

KALYANI INVESTMENT COMPANY LIMITED



KALYANI

DRIVING INNOVATION

BOARD OF DIRECTORS

Mr. Amit B. Kalyani
Chairman

Mr. S.S. Vaidya

Mr. B.B. Hattarki

Mr. C.G. Patankar

AUDITORS

Mr. Prashant V. Deo
Chartered Accountant
Flat No.11, Building No.8-B,
Laxminarayannagar No.4
Co-op Hsg. Society,
Erandawana, Pune - 411 004

BANKERS

Canara Bank
HDFC Bank Limited

REGISTRAR & TRANSFER AGENTS

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

REGISTERED OFFICE

Mundhwa, Pune - 411 036
Phone : +91-020-26715000 / 66215000
Fax : +91-020-26821124
Website: www.kalyani-investment.com
E-mail : investor@kalyani-investment.com

CONTENTS

Corporate Governance	2
Management Discussion and Analysis	4
Shareholder Information	5
Directors' Report	8
Auditor's Report	10
Balance Sheet	12
Profit & Loss A/c	13
Cashflow	14
Schedules forming part of the Financial Statements	15
Notes forming part of the Financial Statements	19
Balance Sheet Abstract & Company's General Business Profile	24

2ND ANNUAL GENERAL MEETING

Day : Friday
Date : 12th August, 2011
Time : 2.00 p.m. (I.S.T.)
Place : Registered Office,
Kalyani Investment Company Limited,
Mundhwa, Pune - 411 036

**CORPORATE GOVERNANCE**

Kalyani Investment is committed to good Corporate Governance and is in full compliance with the requirements under Clause 49 of the Listing Agreement with the Stock Exchanges. The basic philosophy of Corporate Governance is to achieve business excellence and dedicate itself for increasing long-term shareholder value.

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 2010-11.

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

As on 31st March, 2011, 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 2010-11, the Board of the Company met twelve times on 27th April, 2010, 24th May, 2010, 18th June, 2010, 7th July, 2010, 27th July, 2010, 14th September, 2010, 17th November, 2010, 29th December, 2010, 10th January 2011, 17th January 2011, 11th February, 2011, 21st March, 2011. 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	12	12	No	13	6	—
Mr.S.S. Vaidya	Non-Executive	12	12	Yes	10	5	5
Mr.B.B. Hattarki	Non-Executive	12	11	Yes	9	5	4
Mr.C.G. Patankar	Non-Executive	12	12	Yes	9	5	—

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
- 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 2010-11.

AUDIT COMMITTEE :

As on 31st March, 2011, the Audit Committee of Kalyani Investment comprised three members, of which all are Independent Directors. All the members have accounting and finance management expertise. The Chairman of the Audit Committee is Mr.B.B. Hattarki. Mr.S.S. Vaidya and Mr.C.G. Patankar are the other members of the Committee.

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

During the year 2010-11 Audit Committee met on 24th May, 2010, 27th July, 2010, 29th December, 2010 and 11th February, 2011. Particulars relating to the attendance at the Audit Committee meetings held during the year are given below :

Name of Director	Category	Number of Meetings held	Number of Meetings attended
Mr.B.B. Hattarki, Chairman	Independent	4	3
Mr.S.S. Vaidya	Independent	4	4
Mr.C.G. Patankar	Independent	4	4

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 2010-11. 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 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 strongly believes that Internal Control Systems are necessary for Good Corporate Governance and has in place an effective system of internal controls to ensure that all assets are properly safeguarded and protected and used optimally and financial transactions are reported accurately.

Cautionary Statement

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

DISCLOSURES BY MANAGEMENT TO THE BOARD :

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

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

Mr.Amit B. Kalyani and Mr.B.B. Hattarki, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Details of directors to be re-appointed, are given below :

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 Bharat Forge, 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 Infrastructure, BF Investment and Kalyani Alstom Power. Mr.Amit B. Kalyani, is retiring at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

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 re-appointment.

COMMUNICATION TO SHAREHOLDERS :

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

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

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

INVESTOR GRIEVANCES :

The Company has in place Shareholders' / Investors' Grievance Committee for redressing Shareholders' / Investors' complaints. The Committee comprises of Mr.B.B. Hattarki, Chairman and Mr.C.G. Patankar, Director. The first meeting of the Shareholders' / Investors' Grievance Committee was held on 11th February, 2011.

During the year 2010-11 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 (investor@kalyani-investment.com) and the said E-mail ID is also displayed on the web-site.

SHARE TRANSFER :

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

DETAILS OF NON-COMPLIANCE :

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

GENERAL BODY MEETINGS :

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

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

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

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

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

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

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

COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS :

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

SHAREHOLDER INFORMATION**ANNUAL GENERAL MEETING :**

Day and Date : Friday, 12th August, 2011 at 2.00 p.m.

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

FINANCIAL CALENDAR :

1st April to 31st March

BOOK CLOSURE :

The books will be closed on Friday, 12th August, 2011, as an Annual Closure for the Annual General Meeting.



KALYANI

2nd Annual Report 2010-2011

LISTING :

National Stock Exchange of India Limited (NSE)
Bombay Stock Exchange Limited (BSE)
Pune Stock Exchange Limited (PSE)

STOCK CODES :

NSE : KICL
BSE : 533302
ISIN in NSDL and CDSL : INE029L01018

STOCK DATA :

Table below gives the monthly high and low prices and volumes of trading of Equity Shares of the Company at National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE) for the year 2010-11.

Month & Year	NSE*			BSE*		
	High (₹)	Low (₹)	Volume (No. of Shares Traded)	High (₹)	Low (₹)	Volume (No. of Shares Traded)
January, 2011	1,142.75	352.70	48,773	1,143.50	352.90	3,160
February, 2011	1,089.80	800.00	75,949	1,089.00	801.30	7,823
March, 2011	898.95	723.00	20,012	879.00	736.10	1,101

* The Equity Shares of the Company were listed and admitted for dealing on NSE and BSE w.e.f. 14th January, 2011

REGISTRAR AND TRANSFER AGENTS AND SHARE TRANSFER SYSTEM :

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

PATTERN OF SHAREHOLDING BY OWNERSHIP AS ON 31.03.2011 :

Category	No. of Equity Shares held	Shareholding %
Promoters	2,612,632	59.849
Mutual Funds / UTI	418,557	9.588
Insurance Companies	—	—
Banks	178	0.004
FII's	54,765	1.255
Bodies Corporate	530,079	12.144
NRIs / OCBs	18,886	0.433
Foreign Companies	66	0.001
Indian Public	730,143	16.726
TOTAL	4,365,306	100.000

PATTERN OF SHAREHOLDING BY SHARE CLASS AS ON 31.03.2011 :

Shareholding Class	No. of Shareholders	No. of Equity Shares held	Shareholding %
Up to 500	25,479	510,773	11.701
501 to 1,000	112	81,031	1.856
1,001 to 2,000	64	95,827	2.195
2,001 to 3,000	33	82,212	1.883
3,001 to 4,000	20	70,246	1.609
4,001 to 5,000	6	27,193	0.623
5,001 to 10,000	10	68,829	1.577
10,001 and above	26	3,429,195	78.556
TOTAL	25,750	4,365,306	100.000

DEMATERIALISATION :

The Company's Equity Shares are under compulsory Demat Trading. As on 31st March, 2011, dematerialised shares accounted for 63.23 % of the total Equity.

INVESTORS CORRESPONDENCE ADDRESS :

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

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.

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, 2011, 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 : 25th May, 2011

P. V. Deo
Chartered Accountant
Membership No.41609

DIRECTORS' REPORT

Dear Shareholders,

The Directors have pleasure in presenting their Second Annual Report on the business and operations of the Company and the Audited Accounts for the year ended 31st March, 2011.

1. Listing of Equity Shares :

The Directors are pleased to inform you the listing of Equity Shares of the Company on Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) and Pune Stock Exchange Limited (PSE) with effect from 14th January, 2011.

2. Financial Results :

During the year under review your Company has made a net profit of ₹63,656,329/- as compared to ₹59,459/- in the previous year.

3. Dividend :

Considering the extent of distributable profits available with the Company, your Directors have declared interim dividend of 7% on Non-Cumulative Redeemable Preference Shares.

Your Directors do not recommend any dividend on Equity Shares of the Company for the year ended 31st March, 2011.

4. Directors :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr.Amit B. Kalyani and Mr.B.B. Hattarki, Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, they offer themselves for re-appointment.

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

5. 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, 2011, 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.

6. Fixed Deposits :

The Company has not accepted any deposits from the public.

7. Auditors :

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

8. Particulars of Employees :

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

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

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

for and on behalf of the Board of Directors

Place : Pune

Date : 25th May, 2011

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, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my Audit.

1. I conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
2. As required by the Companies (Auditors' Report) Order, 2003, read with the Companies (Auditor's Report) (Amendment) Order, 2004, both issued by the Central Government in terms of Section 227(4-A) of the Companies Act, 1956, I enclose in the Annexure, a statement on the matters specified in the said Order.
3. Further to my comments in the Annexure referred to in paragraph '2' above :
 - (a) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
 - (b) In my opinion, proper books of account, as required by law have been kept by the Company so far as appears from my examination of the books.
 - (c) The Balance Sheet and Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In my opinion, the Balance Sheet and 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.
 - (e) On the basis of the written representations received from the Directors as at 31st March, 2011 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, 2011, 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, 2011;
 - (ii) In so far as it relates to the Profit and Loss Account, of the profit of the Company for the financial year ended on that date.
 - (iii) In so far as it relates to the Cash Flow Statement, of the Cash Flows of the Company, for the financial year ended on that date.

Pune
25th May, 2011

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 year ended 31st March, 2011

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, 2011 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, 2011 and has not incurred any cash loss in the year.
- xi) The Company has neither borrowed any moneys from any financial institution or bank; nor issued any debentures. Hence, the provisions of Clause No.4(x) of the Order do not apply to the Company.
- xii) According to the information and explanations given to me, the Company has not given any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) The Company is not a chit fund, nidhi or mutual benefit fund / society. Therefore, the provisions of Clause No.4(xiii) of the Order do not apply to the Company.
- xiv) According to the information and explanations given to me, the Company is a Core Investment Company and does not deal or trade in shares, debentures, securities and other investments. Therefore, the provisions of Clause No.4(xiv) of the Order do not apply to the Company.
- xv) According to the information and explanations given to me, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi) Since the Company has not raised any term loans, the provisions of Clause No.4(xvi) of the Order do not apply to the Company.
- xvii) According to the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that no long term funds have been used to finance short term assets. Similarly, no funds raised on short term basis have been used for long term investments.
- xviii) The Company has not made any preferential allotment of shares, within the meaning of Section 81(1A) of the Companies Act, 1956, to parties and companies covered in the register maintained under Section 301 of the said Act.
- xix) Since the Company has not issued any secured debentures, during the 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
25th May, 2011

P. V. Deo
Chartered Accountant
Membership No.41609



KALYANI

2nd Annual Report 2010-2011

BALANCE SHEET AS AT 31ST MARCH, 2011

As at 31st
March, 2010

	Schedule No.	₹	₹	₹
I. SOURCES OF FUNDS :				
1. Shareholders' Funds :				
a) Capital	1	619,653,060		500,000
b) Share Capital Suspense Account	2	—		619,653,060
c) Reserves and Surplus	3	<u>2,731,105,188</u>		<u>2,714,465,507</u>
			<u>3,350,758,248</u>	<u>3,334,618,567</u>
	TOTAL		<u><u>3,350,758,248</u></u>	<u><u>3,334,618,567</u></u>
II. APPLICATION OF FUNDS :				
1. Investments	4		<u>3,347,591,830</u>	<u>3,333,388,745</u>
2. Current Assets, Loans and Advances :				
a) Cash and Bank Balances	5	1,944,557		310,067
b) Loans and Advances	6	1,645,730		1,587,952
			<u>3,590,287</u>	<u>1,898,019</u>
Less : Current Liabilities and Provisions				
a) Current Liabilities	7	370,700		668,197
b) Provisions	8	53,169		—
			<u>423,869</u>	<u>668,197</u>
Net Current Assets			<u>3,166,418</u>	<u>1,229,822</u>
	TOTAL		<u><u>3,350,758,248</u></u>	<u><u>3,334,618,567</u></u>
Notes forming part of the Accounts	11			

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

B.B. Hattarki
Director

Place : Pune
Date : 25th May, 2011

Place : Pune
Date : 25th May, 2011

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

	Schedule No.	₹	₹	Previous Year ₹
INCOME :				
Income from Operations	9 (a)	76,325,544		75,246
Other Operating Income	9 (b)		1,367	6,312,663
	TOTAL	76,326,911		6,387,909
EXPENDITURE :				
Establishment and Other Expenses	10	12,669,273		6,327,950
	TOTAL	12,669,273		6,327,950
Profit before Taxation		63,657,638		59,959
Tax (Expense) / Saving :				
Current Tax		—		(11,000)
MAT Credit entitlement		(450)		10,500
Taxation for Earlier Year		(859)		—
Deferred Tax		—		—
			(1,309)	(500)
Profit for the period after taxation		63,656,329		59,459
Less : Appropriation				
Transfer to Reserve Fund		12,732,000		11,900
Interim Dividend on Preference Share Capital		40,320,000		—
Dividend Distribution tax		6,696,648		—
			59,748,648	11,900
Profit for the year after taxation and appropriation		3,907,681		47,559
As per last account		47,559		—
Balance carried to Balance Sheet		3,955,240		47,559
Profit for the year attributable to Equity Shareholders (Refer Note No.C-11)		16,639,681		59,459
Weighted average number of Equity Shares outstanding during the year		4,365,306		2,854,949
Basic and diluted Earnings per Share in Rupees		3.81		0.02
Notes forming part of the Accounts	11			

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

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

B.B. Hattarki
Director

Place : Pune
Date : 25th May, 2011

Place : Pune
Date : 25th May, 2011



KALYANI

2nd Annual Report 2010-2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule	Year ended 31st March, 2011
		₹
A. Cash Flow from Operating Activities :		
Net Profit before tax		63,657,638
Adjusted for :		
Share Issue Expenses		680,543
Operating Profit before Working Capital Changes :		64,338,181
Changes in :		
Trade and other receivables	(59,727)	
Trade payables	(244,328)	
		(304,055)
Cash generations from Operations :		64,034,126
Direct Taxes (Net of Refund)		640
Net Cash from Operating Activities		64,034,766
B. Cash Flow from Investing Activities :		
(Purchase) / Sale of investments (Net)		(14,703,085)
Net Cash used in Investing Activities		(14,703,085)
C. Cash Flow from Financing Activities :		
Share Issue Expenses	(680,543)	
Interim Dividend on Preference Share Capital	(40,320,000)	
Dividend Distribution Tax paid	(6,696,648)	
		(47,697,191)
Net Cash used in Financing Activities		(47,697,191)
Net changes in Cash & Cash Equivalents (A+B+C)		1,634,490
CASH & CASH EQUIVALENTS - OPENING BALANCE		310,067
CASH & CASH EQUIVALENTS - CLOSING BALANCE		1,944,557

Notes forming part of the Accounts

11

The schedule referred to above forms an integral part of the Cash Flow Statement

As per my attached Report of even date

On behalf of the Board of Directors

P. V. Deo
Chartered Accountant
Membership No.41609

Tushar Meher
Company Secretary

Amit B. Kalyani
Chairman

B.B. Hattarki
Director

Place : Pune
Date : 25th May, 2011

Place : Pune
Date : 25th May, 2011

KALYANI INVESTMENT

SCHEDULE NOS. : '1' to '11' annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account and the Cash Flow Statement for the year ended 31st March, 2011

As at 31st
March, 2010

	₹	₹	₹
SCHEDULE '1' : SHARE CAPITAL :			
AUTHORISED :			
12,000,000 (12,000,000) Equity Shares of ₹10/- each		120,000,000	120,000,000
60,000,000 (60,000,000) 14% Non-Cumulative Redeemable Preference Shares of ₹10/- each		<u>600,000,000</u>	<u>600,000,000</u>
TOTAL		<u>720,000,000</u>	<u>720,000,000</u>
ISSUED, SUBSCRIBED & PAID UP :			
4,365,306 (50,000) Equity Shares of ₹10/- each, fully paid up #		43,653,060	500,000
# 4,365,306 Equity Shares of ₹10/- each allotted to the shareholders of Kalyani Steels Limited, in terms of the Composite Scheme of Arrangement			
£ 50,000 Equity Shares of ₹10/- each, fully paid up as per contra, since cancelled			
57,600,000 (Nil) 14% Non-Cumulative Redeemable Preference Shares of ₹10/- each ##		576,000,000	—
## Allotted to Kalyani Steels Limited, in terms of the Composite Scheme of Arrangement			
TOTAL		<u>619,653,060</u>	<u>500,000</u>
SCHEDULE '2' : SHARE CAPITAL SUSPENSE ACCOUNT			
Equity Share Capital Suspense Account		—	43,653,060
14% Non-Cumulative Redeemable Preference Share Capital Suspense Account		—	576,000,000
TOTAL		<u>—</u>	<u>619,653,060</u>
SCHEDULE '3' : RESERVES AND SURPLUS :			
General Reserve :			
As per last account	2,714,406,048		—
Add : 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	—		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	—		157,470
		<u>2,714,406,048</u>	<u>2,714,406,048</u>
Reserve Fund :			
As per last account	11,900		—
Add : Set aside this financial year	<u>12,732,000</u>		<u>11,900</u>
		<u>12,743,900</u>	<u>11,900</u>
Profit and Loss Account :			
As per annexed account		<u>3,955,240</u>	<u>47,559</u>
TOTAL		<u>2,731,105,188</u>	<u>2,714,465,507</u>



KALYANI

2nd Annual Report 2010-2011

		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	(6,062,342) Equity Shares of ₹5/- each fully paid up of BF Utilities Limited	36,190,426		36,190,426
5,155,650	(5,155,650) Equity Shares of ₹10/- each fully paid up of Hikal Limited	65,610,549		65,610,549
25,000	(25,000) Equity Shares of ₹2/- each fully paid up of Sterlite Technologies Limited	1,437,500		1,437,500
500	(500) Equity Shares of ₹5/- each fully paid up of Kirloskar Ferrous Industries Limited	7,500		7,500
31,656,095	(31,656,095) Equity Shares of ₹2/- each fully paid up of Bharat Forge Limited	1,376,310,874		1,376,310,874
15,431	(15,431) Equity Shares of ₹10/- each fully paid up of Bank of Baroda	1,519,130		1,519,130
6,062,342	(6,062,342) Equity Shares of ₹5/- each fully paid up of BF Investment Limited @	342,370,519		342,370,519
12,200	(12,200) Equity Shares of ₹10/- each fully paid up of Canara Bank	427,000		427,000
			1,823,873,498	1,823,873,498
Unquoted :				
Preference Shares :				
75,486,111	(75,486,111) 0.1% Non-Cumulative Redeemable Preference Shares of ₹10/- each fully paid up of Kalyani Gerdau Steels Limited	845,444,440		845,444,440
53,000	(53,000) 12% Non-Cumulative Redeemable "C" Preference Shares of ₹100/- each fully paid up of Sundaram Trading and Investment Private Limited	5,300,000		5,300,000
			850,744,440	850,744,440
Equity Shares :				
56,155,556	(56,155,556) Equity Shares of ₹10/- each fully paid up of Kalyani Gerdau Steels Limited \$	561,555,560		561,555,560
22,005	(22,005) Equity Shares of ₹100/- each fully paid up of Dandakaranya Investment and Trading Limited	2,200,500		2,200,500
22,005	(22,005) Equity Shares of ₹100/- each fully paid up of Hastinapur Investment and Trading Limited	2,200,500		2,200,500
22,005	(22,005) Equity Shares of ₹100/- each fully paid up of Dronacharya Investment and Trading Limited	2,200,500		2,200,500
220,000	(220,000) Equity Shares of ₹10/- each fully paid up of Campanula Investment and Finance Limited	2,200,000		2,200,000
220,000	(220,000) Equity Shares of ₹10/- each fully paid up of Cornflower Investment and Finance Limited	2,200,000		2,200,000
245,000	(245,000) Equity Shares of ₹10/- each fully paid up of Carpenter Kalyani Special Alloys Private Limited (formerly known as Kalyani Carpenter Metal Centres Limited)	2,462,250		2,462,250
	Less : Provision for diminution in value	(2,217,250)		(2,217,250)
		245,000		245,000
5,001,000	(5,001,000) Equity Shares of ₹10/- each fully paid up of KSL Holdings Private Limited	50,160,050		50,160,050
579,000	(579,000) Equity Shares of ₹10/- each fully paid up of Kalyani Agro Corporation Limited	173,700		5,790,000
	Less : Determined diminution in value, written off	—		(5,616,300)
		173,700		173,700
	Carried over	623,135,810	2,674,617,938	3,297,753,748

KALYANI INVESTMENT

As at 31st
March, 2010
₹

	₹	₹	₹
SCHEDULE '4' : INVESTMENTS (continued)			
(OTHER THAN TRADE) (Refer Note No.B-3)			
Brought over..	623,135,810	2,674,617,938	3,297,753,748
— (50,000) Equity Shares of ₹10/- each, fully paid up of Kalyani Investment Company Limited as per contra # Since cancelled	—		500,000
4,900 (—) Equity Shares of ₹10/- each, fully paid up of KG Renewable Energy Private Limited	49,000		—
		623,184,810	500,000
Debtures :			
313,050 (313,050) 0% Optionally Fully Convertible Debtures of ₹100/- each, fully paid up of Gloxinia Investment and Finance Limited \$\$		31,305,000	31,305,000
Investment in Partnership Firm :			
M/s Sundaram Enterprises (Refer Note No.C-10)		10,000	—
Short Term :			
(i) <u>In Units of Mutual Fund</u> :			
Unquoted :			
103,091 (320,627) Units of ₹10/- each of HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend - Option Reinvest	1,034,159		3,216,371
— (61,212) Units of ₹10/- each of HDFC Cash Management Fund - Treasury Advantage Plan - Retail - Weekly Dividend - Option Reinvest	—		613,626
17,436 (—) Units of ₹100/- each of UTI Treasury Advantage Fund Institutional Plan (Daily Dividend Option) - Reinvestment	17,439,923		—
		18,474,082	3,829,997
Previous Year ₹			
Book Value of Quoted Investments	1,823,873,498		1,481,502,979
Book Value of Unquoted Investments	1,523,708,332		1,851,885,766
Market Value of Quoted Investments	17,762,850,937		15,153,040,965
		TOTAL	3,347,591,830
			3,333,388,745

\$ 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.

The details of investments bought and sold during the year :

	No. of Units	Cost ₹	Sale Proceeds ₹
Units of Mutual Funds			
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale - Daily Dividend	5,442,249.153	54,593,923	54,593,923
HDFC Cash Management Fund - Treasury Advantage Plan - Retail - Weekly Dividend	147.328	1,476	1,477
HDFC Cash Management Fund - Treasury Advantage Plan - Retail - Daily Dividend	250,393.833	2,511,826	2,511,826
UTI Fixed Income Interval Fund - II - Quarterly Interval Plan IV - Institutional Dividend Plan	7,400,000.000	74,000,000	74,000,000
UTI Treasury Advantage Fund Institutional Plan - Daily Dividend Option - Reinvestment	56,787.843	56,800,001	56,800,001
TOTAL	13,149,578.157	187,907,226	187,907,227



KALYANI

2nd Annual Report 2010-2011

			As at 31st March, 2010
SCHEDULE '5' : CASH AND BANK BALANCES	₹	₹	₹
Cash on hand		4,588	3,583
Balances with scheduled banks :			
In Current Accounts		1,939,969	306,484
TOTAL		1,944,557	310,067
SCHEDULE '6' : LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)			
Advances recoverable in cash or in kind or for value to be received		1,635,560	—
MAT Credit entitlement		10,170	10,500
Taxes paid in advance (Net of Provisions)		—	1,577,452
TOTAL		1,645,730	1,587,952
SCHEDULE '7' : CURRENT LIABILITIES			
Sundry Creditors			
Total outstanding dues to micro enterprises and small enterprises		—	—
Others		365,798	642,828
Other liabilities		365,798	642,828
		4,902	25,369
TOTAL		370,700	668,197
SCHEDULE '8' : PROVISIONS			
Provision for Leave Encashment		31,229	—
Provision for Gratuity		21,940	—
TOTAL		53,169	—
		53,169	—
	₹	₹	Previous Year ₹
SCHEDULE '9' : INCOME FROM OPERATIONS, ETC.			
a) Income from Operations :			
Dividend received on short term investments		3,057,692	75,246
Dividend received on long term investments		73,267,760	—
Profit on sale of short term investments		92	—
		76,325,544	75,246
b) Other Operating Income :			
Miscellaneous Income		1,367	—
Sundry Balances written back		—	6,312,663
		1,367	6,312,663
TOTAL		76,326,911	6,387,909
SCHEDULE '10' : ESTABLISHMENT AND OTHER EXPENSES			
Payments to and Provisions for Employees :			
Salaries, Allowances, Bonus		1,936,840	—
Contributions to Provident and Other Funds		73,625	—
		2,010,465	—
Operating Expenses :			
Advertisement		381,019	—
Printing and Stationery		484,316	—
Communication		506,800	—
Fees and Subscriptions		512,308	—
Professional Fees		2,550,650	—
Electricity Charges		57,552	—
Travelling Expenses		1,289,181	—
Repairs and Maintenance		1,361,083	—
Security Charges		66,392	—
Audit Fees (Refer Note No.C-2)		226,115	75,000
Miscellaneous Expenses		1,758,610	7,196
Loss on sale of short term investments		—	374
Bank Charges		784,239	3,886
		9,978,265	86,456
Amounts written off :			
Diminution in value of investments		—	5,616,300
Preliminary Expenses		—	327,526
Share Issue Expenses		680,543	297,668
		680,543	6,241,494
TOTAL		12,669,273	6,327,950

SCHEDULE '11' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011**A. Company Overview :**

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

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.

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 when it is declared whereby a right to receive is established.
- c) Profit / loss on sale of investments is recognised on the contract date.

5. Employee Benefits :

a) Post-employment benefits plan :

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

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

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

b) Short term employee benefits :

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

**SCHEDULE '11' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011 (Continued)**

c) Long term employee benefits :

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

6. 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.

7. 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.

8. Share Issue Expenses :

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

9. 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.

Contingent assets are neither recognised nor disclosed.

C. Notes :

	₹	₹
1. Contingent liabilities not provided for :	NIL	NIL
2. Payment to Auditor :		
a) As Auditor	88,240	50,000
b) For Tax Audit	27,575	25,000
c) For Certification	110,300	—
TOTAL	<u>226,115</u>	<u>75,000</u>

3. Composite Scheme of Arrangement :

a) As already reported, 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. As per the said Scheme, Chakrapani Investments and Trades Limited, Surajmukhi Investment and Finance Limited and Gladiolla Investments Limited (collectively referred to as the

SCHEDULE '11' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011 (Continued)

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.

- b) 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.
 - c) 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.
 - d) 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 Investment and Finance Limited and Gladiolla Investments Limited, in accordance with the said Composite Scheme of Arrangement.
4. 14% Non-Cumulative Redeemable Preference Shares of ₹10/- each allotted by the Company are redeemable at the end of 20 years from 1st October, 2009, with an option to the Company to redeem those in one or more tranches at any time from 1st October, 2010.
5. The Company is in the process of getting the investments and other assets of the Investment Division of Kalyani Steels Limited and of the said Amalgamating Companies transferred in its own name.
6. Disclosure pursuant to Accounting Standard – 15 (Revised) on “Employee Benefits” :

a) Defined contribution plans :

The Company makes Provident Fund and Superannuation Fund contributions to defined contribution retirement benefit plans for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to the funds.

The Company recognised ₹68,873/- (Previous Year : ₹Nil) for the provident and superannuation fund contributions in the profit and loss account. The contributions payable to this plan by the Company are at the rates specified in respective legislations.

b) Defined benefits plans :

The Company provides lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days' salary payable for each completed year of service or part thereof, in excess of six months, for continuous service upto 10 years and equivalent to one month's salary payable for each completed year of service or part thereof, in excess of six months, for continuous service of more than 10 years. Vesting occurs upon completion of five years of service. The Company has not funded its obligation to provide these defined benefits.

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

**SCHEDULE '11' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011 (Continued)**

The following table sets out the funded status of the gratuity plan and the amounts recognised in the financial statements for the year ended 31st March, 2011.

Sr. No.	Particulars	₹
I	Change in benefit obligations :	
	Projected benefit obligation, at the beginning of the year	—
	Interest cost	—
	Past service cost	—
	Current service cost	21,940
	Benefits paid	—
	Actuarial (gain) / loss	—
	Present benefit obligation, at the end of the year	21,940
II	Fair value of Plan Assets :	
	Fair value of Plan Assets, at the beginning of the year	—
	Expected return on Plan Assets	—
	Employer's contributions	—
	Benefits paid	—
	Actuarial gain / (loss)	—
	Fair value of Plan Assets, at the end of the year	—
III	Amount recognised in the Balance Sheet :	
	Present benefit obligation, at the end of the year	21,940
	Fair value of Plan Assets, at the end of the year	—
	Funded status	(21,940)
	Unrecognised actuarial gain / loss	—
	Net asset / (liability) recognised in the Balance Sheet	(21,940)
IV	Amounts recognised in the Profit and Loss Account :	
	Current service cost	21,940
	Past service cost	—
	Interest cost	—
	Expected return on Plan Assets	—
	Net actuarial (gain) / loss recognised	—
	Expenses recognised in the Profit and Loss Account	21,940
V	Actuarial assumptions :	
	Discount rate	8.10%
	Salary escalation rate	7.00%
	Expected average remaining working lives of employees (years)	8.43

c) Other Long Term Employee Benefits :

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

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

Note : The Company had not incurred any expenses on Employee Benefits during the previous year.

7. Since the statement of cash flows has been drawn up for the first time by the Company, corresponding figures for the previous year have not been given therein.
8. The Company is a core investment company and all activities of the Company revolve around this business. Hence no separate segment is considered reportable.
9. Related Party Disclosures :

A. Related Parties and their Relationship

- | | | | |
|----|---------------|---|--|
| I | Associates | : | a) KG Renewable Energy Private Limited |
| | | | b) Hikal Limited |
| II | Joint Venture | : | M/s Sundaram Enterprises |

SCHEDULE '11' : NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011 (Continued)

B. Transactions with Related Parties :

Particulars	Associates ₹	Joint Venture ₹	Total ₹
Investment / Capital Contribution	49,000	10,000	59,000
	(—)	(—)	(—)
Unsecured Loan given	7,120	—	7,120
	(—)	(—)	(—)
Dividend Received	41,245,200	—	41,245,200
	(—)	(—)	(—)

(Figures in bracket indicate previous year)

C. Balances with Related Parties :

Year ended 31st March, 2011

Particulars	Associates ₹	Joint Venture ₹	Total ₹
Investment	65,659,549	10,000	65,669,549
	(—)	(—)	(—)
Unsecured Loan given	7,120	(—)	7,120
	(—)	(—)	(—)

(Figures in bracket indicate previous year)

10. Investment in Capital of Partnership Firm :

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

Name of the Partner	Capital Contribution (₹)	Profit / Loss Sharing Ratio (%)
BF Investment Limited	30,000	60.00%
Kalyani Investment Company Limited	10,000	20.00%
Sundaram Trading and Investment Private Limited	5,000	10.00%
Gulbakshi Realty Private Limited	5,000	10.00%
TOTAL	50,000	100.00%

11. Profit for the year attributable to Equity Shareholders :

	₹	Previous Year ₹
Profit for the year after taxation	63,656,329	59,459
Less : Interim Dividend on Preference Share Capital	(40,320,000)	(—)
Less : Dividend Distribution Tax	(6,696,648)	(—)
Profit for the year attributable to Equity Shareholders	16,639,681	59,459

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

13. 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.

14. Balance Sheet Abstract and the Company's General Business Profile is enclosed.

15. Previous year's figures have been regrouped and rearranged, wherever necessary.

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

B.B. Hattarki
Director

Place : Pune
Date : 25th May, 2011

Place : Pune
Date : 25th May, 2011



KALYANI

2nd Annual Report 2010-2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration Number :

U	6	5	9	9	3	P	N	2	0	0	9	P	L	C	1	3	4	1	9	6
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code :

1	1
---	---

 Balance Sheet

3	1
---	---

0	3
---	---

2	0	1	1
---	---	---	---

 Date Month Year

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

Public Issue	Rights Issue																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										
Bonus Issue	Private Placement #																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>6</td><td>1</td><td>9</td><td>6</td><td>5</td><td>3</td></tr></table>			6	1	9	6	5	3
					N	I	L										
		6	1	9	6	5	3										

Allotted in pursuance of Scheme of Arrangement

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

Total Liabilities	Total Assets																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>3</td><td>5</td><td>0</td><td>7</td><td>5</td><td>8</td></tr></table>		3	3	5	0	7	5	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>3</td><td>5</td><td>0</td><td>7</td><td>5</td><td>8</td></tr></table>		3	3	5	0	7	5	8
	3	3	5	0	7	5	8										
	3	3	5	0	7	5	8										
Sources of Funds	Reserves & Surplus																
Paid-up Capital	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>7</td><td>3</td><td>1</td><td>1</td><td>0</td><td>5</td></tr></table>		2	7	3	1	1	0	5								
	2	7	3	1	1	0	5										
Secured Loans	Unsecured Loans																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
					N	I	L										
					N	I	L										
Application of Funds	Investments																
Net Fixed Assets	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>3</td><td>3</td><td>4</td><td>7</td><td>5</td><td>9</td><td>2</td></tr></table>		3	3	4	7	5	9	2								
	3	3	4	7	5	9	2										
Net Current Assets	Misc. Expenditure																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>3</td><td>1</td><td>6</td><td>6</td></tr></table>					3	1	6	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td></tr></table>						N	I	L
				3	1	6	6										
					N	I	L										

IV. Performance of Company (Amount in ₹Thousands)

Turnover	Total Expenditure																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>7</td><td>6</td><td>3</td><td>2</td><td>7</td></tr></table>					7	6	3	2	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>2</td><td>6</td><td>6</td><td>9</td></tr></table>					1	2	6	6	9
				7	6	3	2	7											
				1	2	6	6	9											
+ - Profit / Loss before Tax	+ - Profit / Loss after Tax																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td> </td><td> </td><td> </td><td>6</td><td>3</td><td>6</td><td>5</td><td>8</td></tr></table>	+				6	3	6	5	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>+</td><td> </td><td> </td><td> </td><td>6</td><td>3</td><td>6</td><td>5</td><td>6</td></tr></table>	+				6	3	6	5	6
+				6	3	6	5	8											
+				6	3	6	5	6											
Earnings per Share in ₹	Dividend Rate %																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>3</td><td>.</td><td>8</td><td>1</td></tr></table>					3	.	8	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>0</td></tr></table>		0								
				3	.	8	1												
	0																		

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

Item Code No. (ITC Code) :	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>A</td><td> </td><td> </td></tr></table>					N	A												
				N	A														
Product Description	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>I</td><td>N</td><td>V</td><td>E</td><td>S</td><td>T</td><td>M</td><td>E</td><td>N</td><td>T</td><td>A</td><td>C</td><td>T</td><td>I</td><td>V</td><td>I</td><td>T</td><td>Y</td></tr></table>	I	N	V	E	S	T	M	E	N	T	A	C	T	I	V	I	T	Y
I	N	V	E	S	T	M	E	N	T	A	C	T	I	V	I	T	Y		
Item Code No. (ITC Code) :	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>A</td><td> </td><td> </td></tr></table>					N	A												
				N	A														
Product Description	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>A</td><td> </td><td> </td></tr></table>					N	A												
				N	A														
Item Code No. (ITC Code) :	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>A</td><td> </td><td> </td></tr></table>					N	A												
				N	A														
Product Description	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>A</td><td> </td><td> </td></tr></table>					N	A												
				N	A														

On behalf of the Board of Directors

Tushar Meher
Company Secretary

Amit B. Kalyani
Chairman

B.B. Hattarki
Director

Place : Pune
Date : 25th May, 2011



KALYANI

DRIVING INNOVATION

KALYANI INVESTMENT COMPANY LIMITED

MUNDHWA, PUNE - 411 036
MAHARASHTRA, INDIA.