

# KALYANI INVESTMENT COMPANY LIMITED



**KALYANI**

DRIVING INNOVATION

**1ST ANNUAL REPORT  
2009-2010**

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**1ST ANNUAL GENERAL MEETING**

Day : Wednesday  
Date : 24th November, 2010  
Time : 11.00 a.m. (I.S.T.)  
Place : Registered Office,  
Kalyani Investment Company Limited,  
Mundhwa, Pune - 411 036

**CORPORATE GOVERNANCE**

The Company's philosophy of Corporate Governance aims at establishing and practicing a system of good Corporate Governance, which will assist the management in managing the Company's business in an efficient and transparent manner towards fulfilling the corporate objectives.

This chapter of the report, plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitutes the compliance report of the Company on Corporate Governance during the year 2009-10.

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

As on 31st March, 2010, the Board of Directors of Kalyani Investment comprised four directors. The Board consists of Non-Executive Chairman, who is a Relative of Promoter and three Non-Executive Independent Directors. Details are given in Table 1.

**NUMBER OF BOARD MEETINGS :**

During the year 2009-10, the Board of the Company met seven times on 30th June, 2009, 3rd August, 2009, 16th September, 2009, 3rd November, 2009, 18th December, 2009, 23rd February, 2010 and 31st March, 2010. All the meetings were held in such manner that the gap between two consecutive meetings was not more than four months.

**DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS :**

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

Table - 1 - Details about Board of Directors of the Company							
Name of the Director	Category	Particulars of Attendance			Number of Directorships and Committee Memberships / Chairmanships in Public Limited Companies		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr.Amit B. Kalyani Chairman	Relative of Promoter Non-Executive	5	5	N.A.	12	4	—
Mr.S.S. Vaidya	Non-Executive	1	1	N.A.	10	5	5
Mr.B.B. Hattarki	Non-Executive	7	7	N.A.	9	2	4
Mr.C.G. Patankar	Non-Executive	5	5	N.A.	10	4	—
Mr.M.V. Kandharkar*	Non-Executive	3	3	N.A.	—	—	—
Mrs.D.R. Puranik*	Non-Executive	3	3	N.A.	1	1	—

\* Ceased to be Director w.e.f. 16th September, 2009

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

**BOARD PROCEDURE :**

Information Supplied to the Board

Among others, information supplied to the Board includes :

- Annual operating plans and budgets and any updates thereof
- Quarterly results for the Company
- Minutes of meetings of committees
- Scheme of Arrangement
- Non-Compliance of any regulatory, statutory nature or listing requirements etc. if any
- Materially important show cause, demand notices if any

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

**DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY :**

There has been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2009-10.

**AUDIT COMMITTEE :**

Audit Committee of Kalyani Investment was formed on 31st March, 2010, comprising of three members, of which all are Independent Directors. All the members have accounting and finance management expertise. The Chairman of the Audit Committee is Mr.B.B. Hattarki. Mr.S.S. Vaidya and Mr.C.G. Patankar are the other members of the Committee. No meeting of the Audit Committee was held during the year 2009-10.

The functions of the Audit Committee of the Company include of the following :

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual / quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory / internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any.
- Discussions with statutory auditors before audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to the shareholders (in case of non payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

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

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

**REMUNERATION OF DIRECTORS :**

No remuneration was paid to any Directors during the year 2009-10. The Company does not have any stock option scheme.

**SHAREHOLDING OF DIRECTORS :**

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

**CODE OF CONDUCT :**

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

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

Kalyani Investment was incorporated as an Investment Company with the purpose of transfer and vesting of 'Investment Division' of Kalyani Steels Limited and amalgamation of three wholly owned investment subsidiaries of Kalyani Steels Limited, as a going concern, in terms of the Composite Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its Order dated 12th March, 2010.

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

**RISKS AND CONCERNS :**

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

**INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :**

The Company has in place an effective system of internal controls to ensure operational efficiency, accuracy in financial reporting and compliance of applicable laws and regulations.

**DISCLOSURES BY MANAGEMENT TO THE BOARD :**

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

**Cautionary Statement**

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

**3. SHAREHOLDERS****DISCLOSURES REGARDING APPOINTMENT OF DIRECTORS :**

Mr.B.B. Hattarki, First Director of the Company, appointed by virtue of the provisions of the Articles of Association, holds office till the conclusion of the ensuing Annual General Meeting. Mr.Amit B. Kalyani, Mr.C.G. Patankar and Mr.S.S. Vaidya, were appointed as Additional Directors during the year and hold office till the conclusion of the ensuing Annual General Meeting.

Notices in writing have been received from the members of the Company under Section 257 of the Companies Act, 1956, signifying their intention to propose Mr.B.B. Hattarki, Mr.Amit B. Kalyani, Mr.C.G. Patankar and Mr. S.S. Vaidya, as candidates for the office of Director. Details of these directors to be appointed, are given below :

Mr.B.B. Hattarki born on 10th October, 1941, is a Metallurgy and Mechanical Engineer. He also serves on the Board of BF Utilities, Automotive Axles, Kalyani International, Kalyani Mukand, Kalyani Steels, Hospet Steels, BF Investment and Khed Developers. Mr.Hattarki is retiring at the ensuing Annual General Meeting and being eligible, offers himself for appointment.

Mr.Amit B. Kalyani, born on 26th July, 1975, is an Executive Director of Bharat Forge Limited. Mr.Amit B. Kalyani, after having his initial education in Pune, graduated in Mechanical Engineering from Bucknell University, U.S.A. He was in U.S.A. for a number of years and besides obtaining degree in engineering, has had considerable exposure to technological advancements in various fields and especially in Information Technology. He also has work experience in Speciality Steel Manufacturing Industry in U.S.A. Mr.Amit B. Kalyani serves on the Board of Kalyani Steels, BF Utilities, Kalyani Infotech Solutions, Nandi Economic Corridor Enterprises, Nandi Infrastructure Corridor Enterprises, KPIT Cummins Infosystems, Khed Developers, BF-NTPC Energy Systems, BF Investment and Kalyani Alstom Power.

Mr.C.G. Patankar, born on 6th June, 1956, is an Executive Director of Kalyani Steels Limited. Mr.Patankar holds a Bachelors Degree in Science and he is a Chartered Accountant, having a rich experience of more than 30 years. Mr.Patankar also serves on the Board of Kalyani Carpenter Special Steels, Kalyani Carpenter Metal Centres, Kalyani Thermal, Kalyani Mukand, Kalyani International, Hospet Steels, Bharat NRE Coke and Spice Islands Apparels.

Mr.S.S. Vaidya born on 9th August, 1955 is a Chartered Accountant. He is a partner of M/s Kunte & Vaidya, Chartered Accountants, Pune. He has been in practice for over 29 years and has vast experience in Corporate & Legal field, Tax Laws, Company Law, Foreign Exchange Laws etc. Mr.Vaidya also serves on the Boards of Bosch Chassis Systems India, Nandi Infrastructure Corridor Enterprises, Sahyadri Hospitals, BF Utilities, Nandi Economic Corridor Enterprises, Sharp India, BF Systems, Nandi Highway Developers and Kalyani Steels.

**COMMUNICATION TO SHAREHOLDERS :**

Individual letters were sent by Kalyani Investment to its shareholders intimating them about demat credit of equity shares or forwarding them share certificates, in respect of shares allotted to them pursuant to Scheme of Arrangement.

Letters / e-mails received from shareholders are replied promptly.

**INVESTOR GRIEVANCES :**

The Company has in place Shareholders' / Investors' Grievance Committee for redressing Shareholders' / Investors' complaints. The Committee comprises of Mr.B.B. Hattarki (Chairman) and Mr.C.G. Patankar, Director. No meeting of the Shareholders' / Investors' Grievance Committee was held during the year 2009-10.

During the year 2009-10 no complaints were received by the Company. Mr.Tushar Meher, Company Secretary, is the Compliance Officer.

The Company has already provided separate E-mail ID for registering complaints by investors (kicl@kalyanisteels.com).

**SHARE TRANSFER :**

In terms of 'In-principle' approvals obtained under Clause 24(f) of the Listing Agreement for the Scheme of Arrangement, the equity shares allotted pursuant to Scheme shall remain frozen in the depositories systems till listing / trading permission is given by the designated stock exchanges and there shall not be any change in the shareholding pattern between the Record Date and the Listing Date. As a result the equity shares are not transferable till the Listing Date.

**DETAILS OF NON-COMPLIANCE :**

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

**GENERAL BODY MEETINGS :**

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

Date	Time	Type of Meeting	Venue	Special Resolution Passed
29th August, 2009	10.30 a.m.	Extraordinary General General	Registered Office of the Company at Mundhwa, Pune - 411 036	1*
18th January, 2010	10.30 a.m.	Extraordinary General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	1**

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

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

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

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

**COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS :**

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

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

Day and Date : Wednesday, 24th November, 2010 at 11.00 a.m.

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

**FINANCIAL CALENDAR :**

1st April to 31st March

**LISTING :**

The Company has received 'In-principle' approval for listing from National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and Pune Stock Exchange Limited (PSE). The Equity Shares would be listed and admitted to dealings on receipt of approval of Securities and Exchange Board of India (SEBI) by relaxation of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957.

**STOCK CODES :**

Will be allotted by Stock Exchanges after final listing approval.

ISIN in NSDL and CDSL : INE029L01018

**STOCK DATA :**

The Equity Shares are yet to be listed on National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and Pune Stock Exchange Limited (PSE).

**REGISTRAR AND TRANSFER AGENTS AND SHARE TRANSFER SYSTEM :**

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

**PATTERN OF SHAREHOLDING BY OWNERSHIP AS ON DATE OF ALLOTMENT I.E. 27TH APRIL, 2010 :**

Category	No. of Equity Shares held	Shareholding %
Promoters	2,612,632	59.849
Mutual Funds / UTI	434,778	9.960
Insurance Companies	—	—
Banks	178	0.004
FII's	12,998	0.298
Bodies Corporate	535,123	12.258
NRI's / OCBs	12,344	0.284
Foreign Companies	66	0.001
Indian Public	757,187	17.346
<b>TOTAL</b>	<b>4,365,306</b>	<b>100.000</b>

**PATTERN OF SHAREHOLDING BY SHARE CLASS AS ON DATE OF ALLOTMENT I.E. 27TH APRIL, 2010 :**

Shareholding Class	No. of Shareholders	No. of Equity Shares held	Shareholding %
Up to 500	26,193	535,091	12.258
501 to 1,000	113	82,234	1.884
1,001 to 2,000	66	96,131	2.202
2,001 to 3,000	29	71,692	1.642
3,001 to 4,000	22	78,061	1.788
4,001 to 5,000	7	31,243	0.716
5,001 to 10,000	11	78,935	1.808
10,001 and above	26	3,391,919	77.702
<b>TOTAL</b>	<b>26,467</b>	<b>4,365,306</b>	<b>100.000</b>

**DEMATERIALISATION :**

As on the date of allotment i.e. 27th April, 2010, dematerialised shares accounted for 63.38% of the total Equity Capital.

**INVESTORS CORRESPONDENCE ADDRESS :**

- |  |   |
|--|---|
| 1) Link Intime India Private Limited<br>Registrar & Transfer Agent<br>Block No.202, Akshay Complex, 2nd Floor,<br>Off Dhole Patil Road, Near Ganesh Mandir,<br>Pune - 411 001<br>Phone No. : 020 - 26051629 / 26050084<br>Telefax : 020 - 26053503<br>E-Mail : pune@linkintime.co.in | 2) Kalyani Investment Company Limited,<br>Secretarial Department<br>Mundhwa, Pune - 411 036<br>Phone No. : 020-26715000 / 66215000<br>Fax No. : 020-26821124<br>E-mail : kicl@kalyanisteels.com |
|--|---|

**GROUP :**

The constituents of 'Group' (within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969), as required under Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, for the purpose of availing exemption from the applicability of the provisions of Regulations 10 to 12 of the aforesaid SEBI Regulations, comprises Mr.B.N. Kalyani, Mrs.Sunita B. Kalyani, Mr.Amit B. Kalyani, Mrs.Deeksha A. Kalyani, Ajinkya Investment & Trading Company, BF Investment Limited, Sundaram Trading & Investment Private Limited, Lohagaon Trading Company Private Limited, Ajinkyatara Trading Company Limited, KSL Holdings Private Limited, PIH Finvest Company Limited, Kalyani Steels Limited, Bharat Forge Limited, BF Utilities Limited, Gulbakshi Realty Private Limited and Sundaram Enterprises.

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**COMPLIANCE CERTIFICATE**

To the Members of  
Kalyani Investment Company Limited

I have examined the compliance of conditions of Corporate Governance by KALYANI INVESTMENT COMPANY LIMITED ("the Company") for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

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

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

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

Place : Pune  
Date : 27th July, 2010

P. V. Deo  
Chartered Accountant  
Membership No.41609



## DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting their First Annual Report on the business and operations of the Company and the Audited Accounts for the year ended 31st March, 2010.

### 1. Scheme of Arrangement :

Your Directors are pleased to inform you that the Hon'ble High Court of Judicature at Bombay by its Order dated 12th March, 2010 had approved the Scheme of Arrangement between your Company, Kalyani Steels Limited (KSL), Chakrapani Investments & Trades Limited (Chakrapani), Surajmukhi Investment & Finance Limited (Surajmukhi) and Gladiolla Investments Limited (Gladiolla).

As a result of the said Order, the 'Investment Division' of KSL is transferred to and vested in your Company and Chakrapani, Surajmukhi and Gladiolla, wholly owned subsidiaries of KSL are amalgamated with your Company, with effect from 1st October, 2009, the "Appointed Date". The Scheme became effective on 31st March, 2010, on filing of the respective Orders by all the Companies with the Registrar of Companies, Pune (Maharashtra).

In terms of the Scheme, every shareholder of KSL, holding 10 (Ten) Equity Shares of KSL on 23rd April, 2010 i.e. the Record Date fixed for determining the entitlement of Equity Shares of your Company, was issued and allotted 1 (One) Equity Share of ₹10/- each of your Company credited as fully paid up. The said allotment was made by the Board of Directors of your Company at its meeting held on 27th April, 2010.

### 2. Listing of Equity Shares :

Equity Shares of your Company will be listed on National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and Pune Stock Exchange Limited (PSE), where the Equity Shares of Kalyani Steels Limited are listed.

Your Company has received "In-principle" approvals for listing from all the aforesaid Stock Exchanges and the Equity Shares of your Company would be listed and admitted to dealings on receipt of approval of Securities and Exchange Board of India (SEBI) by relaxation of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957.

### 3. Financial Results :

During the period under review your Company has made a net profit of ₹59,459/-.

### 4. Dividend :

Your Directors do not recommend any dividend for the period under review.

### 5. Directors :

Mr.B.B. Hattarki, First Director of the Company, appointed by virtue of the provisions of the Articles of Association, holds office till the conclusion of the ensuing Annual General Meeting and is eligible for appointment.

Mr.Amit B. Kalyani and Mr.C.G. Patankar, were appointed as an Additional Directors with effect from 16th September, 2009. Mr.S.S. Vaidya, was appointed as an Additional Director with effect from 31st March, 2010. All these Directors hold office till the conclusion of the ensuing Annual General Meeting and are eligible for appointment.

The appointments of Mr.B.B. Hattarki, Mr.Amit B. Kalyani, Mr.C.G. Patankar and Mr.S.S. Vaidya, form part of the Notice of the Annual General Meeting and the resolutions for their appointments are recommended for your approval. Profiles of these Directors, as required by the Corporate Governance Code (Clause 49 of the Listing Agreement), are given in the report on Corporate Governance.

**6. Directors' Responsibility Statement :**

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your Directors confirm that :

- i) in the preparation of the accounts for the financial year ended 31st March, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) accounting policies selected had been applied consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- iii) proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and;
- iv) the annual accounts had been prepared, on a going concern basis.

**7. Fixed Deposits :**

The Company has not accepted any deposits from the public.

**8. Auditor :**

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

**9. Particulars of Employees :**

During the year no person was employed for the whole or part of the year.

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

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

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for and on behalf of the Board of Directors

Place : Pune

Date : 27th July, 2010

Amit B. Kalyani

Chairman

## AUDITOR'S REPORT

To  
The Members of  
Kalyani Investment Company Limited

I have audited the attached Balance Sheet of Kalyani Investment Company Limited as at 31st March, 2010 and also the Profit and Loss Account for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my Audit.

1. I conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
2. As required by the Companies (Auditors' Report) Order, 2003, read with the Companies (Auditor's Report) (Amendment) Order, 2004, both issued by the Central Government in terms of Section 227(4-A) of the Companies Act, 1956, I enclose in the Annexure, a statement on the matters specified in the said Order.
3. Further to my comments in the Annexure referred to in paragraph '2' above :
  - (a) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
  - (b) In my opinion, proper books of account, as required by law have been kept by the Company so far as appears from my examination of the books.
  - (c) The Balance Sheet and the Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - (d) In my opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (e) On the basis of the written representations received from the Directors as at 31st March, 2010 and taken on record by the Board of Directors, I report that none of the Directors of the Company, was disqualified as at 31st March, 2010, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (f) As explained to me by the Management, the Company could not pay the cess payable under Section 441A of the Companies Act, 1956, for want of notification of the rate and effective date by the Central Government.
  - (g) In my opinion and to the best of my knowledge and belief and according to the explanations given to me, the accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - (i) In so far as it relates to the Balance Sheet, of the state of the Company's affairs as at 31st March, 2010;
    - (ii) In so far as it relates to the Profit and Loss Account, of the profit of the Company for the period ended on that date.

Pune  
27th July, 2010

P. V. Deo  
Chartered Accountant  
Membership No.41609

**Annexure referred to in Paragraph 2 of the Auditor's Report on the Accounts of KALYANI INVESTMENT COMPANY LIMITED for the period ended 31st March, 2010**

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

- i) Since the Company does not own any fixed assets, the provisions of Clause No.4(i) of the Order do not apply to the Company.
- ii) Since the Company does not carry any inventory, the provisions of Clause No.4(ii) of the Order do not apply to the Company.
- iii) The Company has not granted or taken any loans to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Hence, the provisions of Clause No.4(iii) of the Order do not apply to the Company.
- iv) Since the Company is a Core Investment Company not carrying any inventory or fixed assets, the provisions of Clause No.4(iv) of the Order do not apply.
- v) The Company has not carried out any transactions in pursuance of contracts or arrangements required to be entered in the register maintained under Section 301 of the Companies Act, 1956.
- vi) The Company has not accepted deposits from the public within the meaning of Sections 58A or 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed, thereunder.
- vii) In my opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- viii) The Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the business in which the Company is engaged.
- ix) (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities, undisputed statutory dues including Income Tax, other taxes, cess and statutory dues applicable to it. As explained to me by the Management, the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and the Employees' State Insurance Act, 1948 do not apply to the Company. According to the information and explanations given to me, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, Cess were outstanding as at 31st March, 2010 for a period of more than six months from the date those became payable.  
(b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Cess which have not been deposited on account of any dispute.
- x) The Company does not have any accumulated losses as at 31st March, 2010 and has not incurred any cash loss in the period.
- xi) The Company has neither borrowed any moneys from any financial institution or bank; nor issued any debentures. Hence, the provisions of Clause No.4(x) of the Order do not apply to the Company.
- xii) According to the information and explanations given to me, the Company has not given any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) The Company is not a chit fund, nidhi or mutual benefit fund / society. Therefore, the provisions of Clause No.4(xiii) of the Order do not apply to the Company.
- xiv) According to the information and explanations given to me, the Company is a Core Investment Company and does not deal or trade in shares, debentures, securities and other investments. Therefore, the provisions of Clause No.4(xiv) of the Order do not apply to the Company.
- xv) According to the information and explanations given to me, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) Since the Company has not raised any term loans, the provisions of Clause No.4(xvi) of the Order do not apply to the Company.
- xvii) According to the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that no long term funds have been used to finance short term assets. Similarly, no funds raised on short term basis have been used for long term investments.
- xviii) The Company has not made any preferential allotment of shares, within the meaning of Section 81(1A) of the Companies Act, 1956, to parties and companies covered in the register maintained under Section 301 of the said Act.
- xix) Since the Company has not issued any secured debentures, during the period covered by this report, the Clause (xix) of the Order does not apply to the Company.
- xx) Since the Company has not raised any money by public issues during the period, Clause (xx) of the Order, does not apply to the Company.
- xxi) Based upon the audit procedures performed and the information and explanations given by the Management, I report that no fraud on or by the Company has been noticed or reported during the course of my audit.

Pune  
27th July, 2010

P. V. Deo  
Chartered Accountant  
Membership No.41609



KALYANI

# 1st Annual Report 2009-2010

## BALANCE SHEET AS AT 31ST MARCH, 2010

	Schedule No.	₹	As at 31st March, 2010 ₹
<b>I. SOURCES OF FUNDS :</b>			
1. Shareholders' Funds :			
a) Capital	1	500,000	
b) Share Capital Suspense Account	2	619,653,060	
c) Reserves and Surplus	3	<u>2,714,465,507</u>	
			3,334,618,567
	<b>TOTAL</b>		<u><u>3,334,618,567</u></u>
<b>II. APPLICATION OF FUNDS :</b>			
1. Investments	4		3,333,388,745
2. Current Assets, Loans and Advances :			
a) Cash and Bank Balances	5	310,067	
b) Loans and Advances	6	1,587,952	
		<u>1,898,019</u>	
Less : Current Liabilities and Provisions			
a) Current Liabilities	7	668,197	
		<u>668,197</u>	
Net Current Assets			1,229,822
	<b>TOTAL</b>		<u><u>3,334,618,567</u></u>
Notes forming part of the Accounts	10		

The schedules referred to above, including the notes on the accounts form an integral part of the Balance Sheet.

As per my attached Report of even date

On behalf of the Board of Directors

P. V. Deo  
Chartered Accountant  
Membership No.41609

Tushar Meher  
Company Secretary

Amit B. Kalyani  
Chairman

C. G. Patankar  
Director

Place : Pune  
Date : 27th July, 2010

Place : Pune  
Date : 27th July, 2010

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

	Schedule No.	₹	Current Year ₹
INCOME :			
Income from Operations, etc.	8		6,387,909
	<b>TOTAL</b>		<b>6,387,909</b>
EXPENDITURE :			
Establishment and Other Expenses	9		6,327,950
	<b>TOTAL</b>		<b>6,327,950</b>
Profit before Taxation			59,959
Tax (Expense) / Saving :			
Current Tax		(11,000)	
MAT Credit entitlement		10,500	
Deferred Tax		—	
			<b>(500)</b>
Profit for the period after taxation			59,459
Less : Appropriation			
Transfer to Reserve Fund (Refer Note No.C-9)			11,900
Balance carried to Balance Sheet			47,559
Profit for the period after Taxation, as above			59,459
Weighted average number of Equity Shares outstanding during the period (Refer Note No.C-7)			
			2,854,949
Basic and diluted Earnings per Share in Rupees			0.02
Notes forming part of the Accounts	10		

The schedules referred to above, including the notes on the accounts form an integral part of the Profit and Loss Account.

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As per my attached Report of even date

On behalf of the Board of Directors

P. V. Deo  
Chartered Accountant  
Membership No.41609

Tushar Meher  
Company Secretary

Amit B. Kalyani  
Chairman

C. G. Patankar  
Director

Place : Pune  
Date : 27th July, 2010

Place : Pune  
Date : 27th July, 2010



KALYANI

# 1st Annual Report 2009-2010

## SCHEDULE NOS. : '1' to '10' annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account for the period ended 31st March, 2010

		As at 31st March, 2010
		₹                      ₹
<b>SCHEDULE '1' : SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
12,000,000	Equity Shares of ₹10/- each	120,000,000
60,000,000	14% Non-Cumulative Redeemable Preference Shares of ₹10/- each	600,000,000
	TOTAL	<u>720,000,000</u>
<b>ISSUED, SUBSCRIBED &amp; PAID UP :</b>		
50,000	Equity Shares of ₹10/- each, fully paid up # (Refer Note No. C-5(b))	500,000
	# Since cancelled	
	TOTAL	<u>500,000</u>
<b>SCHEDULE '2' : SHARE CAPITAL SUSPENSE ACCOUNT</b>		
	Equity Share Capital Suspense Account (Refer Note No.C-5(a))	43,653,060
	14% Non-Cumulative Redeemable Preference Shares Capital Suspense Account (Refer Note No.C-5(c))	576,000,000
	TOTAL	<u>619,653,060</u>
<b>SCHEDULE '3' : RESERVES AND SURPLUS :</b>		
<b>General Reserve :</b>		
	Amounts credited during the period in accordance with the Composite Scheme of Arrangement sanctioned by the Hon'ble High Court of Judicature at Bombay	
	a) Excess of assets of the Investment Division of the Demerged Company as at the Appointed Date over the book value of the liabilities, thereof as at the Appointed Date and paid up value of the Equity Shares to be issued to the shareholders of the Demerged Company, net of amalgamating costs incurred by the Company (Refer Note No.C-3)	2,714,248,578
	b) Excess of the book value of the net assets of the Transferor/ Amalgamating Companies over the paid up value of Preference Shares to be issued, net of amalgamation costs incurred by the Amalgamating Companies (Refer Note Nos.C-4 and C-10)	157,470
<b>Reserve Fund :</b>		
	Set aside this financial year (Refer Note No.C-9)	11,900
<b>Profit and Loss Account :</b>		
	Surplus as per annexed account	47,559
	TOTAL	<u>2,714,465,507</u>

## KALYANI INVESTMENT

As at 31st  
March, 2010

₹                      ₹

**SCHEDULE '4' : INVESTMENTS**  
(OTHER THAN TRADE)  
(Refer Note No.B-3)

Long Term :

(i) In fully paid shares :

Quoted :

Equity Shares :

6,062,342	Equity Shares of ₹5/- each fully paid up of BF Utilities Limited (Refer Note No.C-6)	36,190,426	
5,155,650	Equity Shares of ₹10/- each fully paid up of Hikal Limited \$	65,610,549	
25,000	Equity Shares of ₹2/- each fully paid up of Sterlite Technologies Limited	1,437,500	
500	Equity Shares of ₹5/- each fully paid up of Kirloskar Ferrous Industries Limited	7,500	
31,656,095	Equity Shares of ₹2/- each fully paid up of Bharat Forge Limited	1,376,310,874	
15,431	Equity Shares of ₹10/- each fully paid up of Bank of Baroda	1,519,130	
12,200	Equity Shares of ₹10/- each fully paid up of Canara Bank	427,000	
		1,481,502,979	

Unquoted :

Preference Shares :

75,486,111	0.1% Non-Cumulative Redeemable Preference Shares of ₹10/- each of Kalyani Gerdau Steels Limited	845,444,440	
53,000	12% Non-Cumulative Redeemable "C" Preference Shares of ₹100/- each fully paid up of Sundaram Trading and Investment Private Limited	5,300,000	
		850,744,440	

Equity Shares :

6,062,342	Equity Shares of ₹5/- each fully paid up of BF Investment Limited (Refer Note No.C-6)	342,370,519	
56,155,556	Equity Shares of ₹10/- each fully paid up of Kalyani Gerdau Steels Limited \$\$	561,555,560	
22,005	Equity Shares of ₹100/- each fully paid up of Dandakaranya Investment and Trading Limited	2,200,500	
22,005	Equity Shares of ₹100/- each fully paid up of Hastinapur Investment and Trading Limited	2,200,500	
22,005	Equity Shares of ₹100/- each fully paid up of Dronacharya Investment and Trading Limited	2,200,500	
220,000	Equity Shares of ₹10/- each fully paid up of Campanula Investment and Finance Limited	2,200,000	
220,000	Equity Shares of ₹10/- each fully paid up of Cornflower Investment and Finance Limited	2,200,000	
245,000	Equity Shares of ₹10/- each fully paid up of Kalyani Carpenter Metal Centres Limited	2,462,250	
	Less : Provision for diminution in value	(2,217,250)	
		245,000	
5,001,000	Equity Shares of ₹10/- each fully paid up of KSL Holdings Private Limited	50,160,050	
579,000	Equity Shares of ₹10/- each fully paid up of Kalyani Agro Corporation Limited	5,790,000	
	Less : Determined diminution in value, written off	(5,616,300)	
		173,700	
50,000	Equity Shares of ₹10/- each, fully paid up of Kalyani Investment Company Limited as per contra # (Refer Note No.C-5(b)) # Since cancelled	500,000	
		966,006,329	

Carried over..

3,298,253,748



		As at 31st March, 2010
		₹                      ₹
<b>SCHEDULE '4' : INVESTMENTS (Continued)</b>		
(OTHER THAN TRADE)		
(Refer Note No.B-3)		
Brought over..		3,298,253,748
Debtures :		
313,050	0% Optionally Fully Convertible Debtures of Gloxinia Investment and Finance Limited \$\$\$	31,305,000
Short Term :		
(i) In Units of Mutual Fund :		
Unquoted :		
320,627	Units of ₹10/- each of HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend	3,216,371
61,212	Units of ₹10/- each of HDFC Cash Management Fund - Treasury Advantage Plan - Retail - Weekly Dividend	<u>613,626</u>
		3,829,997
Book Value of Quoted Investments : ₹1,481,502,979/-		
Book Value of Unquoted Investments : ₹1,851,885,766/-		
Market Value of Quoted Investments : ₹15,153,040,965/-		
TOTAL		<u><u>3,333,388,745</u></u>

\$ 775,750 Equity Shares are pledged with Axis Bank Limited for loan taken by another company.

\$\$ 28,560,000 Equity Shares are pledged with Stressed Assets Stabilisation Fund in terms of Corporate Debt Restructuring Approval of Kalyani Gerdau Steels Limited.

\$\$\$ The holders of these OFCDs have option to fully convert each OFCD into ten fully paid up Equity Shares of ₹10/- each. The OFCDs which have not been converted into Equity Shares are redeemable on or before 19th November, 2011.

## SCHEDULE '5' : CASH AND BANK BALANCES

Cash on hand	3,583
Balances with scheduled banks :	
In Current Accounts	306,484
TOTAL	<u><u>310,067</u></u>

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**KALYANI INVESTMENT**As at 31st  
March, 2010

₹ ₹

**SCHEDULE '6' : LOANS AND ADVANCES**  
(UNSECURED, CONSIDERED GOOD)

MAT Credit entitlement		10,500
Taxes paid in advance (Net of Provisions)		1,577,452
	TOTAL	<u>1,587,952</u>

**SCHEDULE '7' : CURRENT LIABILITIES**

Sundry Creditors		
Total outstanding dues to micro enterprises and small enterprises	—	
Others	642,828	
		<u>642,828</u>
Other liabilities		25,369
	TOTAL	<u>668,197</u>

Current  
Year

₹ ₹

**SCHEDULE '8' : INCOME FROM OPERATIONS, ETC.**

Income from Operations :		
Dividend received on short term investments		75,246
Other Income :		
Sundry Balances written back		6,312,663
	TOTAL	<u>6,387,909</u>

**SCHEDULE '9' : ESTABLISHMENT AND OTHER EXPENSES**

Operating Expenses :		
Loss on sale of investments	374	
Miscellaneous Expenses	7,196	
Audit Fees (Refer Note No.C-2)	75,000	
Bank Charges	3,886	
		<u>86,456</u>
Amounts written off :		
(Refer Note No.B-7)		
Diminution in value of investments written off	5,616,300	
Preliminary Expenses	327,526	
Share Issue Expenses	297,668	
		<u>6,241,494</u>
	TOTAL	<u>6,327,950</u>

## SCHEDULE '10' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010

### A. Company Overview :

- a) Kalyani Investment Company Limited, is a public limited company incorporated on 25th June, 2009. The Company received the Certificate of Commencement of Business on 25th March, 2010. The Company is an Investment Company.
- b) In a Composite Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay, as per Order dated 12th March, 2010, the Investment Division of Kalyani Steels Limited (the Demerged Company) was transferred to and vested in Kalyani Investment Company Limited (the Resulting Company), on going concern basis, with retrospective effect from the Appointed Date, being 1st October, 2009. The Investment Division comprised all investments as also all the assets and properties, whether moveable or immoveable, tangible or intangible, present or contingent and liabilities pertaining to or relating to the Investment Division, as specified in the Scheme. As per the said Scheme, Chakrapani Investments and Trades Limited, Surajmukhi Investment and Finance Limited and Gladiolla Investments Limited (collectively referred to as the Amalgamating Companies) amalgamated with Kalyani Investment Company Limited (the Amalgamated Company and the Resulting Company) with retrospective effect from the Appointed Date, being 1st October, 2009.
- c) The said Scheme became effective from 31st March, 2010 (the Effective Date) upon which, the Business of the Investment Division of the Demerged Company together with all related assets and liabilities, as stated above, was deemed to have been transferred to and vested in the Company with retrospective effect from 1st October, 2009. Similarly, the undertakings of the Amalgamating Companies were deemed to have been transferred to and vested in the Company on going concern basis.
- d) The business of the Investment Division was deemed to have been carried out by Kalyani Steels Limited, in trust for the Company from the Appointed Date till the Effective Date. Any income or profit accruing or arising to Kalyani Steels Limited in relation to the Investment Division and all costs, charges, expenses and losses incurred by Kalyani Steels Limited, in relation to the said undertaking, are for all purposes, to be treated as the income, profits, costs, charges, expenses and losses, as the case may be of Kalyani Investment Company Limited in accordance with the Scheme. Accordingly, these financial statements incorporate the result of the activities deemed to have been carried out by Kalyani Steels Limited in trust for the Company from 1st October, 2009 to 31st March, 2010.
- e) The Amalgamating Companies are deemed to have carried on business, in trust for the Company from the Appointed Date till the Effective Date. Any income or profit accruing or arising to the Amalgamating Companies and all costs, charges, expenses and losses incurred by the Amalgamating Companies, are for all purposes, to be treated as the income, profits, costs, charges, expenses and losses, as the case may be of Kalyani Investment Company Limited in accordance with the Scheme. Accordingly, these financial statements incorporate the result of the activities deemed to have been carried out by the Amalgamating Companies in trust for the Company from 1st October, 2009 to 31st March, 2010.
- f) The Company is a Core Investment Company holding 90% of its assets in investments in shares of or debts in Group Companies. In view of the interpretation of the extant regulatory framework applicable to core investment companies, as could be seen in the Press Release No.2009-2010/1428 dated 21st April, 2010, it is not required to obtain Certificate of Registration under Section 45-IA of the Reserve Bank of India Act, 1934.

### B. Statement of Significant Accounting Policies :

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

**SCHEDULE '10' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010 (Continued)****2. Use of Estimates :**

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

**3. Investments :**

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

**4. Revenue Recognition :**

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

**5. Taxation :**

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

**6. Earnings per share :**

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

**7. Preliminary Expenses / Share Issue Expenses :**

Preliminary Expenses and Share Issue Expenses are fully written off in the year in which those are incurred.

**8. Provisions, Contingent Liabilities and Contingent Assets :**

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

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

**C. Notes :**

	₹
1. Contingent liabilities not provided for :	NIL
2. Payment to Auditor :	
a) As Auditor	50,000
b) For Tax Audit	25,000
TOTAL	<u>75,000</u>

**SCHEDULE '10' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010 (Continued)**

3. In the Composite Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay, as stated, hereinabove, the Investment Division of Kalyani Steels Limited was transferred to and vested in Kalyani Investment Company Limited, on going concern basis, with retrospective effect from the Appointed Date, being 1st October, 2009. Consequently, the business of the said Division, alongwith the under mentioned assets and liabilities stand transferred in favour of the Company, which have been accounted for, in the method and manner, prescribed in the above mentioned Scheme.

Particulars	₹
<b>Assets :</b>	
Investments	2,758,474,815
<b>Total Assets transferred</b>	<b>2,758,474,815</b>
<b>Liabilities :</b>	<b>Nil</b>
<b>Excess of Assets over Liabilities</b>	<b>2,758,474,815</b>
Less : Costs incurred for the purpose of executing the Scheme, by the Company	(573,177)
Less : Equity Share Capital to be allotted to the shareholders of Kalyani Steels Limited	(43,653,060)
Net amount credited to General Reserve	<b>2,714,248,578</b>

4. In terms of the said Composite Scheme of Arrangement, approved by the Hon'ble High Court of Judicature at Bombay, Chakrapani Investments and Trades Limited (Chakrapani), Surajmukhi Investment and Finance Limited (Surajmukhi) and Gladiolla Investments Limited (Gladiolla) amalgamated with Kalyani Investment Company Limited with retrospective effect from the Appointed Date, being 1st October, 2009. Accounting impact of the said Composite Scheme of Arrangement, in so far as the amalgamation of the Amalgamating Companies with Kalyani Investment Company is concerned, is discussed hereunder.
- All the assets and liabilities of Amalgamated Companies as at 1st October, 2009, transferred on amalgamation have been accounted in the books of the Company at their respective book values.
  - All the reserves of the Amalgamating Companies as at 1st October, 2009 have been transferred to the "Amalgamation Reserve Account," in the books of the Company.
  - Investments held by Chakrapani in the Company have since been cancelled subsequent to 31st March, 2010.
  - Loans amounting to ₹576 Million given by Kalyani Steels Limited to Surajmukhi and Gladiolla have since been converted into 57,600,000 - 14% Non-Cumulative Redeemable Preference Shares of ₹10/- each of the Company, subsequent to 31st March, 2010.
  - Costs incurred for the purposes of executing the Scheme have been debited to the "Amalgamation Reserve Account."

**SCHEDULE '10' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010 (Continued)**

- f) The balance standing to the debit of the "Amalgamation Reserve Account," has been transferred to the General Reserve, as stated below :

Particulars	Chakrapani	Surajmukhi	Gladiolla	Total
	₹	₹	₹	₹
<b>Assets :</b>				
Investments	712,066,576	574,013,928	569,893,779	1,855,974,283
Current Assets, Loans and Advances	735,406	2,964,635	622,375	4,322,416
<b>Total Assets :</b>	<b>712,801,982</b>	<b>576,978,563</b>	<b>570,516,154</b>	<b>1,860,296,699</b>
<b>Liabilities :</b>				
Unsecured Loans	2,895,000	319,027,848	260,693,900	582,616,748
Current Liabilities and Provisions	2,172,969	2,526,465	2,059,063	6,758,497
<b>Total Liabilities :</b>	<b>5,067,969</b>	<b>321,554,313</b>	<b>262,752,963</b>	<b>589,375,245</b>
Excess of book value of the net assets of the Amalgamating Companies	707,734,013	255,424,250	307,763,191	1,270,921,454
Less : Cancellation of inter-company investments, loans, advances				(694,713,924)
Balance				576,207,530
Less : Aggregate Face Value of 57,600,000 - 14% Non-Cumulative Redeemable Preference Shares of ₹10/- each to Kalyani Steels Limited				(576,000,000)
				207,530
Less : Costs incurred for the purpose of executing the Scheme, by the Amalgamating Companies				(50,060)
Net amount credited to General Reserve				157,470

5. a) In terms of the said Composite Scheme of Arrangement, the Company was required to allot 4,365,306 Equity Shares of ₹10/- each, fully paid up (the New Equity Shares) to the shareholders of Kalyani Steels Limited, whose names appeared in the register of members on the Record Date, fixed for this purpose by the Board, which was 23rd April, 2010, in the ratio of 1 New Equity Share for every 10 Equity Shares of ₹10/- each held by them in Kalyani Steels Limited as on the Record Date. The Company has since allotted the said New Equity Shares on 27th April, 2010. Pending the said allotment, the aggregate face value of the New Equity Shares amounting to ₹43,653,060/- has been credited to Equity Share Capital Suspense Account.
- b) Simultaneously with the issue and allotment of the New Equity Shares by the Company, the 50,000 Equity Shares of ₹10/- each, issued to the subscribers to the Memorandum of Association and transferred to the Company in the said Composite Scheme of Arrangement are since cancelled on 27th April, 2010. Accordingly, the issued, subscribed and paid up capital comprising of 50,000 Equity Shares of ₹10/- each aggregating to ₹500,000/- and the 50,000 Equity Shares of ₹10/- each of Kalyani Investment Company Limited shown in Investment Schedule stand cancelled subsequent to the date of the Balance Sheet.

**SCHEDULE '10' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010 (Continued)**

- c) The Company has made allotment of 57,600,000 - 14% Non-Cumulative Redeemable Preference Shares of ₹10/- each fully paid up to Kalyani Steels Limited on 27th April, 2010, by way of conversion of the loans amounting to ₹576,000,000/- given by Kalyani Steels Limited to Surajmukhi and Gladiolla, in accordance with the said Composite Scheme of Arrangement. Pending the said allotment the aggregate face value of the said 14% Non-Cumulative Redeemable Preference Shares amounting to ₹576,000,000/- has been credited to 14% Non-Cumulative Redeemable Preference Share Capital Suspense Account.
6. In pursuance of the Composite Scheme of Arrangement, sanctioned by the Hon'ble High Court of the Judicature at Bombay, the Company has received allotment of 6,062,342 Equity Shares of ₹5/- each, fully paid, in BF Investment Limited, in the ratio of one such share for each share of BF Utilities Limited, held on 12th March, 2010, upon demerger of the Investment Business Undertaking of BF Utilities Limited. Proportionate cost of acquisition of shares of BF Utilities Ltd., aggregating to ₹342,370,519/- has accordingly been allocated towards the cost of acquisition of the said 6,062,342 Equity Shares of ₹5/- each, fully paid up in BF Investment Ltd.
7. While calculating the weighted average number of Equity Shares outstanding during the period, effect of the cancellation of the existing 50,000 Equity Shares of ₹10/- each fully paid up of the Company and of issue of 4,365,306 New Equity Shares of ₹10/- each fully paid up has been considered from the Appointed Date i.e. 1st October, 2009, since these accounts also incorporate the results of the erstwhile Investment Division of Kalyani Steels Limited with effect from the said Appointed Date. Since the weighted average number of equity shares as calculated above, considers the effect of dilutive potential equity shares allotted after the date of Balance Sheet as stated in Note No. C-5(a) above, diluted EPS is considered to be the same as basic EPS.
8. The Company is in the process of getting the investments and other assets of the Investment Division of Kalyani Steels Limited and of the Amalgamating Companies transferred in its own name.
9. Even though, the Company is not required to obtain the Certificate of Registration under Section 45-IA of the Reserve Bank of India Act, 1934, it has set aside amount to Reserve Fund as required under Section 45-IC of the said Act, on prudent basis.
10. As stated, hereinbefore, in terms of the said Composite Scheme of Arrangement, approved by the Hon'ble High Court of Judicature at Bombay, Chakrapani Investments and Trades Limited, Surajmukhi Investment and Finance Limited and Gladiolla Investments Limited (collectively referred to as the Transferor / Amalgamating Companies) amalgamated with Kalyani Investment Company Limited (the Transferee / Amalgamated Company) with retrospective effect from the Appointed Date, being 1st October, 2009. The amalgamation in substance, constitutes "amalgamation in the nature of merger" as specified under Accounting Standard - 14 on "Accounting for Amalgamations." The Scheme approved by the Hon'ble High Court, inter-alia provides as under :
- a) All the reserves of the Transferor / Amalgamating Companies as on the Appointed Date, shall be transferred to the "Amalgamation Reserve Account," in the books of the Transferee / Amalgamated Company.
- b) All such amounts standing to the credit of the "Amalgamation Reserve Account," shall constitute Transferee / Amalgamated Company's free reserves available for distribution, as if the same were created by the Transferee / Amalgamated Company out of its own earned and distributable profits and accordingly, shall form part of the and stand transferred to the General Reserve and be treated as net worth of the Transferee / Amalgamated Company.

These accounts incorporate reserves of the Amalgamating Companies in accordance with the said Composite Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay, as stated above.

Deviations in the accounting treatment given to the reserves as prescribed by the said Composite Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay as compared to the requirements of

**SCHEDULE '10' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010 (Continued)**

Accounting Standard - 14, that would have been followed had no treatment been prescribed by the said Scheme and financial effects, if any, arising due to such deviation have been presented below :

	Description of Reserves of Amalgamating Companies	Amount to be considered as per AS-14	Amount considered as per the Composite Scheme of Arrangement
		₹	₹
1	Securities Premium Account	534,210,400	—
2	Statutory Reserve Fund	47,886,455	—
3	Capital Redemption Reserve	24,002,200	—
4	General Reserve	261,755	157,470
5	Profit and Loss Account	(606,203,340)	—
	Financial Impact :	157,470	157,470

11. This being, the first year, since incorporation, no statement of cash flows has been drawn up.
12. The Company is an investment company and all activities of the Company revolve around this business. Hence no separate segment is considered reportable.
13. There are no "Related Parties", within the meaning of the Accounting Standard -18 on "Related Party Disclosures."
14. The Company does not owe any moneys to the suppliers registered under the Micro, Small and Medium Enterprises Development Act, 2006.
15. In the absence of any notification by the Central Government, as to the rate and effective date for payment of cess under Section 441A of the Companies Act, 1956, no provision, for the same, has been made in these accounts.
16. Balance Sheet Abstract and the Company's General Business Profile is enclosed.
17. This being the first year, since incorporation, the question of giving figures pertaining to previous year does not arise.

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As per my attached Report of even date

On behalf of the Board of Directors

P. V. Deo  
Chartered Accountant  
Membership No.41609

Tushar Meher  
Company Secretary

Amit B. Kalyani  
Chairman

C. G. Patankar  
Director

Place : Pune  
Date : 27th July, 2010

Place : Pune  
Date : 27th July, 2010



**KALYANI****1st Annual Report 2009-2010****BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

## I. Registration Details

Registration Number :  State Code : Balance Sheet   
Date Month Year

## II. Capital raised during the year (Amount in ₹Thousands)

Public Issue Rights Issue Bonus Issue Private Placement 

## III. Position of Mobilisation and Deployment of Funds (Amount in ₹Thousands)

Total Liabilities Total Assets Sources of Funds  
Paid-up Capital Reserves & Surplus Secured Loans Unsecured Loans Share Capital Suspense Application of Funds  
Net Fixed Assets Investments Net Current Assets Misc. Expenditure 

## IV. Performance of Company (Amount in ₹Thousands)

Turnover Total Expenditure + — Profit / Loss before Tax  
+ + — Profit / Loss after Tax  
+ Earnings per Share in ₹ Dividend Rate % 

## V. Generic Names of Three Principal Products / Services of the Company (as per monetary terms)

Item Code No. (ITC Code) : Product Description Item Code No. (ITC Code) : Product Description Item Code No. (ITC Code) : Product Description 

As per my attached Report of even date

On behalf of the Board of Directors

P. V. Deo  
Chartered Accountant  
Membership No.41609Tushar Meher  
Company SecretaryAmit B. Kalyani  
ChairmanC. G. Patankar  
DirectorPlace : Pune  
Date : 27th July, 2010Place : Pune  
Date : 27th July, 2010



**KALYANI**

DRIVING INNOVATION

**KALYANI INVESTMENT COMPANY LIMITED**

MUNDHWA, PUNE - 411 036  
MAHARASHTRA, INDIA.