARD OF DIRECTORS:

a) Size and Composition of Board:

- The present strength of your Company's Board is eight Directors comprising of Non-Executive Chairman of the Board, Mr. Neelkanth A. Kalyani who is a Promoter, five are Non- Executive and Independent Directors viz. Mr. C. H. Naniwadekar, Mr. Pradip P. Nadkarni, Mr. A.R. Jamenis Mr. S. Ravindran and Mr. U.R.Lahoti. More than fifty percent of the Board comprises of independent Directors. The Composition of Board is in conformity with Clause 49 of the Listing Agreement entered into with Stock Exchanges.

The day to day management of the Company is conducted by the Managing Director subject to the supervision and control of the Board of Directors.

None of the Non-Executive Directors have any material pecuniary relationship or transaction with the Company. The necessary disclosures regarding committee positions in other public companies as on 31st March, 2011 have been made by the Directors.

During the financial year 2010-2011 Five Board Meetings were held on 26th May, 2010, 10th July 2010, 12th August, 2010, 11th November, 2010, 9th February, 2011.

The attendance at the Board meeting held during the financial year 2010-2011 and at last annual general meeting, the number of other directorships and committee memberships/chairmanships of Directors as on 31st March, 2011, are as follows:

Name	Category	Number of Board Meetings held during the year 2010-11		Whether attended last AGM	No. of Directorship in other Public Ltd. Companies	Committee positions held in other Public Limited Companies	
		Held	Attended			Member	Chairman
Dr.N.A.Kalyani	Promoter and Chairman, Non Executive	5	0	Yes	1	--	--
Mrs. R.G.Kalyani	Vice Chairperson & Managing Director	5	5	Yes	-	--	--
Mr. G. N. Kalyani	Non Executive Director	5	5	Yes	-	--	--



Name	Category	Number of Board Meetings held during the year 2009-10		Whether attended last AGM	No. of Directorship in other Public Ltd. Companies	*Committee positions held in other Public Limited Companies	
		Held	Attended			Member	Chairman
Mr. U.R.Lahoti	Non Executive & Independent Director	5	-	No	6	2	--
Mr.C.H. Naniwadekar	Non Executive & Independent Director	5	5	Yes	1	--	--
Mr. Pradip Nadkarni	Non Executive & Independent Director	5	4	Yes	--	--	--
Mr. A.R.Jamenis	Non Executive & Independent Director	5	5	Yes	1	2	--
Mr.S.Ravindran	Non Executive & Independent Director	5	5	Yes	--	--	--

* None of the Directors on the Board is a member on more than ten committees and Chairman of more than five committees across all the Companies in which they are Directors. Only two Committees i.e. the Audit Committee and Investors Grievance Committee are considered for this purpose.

b) Code of Conduct

The Board of Kalyani Forge Limited has laid down a Code of Conduct for all Board Members and Senior Management personnel of the Company. The Code of Conduct is available on the website of the Company, www.kalyaniforge.co.in. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct and the Managing Director has confirmed the same.

c) Details of Directors retiring by rotation and seeking re-appointment at the forthcoming annual general meeting are given below:

Name of the Director	Dr. Neelkanth Kalyani	Mr. A.R.Jamenis
Date of Birth	20/08/1928	02/05/1943
Date of Appointment	30/4/1982	23/09/2007
Qualification	B.Com	B.E (Mech)
Expertise in specific functional area	Forging	
List of outside Directorships held	Kinetic Engineering Ltd.	Kirloskar Ferrous Industries Limited
Chairman/Member of the Committees of the Board of Directors of the Company	Nil	2
Chairman/Member of the Committees of Director of other Companies in which he is a Director	Nil	7
Shareholding in KFL as on 31st March, 2010	Nil	Nil

**3. AUDIT COMMITTEE:**

The Audit Committee of the Company has been constituted in line with the provisions of clause 49 of the Listing Agreement.

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures, transparency, integrity and quality of financial reporting.

The Audit Committee comprise of four members all of which are Non-Executive Independent Directors.

Mr. C.H. Naniwadekar is the Chairman of the Audit Committee.

Mrs. Shweta Naik, Company Secretary is the Secretary to the committee.

Terms of reference to Audit Committee cover the matters specified under clause 49 of the Listing Agreement with the Stock Exchanges.

a) Composition and attendance at Audit Committee meeting:

During the year under review five Audit Committee meetings were held on 26th May, 2010, 10th July, 2010, 12th August 2010, 11th November, 2010 and 9th February, 2011.

The composition of the Audit Committee as on 31st March, 2011 and attendance of members in the meetings held during the financial year 2010-11 are as under:

Name of the Member	Category	No. of meetings attended
Mr.C.H.Naniwadekar(Chairman)	Non Executive & Independent Director	5
Mr. Pradip Nadkarni	Non Executive & Independent Director	4
Mr. A. R. Jamenis	Non Executive & Independent Director	5
Mr. S. Ravindran	Non Executive & Independent Director	5

4. REMUNERATION COMMITTEE:

The purpose of the Remuneration Committee of the Board is to discharge the Board's responsibilities relating to compensation of the Company's Executive Directors and Senior Management. The committee has overall responsibility for approving and evaluating the Executive Directors and Senior Management compensation plans, policies and programmes.

The Committee consists of four Non-Executive Independent Directors.

Mr. C.H. Naniwadekar is the Chairman of the Remuneration Committee.

a) *Composition and attendance at the Remuneration Committee:

Name of the Director	Category
Mr.C.H.Naniwadekar(Chairman)	Non Executive & Independent Director
Mr. A. R. Jamenis	Non Executive & Independent Director
Mr. Pradip Nadkarni	Non Executive & Independent Director
Mr. S. Ravindran	Non Executive & Independent Director

*Composition of Remuneration Committee was reconstituted w.e.f. 26th May, 2010

b) **Meetings of Remuneration Committee :**

During the financial year 2010-11, there was no meeting of remuneration committee.

c) **Remuneration Policy :**

The remuneration policy is directed towards rewarding performance, based on review of achievements



on a periodical basis. The remuneration policy is in consonance with the existing industry practice.

d) Remuneration to Directors :

The Company pays remuneration by way of salary, perquisites, allowances and commission to its Vice Chairperson and Managing Director. The Commission to the Vice Chairperson and 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 details of remuneration paid to Directors of the Company during the financial year 2010-2011 as under:

(Amount in Rupees)

Name of the Director	Sitting fees including fees for Committee Meetings	Salaries & Perks	Commission proposed & payable after approval of Accounts by shareholders in AGM	Total Amount
Dr. N. A. Kalyani	-		1,50,000	1,50,000
Mrs. R.G. Kalyani	-	24,42,636	25,04,687	49,47,323
Mr. G. N. Kalyani	29,000	-	1,50,000	1,79,000
Mr. U. R. Lahoti	-	-	-	-
Mr.C.H.Naniwadekar	37,000	-	1,50,000	1,87,000
Mr. Pradip Nadkarni	29,500	-	1,50,000	1,79,500
Mr. A. R. Jamenis	30,000	-	1,50,000	1,80,000
Mr.S.Ravindran	32,000	-	1,50,000	1,82,000

The remuneration to the Vice Chairperson and Managing Director is within the ceiling prescribed under the provision of the Companies Act, 1956.

All Non-Executive Directors of the Company receive sitting fees for each meeting of Board and Committee thereof attended by them. The net profits of the Company, not exceeding 1% are distributable as commission, amongst the Non-Executive Directors considering the special services and efforts rendered by them. Other than sitting fees and commission on the net profits of the Company, no other remuneration is paid to the Non-Executive Directors during the financial year.

Your Company presently does not have performance linked incentives for its Directors. No severance fee is payable.

5. Share Transfer cum Shareholders'/ Investors' Grievance Committee:

Share Transfer cum Shareholders'/ Investors' Grievance Committee was constituted looks into redressal of Shareholders and Investors' Complaint and matters non-receipt of annual report, non-receipt of dividend and to look into matters that can facilitate better services and relations.

The committee consists of three Non-Executive Independent Directors.

Mr. G.N. Kalyani is the Chairman of the committee.

a) Composition and attendance at the Shareholders'/ Investors' Grievance Committee:

Name of the Director	Category
Mr. G.N. Kalyani (Chairman)	Executive Director
Mr. Pradip Nadkarni	Non Executive & Independent Director
Mr. C.H.Naniwadekar	Non Executive & Independent Director

*Composition of Share Transfer cum Shareholders'/ Investors' Grievance Committee was reconstituted w.e.f. 26th May, 2010



b) Meetings of Share Transfer cum Shareholders'/ Investors' Grievance Committee

During the financial year 2010-11, there were 8 meetings held on 10th July,2010, 12th August,2010, 13th September,2010,30th September,2010, 30th October,2010,31st December,2010,9th February,2011,4th March,2011

The Company has received 43 Complaints during the year and all of them were resolved. There were no pending share transfer and complaints as on 31st March, 2011.

6. SUBSIDIARY COMPANY

The Company does not have a material unlisted Indian subsidiary whose turnover or net-worth exceeds 20% of the consolidated turnover or net-worth respectively of the listed holding Company and its subsidiary in the immediately preceding accounting year.

7. DETAILS OF THE ANNUAL GENERAL MEETINGS:

The details of previous three annual general meetings of the Company are as follows:

Financial Year	Date and Time	Venue	Special Resolutions passed
2007-08	20th September,2008 at 11.30 a.m.	Poona Club Ltd., Camp Pune- 411 001	1
2008-09	18th July, 2009 at 11.30 a.m.	Poona Club Ltd., Camp Pune- 411 001	-
2009-10	17th July, 2010 at 11.00 a.m.	Poona Club Ltd., Camp Pune- 411 001	-

During the financial year under review, no resolutions have been passed by postal ballot.

8. DISCLOSURES :

a) Materially Significant Related Party Transactions :

All related party transactions form part of the notes to the Balance Sheet. Saving those, there were no materially significant related party transactions with Company's promoters, directors or its management, their subsidiaries or relatives, etc. that had a potential conflict with the interest of the Company. The register of contracts containing transactions, in which Directors are interested, is placed before the Board regularly.

b) Accounting Treatment

No treatment different from that prescribed in an Accounting Standards has been followed by the Company.

c) Statutory Compliance, Strictures and Penalties

The Company has complied with rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India and any other statutory authority relating to capital market.

No penalties and/or strictures have been imposed on the Company by any Stock Exchange or SEBI or any statutory authority during the last three years.

9. MEANS OF COMMUNICATION :

Quarterly and Half-yearly results are published in one of the renowned English and Marathi dailies, published from Pune. The results are also prominently updated in Company's website, www.kalyaniforge.co.in. There is hardly any official news required to be released on website or even in Press.



10. GENERAL SHAREHOLDER INFORMATION

a) AGM Information and Financial Year :

Day, Date and Time of AGM	:	Saturday, 23rd July 2011 at 11.00 a.m.
Venue	:	Poona Club Ltd., Camp, Pune-411 001
Financial Year	:	1st April, 2010 to 31st March, 2011
Date of Book Closure	:	16th July, 2011 to 23rd July, 2011 (both days inclusive)
Dividend Payment Date	:	On and after 23rd July, 2011

b) Listing on Stock Exchanges and Scrip Code :

The Company's shares have been listed on the following exchanges:

- I. National Stock Exchange of India Limited (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051
NSE Code: KALYANIFRG
- II. Bombay Stock Exchange Limited (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001
Scrip Code BSE Code: 513509

Annual listing fees have been paid for the financial year 2011-12.

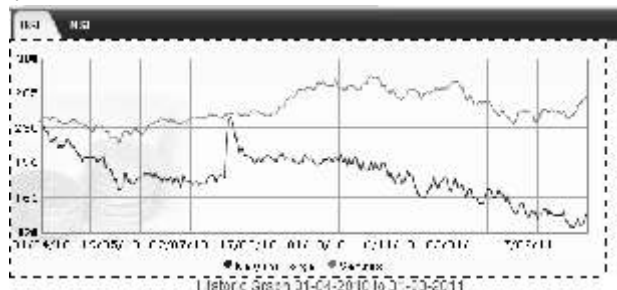
c) Market Price Data :

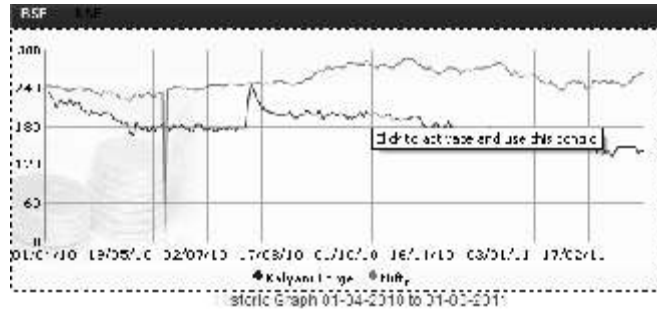
The monthly high and low quotations and volume of shares traded on BSE and NSE from 1st April, 2010 upto 31st March, 2011 is as follows:

Month	BSE		NSE	
	High(Rs)	Low(Rs)	High(Rs)	Low(Rs)
Apr-10	240.9	193	246.35	196.20
May-10	208.8	161.6	216.50	163.40
Jun-10	218	165.2	205.70	154
Jul-10	204	170	198.45	157.5
Aug-10	254	180.1	254.80	172.1
Sep-10	209	190.75	209.90	188.60
Oct-10	207	187.5	208	186
Nov-10	204	170	203.90	167
Dec-10	194.8	158	188	161.60
Jan-11	183	155	179.95	151.20
Feb-11	176.4	134	163	137.75
Mar-11	151.5	128	151.50	133.00

d) Performance in comparison to the Board-based Indices

Performance in comparison to BSE Sensex



Performance in comparison to NSE Nifty

e) Registrar & Share Transfer Agent and Share Transfer System :

Link Intime India Private Limited is the Registrar & Share Transfer Agent (RTA) of the Company in respect of the equity capital in demat and physical mode. They process share transfer and transmission on fortnightly basis. Their address is as follows:

Link Intime India Pvt. Ltd,
Block No.202, Second Floor,
Akshay Complex, Off.Dhole Patil Road,
Near Ganesh Mandir, Pune - 411 001.
Tel. /Fax – 020 2605 3503
E-mail:pune@linkintime.co.in

f) Share Transfer System:

Transfer in physical form has to be lodged with Registrar and Share Transfer Agents. All shares received for transfer were registered and dispatched within thirty days of receipts, if the documents were correct and valid in all respects. The time taken to process dematerialization of shares is ten days upon receipt of documents from Depository Participant.

g) Shareholding pattern as on 31st March, 2011:

Category	Number of Shares	Percentage (%)
Promoter and Promoter Group	21,30,646	58.57
Non Resident Indians	4,384	0.12
Bodies Corporate	7,93,041	21.80
Resident Indians	7,07,390	19.14
Nationalized Banks & Trust	600	0.02
Clearing Member	1,939	0.05

Non Executive Directors Shareholding

Name	Number of Shares	Percentage (%)
S.Ravindran	6500	0.19
Pradip Nadkarni	300	0.01

h) Distribution of Shareholding as on 31st March,2011 :

Shareholding Class(Rs.)	No. of Shareholders	Total Holding in Rupees	Percentage of Total Holders (%)	Percentage of Total Capital (%)
Up to 5000	3298	32,89,460	96.21	9.04
5001-10000	57	4,28,300	1.66	1.18
10001-20000	21	3,12,330	0.61	0.86
20001-30000	8	2,03,650	0.23	0.56
30001-40000	4	1,45,660	0.12	0.40
40001-50000	4	1,79,850	0.12	0.49
50001-100000	2	1,37,340	0.06	0.38
100001& above	34	316,83,410	0.99	87.09
Total	3428	363,80,000	100.00	100.00



i) Dematerialization of shares and liquidity:

Company's equity shares are being dealt with in dematerialized form and the ISIN is INE314G0104.

As on 31st March, 2011, 2,326(67.85%) Shareholders holds 7,26,673 (19.98%) in demat form.

j) Outstanding GDR/Warrants or convertible bonds, conservation dates and likely impact on liquidity :

The Company has not issued any GDRs/ ADRs/ Warrants or other instruments, which are pending for conversion.

k) Plant Location:

Hot Forging Division (HFD) and Metal Forms Division (MFD)
Koregaon Bhima,
Tal: Shirur, Dist. Pune.
Pin - 412 207.

Precision Autocomp Division (PAD)
Gat No. 914/1 & 2, Sanaswadi,
Tal : Shirur, Dist: Pune,
Pin - 412 208

l) Financial Calendar of the Company relating to future immediate reporting:

The Financial year covers the period from 1st April 2011 to 31st March 2012.

Financial Reporting for:

Quarter ending 30th June, 2011	Upto 15th August, 2011
Half Year ending 30th September, 2011	Upto 15th November, 2011
Quarter ending 31st December, 2011	Upto 15th February, 2012
Year ending 31st March, 2012	Upto 30th May, 2012
Annual General Meeting for the year ended March 31, 2012.	July/August/ 2012

l) Address for Correspondence

Registered Office :-

Kalyani Forge Limited
Shangrila Gardens, 'C' Wing, 1st Floor,
Opp. Bund Garden, Pune - 411 001

Factory:-

Kalyani Forge Limited
Koregaon Bhima, Tal: Shirur
Dist.- Pune, Pin - 412 216
Phone : 02137-252335, 252755, 252757
Fax : 02137-252344, 252756

For effective and efficient Investor Grievance Management, the Company has dedicated E-mail Id investors@kforge.com .

All communications related to non-receipt of Annual Report, Dividend Warrants, Share Certificates after transfer, etc. may be sent to the above-mentioned e-mail address, as well as to the e-mail address of our Registrar and Share Transfer Agents, M/s. Link Intime India Pvt. Ltd, Pune, i.e., pune@linkintime.co.in

The Management Discussion & Analysis is annexed to the Directors Report, forming part of the Annual Report.

**VC&MD & CFO CERTIFICATION**

To,

The Board of Directors,

As required by sub clause V of the Clause 49 of the Listing Agreement entered with the stock exchanges, this is to certify that:

- A. We have reviewed Financial Statements and Cash Flow Statement for and up to the Quarter ended 31st March, 2011 and that to the best of our knowledge and belief:
 - I. These statements do not contain any material untrue statement of fact or omit to state any material fact or contain any statement that 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 our 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. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies;
- D. We have indicated to the auditors and the Audit Committee-
 - I. Significant changes in internal controls during the period;
 - II. Significant changes in accounting policies during the period and that the same have been disclosed; and
 - III. Instances of significant fraud of which we 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.

For Kalyani Forge Limited,

Rohini. G. Kalyani
Vice Chairperson & Managing Director

Mangesh Annachhatre
Chief Finance Officer

COMPLIANCE WITH THE CODE OF CONDUCT CERTIFICATE

As provided under clause 49 of the Listing Agreement entered with the stock exchanges, the board members and the senior management personnel have confirmed compliance with the Code of Conduct and Ethics for the financial year ended 31st March 2011.

For Kalyani Forge Ltd.,

Pune
30th May, 2011

Rohini. G. Kalyani
Vice Chairperson & Managing Director



**AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS
OF CORPORATE GOVERNANCE**

To

THE MEMBERS OF
KALYANI FORGE LIMITED
PUNE

We have examined the compliance of conditions of Corporate Governance by Kalyani Forge Limited for the year March 31st, 2011, as stipulated in Clause 49 of Listing Agreement of the said Company with the recognised Stock Exchanges in India.

The Compliance of conditions of Corporate Governance is the responsibility of Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of Listing Agreement), issued by the Institute of Chartered Accountant of India and was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the condition of Corporate Governance. It is neither an audit nor an opinion on the financial statement 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 clause 49 of the above mentioned Listing Agreement.

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

For M/s.P. G. BHAGWAT
Firm Registration Number: 101118W
Chartered Accountants

Nachiket Deo
Partner
Membership Number:117695

Pune
30th May, 2011

**AUDITOR'S REPORT**

TO
THE MEMBERS OF
KALYANI FORGE LIMITED

1. We have audited the attached balance sheet of **KALYANI FORGE LIMITED** as at **31ST March 2011** and the profit and loss account and cash flow statement of the company for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of the Company for the year ended 31st March 2010 were audited by other independent auditor dated 26th May 2010. The balances as on 31st march 2010 have been considered as opening balances for the purpose of these financial statements.
4. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent applicable.
5. Further to our comments in the Annexure referred to in paragraph 4 above, we report that:
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) In our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
 - (iii) The Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Profit and Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) on the basis of the written representations received from the directors as on 31st March 2011, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the companies Act, 1956;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2011;
 - (b) in the case of the Profit and Loss account of the Profit for the year ended on that date;
 - (c) in the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

For M/s P. G. BHAGWAT
Firm Registration Number: 101118W
Chartered Accountants

Nachiket Deo.
Partner
Membership Number: 117695

Pune
30th May, 2010

**ANNEXURE TO AUDITORS' REPORT**

Referred to in paragraph 4 of the Auditors' Report of even date to the members of KALYANI FORGE LIMITED on the financial statements for the year ended 31st March, 2011

1. (a) The company has maintained proper records showing full particulars of fixed assets including quantitative details and situation of fixed assets.
(b) The fixed assets have been physically verified by the management at reasonable intervals with regard to size of the company and nature of its assets. Pursuant to the programme a portion of the fixed assets has been physically verified by the management during the year and no significant material discrepancies between the book records and physical inventory have been noticed.
(c) According to the information & explanation given to us, the company has not disposed off major part of fixed assets during the year.
2. (a) The management has conducted physical verification of inventory at reasonable Intervals. In our opinion, the frequency of verification is reasonable.
(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory. As informed to us, the discrepancies noticed on verification between physical stock and book records were not material.
3. (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) (c) and (d) are not applicable to the company.
(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (f) and (g) are not applicable to the company
4. **In our opinion and according to the information and explanations given to us and the results of the internal audit, there are internal systems commensurate with the size of the company and the nature of its business for the purchase of the inventory, fixed assets and for the sale of the goods and services. However, the same are required to be strengthened in view of increasing complexities in the operating environment.**
5. (a) According to the information and explanations given to us, we are of the opinion that 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; and
(b) According to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. five lakhs in respect of any party during the year have been made at the prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. As informed to us, the Company has not accepted any deposit from public.
7. On the basis of Internal Audit Reports broadly reviewed by us, we are of the opinion that the company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determine whether they are accurate and complete.
9. (a) According to the information and explanations given to us and the records of the company examined by us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March 2011 for a period of more than six months from the date they became payable.



- (b) According to information and explanation given to us, the particulars of dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of a dispute, are as follows:-

Name of the statute	Nature of dispute due	Period to which the amount related (AY)	Amount under dispute not deposited (Rs.)	Forum where the dispute pending
Income Tax	Disallowance of expenditure on expansion of project.	1992-1993	6,95,976.00	High Court, Mumbai
	Disallowance u/s 80 (IB)	2004-2005	16,82,843.00	CIT(A), Pune
	Disallowance of travelling expenditure and deduction taken in respect of Stock difference.	2006-07	34,93,765.00	Income Tax Appellate Tribunal
	Disallowance of Die cost.	2007-2008	17,08,824.00	CIT(A), Pune
	Disallowance of dies cost, Loss on options settled, expenditure of exempted income, TDS late payment, Stock difference, etc.	2008-2009	27,08,461.00	CIT(A), Pune
Excise Duty	CENVAT credit on rejection from customer.	From 2000-01 to 2008-09	7,27,018.00	High Court, Mumbai
	Interest demanded under rule 11AA.		20,000.00	Tribunal

10. The Company has no accumulated losses as at 31st March, 2011. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
11. In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of dues to a financial institution or bank.
12. According to information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provision of clause 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
14. In our opinion, the company has maintained proper records of transactions and contracts relating to dealing in shares, securities, debentures and other investments during the year and timely entries have been made therein. All the investments are held by the company in its own name except to the extent of the exemption granted under sec. 49 of the Act.
15. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. In our opinion and according to information and explanations given to us, on overall basis the term loans have been applied for the purpose for which they were raised.
17. According to information and explanation given to us, we report that no funds raised on short-term basis have been used for long-term investment.
18. 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.



19. According to information and explanation given to us, the company has not issued any debentures. Accordingly, the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.
20. According to information and explanation given to us, the company has not made any public issue to raise money. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.
21. 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
Firm Registration Number: 101118W
Chartered Accountants

Nachiket Deo.
Partner
Membership Number:117695

Pune
30th May, 2010

**BALANCE SHEET AS AT 31ST MARCH 2011**

	Schedule No.	Rs.	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
I SOURCES OF FUNDS:				
1. Shareholders' Funds				
a) Capital	1	36,390,000		36,390,000
b) Reserves and Surplus	2	753,115,445		697,107,277
			789,505,445	<u>733,497,277</u>
2. Loan Funds				
a) Secured Loans	3	633,015,715		471,634,634
b) Unsecured Loans	4	97,647,486		115,172,516
			730,663,201	<u>586,807,150</u>
3. Deferred Tax Adjustments (See Note 17)				
a) Deferred Tax Liabilities		65,651,672		68,651,998
b) Less: Deferred Tax Assets		8,591,915		8,436,098
			57,059,757	<u>60,215,900</u>
	TOTAL		<u>1,577,228,403</u>	<u>1,380,520,327</u>
II APPLICATION OF FUNDS:				
1. Fixed Assets :				
a) Gross Block		1,679,910,922		1,562,638,620
b) Less : Depreciation		856,856,144		748,534,623
c) Net Block	5	823,054,778		814,103,997
d) Capital Work-in-Progress (See Note 19)		137,012,141		55,706,986
			960,066,919	<u>869,810,983</u>
2. Investments				
	6		50,000	50,000
3. Current Assets, Loans & Advances:				
a) Inventories		315,435,651		273,146,649
b) Sundry Debtors		614,642,805		455,140,359
c) Cash and Bank Balances		31,166,864		44,820,994
d) Other Current Assets		43,529,128		20,629,905
e) Loans and Advances		138,476,363		145,661,122
		1,143,250,811		<u>939,399,029</u>
Less : Current Liabilities and Provisions :	8			
a) Liabilities		506,165,480		409,496,037
b) Provisions		19,973,847		19,243,648
		526,139,327		<u>428,739,685</u>
Net Current Assets			617,111,484	<u>510,659,344</u>
	TOTAL		<u>1,577,228,403</u>	<u>1,380,520,327</u>

Notes forming part of the Financial Statements 14

As per our attached report of even date
For M/s P. G. BHAGWAT
Firm Registration No. 101118W
Chartered Accountants

On behalf of the Board of Directors

R. G. KALYANI
Vice Chairperson and Managing Director

NACHIKET DEO
Partner
Membership No. 117695
Pune : 30th May, 2011

NIRNOY SUR
Company Secretary
Pune :30th May, 2011

C. H NANIWADEKAR
Director
Pune :30th May, 2011

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011**

	Schedule No.	Rs.	2010-11 Rs.	2009-10 Rs.
INCOME:				
Sales , Gross	9(a)	2,531,724,283		1,753,305,151
Less : Excise Duty		222,724,174		132,868,361
Net Sales		2,309,000,109		1,620,436,790
Sales of Shares, Units of Mutual Funds		-		14,100,083
		2,309,000,109		1,634,536,873
Operating Income	9(b)	48,303,502	2,357,303,611	1,652,362,400
Other Income	9(c)		37,275,251	41,746,669
			2,394,578,862	1,694,109,069
EXPENDITURE:				
Materials Consumed, Purchase of Shares ,Units of Mutual Funds and Manufacturing Expenses	10	1,738,453,632		1,189,175,911
Employees' Remuneration and Benefits	11	239,516,320		187,477,841
Other Expenses	12	130,445,725		99,215,817
Interest and Finance Charges	13	72,999,860		53,758,142
Depreciation		111,715,174		105,116,307
			2,293,130,711	1,634,744,018
PROFIT BEFORE TAXATION			101,448,151	59,365,051
Provision for Taxation :				
Current Tax -				
MAT / Income Tax			36,850,000	13,500,000
Wealth Tax			49,700	33,100
Deferred Tax (See Note No 17)			(3,156,143)	6,700,263
			33,743,557	20,233,363
PROFIT AFTER TAXATION			67,704,594	39,131,688
ADJUSTMENTS IN RESPECT OF EARLIER YEARS:				
Taxation, net			(3,240,076)	(6,038,775)
Profit After Taxation and Prior Period Adjustments			64,464,518	33,092,913
Balance brought forward from previous year			563,627,118	544,195,505
PROFIT AVAILABLE FOR APPROPRIATION			628,091,636	577,288,418
Transferred to General Reserve			4,900,000	6,000,000
Proposed Dividend		7,276,000		6,548,400
Tax on above Dividend		1,180,350		1,112,900
			8,456,350	7,661,300
BALANCE CARRIED TO BALANCE SHEET			614,735,286	563,627,118
EARNINGS PER SHARE OF RS 10/- EACH :				
Net profit (After tax and adjustments in respect of earlier years)			64,464,518	33,092,913
Number of shares issued and subscribed			3,638,000	3,638,000
Basic and diluted Earnings per Share			17.72	9.10

Notes forming part of the Financial Statements 14

As per our attached report of even date
For M/s P. G. BHAGWAT
Firm Registration No. 101118W
Chartered Accountants

On behalf of the Board of Directors

R. G. KALYANI
Vice Chairperson and Managing Director

NACHIKET DEO
Partner
Membership No. 117695
Pune : 30th May, 2011

NIRNOY SUR
Company Secretary
Pune :30th May, 2011

C. H NANIWADEKAR
Director
Pune :30th May, 2011

**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2010-2011**

Particulars	Rs.	Year Ended	Year Ended
		31st March, 2011	31st March, 2010
A. CASH FROM OPERATING ACTIVITIES		Rs.	Rs.
Profit before Taxation		101,448,151	59,365,051
Add: Depreciation	111,715,174		105,116,307
Loss on Assets Sold, discarded, Scrapped	329,859		355,045
Debit balances written off	13,576,029		504,272
Provision for Doubtful Debts	5,081,374		2,525,253
Interest & Finance Charges	72,999,860		48,817,085
		203,702,296	157,317,962
		305,150,447	216,683,013
Less: Dividend	6,000		10,400
Surplus on Sale of Assets during the year	622,221		91,997
Provision for doubtful debts written back	13,519,857		
Provision no Longer required	5,991,053		22,551,374
Taxation in respect of earlier years	3,240,076		6,038,775
Less: Income Tax Paid	10,315,831		1,942,232
		33,695,038	30,634,778
CASH FROM OPERATING ACTIVITIES		271,455,409	186,048,235
(Increase)/Decrease in Current Assets :			
Inventories	(42,289,002)		(32,140,932)
Sundry Debtors	(164,639,992)		(29,988,614)
Other Current Assets and Loans and Advances	(42,298,333)		(10,003,679)
Increase/(Decrease) in Current Liabilities :	103,306,757		35,923,139
		(145,920,570)	(36,210,086)
NET CASH FROM OPERATING ACTIVITIES		125,534,839	149,838,149
INVESTING ACTIVITIES			
Addition to Fixed Assets	(202,585,416)		(46,342,603)
Sale Proceeds of Assets	906,665		385,334
Dividend Received	6,000		10,400
NET CASH FROM INVESTING ACTIVITIES		(201,672,751)	(45,946,869)
		(76,137,912)	103,891,280
FINANCING ACTIVITIES			
Increase / (Decrease) in Cash Credit & PCFC from Banks	66,372,874		84,111,447
Increase / (Decrease) in Other Secured Loans	95,008,207		(102,829,463)
Increase / (Decrease) in Unsecured Loans	(17,525,030)		(3,549,391)
Interest & Finance Charges paid	(73,675,572)		(54,380,492)
Dividend Paid	(7,696,697)		(5,122,782)
NET CASH FROM FINANCING ACTIVITIES		62,483,782	(81,770,681)
NET INCREASE / (USE) OF CASH AND CASH EQUIVALANTS		(13,654,130)	22,120,599
Opening Balances of Cash and Cash equivalents as at 01/04/2010		44,820,994	22,700,395
Closing Balances of Cash and Cash equivalents as at 31/03/2011		31,166,864	44,820,994

As per our attached report of even date
For M/s P. G. BHAGWAT
Firm Registration No. 101118W
Chartered Accountants

On behalf of the Board of Directors

R. G. KALYANI
Vice Chairperson and Managing Director

NACHIKET DEO
Partner
Membership No. 117695
Pune : 30th May, 2011

NIRNOY SUR
Company Secretary
Pune : 30th May, 2011

C. H NANIWADEKAR
Director
Pune : 30th May, 2011



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

	Rs.	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
SCHEDULE '1' SHARE CAPITAL :			
Authorised :			
7,500,000 Equity Shares of Rs.10/- each		75,000,000	75,000,000
5,000,000 Cumulative Redeemable Preference Shares of Rs. 10/- each		50,000,000	50,000,000
2,500,000 Unclassified Shares of Rs.10/- each		25,000,000	25,000,000
		150,000,000	150,000,000
Issued :			
3,640,000 Equity Shares of Rs.10/- each		36,400,000	36,400,000
Subscribed and Paid up :			
*3,638,000 Equity Shares of Rs.10/- each fully Paid up		36,380,000	36,380,000
Total subscribed and fully paid up		36,380,000	36,380,000
2,000 Add : Forfeited Equity Shares (Amount Paid Up)		10,000	10,000
TOTAL		36,390,000	36,390,000

Note : * Of the above Shares 630,000 Equity Shares of Rs.10/- each were issued as fully paid Bonus Shares by way of Capitalisation of General Reserve.

SCHEDULE '2' RESERVES AND SURPLUS :

Securities Premium Account, as per Last Account		69,162,500	69,162,500
Capital Redemption Reserve Account, as per Last Account		1,000,000	1,000,000
Capital Reserve, as per Last Account		2,500,000	2,500,000
General Reserve			
As per last Account	60,817,659		54,817,659
	60,817,659		54,817,659
Add : Set aside this year	4,900,000		6,000,000
		65,717,659	60,817,659
Surplus as per Annexed Account		614,735,286	563,627,118
TOTAL		753,115,445	697,107,277



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

	Rs.	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
SCHEDULE '3' SECURED LOANS :			
Term Loan :			
Foreign Currency Term Loan			
DBS Bank Ltd.		-	174,991,793
Rupee Term Loan			
State Bank of India		120,000,000	-
(For Security See Note 6 (a))			
From Banks,against hypothecation of Stocks and Book Debts)			
(For Security See Note 6 (b))			
Short Term Loan		150,000,000	
Packing Credit in Foreign Currency		26,270,172	-
Cash Credit		336,745,543	296,642,841
	TOTAL	<u>633,015,715</u>	<u>471,634,634</u>

SCHEDULE '4' UNSECURED LOANS :

Sales Tax Deferral Liability under Package Scheme of Incentives 1979,1988 and 1993.		97,647,486	112,986,373
From a Company (Including Interest accrued and due Rs.Nil/- ; previous year Rs.1,256,143/-)		-	2,186,143
	TOTAL	<u>97,647,486</u>	<u>115,172,516</u>



Schedule Nos."1" to "14" annexed to and forming part of the Financial Statements for the year ended 31st March, 2011
SCHEDULE - 5 - FIXED ASSETS :

PARTICULARS	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK			
	As At 01.04.2010 Rs.	Additions Rs.	Deductions/ Adjustments Rs.	As At 31.03.2011 Rs.	Upto 01.04.2010 Rs.	Deductions & Adjustments Rs.	For the Year Rs.	Upto 31.03.2011 Rs.	As on 31.03.2011 Rs.	As on 31.03.2010 Rs.
Freehold Land	21,304,497			21,304,497	-		-	-	21,304,497	21,304,497
Buildings (a)	182,365,993	7,164,454		189,530,447	43,386,092		6,122,999	49,509,091	140,021,356	138,979,901
Roads	11,819,829			11,819,829	906,208		192,663	1,098,871	10,720,958	10,913,621
Borewell	127,295			127,295	39,214		2,075	41,289	86,006	88,081
Plant & Machinery	1,139,952,888	91,133,838		1,231,086,724	596,270,299		87,908,508	684,178,809	546,907,915	543,682,589
Electrical Installation	80,887,393	8,545,569		89,432,962	42,394,020		6,955,987	49,350,007	40,082,955	38,493,373
Factory Equipment	63,767,536	5,723,521		69,491,057	29,520,937		5,534,982	35,055,919	34,435,138	34,246,599
Laboratory Equipments	10,749,424	2,321,166		13,070,590	4,655,177		1,095,863	5,751,040	7,319,550	6,094,247
Furnitures & Fixtures	9,133,833	212,743		9,346,576	5,484,242		421,079	5,905,321	3,441,255	3,649,591
Office Equipment	4,473,625	623,854		5,097,479	1,793,368		197,772	1,991,140	3,106,339	2,680,257
Data Processing Equipment	20,268,496	665,550		20,934,046	14,309,448		1,953,975	16,263,423	4,670,623	5,959,048
Vehicles	12,548,446	4,889,568	4,007,959	13,430,055	6,696,754	3,393,656	816,335	4,119,433	9,310,622	5,851,692
Power Line (b)	5,239,365			5,239,365	3,078,864		512,937	3,591,801	(d) 1,647,564	2,160,501
TOTAL	1,562,638,620	121,280,263	4,007,959	1,679,910,922	748,534,623	3,393,656	111,715,174	856,856,144	823,054,778	814,103,997
Previous Year's Total	1,370,417,127	195,638,858	3,417,365	1,562,638,620	646,187,299	2,768,983	105,116,307	748,534,623	814,103,997	

- (a) Buildings include premises on ownership basis in co-operative society Rs.577 952/-. The documents for the said premises at Antariksha Bhavan at New Delhi are still under execution.
- (b) Cost incurred by the Company. Ownership vests with Maharashtra State Electricity Distribution Company Limited
- (c) See Note No. 1 in schedule 14 to the financial statements for Accounting Policy
- (d) Accumulated depreciation on Powerline represents amount amortised up to 31st March, 2011.
- (e) Additions include (gain) / losses on fluctuations of foreign exchange rates in respect of foreign currency borrowings consequent to amendment to AS-11 aggregating Rs.Nil/- (Previous year Rs. 24,595, 193/-)



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

	Rs.	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
SCHEDULE '6' INVESTMENTS ; at cost :			
Long Term :			
Other Than Trade :			
In Fully Paid Equity Shares ; Unquoted :			
2000 Equity Shares of Rs.25/- each in The Shamrao Vithal Co-operative Bank Ltd		<u>50,000</u>	50,000
TOTAL		<u><u>50,000</u></u>	<u><u>50,000</u></u>
SCHEDULE '7' CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Inventories, as valued and certified by Vice Chairperson and Managing Director:			
Stores, spares, etc. at cost	23,427,547		22,297,456
Loose Tools	19,559,445		14,335,124
Raw materials, at cost	119,560,102		114,874,775
Work-in-Process, at cost	100,642,644		89,475,591
Finished Goods, at lower of cost or market value	23,225,502		15,118,180
Scrap at estimated realisable value	12,318,862		4,026,958
Die Room Inventory :			
Dies at cost	1,039,582		631,309
Die Blocks, Die Steel and Dies under fabrication, at cost	<u>13,772,331</u>		<u>10,497,620</u>
	<u>313,546,015</u>		<u>271,257,013</u>
Stock of Shares, Units of Mutual Funds at lower of cost or market value	<u>1,889,636</u>		<u>1,889,636</u>
		315,435,651	<u>273,146,649</u>
(b) Sundry Debtors, unsecured, Good :			
(i) Outstanding for a period over six months			
(i) Sundry Debtors			
Good	17,673,742		32,175,113
Doubtful	5,158,727		13,597,209
Less : Provision	<u>5,158,727</u>		<u>13,597,209</u>
	<u>17,673,742</u>		32,175,113
(ii) Others	<u>596,969,063</u>		<u>422,965,246</u>
		614,642,805	455,140,359
(c) Cash and Bank Balances :			
Cash on hand	46,420		332,196
Bank Balances			
With Scheduled Banks :			
In Current and Cash Credit Accounts	14,005,561		31,633,908
In Fixed Deposits	9,869		8,345
In Margin Money Deposit pledged as as security with Banks	<u>15,643,902</u>		<u>12,754,315</u>
Carried Forward.....	<u>29,705,752</u>		44,728,764



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

	Rs.	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
SCHEDULE '7' CURRENT ASSETS, LOANS AND ADVANCES : (Contd.)			
Brought Forward.....	29,705,752		44,728,764
With Other Banks :			
In Current and Cash Credit Accounts			
DBS Bank, Mumbai	10,000		92,230
(Maximum balance outstanding during the year Rs. 4,26,21,761/- Previous year Rs. 5,04,42,437/-)			
KOTAK MAHINDRA BANK	1,451,112		
(Maximum balance outstanding during the year Rs 7,057,857 /- Previous year Rs. Nil/-)	1,461,112		
		31,166,864	44,820,994
(d) Other Current Assets :			
Interest Receivable	563,953		381,124
Export Incentive Receivable	42,965,175		20,248,781
		43,529,128	20,629,905
(e) Loans and Advances, unsecured, good : (Unless otherwise stated)			
Advances, recoverable in Cash or in kind or for value to be received	95,861,601		65,132,619
Balances with Customs and Central Excise Departments	29,455,733		40,346,645
Sundry Deposits	3,071,164		3,510,124
Tax Paid in Advance	121,375,112		169,898,393
Less : Provision for Taxation, Per Contra	111,287,247		133,226,659
	10,087,865		36,671,734
		138,476,363	145,661,122
TOTAL		1,143,250,811	939,399,029



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

	Rs.	As at 31st March 2011 Rs.	As at 31st March 2010 Rs.
SCHEDULE '8' CURRENT LIABILITIES AND PROVISIONS :			
(a) LIABILITIES :			
Sales Bill Discounted	13,258,084		40,279,168
Sundry Creditors			
Due to Micro and Small Enterprises (See Note 8)	5,200,610		1,987,155
Other	<u>485,804,571</u>		<u>364,616,389</u>
	491,005,181		366,603,544
Unclaimed Dividend	601,719		637,116
Interest Accrued but Not Due On Loans	<u>1,300,496</u>		<u>1,976,209</u>
		506,165,480	409,496,037
(b) PROVISIONS :			
Provision for Taxation	111,287,247		133,226,659
Less : Tax Paid in advance per Contra	<u>111,287,247</u>		<u>133,226,659</u>
For Long Term Employee Benefits (See Note 7)	11,517,497		11,582,348
For Proposed Dividend	7,276,000		6,548,400
For Corporate Dividend Tax on Proposed Dividend	<u>1,180,350</u>		<u>1,112,900</u>
		19,973,847	19,243,648
TOTAL		<u>526,139,327</u>	<u>428,739,685</u>
	Rs.	2010-11 Rs.	2009-10 Rs.
SCHEDULE '9' SALES, OPERATING AND OTHER INCOME :			
(a) SALES :			
Sales, Gross (including excise, net of returns, rebates etc.)	2,353,714,094		1,612,349,441
Sale of Manufacturing Scrap	<u>178,010,189</u>		<u>140,955,710</u>
		2,531,724,283	1,753,305,151
(b) OPERATING INCOME :			
Die Development Charges	-		5,557,823
Job Work Receipt	8,831,320		374,509
Export Incentives	30,373,590		11,882,382
Gain on Foreign Exchange Fluctuation , net	<u>9,098,592</u>		<u>-</u>
Dividend on Shares and Units of Mutual Funds	-		10,813
		48,303,502	17,825,527
(c) OTHER INCOME :			
Dividend on investments	6,000		10,400
Discount received	10,306,669		6,704,965
Interest (Gross : tax deducted Rs. 83,128/-)			
Previous Year Rs 43,955/-)	2,108,606		1,671,953
Miscellaneous Income	4,720,845		10,715,980
Surplus on Sale of Asset	622,221		91,997
Provision of Doubtful Debts Written Back	13,519,857		
Provisions no longer required	<u>5,991,053</u>		<u>22,551,374</u>
		37,275,251	41,746,669
TOTAL		<u>2,617,303,036</u>	<u>1,812,877,347</u>



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

	Rs.	2010-11 Rs.	2009-10 Rs.
SCHEDULE '10' MATERIALS CONSUMED, PURCHASE OF SHARES, UNITS OF MUTUAL FUNDS AND MANUFACTURING EXPENSES :			
1 Materials, etc. :			
(a) Raw Materials consumed :			
Stocks at commencement :	114,874,775		79,532,860
Add : Purchases	<u>1,248,721,805</u>		<u>887,829,846</u>
	1,363,596,580		967,362,706
Less : Sale of Raw Materials	733,744		368,550
Less : Stocks at Close	<u>119,560,102</u>		<u>114,874,775</u>
		1,243,302,734	852,119,381
(b) Increase/(Decrease) in Excise Duty on Stocks :			
Excise Duty On Opening Inventories	376,045		1,223,369
Excise Duty On Year End Inventories	<u>1,150,357</u>		<u>376,045</u>
		774,312	(847,324)
(c) Purchase of Shares, Units of Mutual Funds		-	-
(d) (Increase)/Decrease in Stocks :			
Stocks at Close :			
Finished Goods	23,225,502		15,118,180
Work in Process	100,642,644		89,475,591
Scrap	<u>12,318,862</u>		<u>4,026,958</u>
	136,187,008		108,620,729
Less : Stocks at Commencement:			
Finished Goods	15,118,180		-
Work in Process	89,475,591		82,648,014
Scrap	<u>4,026,958</u>		<u>16,070,081</u>
	108,620,729		98,718,095
(Increase)/Decrease in Stocks		(27,566,279)	(9,902,634)
Stock at Close of Shares, Units of Mutual Funds	1,889,636		1,889,636
Less : Stocks at commencement of Shares, Units of Mutual Funds	<u>1,889,636</u>		<u>12,223,785</u>
		-	10,334,151
(e) Dies Consumed :			
Stocks at commencement :			
Dies	631,309		1,202,868
Die Blocks, Die Steel and Dies under fabrication	<u>10,497,620</u>		<u>19,217,791</u>
	11,128,929		20,420,659
Add : Purchases and Processing Charges	<u>21,025,527</u>		<u>7,895,776</u>
	32,154,456		28,316,435
Less : Stocks at Close :			
Dies	1,039,582		631,309
Die Blocks, Die Steel and Dies under fabrication	<u>13,772,331</u>		<u>10,497,620</u>
	14,811,913		11,128,929
		17,342,543	17,187,506
2 Manufacturing and other Expenses :			
Stores, Spares and Tools consumed	143,805,979		86,307,953
Processing Charges	91,117,113		39,517,765
Power, Fuel and Water	224,063,728		164,491,779
Building Repairs	4,304,913		2,508,810
Machinery Repairs	40,565,789		27,430,831
Octroi Duty	<u>742,800</u>		<u>27,693</u>
		504,600,322	320,284,831
TOTAL		<u>1,738,453,632</u>	<u>1,189,175,911</u>



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

	Rs.	2010-11 Rs.	2009-10 Rs.
SCHEDULE '11' EMPLOYEES' REMUNERATION AND BENEFITS :			
Salaries,Wages,Bonus,Allowances, Incentives and other payments		195,122,076	159,813,651
Contributions to Provident and other Funds		12,652,225	15,312,350
Voluntary Retirement Scheme		15,065,463	1,871,000
Welfare Expenses		16,676,556	10,480,840
TOTAL		<u>239,516,320</u>	<u>187,477,841</u>

SCHEDULE '12' OTHER EXPENSES :

Rent		402,800	-
Rates and Taxes		4,920,360	1,280,129
Insurance (Including Keyman insurance)		4,587,604	5,863,458
Other Repairs		1,319,044	1,370,492
Traveling and Conveyance		7,576,221	4,031,497
Vehicle Expenses (including on hired vehicles)		18,218,795	14,841,840
Professional and Consultancy fees		7,103,824	6,822,219
Audit fees and Expenses		800,000	750,000
Royalty		25,000	-
Directors' Fees Expenses		157,500	121,000
Managing Directors Commission :		2,504,687	128,988
Non Executive Directors' Commission :		989,465	575,000
Miscellaneous Expenses		21,966,630	14,676,276
Donations		1,000	45,000
Loss on Foreign Exchange Fluctuation, net		-	13,034,293
Freight, Forwarding Charges etc		35,447,921	28,470,894
Selling Expenses		5,437,612	3,820,161
Bad Debts,Irrecoverable advances written off		13,571,209	-
Sundry debit balances written off		4,820	504,272
Provision for Doubtful Debts		5,081,374	2,525,253
Loss on Assets sold/ discarded		329,859	355,045
TOTAL		<u>130,445,725</u>	<u>99,215,817</u>

	Rs.	2010-11 Rs.	2009-10 Rs.
SCHEDULE '13' : INTEREST AND FINANCE CHARGES :			
Interest on :			
Fixed Loans		15,129,054	22,763,482
Others		46,768,055	27,044,740
Bank Charges		11,102,751	3,949,920
TOTAL		<u>72,999,860</u>	<u>53,758,142</u>



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

SCHEDULE "14" : NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 Significant Accounting Policies followed by the Company are stated in the Statement Annexed to this Schedule.

2 Contingent Liability not provided for in respect of :

- i. Sales Bills discounted
- ii. Claims against the Company, not acknowledged as debts
- iii. Disputed Income Tax demand, matter under appeal
- iv. Disputed Excise demand, matter under appeal

As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
13,169,313	16,190,400
12,425,000	14,662,500
10,289,869	21,094,377
6,087,927	5,201,003

3 The Company has imported capital goods under the Export Promotion Capital Goods Scheme of the Govt. of India at concessional rate of duty against an undertaking to fulfil quantified exports (after considering enhancement in Export Obligation amount and cancellations of Licences), aggregates USD 8.01 Millions (Equivalent to Rs. 353,474,391 at 1 USD = Rs.44.11) over a period of next six years, while maintaining average exports of USD 5.96 Millions (Equivalent to Rs.262,912,000). Non fulfilment of the balance obligations, in the due manner entails options/rights to the Government to confiscate Capital Goods Imported under the said Licences and other penalties under the above referred scheme.

4 Estimated Amount of contracts remaining to be executed on Capital Account and Not provided for (net of advances)

As at 31st March, 2011 Rs.	As at 31st March, 2010 Rs.
29,236,739	35,610,705

5 Payments to Auditors

- i. As Auditors
- ii. In Other Capacity :
For certification
For Expenses

2010-11 Rs.	2009-10 Rs.
650,000	600,000
135,000	135,000
15,000	15,000
800,000	750,000

Total

6 a) The Company has obtained Ruppe term loan from State Bank of India for Rs. 12 Crores and created the charge by way of hypothecation charge on assets to be acquired out of Bank finance. Repayable within 12 months is NIL.

b) Working capital loans are secured by first charge by way of hypothecation and/or pledge of the current assets, viz stocks of Raw Materials, semi finished and finished goods, stores and spares not relating to Plant & machinery (Consumables stores and spares), bills receivable, book debts and all other movables and also by mortgage and charge in favour of the banks ranking after the charges created in favour of the term lenders on immovable & movable properties (other than current assets) both present and future in a form and manner acceptable to the banks.

c) Guarantees given by the Company's Bankers on behalf of the Company, against sanctioned guarantee limits aggregating to Rs.30,000,000/- (Previous year Rs.30,000,000/-) for contracts undertaken by the Company and other matters are secured by extension of charge by way of joint hypothecation of stock in trade, stores and spares etc., book debts subject to prior charge in their favour. Amount outstanding as on 31st March, 2011 is Rs. 19,479,390- (Previous year Rs. 22,419,898/-).

d) The non-fund based facilities have been sanctioned amounting to Rs. 174,000,000/- with a charge of hypothecation on stock, book debts and other current assets on pari-passu among the consortium members and second charge over fixed assets of company. Amount outstanding as on 31st March 2011 is Rs. 77,103,223/- (Previous year -Rs. 52,144,840/-).



7 Disclosure pursuant to Accounting Standard (AS 15) - Revised 2005 "Employee Benefits" prescribed by Companies (Accounting Standards) Amendment Rules, 2006

Details of Long Term Employees benefits determined by an appointed Actuary are as follows :

a) Funded Scheme - Gratuity

Particulars	31st Mar. 2011	31st Mar. 2010
	Gratuity	Gratuity
(i) Amounts to be recognised in Balance Sheet		
a. Present Value of Defined Benefit Obligations		
Funded	17,409,644	20,899,215
b. Fair Value of Plan Assets	12,781,718	17,202,273
c. Net (Liability)/Asset recognised in the Balance Sheet	4,627,926	3,696,942
(ii) Amount to be recognised in Statement of Profit & Loss Account		
a. Current Service Cost	1,695,538	1,733,884
b. Interest on defined benefit obligations	1,671,938	1,542,962
c. Expected return on planed assets	(1,257,119)	(1,457,183)
d. Net Actuarial Losses/(Gain) Recognised in year	493,594	320,161
Total, included in "Employee Benefits"	2,603,951	2,139,824
(iii) Change in Defined Benefit obligation and reconciliation thereof		
a. Present value of Defined Benefit obligation at the beginning of the year	20,899,215	19,287,031
b. Interest Cost	1,671,938	1,542,962
c. Current Service Cost	1,695,538	1,733,884
d. Actuarial Losses/ (Gains)	493,594	320,161
e. Benefits Paid	(7,350,641)	(1,984,823)
f. Present value of Defined Benefit obligation at the close of the year	17,409,644	20,899,215
(iv) Change in the fair value of Plan Assets and the reconciliation thereof		
a. Fair value of Plan Assets at the beginning of the Year	16,913,354	15,461,858
b. Add : Expected return on Plan Assets	1,257,119	1,425,941
c. Add/ (Less) : Actuarial Losses/ (Gains)	-	-
d. Add : Contributions by employer	1,961,886	2,299,297
e. Less -Benefits Paid	(7,350,641)	(1,984,823)
f. Fair value of Plan Assets at the closed of the year	12,781,718	17,202,273
(v) Broad Categories of plan assets as a percentage of total assets as at 31st March, 2011		
a. Insurer Managed Funds	100%	100%
TOTAL	100%	100%
(vi) Summary of the Actuarial Assumptions		
Discount Rate	8%	8%
Expected Rate of Return on Assets	8.10%	9.25%
Salary Escalation Rate	5%	5%

b) Unfunded scheme- Compensated Absences

Particulars	31st Mar. 2011	31st Mar. 2010
Present Value of Unfunded Obligations	6889571	7,885,406
Discount Rate	8.10%	8.10%
Salary Escalation Rate %	5%	5%



- 8 The Company has amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31st March, 2011. The disclosure pursuant to the said Act is as under:

Particulars	As at 31-03-2011	As at 31-03-2010
Principal Amount due to suppliers under MSMED Act , 2006, beyond the appointed day	4,086,000	29,806
Interest accrued and due to suppliers under MSMED Act , on the above amount	68,383	39,857
Payment made to suppliers (other than interest) beyond the appointed day , during the year	22,071,148	2,994,645
Interest paid to suppliers under MSMED Act (Other than section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable to suppliers under MSMED Act , for the payments already made	531,597	97,523
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act,2006	599,980	137,380

Note: The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.

- 9 Details of Raw Materials consumption

- (i) Raw Materials (including components consumed)

	Unit	2010-11		2009-10	
		Qty.	Rs.	Qty.	Rs.
Carbon and Alloy Steel	M.T.	23,122	1,193,777,611	19,683	839,779,552
Seamless Tubes	Nos.	20,336	15,857,297	-	-
	Mtrs	-	-	15,984	12,339,829
Others		-	33,667,826	-	-
			1,243,302,733		852,119,381

- (ii) Imported and Indigenous Material Consumption
(including components consumed)

	2010-11		2009-10	
	Rs.	Percentage	Rs.	Percentage
(a) Imported (Including customs duty & other related charges)	4,949,380	0.40	4,738,776	0.56
(b) Indigenous	1,238,353,354	99.60	847,380,605	99.44
	1,243,302,734	100.00	852,119,381	100.00



10 CIF Value of Imports and Expenditure in Foreign Currencies

Particulars	2010-11 Rs.	2009-10 Rs.
(a) CIF Value of Imports		
Capital Goods	48,537,517	16,899,567
Spare Parts/ Lubricants	7,363,959	2,672,828
Raw Material	152,871	9,734,678
(b) Expenditure in Foreign Currencies		
Travelling	3,489,453	1,432,229
Interest	-	-
Export Sales Commission	985,274	1,194,342
Professional fees	208,358	1,543,157
Seminar/Training	129,267	-
Processing charges outside	960,961	-
11 Earnings in Foreign Currencies		
FOB Value of Exports	507,791,273	213,276,884
Deemed Export	98,944,802	75,588,184
Insurance and freight on exports	19,490,017	12,585,860

12 Exchange Differences on account of fluctuation in Foreign Currency rates.

- a) Exchange Differences on account of fluctuations in Foreign Currency Rates
- i) On settlement / revalorisation of Current Assets & Current Liabilities

	2010-11 Rs.	2009-10 Rs.
	9,098,592	13,034,293

- b) Foreign Exchange Derivatives not hedged at close of the year
- i) Exposures not hedged at the close of the year

	Currency	2010-11	2009-10
Receivables	USD	3,214,714	1,947,074
	EURO	1,413,906	1,093,723
	GBP	11,622	9,006
Payables	USD	114,510	1,368
	EURO	3,510	85,986
	JPY	8,990,355	-



13 Licensed & Installed Capacities, Production, Turnover and Stock of Shares and Units of Mutual Funds

A. Licensed & Installed Capacity and Production:

Class of Goods	Unit	Licenced Capacity (Maximum Utilisation Basis)		(*) Installed Capacity (Maximum Utilisation Basis)		Production	
		(i)		(ii)		(iii)	
		2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
1.High Quality Close-Tolerance Die Forgings (M.Tons)	(b) M.T.	29,965	29,965	29,965	29,965	12,882 (c)	12,803 (c)
2. Rear Axle Tube Assemblies (Nos)	(a) Nos.	200,000	200,000	113,960	113,960	57,457(c)	69,200 (c)
3. Finished Machined Components (Nos)	(a) Nos.	3,000,000	3,000,000	2,239,200	1,433,400	2,147,644 (c)	977,636 (c)

(a) These products are exempt from Licensing requirements under new Industrial Policy in term of Notification No. 477(E) dated 25th July, 1991

(b) Production quantity includes forging for captive consumption in production of

(i) Rear Axle Tube Assemblies	M.T.	68	80
(ii) Finished Machined Components	M.T.	775	1,491

(c) Actual production at press shop stage / Machining Stage

(*) Since the Company's Installed capacity is dependent on the product mix, which in turn is decided on the basis of the actual demand for various products from time to time, it is not feasible for the Company to give the exact installed capacity. The Company has, however, indicated the installed capacity on the basis of the year's product mix as certified by the Chief Executive Officer and being technical matter, is accepted by the auditors as correct

B. Turnover:

Unit	2010-11		2009-10		
	Qty	Rs.	Qty	Rs.	
1 High Quality Close Tolerance die forging	M.T.	12,012	1,466,932,509	9,137	1,126,490,152
2 Rear Axle Tube Assemblies	NOS.	30,078	32,088,878	37,107	48,257,240
3 Finsihed Machined Components	NOS.	2,143,816	854,692,707	1,268,521	437,602,049
4 Sale of Manufacturing scrap	M.T.	7,338	178,010,189	6,105	140,955,710
Sub Total			2,531,724,283		1,753,305,151
5 Sale of shares , Units of Mutual funds	NOS.	-	-	736,870	14,100,083
6 Others			48,303,502		17,825,527
Total			2,580,027,785		1,785,230,761

C. Stock

	2010-11		2009-10	
	Nos.	Rs.	Nos.	Rs.
Finished Machined Components	46,746	19,718,909	42,918	15,118,180
R.A Tube	160	150,882	-	-
Forging (Qty : 27 MT)	12,581	3,355,711	-	-

D. Stock of Shares and Units of Mutual Funds:

	2010-11		2009-10	
	Nos.	Rs.	Nos.	Rs.
Opening stock	203,444	1,889,636	940,314	12,223,785
Closing stock	203,444	1,889,636	203,444	1,889,636



14 Managerial Remuneration

(A) Computation of Net Profit in accordance with Section 198(1) and Section 349 of the Companies Act, 1956

	Rs.	2010-11 Rs.	2009-10 Rs.
Profit after tax as per Profit & Loss Account		67,704,594	39,131,688
Add:			
Managing Director's remuneration	4,947,323		3,014,755
Non Executive Directors' Commission	989,465		575,000
Provision for taxation	33,743,557		20,233,363
Loss on Sale of Asset	-		355,045
Provision for doubtful debts.	5,081,374		
Less : Write back of provision for doubtful debts	(13,519,857.00)		
		31,241,861	24,178,163
Profit on which commission is payable		98,946,455	63,309,851
		98,946,455	63,309,851
a) Managing Director Mrs R.G.Kalyani :			
Maximum Remuneration payable			
Profit on which commission is payable	98,946,455		63,309,851
Remuneration @ 5% on above	4,947,323		3,165,493
Less - Remuneration (excluding commission) already paid	2,442,636		2,885,767
Balance payable as commission - Restricted to	2,504,687	2,504,687	279,726
			128,988
b) Commission to Non Executive Directors @1% profit on which commission is payable	98,946,455		63,309,851
Commission @1% for the year	989,465		633,099
Restricted to		989,465	575,000

(B) Details of Payments and provisions on account of remuneration to Managing Director included in Profit and Loss Account as under :

Particulars	2010-11 Rs.	2009-10 Rs.
Salary	1,360,800	1,178,580
House Rent Allowance	544,320	471,432
Leave Encashment	-	468,493
L T A	113,400	91,782
Contribution to :		
Provident Fund	163,296	141,429
Superannuation fund	204,120	171,000
Medical Reimbursement	56,700	88,311
Gratuity	-	274,740
Commission on profit	2,504,687	128,988
TOTAL	4,947,323	3,014,755

15 Total Expenditure on Research & Development (including allocable overheads) during the year is Rs.2,722,162/-(Previous year Rs.2,301,808/-)



- 16 (a) The Company has a single Product, viz : "Forgings". Consequently, there are no Reportable Segments of the Company as per the Accounting Standard (AS-17) "Segment Reporting" prescribed by Companies (Accounting Standards)Amendment Rules, 2006.
- (b) Disclosures of transactions with Related Parties as required by Accounting Standard - 18 "Related Party Disclosures" is given below. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by the Key Managerial Personnel, information available with the company and taken on record by the Board.

Sr. No.	Nature of relationship Name of related party	Nature of Transaction	2010-11		2009-10	
			Transaction Value (Rs.)	Outstanding Amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding Amounts carried in the Balance Sheet (Rs.)
1	Key Managerial personnel Mrs. R. G. Kalyani (Vice-chairperson and Managing Director)	Remuneration	2,442,636	-	2,885,767	1,009,331
		Commission	2,504,687	2,504,687	128,988	128,988
		Total	4,947,323	2,504,687	3,014,755	1,138,319
2	Relative of Key Managerial Personnel Mr. G.N. Kalyani (Director)	Commission	150,000	150,000	100,000	100,000
		Siting fees	29,000	-	11,000	-
		Total	179,000	150,000	111,000	100,000

- 17 The Company has recognised Deferred Taxes, which result from the timing difference between the Book Profits and Tax Profits as under -

Particulars	Balance carried as at 31st March, 2010 (Rs)	Arising during the year Considered in Profit & Loss Account (Rs)	Balance carried as at 31st March, 2011(Rs)
Deferred Tax Liabilities :			
Depreciation & Amortisation	68,651,998	(3,000,326)	65,651,672
	68,651,998	(3,000,326)	65,651,672
Deferred Tax Assets :			
Privilege Leave and Gratuity Provision	2,505,899	(135,309)	2,370,590
Provision for Doubtful Debts	4,621,693	(2,973,295)	1,648,398
Voluntary Retirement Scheme	979,660	3,593,267	4,572,927
Others	328,846	(328,846)	-
	8,436,098	155,817	8,591,915
Net Deferred Tax Liabilities	60,215,900	(3,156,143)	57,059,757

- 18 The Company has sent balance confirmation letters to Sundry Debtors, Creditors and Other Parties and the balances are under reconciliation in those cases where confirmations were received. Pending final reconciliation, the balances in respect of Debtors, Creditors and third parties are as per books of account only. Adjustments having an impact of revenue nature, if any, will be made in the year in which the same are confirmed / reconciled.



- 19 Capital Work in Progress includes advances for supply of capital goods aggregating Rs. 67,457,906/- (Previous year Rs.13,748,427/-) relating to Project under implementation.
- 20 Information required in terms of Part IV of Schedule VI to the Companies Act, 1956, as compiled by the Company is attached.
- 21 Previous Year's figures have been regrouped wherever necessary to make them comparable with those of the current year.

As per our attached report of even date
For M/s P. G. BHAGWAT
Firm Registration No. 101118W
Chartered Accountants

On behalf of the Board of Directors

R. G. KALYANI
Vice Chairperson and Managing Director

NACHIKET DEO
Partner
Membership No. 117695
Pune : 30th May, 2011

NIRNOY SUR
Company Secretary
Pune :30th May, 2011

C. H NANIWADEKAR
Director
Pune :30th May, 2011



**Annexure referred to in Note 1 in Schedule 14 of the Financial Statements for the year ended
31st March, 2011**

Statement on Significant Accounting Policies

1. System of Accounting:

The financial statements are prepared under the historical cost convention on an accrual basis in accordance with the generally accepted accounting principles and comply with the Accounting Standards as per the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.

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

2. Fixed Assets and depreciation:

- A) Fixed Assets are stated at their original cost of acquisitions including incidental expenses related to acquisition and installation of the concerned assets (including cost of specific borrowings). The fixed assets manufactured by the Company are stated at manufacturing cost. Fixed Assets are shown net of accumulated depreciation, except free hold land, which is at cost.
- B) Expenditure on New Projects and Expenditure during the construction etc:-
In case of new projects and in case of substantial modernization or expansion at the existing units of the company, expenditure incurred including interest on borrowings and financing cost of specific loan, prior to the commencement of commercial production is being capitalized to the cost of asset. Trial run expenditure is also capitalized.
- C) Depreciation on Assets (other than Freehold Land) :
- i) The Company provides depreciation on all its assets on the "Straight Line Method" in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956;
 - ii) Depreciation on all assets acquired upto 31st October, 1987 is being provided at the rates of depreciation prevalent at the time of acquisition of the asset, pursuant to Circular 1/1/86 CLB No. 14(50)84 CL-VI dated 21st May, 1986 issued by the Department of Company Affairs ;
 - iii) Depreciation on addition to fixed assets from 1st April, 1990 onwards is charged at the rates specified in and in accordance with, Schedule XIV of the Companies Act, 1956;
 - iv) Depreciation on additions on account of increase in rupee value due to foreign exchange fluctuations ix being provided at the rates of depreciation over the balance life of the said asset.
 - v) Depreciation on assets sold, discarded and scrapped is being provided at their rates on pro-rata basis up to the date on which such assets are sold, discarded and scrapped.
 - vi) Cost of Powerline is being amortised over a period of seven years when put to use.

3. Inventories:

Cost of Inventories has been computed to include all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

- i) Raw materials are valued at cost. The costs are ascertained on moving average basis.
- ii) Stores, Spares etc. and tools are valued on moving average basis.
- iii) Work-in-process, Dies under fabrication and Finished Goods are valued at the lower of cost or realisable value.
- iv) Scrap and Non-moving semi-finished goods, slow-moving and obsolete items, are valued at estimated realisable value.
- v) Stock of Trial Product is valued at cost.
- vi) Dies are valued at cost.
- vii) Die Block and Die Steel are valued at material cost.
- viii) Goods in transit are stated at actual cost up to the date of Balance Sheet.
- ix) Shares, Units of Mutual Funds shown as stock in trade are valued at cost or market value whichever is lower.



4. Research & Development expenditure:

Research and Development expenditure is charged to Profit & Loss Account under the respective heads of account in the year in which it is incurred. However expenditure incurred at development phase, where it is reasonably certain that the outcome of research will be commercially exploited to yield economic benefit to the Company, is considered as an intangible asset. Fixed Assets purchased for Research and Development are treated in the same way as any other Fixed Asset.

5. Share Issue expenses are written off over a period of ten years.
6. Technical Know how Fees are written off over a period of six years.

7. Employee Benefits:

- a) Provident Fund -
Benefits in the form of Provident Fund and Pension Scheme whether in pursuance of law or otherwise which are defined contributions is accounted on accrual basis and charged to Profit and Loss Account of the year.
- b) Gratuity –
Payment for present liability of future payment of gratuity is being made to approved gratuity funds which fully cover the same under cash accumulation policy of the Life Insurance Corporation of India. The employees' gratuity, a defined benefit plan, is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet and shortfall in the fair value of the Planned Asset is recognized as obligation.
- c) Superannuation -
Defined Contributions to Life Insurance Corporation of India for employees covered under Superannuation Scheme are accounted at the rate of 15% of such employees' annual salary.
- d) Privilege Leave Benefits -
Privilege leave benefits or compensated absences is considered as long term unfunded benefit and is recognized on the basis of a actuarial valuation using the Projected Unit Credit Method determined by an appointed Actuary.
- e) Termination Benefits –
Termination benefits such as compensation under voluntary retirement scheme are recognized as liability in the year of termination.

8. Foreign Currency Transactions :

- a) Initial recognition –
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of transaction.
- b) Conversion –
Current Assets and Current Liabilities, Secured Loans designated in foreign currencies are revalored at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate contracted rate.
- c) Exchange Differences –
Exchange difference arising on the settlement and conversion on foreign currency transactions are recognised as income or as expenses in the year in which they arise.
- d) Though the accounting policy detailed in (a) to (c) above have been consistently followed in terms with the Accounting Standard 11, the company has opted the option to capitalize the difference on some of the fixed assets as per notification issued by the Ministry of Corporate Affairs.
- e) Option Contracts –
Company uses foreign exchange option contracts to hedge its exposures against movements in foreign exchange rates. Foreign exchange option contracts are not used for trading or speculation purpose. Outstanding foreign exchange option contracts on the date of Balance Sheet are "Marked to Market".

**9. Investments:**

Long Term investments are valued at cost of acquisition less diminution in the value, if determined to be of permanent nature.

10. Sales:

- a) i) Domestic sales are accounted for when dispatched from the point of sale, consequent to property in goods being transferred.
ii) Export sales are accounted on the basis of the dates of Bill of Lading.
- b) Benefit on account of entitlement to import goods free of duty under the "Duty Entitlement Pass Book under Duty Exemption Scheme" is accounted in the year of Export.
- c) Export incentives: Export incentives are accounted for on Export of goods if the entitlement can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.
- d) Dividend is accrued in the year in which it is declared, whereby right to receive is established.

11. Borrowing Costs:

Borrowing costs are recognised in the Profit and Loss Account except interest incurred on borrowings, specifically raised for projects, are capitalized to the cost of the qualifying assets until such time that the asset is ready to be put to use for its intended purpose.

12. Taxation:

Current tax is determined on the basis of taxable income computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax is recognized, subject to the consideration of prudence in respect of deferred tax asset, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

13. Earning Per Share:-

The basic & diluted earning per share is computed by dividing the net profit or loss attributable to equity shareholder for the period by the weighted average number of equity shares outstanding during the period.

14. Impairment of Assets:

The Management assesses for any impairment of assets or cash generating units, if indicators, external or internal, suggest possibilities of reduction in net realisable value of assets or value in use of cash generating units below their carrying costs. Impairments, if any, will be recognised in the Profit and Loss Account.

15. Provisions and Contingent Liability:-

Provisions are recognized when the company has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined based on the best estimate required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimates. A disclosure of contingent liability is made where there is a possible obligation or a present obligation that may, but probably will not require an outflow of resources.



**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I	Registration Details		
	Registration No.		20959
	State Code		11
	Balance Sheet Date		31/03/2011
II	Capital Raised during the year		(Amount in Rs. Thousands)
	Public Issue		NIL
	Rights Issue		NIL
	Bonus Issue		NIL
	Private Placement		NIL
	Others		NIL
III	Position of Mobilisation and Deployment of Funds		(Amount in Rs. Thousands)
	Total Liabilities		1,577,228
	Total Assets		1,577,228
	Sources of Funds		
	Paid-up Capital		36,390
	Reserves & Surplus		753,115
	Deferred Tax Adjustments		57,060
	Secured Loans		633,016
	Unsecured Loans		97,647
	Application of Funds		
	Net Fixed Assets		960,067
	Investments		50
	Net Current Assets		617,111
	Misc Expenditure : --		
	(i) Misc. Expenditure	NIL	
	(ii) Tech. Knowhow Fees	NIL	NIL
	Accumulated Losses		NIL
IV	Performance of the Company		(Amount in Rs. Thousands)
	Turnover		2,394,579
	Total Expenditure		2,293,131
	Profit Before Taxes		101,448
	Profit After Tax		67,705
	Adjustments in respect of earlier years		3,240
	Net Profit		64,465
	Earnings Per Share (Rs.)		17.72
	Dividend Rate (%)		20%
V	Generic Names of Three Principal Products / Services of Company (as per monetary terms)		
	Product Description		Items Code No (ITC Code)
	High Quality Close Tolerance Die Forgings		732690
	Rear Axle Support Tube Assembly		87085000
	Finished Machined Connecting Rods etc.		87089900

On behalf of the Board of Directors

R. G. KALYANI
Vice Chairperson and Managing Director

NIRNOY SUR
Company Secretary
Pune :30th May, 2011

C. H NANIWADEKAR
Director
Pune :30th May, 2011

KALYANI FORGE LIMITED

Regd. Office: Shangrila Gardens, 'C' Wing, 1st Floor,
Opposite Bund Garden, Bund Garden Road, Pune-411 001.

PROXY

I/We, _____
of _____
being a Member/Members of KALYANI FORGE LIMITED, Pune, hereby appoint _____
_____ of _____
failing him _____
of _____ to vote for me/us
on my/our behalf, at the THIRTY SECOND Annual General Meeting of the Company, to be held on
Saturday, the 23rd July, 2011, at 11.00 a.m., and at any adjournment thereof.

Signed this _____ day of _____ 2011.
No. of shares held : _____ Folio No. _____
D.P.ID.** _____ Client ID** _____

Please Affix
Rs. 1
Revenue
Stamp here

**Applicable for Members holding shares
in Dematerialised Form

Signature(s) of Member(s)
across the stamp

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

KALYANI FORGE LIMITED

Regd. Office: Shangrila Gardens, 'C' Wing, 1st Floor,
Opposite Bund Garden, Bund Garden Road, Pune-411 001.

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

L.F. No. (s)

NAME OF THE SHAREHOLDER / PROXY* _____
ADDRESS _____
No. of shares held : _____ Folio No. _____
D.P.ID.** _____ Client ID** _____

I/We hereby record my / our presence at the THIRTY SECOND Annual General Meeting of the
Company, being held on Saturday, the 23rd July, 2011, at Poona Club Ltd., 6, Bund Garden Road.,
Pune-411 001.

SIGNATURE OF THE SHAREHOLDER / PROXY* _____

*strike out whichever is not applicable;

** Applicable for Members holding shares in Dematerialised Form

