KIRLOSKAR INDUSTRIES LIMITED

Enriching Lives

NOTICE

Notice is hereby given that the Annual General Meeting of Kirloskar Industries Limited will be held on Wednesday, the 28th day of July 2010 at 11.00 a.m. at Hotel Le Meridien, Raja Bahadur Mill Road, Pune 411 001 to transact the following business:

ORDINARY BUSINESS:

ITEM NO.1:

To receive, consider and adopt the Audited Profit and Loss Account for the Financial Year ended 31 March 2010, the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.

ITEM NO.2:

To confirm interim dividend paid on equity shares as final dividend for the Financial Year ended on 31 March 2010.

ITEM NO.3:

To appoint a Director in place of Mr. V.K. Bajhal, who retires by rotation and being eligible, offers himself for re-appointment.

ITEM NO.4:

To appoint a Director in place of Mr. A. N. Alawani, who retires by rotation and being eligible, offers himself for re-appointment.

ITEM NO.5:

To appoint M/s. Dalal and Shah, Chartered Accountants, (Firm Registration Number 102021 W) as Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

ITEM NO. 6:

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

"RESOLVED THAT, Mr. A. R. Sathe, who was co-opted as an Additional Director by the Board of Directors of the Company with effect from 30 March 2010 and who holds office of Director up to the date of this Annual General Meeting pursuant to Article 160 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as Director on the Board of the Company"

ITEM NO. 7:

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

"RESOLVED THAT, Mr. S. N. Inamdar, who was co-opted as an Additional Director by the Board of Directors of the Company with effect from 30 March 2010 and who holds office of Director up to the date of this Annual General Meeting pursuant to Article 160 of the Articles of Association of the Company read with Section 260 of the Companies Act, 1956 and in respect of whom the Company has received a notice pursuant to Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as Director on the Board of the Company."

By Order of the Board of Directors

A Chirmule

Aditi Chirmule
Company Secretary

Place: Pune
Date: 14 May 2010

Registered Office : Laxmanrao Kirloskar Road, Khadki, Pune - 411 003
Tel. No. : +91 (20) 2581 0341. Fax : +91 (20) 2581 3208, 5281 0209
Website : www.kirloskar.com

KIRLOSKAR INDUSTRIES LIMITED

Enriching Lives

NOTES :

i. **A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

ii. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours before the time fixed for holding the meeting. Proxies shall not have any right to speak at the meeting.

iii. Pursuant to Section 173 of the Companies Act, 1956, an Explanatory Statement in respect of the businesses mentioned under Item Nos.6 and 7 above, is annexed.

iv. The Register of Members and share transfer books of the Company will remain closed from 27 July 2010 to 28 July 2010, both days inclusive.

v. Pursuant to Section 205A of the Companies Act, 1956, the amount of unclaimed final dividend for the year ended 31 March 2002 has already been transferred to the 'Investor Education and Protection Fund' on 16 October 2009.

vi. Pursuant to Sections 205A and 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period of 7 years from the date of such transfer is now required to be transferred to the 'Investor Education and Protection Fund' set up by the Central Government. Accordingly, the unpaid / unclaimed dividend for the years 2002 – 03 onwards will become transferable at the end of respective seven years to the said Fund. Once the amount is so transferred, no claim shall lie against the Fund or the Company in respect of dividend amount thereafter. Shareholders are requested to send their claims, if any, for the Financial Year 2002 – 03 onwards before the amount becomes due for transfer to the above Fund. Shareholders are requested to encash the dividend warrants immediately on their receipt by them.

vii. Members are requested to immediately notify the Registrar and Transfer Agents (Depository Participant, in case of shares held in dematerialised form) of any change in their address.

viii. In case members wish to ask for any information about accounts and operations of the Company, they are requested to send their queries in writing at least 7 days in advance of the date of the meeting so that the information can be made available at the time of the meeting.

ix. Members may avail of the facility of dematerialisation by opening Depository accounts with the Depository Participants of either National Securities Depository Limited OR Central Depository Services (India) Limited and get the equity share certificates held by them dematerialised.

x. Members are requested to bring their attendance slip and copy of the annual report at the meeting.

By Order of the Board of Directors

A Chirmule

Place: Pune
Date: 14 May 2010

Aditi Chirmule
Company Secretary

Registered Office : Laxmanrao Kirloskar Road, Khadki, Pune - 411 003
Tel. No. : +91 (20) 2581 0341. Fax : +91 (20) 2581 3208, 5281 0209
Website : www.kirloskar.com

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, and pursuant to Clause 49 of the Listing Agreement, the following Explanatory Statement sets out all material facts relating to Item Nos. 3, 4, 6 & 7 in the accompanying notice of Annual General Meeting of the Company to be held on Wednesday, 28th July 2010 at 11.00 a.m. at Hotel Le Meridien, Raja Bahadur Mill Road, Pune 411 001.

ITEM NO. 3 OF THE NOTICE

Mr. V. K. Bajhal retires by rotation and being eligible offers himself for re-appointment.

He holds Nil (0.00%) equity shares in the Company.

Mr. V. K. Bajhal is not related to any other director on the Board of the Company.

ITEM NO. 4 OF THE NOTICE

Mr. A. N. Alawani retires by rotation and being eligible offers himself for re-appointment.

He holds 2,285 (0.02%) equity shares in the Company.

Mr. A. N. Alawani is not related to any other director on the Board of the Company.

ITEM NO. 6 OF THE NOTICE:

Pursuant to Article 160 of the Articles of Association of the Company, the Board of Directors on 30 March 2010 co-opted Mr. A. R. Sathe, as an Additional Director on the Board of the Company. Being an Additional Director, he holds the office up to the date of this Annual General Meeting.

As required by Section 257 of the Companies Act, 1956, the Company has received a notice along with deposit from a member proposing the candidature of Mr. A. R. Sathe for the office of Director of the Company.

He is a member of the Audit Committee and the Share Transfer cum Shareholders' / Investors' Grievance Committee of the Company.

Mr. A. R. Sathe is a Director in the following other Companies:

Kirloskar Silk Industries Ltd.	Pooja Credits Pvt. Ltd.
Kirloskar Constructions & Engineers Ltd.	Kirloskar Corrocoat Pvt. Ltd.
Gondwana Engineers Ltd.	Kirloskar Brothers Investments Ltd.
The Kolhapur Steel Ltd.	

Mr. Sathe is a Chartered Accountant and also has a degree in Law (LLB). He is presently working with Kirloskar Brothers Ltd. (KBL), Pune, as Vice President (CFA) – Chief Financial Officer.

Before joining KBL, he worked as the Vice President of K.G. Khosla Compressors Limited from 1994 to 2001. Subsequently, this company merged into Kirloskar Pneumatic Company Limited, where he was transferred after the merger.

Mr. A. R. Sathe is not related to any other director on the Board of the Company as per provisions of Section 6 of the Companies Act, 1956.

He holds Nil (0.00%) equity shares in the Company.

No Director other than Mr. A. R. Sathe is concerned or interested in the above item.

ITEM NO. 7 OF THE NOTICE:

Pursuant to Article 160 of the Articles of Association of the Company, the Board of Directors on 30 March 2010 co-opted Mr. S. N. Inamdar, as an Additional Director on the Board of the Company. Being an Additional Director, he holds the office up to the date of this Annual General Meeting.

As required by Section 257 of the Companies Act, 1956, the Company has received a notice along with deposit from a member proposing the candidature of Mr. S. N. Inamdar for the office of Director of the Company.

Mr. Inamdar is a Commerce and Law Graduate and an Advocate by profession. He has been in practice for the last thirty five years. He has specialized in tax and allied laws. He has had a brilliant academic career having stood first in Pune and Mumbai Universities, for B.Com and LLB examinations, respectively. He has also been associated with a number of public charitable institutions.

He is a member of the Audit Committee of the Company.

Mr.S.N.Inamdar is a Director in the following other Companies:

Kirloskar Brothers Ltd.	The Ugar Sugar Works Ltd.
Kirloskar Ferrous Industries Ltd.	Finolex Infrastructure Ltd.
Finolex Industries Ltd.	Kulkarni Power Tools Ltd.
Sudarshan Chemical Industries Ltd.	Sakal Papers Ltd.
Force Motors Ltd.	Man Force Trucks Pvt. Ltd.
Kirloskar Proprietory Ltd.	Servalakshmi Paper Ltd.

Mr S.N.Inamdar is not related to any other director on the Board of the Company as per provisions of Section 6 of the Companies Act, 1956.

He holds 1,433 (0.01%) equity shares in the Company.

No Director other than Mr. S. N. Inamdar is concerned or interested in the above item.

By Order of the Board of Directors

A Chirmule

Aditi Chirmule
Company Secretary

Place: Pune
Date: 14 May 2010

KIRLOSKAR INDUSTRIES LIMITED

ANNUAL REPORT 2009 - 2010

Enriching Lives

Let's celebrate the spirit

ENGINEERING SMILES **GLOBALLY**

Since its inception over a century ago, the Kirloskar Group has engineered smiles across the world by being a harbinger of prosperity to millions and by going Green. The Group began large-scale operations with Kirloskar Brothers Limited's plant in Kirloskarvadi in 1910. Right from pioneering India's agricultural success-story with innovative products like the iron plough, motor engines and pumps to being the acknowledged leader in engineering solutions globally, the brand “Kirloskar” has come a long way.

Over the years, through sheer effort, enduring vision and commitment to quality, we at Kirloskar have overcome numerous obstacles. What drives us is not just creating world-class products, but bringing a smile on the faces of our customers. Because in their smiles, lies our future. By reinforcing our commitment towards Green in the hearts and minds of our customers, we engineer delight. At Kirloskar, we strive endlessly with single-minded zeal to spread this philosophy in India and across the world.

Even in these trying times, your Company has excelled with continuous innovation, proactive planning and strategic measures. These have enabled us to redefine paradigms and create engineering benchmarks.

Celebrating the year 2009-10 as the centenary year of this epic journey, we are all set to look forward and spread the message of Green in smiles globally. And ready to harvest the global opportunities that the future holds.

Annual Report for the period ended on 31 March 2010

BOARD OF DIRECTORS

Mr. Atul C. Kirloskar	Chairman & Managing Director	
Mr. Vikram S. Kirloskar		
Mr. A. N. Alawani		
Mr. Nihal G. Kulkarni		
Mr. V. K. Bajhal		
Mr. S. N. Inamdar		(w.e.f. 30 March 2010)
Mr. A. R. Sathe		(w.e.f. 30 March 2010)
Mr. Sanjay C. Kirloskar	Vice Chairman	(up to 30 March 2010)
Mr. Gautam A. Kulkarni	Joint Managing Director	(up to 30 March 2010)
Mr. Rahul C. Kirloskar	Director (Exports)	(up to 30 March 2010)
Mr. R. R. Deshpande	Executive Director	(up to 30 March 2010)
Mr. U. V. Rao		(up to 30 March 2010)
Mr. H. M. Kothari		(up to 30 March 2010)
Mr. P. G. Pawar		(up to 30 March 2010)
Mr. R. Srinivasan		(up to 30 March 2010)
Dr. Naushad Forbes		(up to 30 March 2010)
Mr. M. Lakshminarayan		(up to 30 March 2010)

COMPANY SECRETARY
Ms. Aditi Chirmule

AUDITORS
M/s. Dalal & Shah, Chartered Accountants

BANKERS
HDFC Bank Limited

REGISTRAR & TRANSFER AGENTS
Link Intime India Private Limited
(Formerly known as Intime Spectrum Registry Limited)

Block No. 202, 2nd Floor, Akshay Complex, Near Ganesh Temple,
Off Dhole Patil Road, Pune 411 001.

REGISTERED OFFICE
Laxmanrao Kirloskar Road, Khadki, Pune 411 003.

LOCATION OF FACTORIES
Tirade Village, Tal - Akole, Dist. - Ahmednagar.

Information for shareholders

Annual General Meeting		
Date	:	Wednesday, 28 July 2010.
Time	:	11.00 A.M.
Venue	:	Hotel Le Meridien Raja Bahadur Mill Road, Pune 411 001.
Proposed Dividend	:	Nil
Dates of Book Closure	:	27 and 28 July 2010 (both days inclusive)

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Decade at a glance

(Rupees in Millions)

Sr. No.	Particulars	2009-10*	2008 -09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01
1	Net Sales	47	21,100	21,564	18,830	13,953	11,486	10,025	8,639	7,430	7,908
2	Profit Before Tax	422	1,805	1,874	2,395	2,460	2,013	1,056	383	274	417
3	Profit After Tax	387	1,159	1,190	1,784	2,006	1,739	708	415	186	413
4	Dividend Amount	*** 291	194	388	388	388	243	194	97	67	67
5	Dividend (%)	*** 75	50	100	200	200	125	100	50	35	35
6	Earning Per Share (Rs)**	40	6	6	18	21	18	7	4	2	4
7	Book Value Per Share (Rs)**	493	49	47	88	74	58	43	38	38	37
8	Share Capital	97	388	388	194	194	194	194	194	192	192
9	Reserves and Surplus	4,689	9,212	8,762	8,319	6,990	5,427	3,963	3,476	3,445	3,316
10	Shareholders' Funds	4,786	9,601	9,150	8,513	7,184	5,621	4,157	3,670	3,637	3,508
11	Loan Funds	-	3,490	3,429	1,063	670	517	297	370	1,082	1,154
12	Total Capital Employed	4,786	13,091	12,579	9,577	7,854	6,138	4,454	4,040	4,719	4,662
13	Gross Block	431	9,924	9,213	5,305	4,834	4,215	3,864	3,902	3,716	3,610
14	Net Block	288	6,730	7,109	3,322	1,922	1,447	1,295	1,414	1,392	1,538
15	Net Current Assets	299	1,959	1,003	1,245	1,030	974	1,195	914	1,281	1,236

* The Engines and Auto – components Divisions of the Company have been transferred to Kirloskar Engines India Ltd. (KEIL) on 31st March 2010, under a Scheme of Arrangement, to vest in KEIL from the Appointed Date, i.e. 1 April 2009.

** The equity share of Rs. 10 each was sub-divided into 5 equity shares of Rs. 2 each w.e.f. 18 August 2005. Previous years' figures have been reworked to make them comparable. Under the Scheme of Arrangement, after reduction of share capital in terms of the said Scheme, 5 equity shares of Rs. 2 each have been consolidated into 1 equity share of Rs. 10 each.

*** Interim Dividend paid in February 2010.

Directors' Report

To the Members,

The Directors have pleasure in presenting this Report with audited annual accounts of the Company for the year ending 31 March 2010.

Scheme of Arrangement, Change of Name and Issue of Shares:

During the year under review, the Hon'ble High Court of Judicature at Bombay approved the Scheme of Arrangement between the Company and Kirloskar Engines India Ltd. (KEIL) vide its order dated 31 July 2009 read with its order dated 19 March 2010 (the "Scheme"). The Appointed Date of the Scheme of Arrangement is 1 April 2009. The Balance Sheet and Profit and Loss Account and related financial statements have been made, accordingly, pursuant to the provisions of the said Scheme.

In terms of the Scheme, the Engines and Auto-components business of the Company was transferred to KEIL with effect from 31 March 2010, and vested in KEIL from the Appointed Date, i.e. 1 April 2009. The Company carried on the business that was transferred to KEIL in trust for it from the period 1 April 2009 to 31 March 2010. In view of this, previous year's figures have not been given in respect of the financials given in this Report, as these figures are not comparable.

Also, pursuant to the Scheme, the name of the Company has been changed from "Kirloskar Oil Engines Limited" to "Kirloskar Industries Limited" with effect from 31 March 2010.

97,08,650 equity shares of Rs. 10 each were issued to the members of the Company as on 22 April 2010, the Record Date for the purpose of issue of shares, on 30 April 2010. The equity shares were issued to every member of the Company holding for example 20 equity shares of Rs. 2/- each in the Company as on Record Date i.e. 22 April 2010, 15 Equity shares of Rs. 2/- in KEIL and 1 Equity share of Rs. 10/- credited as fully paid up in the Company.

Relisting on Stock Exchanges:

Further to the issue of shares to the shareholders pursuant to the Scheme, the Company is in the process of making an application for relisting of the new shares, to the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE), on which its equity shares were already listed.

Financial Performance:

	(Rupees in 000's) ***2009-2010***
Total Income	507,365
Total Expenditure	85,649
Profit before exceptional items & taxation	421,716
Profit before taxation	421,716
Provision for tax (including Deferred Tax)	34,789
Net Profit	386,927
Balance of Profit / (Loss) from previous year	1,661,297
Surplus available for appropriation	2,048,224

Appropriations:

Your Directors propose to appropriate the available surplus as follows:

	(Rupees in 000's)
Proposed Dividend	-
Interim Dividend	291,260
Corporate Tax on Dividend	49,500
Transfer to Contingency Reserve	-
Transfer to General Reserve	38,693
Balance carried to Balance Sheet	1,668,771

Dividend:

Interim Dividend of 75% (Rs. 1.50 per share) was paid in the month of February 2010. Your Directors do not recommend final dividend for the year. (Total dividend paid in the previous year was 50%).

Management Discussion and Analysis:
Pursuant to the Scheme of Arrangement, on the transfer of the Engines and Auto-components business of the Company to KEIL, the operations of your Company comprise of windmills. Operational performance of windmills is commented upon hereinafter.

Operations of the Company:

Windmills
The Company has seven windmills in Maharashtra with total installed capacity of 5.6 MW. The Mills are located at Tirade Village, Tal- Akole, Dist – Ahmednagar. These windmills were set up at a total cost of Rs. 2,856 Lakhs. The windmills have generated net wind energy of 89.64 lakhs units of electricity in the year under review as against 105.48 lakhs units of electricity in the previous year. The units of electricity generated have been consumed by KEIL in its plants located at Khadki, Pune, and Kagal, Kolhapur, before the Scheme of Arrangement came into effect. On the coming into effect of the Scheme, the units of electricity generated will be sold to KEIL. Your Company is in the process of discussions with the Maharashtra State Electricity Board (MSEB) for permission to sell these units of electricity generated to KEIL.

Others
The Company owns lands and buildings thereon in Pune, and apartments and offices in Mumbai, Bangalore, New Delhi and Jaipur. The Company has granted most of these land and buildings, and apartments / offices to KEIL and other companies in the Group on leave and license basis.

As on the date of this Report, the Company's investments stand at Rs. 175 crores (previous year Rs. 422 crores), held in the equity shares of various companies, which are mainly Kirloskar Group companies.

During the year under review, the Company sold equity shares held by it in Kirloskar Toyoda Textile Machinery Private Limited, Toyota Kirloskar Motor Private Limited, Toyota Kirloskar Auto Parts Private Limited, TG Kirloskar Automotive Private Limited, Toyota Tsusho India Private Limited, Denso Kirloskar Industries Private Limited and Kirloskar Integrated Technologies Limited.

The proceeds from the sale of the above investments have been invested in various mutual funds. The total corpus invested in Mutual Funds as on 31 March 2010 is Rs. 250 crores (previous year Rs. 50 crores).

Company Performance:

During the year under review your Company achieved an income of Rs. 50.7 crores.

The profit before tax is at Rs. 42.2 crores after providing for depreciation of Rs. 3.1 crores.

Human Resources:

Pursuant to the Scheme of Arrangement between the Company and KEIL, all employees except 2 employees, have been transferred to KEIL with effect from 31 March 2010.

Concerns and Threats:

Following are the identified risk/ concerns and threats for the operations of the Company.
- Natural calamities like cyclones, earth quake and fire or act of God will damage the windmills.
- Agitation by the local people against the operation of windmills.
- Major maintenance expenditure due to failure of important components of the windmills.
- Disturbances and failure in the Maharashtra State Electricity Distribution Company Ltd. grid.

Prospects:

Expected wind energy generation during the Financial Year 2010-11 will be satisfactory. In addition to unit generation, the Company may also get the benefits of Renewable Certificate Mechanism and Clean Development Mechanism benefits under the Voluntary Carbon Scheme.

Cautionary Statement :

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

Internal Controls Systems and their adequacy:

Renowned auditing firms continue to conduct the Internal Audit of the business of the Company. The internal audit program is designed to ensure extensive review of the business of the Company and is not restricted only to a review of finance and accounting functions. The internal auditors also check, validate and report on the internal controls in place in the areas covered during the audit.

Listing Fees :

The annual listing fees for the year under review have been paid to Bombay Stock Exchange Limited, Mumbai and National Stock Exchange of India Limited, Mumbai where your Company's shares were listed.

Subsidiary Company :

The Company had promoted and incorporated a wholly owned subsidiary in the name of Kirloskar Engines India Limited (KEIL) on 12 January 2009. The said company has taken over the Engines and Auto-components business of the Company on a going concern basis pursuant to the Scheme of Arrangement. Accordingly, on the Scheme coming into effect on 31 March 2010, the Engines and Auto-components business of the Company has been transferred to KEIL.

As a result of the Scheme becoming effective, KEIL ceased to be a subsidiary of the Company and as such its accounts are not attached in this Annual Report and consequently no consolidated accounts too have been attached.

Directors :

Consequent to the approval of the Scheme, in terms of Clauses 6.1, 6.2, 8.1 and 8.2 of the Scheme, the services of Mr. Gautam A. Kulkarni, Mr. Rahul C. Kirloskar and Mr. R. R. Deshpande, Whole-time Directors of the Company were transferred to KEIL with effect from 31 March 2010. Accordingly, the said Mr. Gautam A. Kulkarni, Mr. Rahul C. Kirloskar and Mr. R. R. Deshpande, resigned as directors of the Company with effect from the close of working hours of 30 March 2010.

Mr. Sanjay Kirloskar, Vice Chairman and Director, Mr. U. V. Rao, Mr. R. Srinivasan, Mr. P. G. Pawar, Dr. Naushad Forbes, Mr. H. M. Kothari and Mr. M. Laxminarayan, directors of the Company, resigned as directors of the Company with effect from the close of the meeting of the Board of Directors held on 30 March 2010.

The Board of Directors would like to place on record its appreciation of the contribution made and guidance given by these directors to the development of the Company.

Pursuant to Section 260 of the Companies Act, 1956, read with Article 160 of the Articles of Association of the Company, the Board of Directors, in its meeting held on 30 March 2010, co-opted Mr. S. N. Inamdar and Mr. A. R. Sathe, as Additional Directors on the Board of the Company. They hold office of Director up to the date of ensuing Annual General Meeting of the Company. Your Company has received a notice under Section 257 of the Companies Act, 1956, along with deposit, from a member proposing the candidature of Mr. S. N. Inamdar and Mr. A. R. Sathe for the office of Director. The brief resumes and other details relating to these Directors form part of the Explanatory Statement to the Notice of the Annual General Meeting.

Mr. V. K. Bajhal and Mr. A. N. Alawani retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The brief resumes and other details relating to the Directors who are proposed to be appointed/re-appointed, as required to be disclosed under Clause 49 of the Listing Agreement, form part of the Report on Corporate Governance.

Mr. Atul C. Kirloskar, Chairman and Managing Director of the Company, has also been appointed as the Managing Director of KEIL with effect from 31 March 2010. Mr. Kirloskar will not be drawing any remuneration from the Company with effect from 31 March 2010.

Directors' Responsibility Statement :

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Board of Directors state:

- That in the preparation of the annual accounts, the applicable accounting standards have been followed along with the proper explanation relating to material departures;

- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

- That the Directors have prepared the annual accounts on a going concern basis.

Corporate Governance :

A report of the Corporate Governance, along with the certificate of compliance from the Auditors, forms part of this Report.

Auditors :

You are requested to appoint auditors for the current year. The retiring auditors M/s. Dalal & Shah, Chartered Accountants, (Registered Firm No. 102021 W), are eligible for re-appointment.

Statutory Disclosures :

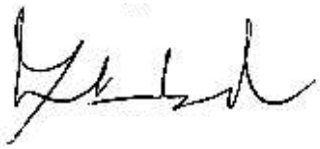
The Company has no particulars to report regarding conservation of energy, technology absorption, and foreign exchange earnings and outgo as required under Section 217(1) (e) of the Companies Act, 1956 read with the Rules thereunder.

There is no employee of the Company drawing such remuneration, which requires disclosure under Section 217(2A) of the Companies Act, 1956.

Acknowledgements :

Your Directors would like to place on record their appreciation of the contribution made and support provided to the Company by the shareholders, employees and bankers, during the period under report.

For and on behalf of the Board of Directors



ATUL C. KIRLOSKAR
Chairman and Managing Director

Date : 14 May 2010
Place : Pune

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

I. Company's philosophy on Code of 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 and to meet the obligations and best sub serve the interests of the stakeholders.

II. Board of Directors

a. Composition of the Board

As on 31 March 2010, the strength of the Board was seven directors, comprising of one Executive Director, being the Chairman and Managing Director, and six Non-Executive Directors. Four out of the seven Directors were Independent Directors, which duly complies with the requirement of Clause 49 of the Listing Agreement.

b. Number of Board Meetings

During the financial year under review, seven Board meetings were held on 24 April 2009, 18 July 2009, 29 September 2009, 23 October 2009, 21 January 2010, 9 March 2010 and 30 March 2010.

c. Director's attendance record and directorships held

The information on composition and category of the Board of Directors as on 31 March 2010, attendance of each director at Board meetings held during the financial year 2009-2010 and the Annual General Meeting held on 18 July 2009, directorships and Committee positions in other public companies of which the director is a Member/ Chairman and the shareholding of Non-Executive Directors, as on 30 April 2010[@], is as follows:

Sr. No.	Name of Director	No. of shares held by Non-Executive Directors	Number of Director-ships held in other public limited companies	Number of Committee positions held in other public limited companies**		Attendance at meetings	
				Chairman	Member	Board	AGM
	Executive Directors						
1	Mr. Atul C. Kirloskar*	--	5	1	-	7	Present
2	Mr. Gautam Kulkarni*/##	--	3	Nil	2	7	Present
3	Mr. Rahul C. Kirloskar*/##	--	6	Nil	1	6	Present
4	Mr. R. R. Deshpande ##	--	3	Nil	Nil	7	Present
	Non-Executive Directors						
5	Mr. Vikram S. Kirloskar*	4,632	5	Nil	1	4	Present
6	Mr. Nihal Kulkarni*	Nil	3	Nil	4	6	Present
7	Mr. Sanjay C. Kirloskar*/#	NA	8	Nil	1	7	Present
	Independent and Non-Executive Directors						
8	Mr. A.N. Alawani	2,285	6	Nil	4	2	Present
9	Mr. V.K. Bajhal	Nil	Nil	Nil	Nil	3	Present
10	Mr. S.N. Inamdar$	1, 432	10	5	3	1	NA
11	Mr. A.R. Sathe$	Nil	5	Nil	3	1	NA
12	Mr. U. V. Rao#	NA	3	2	3	7	Present
13	Mr. P. G. Pawar#	NA	6	1	3	6	Present
14	Mr. R. Srinivasan#	NA	12	3	6	6	Present
15	Mr. H. M. Kothari#	NA	5	Nil	Nil	2	Present
16	Dr. Naushad Forbes#	NA	3	Nil	Nil	4	Absent
17	Mr. Lakshminarayan#	NA	4	Nil	2	4	Present

Notes:

* Deemed as Promoters within the meaning of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997.

** Includes Audit and Investor's Grievance Committee of the Public Limited Company.

Services of these directors were transferred to Kirloskar Engines India Ltd. with effect from 31 March 2010 pursuant to the Scheme of Arrangement as approved by the Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with its order dated 19 March 2010.

\# Resigned from Directorship with effect from the close of the Meeting of the Board of Directors held on 30 March 2010

$ Appointed as a Director with effect from 30 March 2010.

@ Shares were issued to the shareholders of the Company on 30 April 2010 after reduction and consolidation, in terms of a Scheme of Arrangement.

As on 31 March 2010, none of the current directors are related to each other within the meaning of Section 6 of the Companies Act, 1956.

d. Information supplied to the Board

Among others, this includes:

- review of Annual operating plans of business, capital budgets, updates;
- quarterly results of the Company and its operating divisions or business segments;
- materially important show cause, demand, prosecution and penalty notices;
- fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
- any material relevant default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
- any issue, which involves possible public or product liability claims of substantial nature;
- details of any joint venture or collaboration agreement;
- significant labour problems and their proposed solutions;
- significant development in human resources and industrial relation fronts;
- non-compliance of any regulatory, statutory provision or listing requirements as well as shareholders service such as non-payment of dividend and delay in share transfer.

III. Audit Committee

a. Composition

The Audit Committee comprises of four Non-Executive Directors, majority of who are Independent. The Company Secretary acts as the Secretary of the Committee. The Executive Directors and the Chief Financial Officer attend the Audit Committee meetings. The representatives of the Internal Auditors, Statutory Auditors, Cost Auditor and Operation Heads are invited to the meetings.

During the financial year under review, seven meetings of the committee were held on 24 April 2009, 26 June 2009, 18 July 2009, 29 September 2009, 23 October 2009, 21 January 2010 and 30 March 2010. The composition of the Committee and attendance at its meetings is given below:

Sr. No.	Name of the Member Director	Number of meetings attended
1	Mr. Anil Alawani (Chairman) – Independent$	-
2	Mr. S.N. Inamdar – Independent$	-
3	Mr. A. R. Sathe – Independent$	-
4	Mr. Nihal Kulkarni – Non Independent $	-
5	Mr. U. V. Rao - Independent #	7
6	Mr. P. G. Pawar – Independent#	6
7	Mr. Sanjay C. Kirloskar – Non Independent #	7
8	Mr. R. Srinivasan - Independent #	6

\# Up to 30 March 2010

$ Appointed as a Member of Audit Committee with effect from 30 March 2010

b. Terms of Reference

The terms of reference of the Audit Committee include the matters specified under Clause 49 II of the Listing Agreement entered into with the stock exchanges as well as those in Section 292A of the Companies Act, 1956 and inter-alia includes the following:

- Oversee the Company's financial reporting process and disclosures of financial information to ensure that the financial statement is 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 the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow up there on.
- Reviewing the annual financial statements before submission to the Board, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause 2AA of section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and reasons for the same
  - c) Major accounting entries involving estimates based on the exercise of judgment by management.
  - d) Significant adjustments arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualification in Draft Audit Report.
- Review Auditor's report, internal controls and recommendations relating thereto.
- Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
- Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- To review the functioning of the Whistle Blower mechanism, in case the same exists.
- To mandatorily review the following information:
  - a) Management discussion and analysis of financial condition and results of operations;
  - b) Statement of significant related party transactions submitted by the management;
  - c) Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - d) Internal audit reports relating to internal control weaknesses; and
  - e) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
- Carrying out any other function as is mentioned in the terms of reference of Audit Committee as amended from time to time by the Listing Agreement and Companies Act, 1956.

IV. Remuneration Committee

a. Composition

The Company has not set up a Remuneration Committee. The Board of Directors decides the remuneration of the Executive Director in accordance with the provisions of the Companies Act, 1956, subject to the approval of the shareholders.

b. Remuneration to Directors

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Managing Director. The Board also decides the commission payable to the Managing Director on determination of the profits for the Financial Year, within the ceilings prescribed under sections 198 and 309 of the Companies Act, 1956. An Agreement for a period of five years has been entered into with the Managing Director. There is no notice period and no severance fees prescribed in the Agreement.

The Board of Directors decides the remuneration to Non-Executive Directors by way of Commission, based on their attendance and contribution at the meetings. The members at the Annual General Meeting of the Company held on 22 July 2006, approved the payment of commission to the Non-Executive Directors, at the rate of 1% of the net profits of the Company computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956.

Sitting fees of Rs. 10,000 per meeting of the Board and any Committee thereof, attended by the Non-Executive Directors is payable to them.

c. Details of the remuneration paid to Directors during financial year 2009-2010

Amount in Rs.

Sr. No.	Name of Director	Basic Salary	Allowances	Perquisites	Sitting Fees	Commission	Total
	Executive Directors						
1	Mr. Atul C. Kirloskar	6,016,902	200,000	4,102,226	-	7,000,000	17,319,128
	Non Executive Directors						
2	Mr. Sanjay C. Kirloskar		-	-	140,000	1,470,000	1,610,000
3	Mr. Vikram C. Kirloskar	-	-	-	40,000	240,000	280,000
4	Mr. U. V. Rao	-	-	-	140,000	-	140,000
5	Mr. P. G. Pawar	-	-	-	120,000	-	120,000
6	Mr. V.K. Bajhal	-	-	-	30,000	180,000	210,000
7	Mr. R. Srinivasan	-	-	-	120,000	-	120,000
8	Mr. H. M. Kothari	-	-	-	20,000	-	20,000
9	Dr. Naushad Forbes	-	-	-	40,000	-	40,000
10	Mr. A.N. Alawani	-	-	-	70,000	-	70,000
11	Mr. Nihal G. Kulkarni	-	-	-	60,000	-	60,000
12	Mr. M. Lakshminarayan	-	-	-	40,000	-	40,000
13	Mr. S. N. Inamdar	-	-	-	10,000	60,000	70,000
14	Mr. A. R. Sathe	-	-	-	10,000	60,000	70,000
	Total	**6,016,902**	**200,000**	**4,102,226**	**840,000**	**9,010,000**	**20,169,128**

Notes:

- Allowances include Leave Travel Allowance.
- Perquisites include house rent paid, reimbursement of medical, gas and electricity expenses, contributions to provident fund and superannuation fund, provision for gratuity and leave encashment, perquisite value as per Income-tax Rules for furniture at residence and motorcar.

V. Share Transfer cum Shareholders' / Investors' Grievance Committee

The Share Transfer cum Shareholders' / Investors' Grievance Committee has been constituted to look into investors' complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends etc., and redressal thereof. The Committee is headed by Mr. A. N. Alawani, an Independent Director, with Mr. Atul Kirloskar, Chairman & Managing Director, and Mr. A.R. Sathe, being the other members of the Committee.

Ms. Aditi Chirmule, Company Secretary is the Compliance Officer.

The Compliance Officer can be contacted at:

Kirloskar Industries Limited
Laxmanrao Kirloskar Road,
Khadki, Pune - 411 003
Tel: 020 66084859 Fax: 020 25813208 / 25810209
E-mail: Aditi.Chirmule@kirloskar.com

The total number of complaints received and replied to the satisfaction of the shareholders during the year ended 31 March 2010 were 38 and there were no complaints outstanding as on 31 March 2010.

The Company had no share transfer requests pending as on 31 March 2010.

VI. General Body Meetings

Previous General Meetings of the shareholders of the Company were held as under -

Financial Year	Date	Type of Meeting	Venue	Time
2008-09	18 July 2009	Annual General Meeting	Kirloskar Kisan Premises, 13A, Karve Road, Kothrud, Pune	11.00 a.m.
2008-09	13 June 2009	Court convened Meeting of shareholders of the Company	Kirloskar Kisan Premises, 13A, Karve Road, Kothrud, Pune	9.30 a.m.
2007-08	17 July 2008	Annual General Meeting	Hotel Le Meridien, Pune	11.00 a.m.
2006-07	12 September 2007	Extra Ordinary General Meeting	Registered Office	9.00 a.m.
2006-07	19 July 2007	Annual General Meeting	Hotel Le Meridien, Pune	11.00 a.m.

In the previous General Meetings, Special Resolutions were passed by the shareholders in respect of the following matters –

- Increase of Authorised Capital
- Approval to the Scheme of Arrangement with corrected Schedule 'B', between Kirloskar Oil Engines Limited and Kirloskar Engines India Limited.
- Reduction and Consolidation of Share Capital

No special resolutions passed at the above Annual General Meetings were required to be out through postal ballot.

VII. Disclosures

a. During the financial year under review, there were no materially significant related party transactions made by the Company with its Promoters, Directors, Management or Subsidiaries that may have potential conflict with the interests of the Company at large. Transactions with the related parties are disclosed in Note No. 12 of Schedule 18 to the Accounts in the Annual Report.

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

c. The Company does not have a formal Whistle Blower policy. However, any employee, if he so desires, would not be denied access to the Audit Committee.

d. The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement. The extent of adoption of non-mandatory requirements is as follows –

Non-Mandatory Requirements:

1. Shareholder Rights

Since the Company publishes its quarterly results in newspapers (English and Marathi) having wide circulation, and since the results are also displayed on the website of the Company, SEBI and the Stock Exchanges, the Company does not send any declaration of half yearly performance to the shareholders.

2. Audit qualifications

There are no qualifications on the Financial Statements of the Company for the year ended 31 March 2010.

VIII. Particulars of Appointment / Re-appointment of Non – Executive / Executive Directors

Mr. V. K. Bajhal

Mr. V. K. Bajhal, a Chartered Accountant has over forty years of experience in the field of Finance, Marketing and HRD. He has worked with Life Insurance Corporation of India (LIC), in India and abroad in different positions heading the regions and divisions of LIC. Headed the marketing division of western zone of LIC and also was Chief [Organisation Improvement Cell-HRD] where he worked in close association with the International Consultants M/s. Booz Allen and Hamilton for reorganisation / restructuring of LIC.

Mr. V. K. Bajhal is not on the Board of Director of any other company.

Mr. A. N. Alawani

Mr. A. N. Alawani is a Chartered Accountant by profession. He has work experience of over 30 years in Import, Export and Labour matters besides his core area of Finance, Taxation, Financial Restructuring and Company Law. His abilities in Corporate Tax Planning and Finance helped various organisations in which he was employed. He has retired as Director (Finance) from Kirloskar Oil Engines Limited on 31 August 2005.

Mr. A.N. Alawani is a Director in following other companies:

Kothrud Power Equipment Limited	Kirloskar Integrated Technologies Limited
Kirloskar Brothers Investments Limited**	Kirloskar Ferrous Industries Limited @ **
Kirloskar Brothers Limited	Kirloskar Engines India Limited

@ Share Transfer and Investors' Grievance Committee – Member
** Audit Committee – Member

Mr. A.N. Alawani is not related to any of the Directors on the Board of the Company as per provisions of Section 6 of the Companies Act, 1956.

Mr. A. R. Sathe

Mr. A. R. Sathe is a Chartered Accountant and also has a degree in Law (LLB). He is presently working with Kirloskar Brothers Ltd. (KBL), Pune, as Vice President (CFA) – Chief Financial Officer.

Before joining KBL, he worked as the Vice President of K.G. Khosla Compressors Limited from 1994 to 2001. Subsequently, this company merged into Kirloskar Pneumatic Company Limited, where he was transferred after the merger.

Mr. A. R. Sathe is a Director in the following other companies :

Kirloskar Silk Industries Limited	Pooja Credits Private Limited
Kirloskar Constructions & Engineers Limited **	Kirloskar Corrocoat Private Limited
Gondwana Engineers Limited	Kirloskar Brothers Investment Limited **@
The Kolhapur Steel Limited	

** Audit Committee – Member
@ Investor Grievance Committee – Member

Mr. A. R. Sathe is not related to any other director on the Board of the Company as per provisions of Section 6 of the Companies Act, 1956.

Mr. S. N. Inamdar

Mr. S. N. Inamdar is a Commerce and Law Graduate and an Advocate by profession. He has been in practice for the last thirty five years. He has specialized in tax and allied laws. He has had a brilliant academic career having stood first in Pune and Mumbai Universities, for B.Com and LLB examinations, respectively. He has also been associated with a number of public charitable institutions.

Mr. S.N.Inamdar is a Director in the following other Companies :

Kirloskar Brothers Limited *	The Ugar Sugar Works Limited*
Kirloskar Ferrous Industries Limited*	Finolex Infrastructure Limited*@
Finolex Industries Limited*	Kulkarni Power Tools Limited
Sudarshan Chemical Industries Limited**	Sakal Papers Limited
Force Motors Limited	Man Force Trucks Private Limited
Kirloskar Proprietary Limited	Servalaxmi Paper Ltd. **

* Audit Committee- Chairman

** Audit Committee- Member

@ Shareholders' Grievance Committee – Member

Mr S.N. Inamdar is not related to any other director on the Board of the Company as per provisions of Section 6 of the Companies Act, 1956.

Means of Communication

a. The Quarterly and Half Yearly results are published in national and local dailies such as Economic Times (English) and Sakal (Marathi) [March 2009, June 2009, September 2009, December 2009], having wide circulation. Since the results of the Company are published in the newspapers, half yearly reports are not sent individually to the shareholders.

b. The Company's results are displayed on the Company's website namely www.kirloskar.com.

c. The Company's results have also been displayed on the SEBI website namely: www.sebiedifar.nic.in.

d. The Management Discussion and Analysis Report forms part of this Annual Report.

X. General Shareholder Information

a) Annual General Meeting

Venue	Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001		
Financial Year	1 April 2009 to 31 March 2010 During the year the results were announced as under: First quarter : 18 July 2009 Second quarter : 23 October 2009 Third quarter : 21 January 2010 Annual : 14 May 2010		
Date of Book Closure	27 July 2010 and 28 July 2010 (Both days inclusive)		
Dividend payment date	NA		
Listing on stock exchanges (Stock Code)	**Sr. No.**	**Name of the Stock Exchange**	**Stock Code**
	1.	Bombay Stock Exchange Limited, Mumbai	500243
	2.	National Stock Exchange of India Limited, Mumbai	KIRLOSOIL-EQ

b) Market Price Data

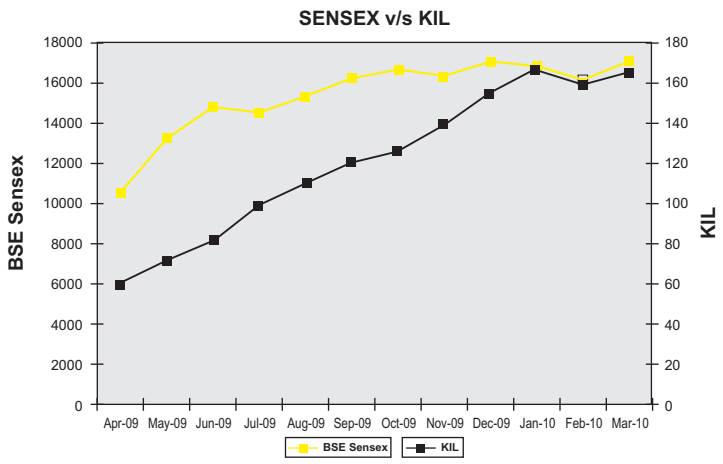
Monthly high/low during the year 2009-10 on the BSE and NSE:

Stock Exchange	Bombay Stock Exchange Limited		National Stock Exchange of India Limited	
Month	**High (Rs.)**	**Low (Rs.)**	**High (Rs.)**	**Low (Rs.)**
April 2009	68.70	51.10	69.80	51.00
May 2009	91.05	52.50	91.20	52.40
June 2009	94.45	69.60	93.95	70.00
July 2009	119.60	78.30	119.75	78.35
August 2009	118.50	102.55	119.00	100.00
September 2009	131.80	109.10	132.40	108.10
October 2009	144.40	108.00	144.60	108.00
November 2009	156.80	123.05	157.50	123.65
December 2009	166.90	142.00	166.80	143.35
January 2010	178.45	154.50	178.40	154.00
February 2010	170.05	148.25	171.80	149.30
March 2010	181.00	151.00	194.75	154.10

c) Distribution Schedule*

SHARE HOLDING OF NOMINAL VALUE OF Rs. (1)		Rs.	SHAREHOLDERS		SHARE AMOUNT	
			Number (2)	**% to Total (3)**	**In Rs (4)**	**% to Total (5)**
Upto	-	5000	29884	98.5040	7146670	7.3610
5001	-	10,000	223	0.7350	1586360	1.6340
10,001	-	20,000	98	0.3230	1374850	1.4160
20,001	-	30,000	44	0.1450	1059190	1.0910
30,001	-	40,000	18	0.0590	631140	0.6500
40,001	-	50,000	16	0.0530	705490	0.7270
50,001	-	1,00,000	15	0.0490	1111270	1.1450
1,00,001 and above			40	0.1320	83471220	85.9760
TOTAL			**30338**	**100.00**	**97086190**	**100.00**

d) Performance of the Company's scrip on the BSE as compared to the BSE Sensex:



e) Shareholding Pattern*

Sr. No.	Category	No. of shares	%
1	Promoters	6055330	62.37
2	Resident Individuals	1223034	12.60
3	Private Corporate Bodies	198094	2.04
4	Financial Institutions	1106596	11.40
5	Nationalised and other Banks	4763	0.05
6	FIIs and NRIs	1120802	11.54
	TOTAL	**9708619**	**100.00**

* The Distribution Schedule and Shareholding Pattern are as on 30 April 2010, being the date on which shares have been issued under the Scheme of Arrangement between the Company and Kirloskar Engines India Ltd.

f) Pursuant to Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, "Group" comprises Better Value Holdings Private Limited, Kirloskar Brothers Limited, Kirloskar Industries Limited (earlier known as Kirloskar Oil Engines Limited), Kirloskar Engines India Limited, Kirloskar Pneumatic Company Limited, Kirloskar Ferrous Industries Limited, Pooja Credits Private Limited, Kirloskar Systems Limited, Asara Sales & Investments Private Limited, Navsai Investments Private Limited, Prakar Investments Private Limited, Alpak Investments Private Limited, Achyut & Neeta Holdings & Finance Private Limited, Sri Harihareshwara Finance & Investments Private Limited, VikramGeet Investments & Holdings Pvt. Ltd., Kirloskar Brothers Investments Limited, Kirloskar Roadrailer Limited, Cees Investments and Consultants Private Limited, Kirloskar Integrated Technologies Limited (formerly known as Kirloskar Kisan Equipments Limited), Kothrud Power Equipment Limited, Kirloskar Silk Industries Limited, Kirloskar Proprietary Limited, G. G. Dandekar Machine Works Limited, Mahila Udyog Limited, Kirloskar Corrocoat Private Limited, Kirloskar Constructions and Engineers Limited, The Kolhapur Steel Limited, Koppal Mines & Minerals Private Limited, Gondwana Engineers Limited, Kirloskar Chillers Private Limited, Hematic Motors Private Limited, Pressmatic Electro Stampings Private Limited, Quadromatic Engineering Private Limited, Suman Kirloskar, Mrinalini Kirloskar, Neeta A. Kulkarni, Atul C. Kirloskar, Arti Kirloskar, Gauri Kirloskar, Aditi Kirloskar, Sanjay C. Kirloskar, Pratima Kirloskar, Alok Kirloskar, Rama Kirloskar, Rahul C. Kirloskar, Alpana Kirloskar, Alika Kirloskar, Aman Kirloskar, Gautam A. Kulkarni, Jyotsna Kulkarni, Nihal Kulkarni, Shruti Kulkarni, Ambar Kulkarni, Komal Kulkarni, Gargi Kulkarni, Vikram S. Kirloskar, Geetanjali Kirloskar, Manasi Kirloskar, Roopa Gupta and Chandrashekhar H. Naniwadekar.

g) Registrar and Transfer Agent

The entire work of the Company, relating to processing of transfer of shares has been given to an outside agency i.e. Link Intime India Private Limited (formerly known as Intime Spectrum Registry Limited) being a SEBI Registered R & T Agent. The contact details are as follows –

Link Intime India Private Limited	Block No. 202, 2nd Floor, Akshay Complex, Off Dhole Patil Road, Pune – 411 001 Tel: (020) 65203395

h) Share Transfer System

a. The applications for transfer of shares lodged at the Company's Registrar and Transfer Agents in physical form are processed within 30 days of receipt of the documents valid and complete in all respects. After such processing, the Registrar and Share Transfer Agents issue share certificate/s to all other shareholders within 30 days of receipt of certificate/s for transfer. Shares under objection are returned within a week's time. The transfer applications are approved periodically by the senior management of the Company.

b. Pursuant to the Listing Agreement, a certificate on half yearly basis is issued by the Practicing Company Secretary for compliance with share transfer formalities by the Company.

c. The information about procedures and forms, which are being asked for by the members frequently, viz. Indemnity/Affidavit etc. for issue of duplicate certificates, transmission form, change of address, ECS form, Nomination Form etc. are uploaded on the company's website **www.kirloskar.com under path "About Kirloskar>Group Companies>Kirloskar Oil Engines Limited>Investors>FAQ's"**

i) Dematerialization of shares and liquidity

As on 31 March 2010, 96.81% of the total equity share capital of the Company was held in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The International Security Identification Number (ISIN) allotted to the Company's equity shares is INE250A01021. However, this ISIN will change on the issue of shares pursuant the Scheme of Arrangement between the Company and Kirloskar Engines India Ltd. The changed number will be informed to the shareholders in the Allotment Advice that will be sent to them in respect of the new shares issued.

j) Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity

Not issued.

k) **Location of Windmills:** 7 Windmills owned by the Company are located at Tirade Village, Tal- Akole, Dist – Ahmednagar.

l) Address for correspondence

Shareholders' correspondence should be addressed to Link Intime India Private Limited, Registrar and Transfer Agent, at the address mentioned above. Shareholders can also email their queries/grievances to the following email address:

investorrelations@kirloskar.com

Declaration under Clause 49 I (D) (ii) by the Managing Director of affirmation by the Board of Directors and Senior Management of Compliance with the Code of Conduct

The Shareholders,

I, Atul C. Kirloskar, Chairman & Managing Director of the Company, do hereby declare that all the Board Members & Senior Management personnel have affirmed compliance with the Code of Conduct for the Board of Directors & Senior Management of Kirloskar Industries Ltd. (earlier known as Kirloskar Oil Engines Limited) made effective from April 1, 2005.

Atul C. Kirloskar
Chairman & Managing Director

Place: Pune
Date: 14 May 2010

TO THE MEMBERS OF KIRLOSKAR INDUSTRIES LIMITED
CERTIFICATE BY THE AUDITORS ON CORPORATE GOVERNANCE

We have reviewed the records concerning the company's compliance of the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges of India for the financial year ended on 31 March 2010.

The compliance of conditions of corporate governance is the responsibility of the management. Our review was limited to 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.

We have conducted our review on the basis of the relevant records and documents maintained by the Company and furnished to us for examination, and the information and explanations given to us by the Company.

Based on such a review, and to the best of our information and according to the explanations given to us, in our opinion, the Company has complied with the conditions of Corporate Governance, as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges of India.

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

For Dalal & Shah
Firm Registration Number: 102021W
Chartered Accountants

Shishir Dalal
Partner
Membership Number. 37310

Mumbai 14 May 2010

AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR INDUSTRIES LIMITED

1. We have audited the attached Balance Sheet of KIRLOSKAR INDUSTRIES LIMITED, as at 31st March, 2010, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order"), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us and in consideration of the scheme of arrangement detailed in Note No 2 in schedule 18 to the Financial Statements, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   (e) On the basis of written representations received from the directors, as on 31st March, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;

      (ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and

      (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Dalal & Shah
Firm Registration Number: 102021W
Chartered Accountants

Shishir Dalal
Partner
Membership Number: 37310

Mumbai 14th May, 2010

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of KIRLOSKAR INDUSTRIES LIMITED on the financial statements for the year ended 31st March, 2010

1. (a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

   (b) The fixed assets of the Company have been physically verified by the Management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.

   (c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has been transferred on account of demerger of Engines and Auto components business of the Company under a Scheme of arrangement as detailed in note no. 2 in Schedule 18 to the Financial Statements. The windmills and the other assets retained by the Company, as informed to us, being income generating assets, do not in any manner threaten the going concern.

2. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.

   (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.

3. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, no major weaknesses have been noticed or reported.

4. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.

   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

5. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanations given to us, no Order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal on the Company in respect of the aforesaid deposits.

6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

7. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

8. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax, cess and other material statutory dues as applicable with the appropriate authorities. The extent of arrears of statutory dues in the nature of Income Tax outstanding as on 31st March 2010 is Rs.3.30 crores which are subsequently paid on 7th May, 2010.

   (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, wealth tax, service tax, and cess as at 31st March, 2010 which have not been deposited on account of a dispute, are as follows -

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Service Tax	Service Tax including interest and penalty, as applicable	128,466	2006 – 2007, 2007- 2008	Appellate Authority upto commissioner's level

9. The Company has no accumulated losses as at 31st March 2010 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

10. According to the records of the Company examined by us and the information and explanation given to us, the Company does not have dues to any financial institution or bank or debenture holders during the year so question of default in repayment of dues does not arise.

11. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

12. In respect of shares, securities, debentures and other investments dealt or traded by the Company, proper records have been maintained in respect of the transactions and contracts and timely entries have been made therein. All the investments are held by the Company in its own name.

13. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the Company.

14. The company has not obtained any term loans.

15. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.

16. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

17. The Company has not issued any debentures and hence the company has not created any security or charge in respect thereof.

18. The Company has not raised any money by public issues during the year.

19. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

20. Considering the nature of the business, clauses (ii) and (xiii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, hence in our opinion there is no matter which arises to be reported in the aforesaid clauses of the order.

For Dalal & Shah
Firm Registration Number: 102021W
Chartered Accountants

Shishir Dalal
Partner
Membership Number: 37310

Mumbai 14th May, 2010

BALANCE SHEET AS AT 31 MARCH 2010

Rs. in 000's

			SCHEDULE	As at 31 March 2010	*As at 31 March 2009*
I.	**SOURCES OF FUNDS**				
	1.	**Shareholders' funds**			
	[a]	Share Capital	01	97,087	388,346
	[b]	Reserves and surplus	02	4,689,389	9,212,499
				4,786,476	9,600,845
	2.	**Loan funds**			
	[a]	Secured loans	03	-	3,489,391
	[b]	Unsecured loans	04	-	460
				-	3,489,851
	3.	**Deferred Tax Adjustment** (See note no. 15)			
	[a]	Deferred tax Liability		56,829	602,435
	[b]	Deferred tax Asset		357	285,314
				56,472	317,121
			Total	**4,842,948**	**13,407,817**
II.	**APPLICATION OF FUNDS**				
	1.	**Fixed assets**	05		
	[a]	Gross block		431,478	9,923,904
	[b]	Less: depreciation		143,396	3,375,495
	[c]	Net block		288,082	6,548,409
	[d]	Capital work-in-progress including Capital Advances		-	181,376
				288,082	6,729,785
	2.	**Investments**	06	4,256,082	4,718,832
	3.	**Current assets, loans and advances**			
	[a]	Inventories	07	-	1,238,798
	[b]	Sundry debtors	08	193,581	2,924,316
	[c]	Cash and bank balances	09	197,278	791,132
	[d]	Other current assets	10	-	212,219
	[e]	Loans and advances	11	107,406	1,653,456
				498,265	6,819,921
		Less: Current liabilities and provisions			
	[a]	Liabilities	12	145,165	3,938,647
	[b]	Provisions	13	54,316	922,074
				199,481	4,860,721
		Net current assets		298,784	1,959,200
			Total	**4,842,948**	**13,407,817**
Notes forming part of the Financial Statements			**18**		

As per our attached report of even date.

For DALAL & SHAH
Firm Registration number 102021W
Chartered Accountants

SHISHIR DALAL
Partner
Membership Number: 37310

Mumbai : 14 May 2010

For and on behalf of the Board of Directors.

ATUL C. KIRLOSKAR
Chairman & Managing Director

A.N. ALAWANI
Director

GIRISH S. PATNEKAR
Head - Finance

ADITI CHIRMULE
Company Secretary

Pune : 14 May 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

Rs.in 000's

	SCHEDULE	2009-10	*2008-09*
			See Note No. 18
INCOME			
Operating income	14	46,601	
Other Income	15	460,764	
TOTAL INCOME		507,365	
EXPENDITURE			
Employee Cost	16	17,423	
Operating and Other Expenses	17	37,736	
Depreciation and amortisation		30,490	
TOTAL EXPENDITURE		85,649	
Profit Before Taxation		421,716	
Provision for taxation :			
Current Tax (including Wealth Tax Rs. 1,850,000/-)		54,850	
Deferred Tax (See note no. 15)		(20,061)	
		34,789	
Profit for the year after taxation		386,927	
As per last account		1,661,297	
		2,048,224	
Less :			
Transferred to general reserve		38,693	
Interim Dividend		291,260	
Tax on Interim Dividend		49,500	
		379,453	
Balance carried to Balance Sheet		1,668,771	
Earnings Per Share			
(Face value of Rs 10/-)			
Basic and Diluted (In Rs.)		39.84	
(See note no. 14)			
Notes forming part of the Financial Statements	**18**		

As per our attached report of even date.

For DALAL & SHAH
Firm Registration number 102021W
Chartered Accountants

SHISHIR DALAL
Partner
Membership Number: 37310

Mumbai : 14 May 2010

For and on behalf of the Board of Directors.

ATUL C. KIRLOSKAR
Chairman & Managing Director

A.N. ALAWANI
Director

GIRISH S. PATNEKAR
Head - Finance

ADITI CHIRMULE
Company Secretary

Pune : 14 May 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2010

	PARTICULARS	Rs.in 000's 2009-10
A.	**CASH FLOW FROM OPERATING ACTIVITIES**	
	Profit before Tax	421,716
	Add :	
	Depreciation	30,490
	Loss on assets sold, demolished, discarded and scrapped	921
		31,411
	Less :	
	Profit on sale of investment (net)	83,758
	Surplus on sale of assets	9,321
	Interest received	3
	Dividend received	150,107
	Licensing of property	200,153
		443,342
	Operating Profit before working capital changes	**9,785**
	Adjustments for :	
	Trade and other receivables	(95,518)
	Trade payables	123,967
		28,449
	Net Cash generated from operations	**38,234**
	Direct taxes paid	(1,540)
	NET CASH FLOW FROM OPERATING ACTIVITIES	**36,694**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**	
	Add :	
	Sale of fixed assets	9,320
	Sale of investments	2,548,478
	Licensing of property	6,711
	Interest received	3
	Dividend received	150,107
		2,714,619
	Less :	
	Purchase of investments	2,002,969
	NET CASH GENERATED FROM INVESTING ACTIVITIES	**711,650**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 March 2010

	PARTICULARS	Rs.in 000's 2009-10
C.	**CASH FLOW FROM FINANCING ACTIVITIES**	
	Dividend Paid	(481,963)
	Tax on Dividend	(82,500)
	NET CASH USED IN FINANCING ACTIVITY	**(564,463)**
	Net increase / (decrease) in cash and cash equivalents	**183,881**
	Cash and Cash equivalents as on 1st April	13,397
	Cash and Cash equivalents as on 31st March	197,278

Note: During the year, the company transferred net assets of Rs. 5,341,362 thousands to the Resulting company to give effect to the scheme of demerger in a non-cash transaction. (See Detailed Note 2 in Schedule 18)

As per our attached report of even date.

For DALAL & SHAH
Firm Registration number 102021W
Chartered Accountants

SHISHIR DALAL
Partner
Membership Number: 37310

Mumbai : 14 May 2010

For and on behalf of the Board of Directors.

ATUL C. KIRLOSKAR
Chairman & Managing Director

A.N. ALAWANI
Director

GIRISH S. PATNEKAR
Head - Finance

ADITI CHIRMULE
Company Secretary

Pune : 14 May 2010

Schedule Nos. 01 to 18 annexed to and forming part of the Financial Statements for the year ended 31 March 2010

Rs. in 000's

	As at 31 March 2010	*As at 31 March 2009*
SCHEDULE 01		
SHARE CAPITAL		
AUTHORISED		
50,000,000 (250,000,000) Equity Shares of Rs. 10 (Rs. 2) each	500,000	500,000
ISSUED		
9,708,650 (195,353,480) Equity Shares of Rs. 10 (Rs.2) each	97,087	390,707
SUBSCRIBED		
* 9,708,650 (194,173,000) Equity Shares of Rs. 10 (Rs.2) each	97,087	388,346
CALLED UP AND PAID UP		
9,708,619 (194,172,380) Equity Shares of Rs. 10 (Rs.2) each	97,087	388,345
SHARE CAPITAL SUSPENSE ACCOUNT		
31 (620) Equity Shares of Rs. 10 (Rs. 2) each to be issued to shareholders of erstwhile Shivaji Works Ltd. on amalgamation as per scheme sanctioned by BIFR, are kept in abeyance.	-	1
Total	**97,087**	**388,346**

Note :

*9,708,650 Equity Shares of Rs. 10/- each are issued on 30th April 2010 as fully paid-up , under a Scheme of Arrangement between Kirloskar Oil Engines Limited and Kirloskar Engines India Limited sanctioned by the Honourable High Court of the Judicature of Bombay, which became effective from 31 March 2010 (Refer Note No 2B).

Rs. in 000's

		As at 31 March 2010	*As at 31 March 2009*
SCHEDULE 02			
RESERVES AND SURPLUS			
Capital Reserve			
As per last account	-		-
Add: Arising on account of Scheme of Arrangement (Refer note 2B)	291,260		-
Less: Appropriated in terms of Scheme of Arrangement (Refer Note no. 2C)	291,260		-
		-	-
General Reserve			
As per last account	8,032,027		6,979,865
Add: Set aside this year	38,693		750,000
Transfer from Contingency Reserve during the year	-		302,162
Less: Appropriated in terms of Scheme of Arrangement (Refer Note no. 2C)	5,050,102		-
		3,020,618	8,032,027
Contingency Reserve			
As per last account	-		302,162
Less : Transfer to General Reserve during the year	-		302,162
		-	-
Hedging Reserve			
As per last account	(480,825)		-
Less: Transferred and vested with Demerged Undertaking consequent to Scheme of Arrangement (Refer Note no. 2A)	(480,825)		(480,825)
		-	(480,825)
Surplus as per annexed profit and loss account		1,668,771	1,661,297
Total		**4,689,389**	**9,212,499**

SCHEDULE 03

SECURED LOANS

Term Loan from HDFC Bank Limited	48,684		48,684
Less:			
Transferred and vested with Kirloskar Engines India Limited, to the extent, it relates to the demerged undertaking under the Scheme of Arrangement referred to in Note no. 2A	48,684		-
		-	48,684
Foreign currency Term Loan from HSBC Bank plc, London	528,826		528,826
Less:			
Transferred and vested with Kirloskar Engines India Limited, to the extent, it relates to the demerged undertaking under the Scheme of Arrangement referred to in Note no. 2A	528,826		-
		-	528,826
Foreign currency Term Loan from BNP PARIBAS, Singapore	1,619,499		1,619,499
Less:			
Transferred and vested with Kirloskar Engines India Limited, to the extent, it relates to the demerged undertaking under the Scheme of Arrangement referred to in Note no. 2A	1,619,499		-
		-	1,619,499

Rs. in 000's

SCHEDULE 03 (Contd.)		As at 31 March 2010	As at 31 March 2009
Foreign currency Term Loan from ICICI Bank Limited, Hongkong	980,967		980,967
Less:			
Transferred and vested with Kirloskar Engines India Limited, to the extent, it relates to the demerged undertaking under the Scheme of Arrangement referred to in Note no. 2A	980,967		-
		-	980,967
Foreign currency Term Loan from ICICI Bank Limited, Hongkong	196,123		196,123
Less:			
Transferred and vested with Kirloskar Engines India Limited, to the extent, it relates to the demerged undertaking under the Scheme of Arrangement referred to in Note no. 2A	196,123		-
		-	196,123
Working Capital Loans from banks			
Packing Credit - Foreign Currency	115,003		115,003
Less:			
Transferred and vested with Kirloskar Engines India Limited, to the extent, it relates to the demerged undertaking under the Scheme of Arrangement referred to in Note no. 2A	115,003		-
		-	115,003
Interest accrued and due on loans	289		289
Less:			
Transferred and vested with Kirloskar Engines India Limited, to the extent, it relates to the demerged undertaking under the Scheme of Arrangement referred to in Note no. 2A	289		-
		-	289
Total		**-**	**3,489,391**

SCHEDULE 04

UNSECURED LOANS

Fixed deposits			
From Public	449		449
Less:			
Transferred and vested with Kirloskar Engines India Limited, to the extent, it relates to the demerged undertaking under the Scheme of Arrangement referred to in Note no. 2A	449		-
		-	449
From Shareholders	11		11
Less:			
Transferred and vested with Kirloskar Engines India Limited, to the extent, it relates to the demerged undertaking under the Scheme of Arrangement referred to in Note no. 2A	11		-
		-	11
Total		**-**	**460**

SCHEDULE 05 - FIXED ASSETS

Rs. In 000's

Fixed Assets	Tangible Assets									Intangible Assets		
	Land Freehold	Land Leasehold	Buildings	Plant & Machinery Including Computers	Wind Power Generators	Electrical Installation	Furniture & Fixture	Vehicles & Aircraft	Total (A)	Total (B)	Total (A+B)	31 st March 2009
Gross Block												
As At 31 March 2009	1,775	124,982	884,796	7,773,106	262,969	187,110	139,333	303,043	9,677,114	246,790	9,923,904	9,213,189
Additions	-	-	-	-	-	-	-	-	-	-	-	1,479,175
Transferred & vested with resulting company on demerger (See Note No.2A)	(11)	(124,982)	(715,848)	(7,773,106)	-	(187,110)	(139,333)	(303,043)	(9,243,433)	(246,790)	(9,490,223)	-
Deductions & Adjustments	-	-	2,203	-	-	-	-	-	2,203	-	2,203	768,460
As At 31 Mar 2010	1,764	-	166,745	-	262,969	-	-	-	431,478	-	431,478	9,923,904
Depreciation												
Upto 31 March 2009	-	-	105,488	2,732,846	63,446	59,666	85,274	148,565	3,195,285	180,210	3,375,495	2,753,520
Deductions & Adjustments	-	-	1,283	-	-	-	-	-	1,283	-	1,283	180,752
Transferred & vested with resulting company on demerger (See Note No.2A)	-	-	(54,745)	(2,732,846)	-	(59,666)	(85,274)	(148,565)	(3,081,096)	(180,210)	(3,261,306)	-
For The Year	-	-	3,299	-	27,191	-	-	-	30,490	-	30,490	802,727
As At 31 Mar 2010	-	-	52,759	-	90,637	-	-	-	143,396	-	143,396	3,375,495
Net Block												
As At 31 Mar 2010	1,764	-	113,986	-	172,332	-	-	-	288,082	-	288,082	6,548,409
As At 31 March 2009	1,775	124,982	779,308	5,040,260	199,523	127,444	54,059	154,478	6,481,829	66,580	6,548,409	

Notes :

1. Gross block is at Cost except leasehold land which is net of amount written off.
2. For Depreciation and amortisation refer accounting policy (Note 1.1.4).

	Face Value Per unit	As at 31 March 2010 Nos	Rs ('000)	As at 31 March 2009 Nos	Rs ('000)
SCHEDULE 06					
INVESTMENTS (At cost unless otherwise stated)					
LONG TERM INVESTMENTS :					
1 FULLY PAID EQUITY SHARES					
I TRADE					
A UNQUOTED					
IN WHOLLY OWNED SUSBSIDIARY					
Kirloskar Engines India Limited ceased to be subsidiary with effect from 31 March 2010 (see note no. 13)	2	-	-	500,000	1,000
B QUOTED					
Kirloskar Brothers Limited $	2	11,026,185	90,494	11,026,185	90,494
Kirloskar Ferrous Industries Limited	5	65,992,002	1,634,720	65,992,002	1,634,720
Kirloskar Ghatge Patil Auto Limited	10	5,000	50	5,000	50
Less: Provision for diminution in value			50		50
	Re. 1		-		-
Kirloskar Pneumatic Company Limited	10	138,222	20,656	138,222	20,656
Swaraj Engines Limited	10	2,160,000	3,600	2,160,000	3,600
The Mysore Kirloskar Limited	10	113,460	2,733	113,460	2,733
Less: Provision for diminution in value			2,733		2,733
	Re. 1		-		-
			1,749,470		1,750,470
C UNQUOTED					
Denso Kirloskar Industries Pvt Ltd	10	-	-	3,900,000	39,900
F.H.Schule Gmbh, Germany	1000 (DM)	1,900	12,019	1,900	12,019
Less: Provision for diminution in value			12,019		12,019
	Re. 1		-		-
Kothrud Power Equipment Limited	10	992,143	9,921	992,143	9,921
Less: Provision for diminution in value			9,921		9,921
	Re. 1		-		-
Kirloskar Kenya Limited	K.S. 1000	1,272	856	1,272	856
Kirloskar Integrated Technologies Limited (Previously known as Kirloskar Kisan Equipments Limited)	100	-	-	165,000	16,500
Kirloskar Proprietary Limited	100	2	-	2	-
Less: Transferred and vested with Kirloskar Engines India Ltd., to the extent they relate to the demerged undertaking to the resulting company, under the scheme of arrangement referred to in Note No. 2		1	-	-	-
		1	-	2	-
Kirsons Trading Pte Limited	1 (S $)	56,250	1,201	56,250	1,201
Kirloskar Toyoda Textile Machinery Pvt. Ltd	10	-	-	9,256,117	92,561
T. G. Kirloskar Automotive Pvt Ltd	10	-	-	5,720,000	189,232
Toyota Tsusho India Pvt Ltd	10	-	-	1,637,580	26,766
Toyota Kirloskar Auto Parts Pvt Ltd	10	-	-	33,750,000	536,613
Toyota Kirloskar Motor Pvt Ltd	10	-	-	77,000,000	1,563,148
			2,057		2,466,777

	Face Value Per unit	As at 31 March 2010 Nos	Rs ('000)	As at 31 March 2009 Nos	Rs ('000)
SCHEDULE 06 (Contd.) **INVESTMENTS** (At cost unless otherwise stated)					
II OTHERS					
A QUOTED					
Cummins India Limited	2	488	-	488	-
Housing Development Finance Corporation Ltd	10	62,000	760	62,000	760
ICICI Bank Ltd	10	10	-	10	-
			760		760
B UNQUOTED					
The Cosmos Co-operative Bank Ltd	20	31,250	623	31,250	623
The Shamrao Vitthal Co-Operative Bank Ltd	25	2,025	51	2,025	51
			674		674
			1,752,961		4,218,681
2 DEBENTURES AND BONDS					
UNQUOTED					
The Mysore Kirloskar Ltd	100	30,000	1,320	30,000	1,320
12.5% Non Convertible part "B" of Rs. 44 each Debentures					
Less: Provision for diminution in value			1,320		1,320
	Re. 1		-		-
3 WARRANTS					
QUOTED					
Detachable Warrants of Kirloskar Ferrous Industries Ltd. offered on exercise of `Rights' option, convertible into Equity shares at the option of shareholders at a price of Rs 35/- per warrant after 12 months but before 36 months from the date of allotment i.e. 13.03.2007, which has been further extended upto 13.03.2013	-	38,992,002	-	38,992,002	-
TOTAL LONG TERM INVESTMENTS :			1,752,961		4,218,681

		Face Value Per unit	As at 31 March 2010 Nos	As at 31 March 2010 Rs ('000)	As at 31 March 2009 Nos	As at 31 March 2009 Rs ('000)
SCHEDULE 06 (Contd.)						
INVESTMENTS (At cost unless otherwise stated)						
	CURRENT INVESTMENTS :					
1	MUTUAL FUNDS					
	UNQUOTED					
A	DIVIDEND SCHEME - LIQUID					
	Birla Sun Life Cash Plus Instt. Prem.plan - Daily Dividend (Previously known as Birla Cash Plus Instt. Prem.plan - Daily Dividend)	10	-	-	14,975,273	150,045
	Birla Sun Life Savings Fund - Instl- Daily Dividend - Reinvestment	10	79,970,289	800,247		
	DSP BlackRock Floating Rate Fund - INSTL Plan Daily Dividend	10	1,001,105	1,001,651	-	-
	DWS Insta Cash Plus Fund Super Instl.-Daily Dividend Plan	10	-	-	14,963,556	150,046
	HDFC Cash Management fund Savings Plan	10	-	-	18,809,012	200,060
	HDFC Cash Management fund - Treasury Advantage Plan - Wholesale Plan Daily Dividend Option Reinvest	10	69,902,131	701,223	-	-
	TOTAL CURRENT INVESTMENTS			**2,503,121**		**500,151**
	TOTAL INVESTMENTS			**4,256,082**		**4,718,832**

$ Under a Scheme of Arrangement between Kirloskar Brothers Limited, Kirloskar Brothers Investments Limited and its shareholders, the Company has been credited 8,269,638 equity shares in Kirloskar Brothers Limited and 551,309 equity shares in Kirloskar Brothers Investments Limited, on 13 April 2010.

Notes :

1.	Aggregate Carrying Cost of Quoted Investments	1,750,230	1,750,229
2.	Aggregate Market Value of Quoted Investments	6,403,894	1,931,579
3.	Aggregate Carrying Cost of Unquoted Investments	2,505,852	2,968,602
4.	Face value per unit in Rupees unless otherwise stated.		
5.	Refer Note 9 and Accounting Policy 1. 1.5		

SCHEDULE 06 (Contd.)
INVESTMENTS (At cost unless otherwise stated)

Following Investments are purchased and sold during the year.

(Rs. in '000)

Name	No of Units	Face Value	Purchase Cost
BIRLA SUN LIFE SAVINGS FUND - INSTL - DAILY DIV REINVESTMENTS	182,373,552	10	1,824,976
BIRLA SUN LIFE CASH PLUS - INSTL PREM DAILY DIVIDEND - REINVESTMENT	390,531,907	10	3,912,934
BIRLA SUN LIFE SAVINGS FUND - INSTL - WEEKLY DIVIDEND	53,820,281	10	538,531
DSP BLACKROCK LIQUIDITY FUND - INSTL PREMIUM DAILY DIVIDEND	999,889	1,000	1,000,089
DSP BLACKROCK FLOATING RATE FUND INSTL PLAN - WEEKLY DIV	1,000,244	1,000	1,000,846
DSP BLACKROCK FLOATING RATE FUND - INSTL PLAN DAILY DIVIDEND	1,001,105	1,000	1,001,651
DEUTSCHE INSTA CASH FUND - INSTL PLAN - DAILY DIV	59,844,576	10	599,517
DWS INSTA CASH PLUS FUND - SUPER INSTITUTIONAL PLAN DAILY DIVIDEND	44,380,845	10	445,158
DWS ULTRA SHORT TERM FUND - INSTITUTIONAL WEEKLY DIVIDEND	44,690,638	10	450,600
HDFC FLOATING RATE INCOME FUND - SHORT TERM PLAN - WHOLESALE OPTION - DAILY DIVIDEND REINVESTMENT	20,040,302	10	202,024
HDFC CASH MANAGEMENT FUND - TREASURY ADVANTAGE PLAN - WHOLESALE - DAILY DIVIDEND REINVESTMENT OPTION	120,334,554	10	1,207,136
HDFC CASH MANAGEMENT FUND - SAVINGS PLAN - DAILY DIVIDEND REINVESTMENT OPTION	109,094,948	10	1,360,438
HDFC CASH MANAGEMENT FUND - TREASURY ADVANTAGE PLAN - WHOLESALE - WEEKLY DIVIDEND	50,908,997	10	510,159
ICICI PRUDENTIAL LIQUID SUPER INSTL PLAN DAILY DIVIDEND	7,499,014	100	750,067
ICICI PRU FLEXIBLE INCOME PLAN PREMIUM - DAILY DIVIDEND	2,838,983	100	300,180
ICICI PRU FLEXIBLE INCOME PLAN PREMIUM - WEEKLY DIVIDEND	4,299,179	100	453,207
GCCD IDFC CASH FUND - SUPER INSTL PLAN C - DAILY DIVIDEND	19,996,716	10	200,017
GFCD IDFC MONEY MANAGER FUND - TP - SUPER INSTL PLAN C - DAILY DIVIDEND	20,008,776	10	200,118
GFCW IDFC MONEY MANAGER FUND - TREASURY PLAN - SUPER INSTL PLAN C - WEEKLY DIVIDEND	20,214,682	10	202,412
KOTAK LIQUID (INSTL PREMIUM) - DAILY DIVIDEND	107,141,277	10	1,310,134
KOTAK FLOATER LONG TERM - DAILY DIVIDEND	44,666,760	10	450,232
KOTAK FLOATER LONG TERM - WEEKLY DIVIDEND	25,093,851	10	252,870
RELIANCE LIQUIDITY FUND - DAILY DIVIDEND REINVESTMENT OPTION	39,991,031	10	400,034
RELIANCE MONEY MANAGER FUND - INSTITUTIONAL OPTION - DAILY DIVIDEND PLAN	399,783	1,000	400,238
RELIANCE MONEY MANAGER FUND - INSTITUTIONAL OPTION - WEEKLY DIVIDEND PLAN	404,077	1,000	404,820

SCHEDULE 06 (Contd.)
INVESTMENTS (At cost unless otherwise stated)

Following Investments are purchased and sold during the year. (Rs. in '000)

Name	No of Units	Face Value	Purchase Cost
RELIGARE LIQUID FUND- SUPER INSTITUTIONAL DAILY DIVIDEND	24,985,700	10	250,017
RELIGARE ULTRA SHORT TERM FUND- INSTL DAILY DIVIDEND	24,986,916	10	250,261
RELIGARE ULTRA SHORT TERM FUND- INSTITUTIONAL WEEKLY DIVIDEND	25,223,170	10	252,637
UTI LIQUID CASH PLAN INSTITUTIONAL - DAILY INCOME OPTION - RE-INVESTMENT	441,453	1,000	450,038
UTI TREASURY ADVANTAGE FUND - INSTITUTIONAL PLAN (DAILY DIVIDEND) - REINVESTMENT	250,104	1,000	250,157
UTI TREASURY ADVANTAGE FUND - INSTITUTIONAL WEEKLY DIVIDEND PLAN	252,322	1,000	252,560

		Rs. in 000's	
		As at 31 March 2010	***As at 31 March 2009***
SCHEDULE 07			
INVENTORIES			
*Stores and spares, at cost		-	101,016
*Stock-in-trade : Raw materials [including components], at cost		-	745,159
Unserviceable and obsolete raw materials, at estimated realisable value		-	3,249
Work-in-process, at cost		-	137,969
Finished goods, at lower of cost or market value		-	194,287
		-	1,080,664
Materials in transit, cost to date		-	57,118
Material in bonded warehouse, cost to date		-	-
		-	57,118
	Total	**-**	**1,238,798**

* as certified by the Chairman & Managing Director

Note: See Note 2A

SCHEDULE 08				
SUNDRY DEBTORS, UNSECURED				
[i]	(a)	Outstanding for a period exceeding six months		
		Good	-	115,952
		Doubtful	-	171,325
		Less: provision	-	171,325
			-	-
			-	115,952
	(b)	Others: good *	193,581	2,808,364
		Total	**193,581**	**2,924,316**

* Out of the above, Rs. 192,828,000/-, has since been received.

Note: See Note 2A

Rs. in 000's

	As at 31 March 2010	*As at 31 March 2009*
SCHEDULE 09		
CASH AND BANK BALANCES		
Cash on hand	-	334
Bank Balances :		
With Scheduled Banks		
In current account	197,278	790,437
In fixed deposits	-	70
Interest accrued on fixed deposits	-	2
	197,278	790,509
With Non-Scheduled Banks :		
In current account		
The HSBC Limited, Singapore *	-	289
[Maximum balance outstanding during the year Rs. 288,717/- , (P.Y. Rs. 371,531,675/-)]		
	197,278	790,798
Total	**197,278**	**791,132**

* Unutilised ECB Loan balance kept in Current Account of The HSBC Limited, Singapore.

Note: See Note 2A

SCHEDULE 10		
OTHER CURRENT ASSETS		
Income receivable	-	19,408
Incentive Receivable under Packaged Scheme of Incentive, 2001	-	145,993
Export Incentive Receivable	-	46,818
Total	**-**	**212,219**

Note: See Note 2A

Rs. in 000's

SCHEDULE 11 LOANS AND ADVANCES	As at 31 March 2010	*As at 31 March 2009*
(unsecured, good unless otherwise stated)		
Amount recoverable from wholly owned subsidiary	-	1,949
Deposit with a Company	-	600,000
Advances recoverable in cash or in kind or for value to be received:		
Good * #	106,400	321,252
Doubtful	108,508	118,645
Less: provision	108,508	118,645
	-	-
	106,400	321,252
Sales Tax / VAT Refundable	-	282,608
Sundry deposits	1,006	71,986
Balance with Collectorate of Central Excise and Customs	-	192,414
Tax paid in advance	-	3,267,610
Less : Provision for Tax Per Contra	-	3,084,363
	-	183,247
Total	**107,406**	**1,653,456**

* includes Rs. 157,500/- (P.Y. Rs. 187,500/-) due from Company Secretary as a loan {Maximum balance outstanding during the year Rs. 187,500/- (P.Y. Rs. 217,500/-)}.

Out of the above, Rs. 96,414,000/- has since been received.

Note: See Note 2A

Rs. in 000's

SCHEDULE 12 LIABILITIES	As at 31 March 2010	*As at 31 March 2009*
Acceptances	-	518,099
Sundry creditors		
Due to Micro & Small Enterprises	-	40,554
Others	31,111	2,413,808
	31,111	2,454,362
Sundry deposits	96,414	67,200
Unclaimed dividends	17,489	14,019
Unclaimed redeemed Preference share capital	151	152
Unclaimed Debentures	-	71
Investors' Education Protection Fund, since deposited	-	20
	114,054	81,462
Derivative Liability	-	480,825
Advance from customers	-	385,707
Interest accrued but not due on loans	-	18,192
Total	**145,165**	**3,938,647**

Note: See Note 2A

SCHEDULE 13 PROVISIONS		
Provision for gratuity	425	60,686
Provision for compensated absences	581	309,164
Provision for Pension & other Retirement Benefits	-	84,209
Provision for warranty claims	-	240,842
Provision for taxation	54,850	3,084,363
Less : Tax paid in advance Per Contra	(1,540)	3,084,363
	53,310	-
Proposed Dividend	-	194,173
Provision for tax on Dividend	-	33,000
Total	**54,316**	**922,074**

Note: See Note 2A

		Rs.in 000's
		2009-10
SCHEDULE 14		
OPERATING INCOME		
Income from Wind Power generation		46,601
	Total	**46,601**

SCHEDULE 15		
OTHER INCOME		
Dividend :		
From Trade Investments		103,404
From Other Investments		46,703
Interest :		
Others (gross, Tax deducted at source Rs. NIL)		3
Profit on Sale of Investments (net) (see Note 17)		83,758
Income from Licensing of property		200,153
Miscellanous Income		17,422
Surplus on sale of assets		9,321
	Total	**460,764**

SCHEDULE 16		
EMPLOYEE COST		
Salaries, wages, gratuity, bonus, commission,etc.		15,421
Contribution to provident and other funds		1,709
Welfare and training Expenses		293
	Total	**17,423**

SCHEDULE 17		
OPERATING AND OTHER EXPENSES		
Operating and maintenance charges		3,834
Wheeling and Transmission rent		4,156
Insurance		84
Security charges		11,530
Garden and Site maintenance		2,993
Cleaning & Sanitation		1,189
Rates and taxes		2,829
Property maintenance		1,150
Rent		1,824
Communication expenses		11
Legal & Professional fees		877
Auditors' remuneration		500
Directors' Commission		2,010
Directors' fees and travelling expenses		840
Donations		306
Loss on assets sold,demolished,discarded and scrapped		921
Miscellaneous expenses		2,682
	Total	**37,736**

SCHEDULE 18

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2010

1. Significant Accounting Policies

1.1 Basis of preparation of Financial Statements

The Financial Statements have been prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis, except where specified otherwise and in case of significant uncertainties.

GAAP comprises mandatory accounting standards prescribed by Companies (Accounting Standards) Amendment Rules, 2006, provisions of the Companies Act, 1956 and the guidelines issued by Securities and Exchange Board of India.

1.2 Use of Estimates

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

1.3 Fixed Assets

a. Fixed assets are stated at cost of acquisition or construction less accumulated depreciation. Cost includes the purchase price and all other attributable costs incurred for bringing the asset to its working condition for intended use.

b. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and cost of fixed assets that are not yet ready for their intended use at the balance sheet date.

1.4 Depreciation and Amortisation

a. Freehold land is not depreciated.

b. Depreciation on building and wind power generators has been provided on straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 from the beginning of the month in which addition is made.

c. Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on prorata basis upto the end of the previous month during which such assets are sold, discarded or demolished.

1.5 Investments

a. Long term investments are stated at cost less permanent diminution in value, if any.

b. Current investments mainly comprising investments in mutual funds are stated at cost, adjusted for diminution, if any.

1.6 Inventories

a. Electricity units banked but not sold are valued at lower of cost of power generation or net realisable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

1.7 Retirement Benefits

a. Short Term Employee Benefits:

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

b. Post Employment Benefits:

i. Defined Contribution Plans:

The Company's approved state government provident fund scheme is defined contribution plan. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.

ii. Defined Benefit Plans :

The employee's gratuity fund scheme and long term compensated absences are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. Both these funds are unfunded as on the balance sheet date.

iii. Termination Benefits:

Termination benefits such as compensation under voluntary retirement scheme are recognised in the year in which termination benefits are paid.

1.8 Revenue Recognition

a. Income from services is recognized as per the terms of specific contracts/agreements.

b. Profit / loss on sale of investments is recognized on the contract date.

c. Income from dividend on investments is accrued in the year in which it is declared, whereby right to receive is established.

d. Income from electricity generated is accounted on the basis of electricity wheeled into MSEB Grid.

1.9 Income Tax

Tax expense comprises both current and deferred tax. Provision for current tax is made on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.

Deferred Tax resulting from timing differences between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystalise, 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.

1.10 Earning Per Share

Earning per share is calculated by dividing the net profit or loss for the year after prior period adjustment attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the year.

1.11 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature and any deferral or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

1.12 Segment Reporting

a. Identification of Segments

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

b. Intersegment Transfers

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

c. Allocation of common costs

Common allocable costs are allocated to each segment according to the sales of each segment to the total sales of the Company.

d. Unallocated items

Corporate assets and liabilities, income and expenses which relate to the Company as a whole and are not allocable to segments, have been included under unallocated items.

1.13 Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication due to internal or external factors that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the profit and loss account. If at any subsequent balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the profit and loss account.

1.14 Provisions

Necessary provisions are made for the present obligations that arise out of past events prior to the Balance Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

2. Significant change in the operations of the Company:

The Company was, until 31 March 2009, engaged in the business of manufacture, trading and / or dealing in engines, engine spares, pumps, generating sets and oils used therein, bimetal bearings, bushes and bimetal strips (referred to as "the Engines and Auto Components Business" or "the Demerged Undertaking") and the Wind Mill and Investment operations ("the Remaining Undertaking").

Under a Scheme of Arrangement, sanctioned by the Hon'ble High Court of Judicature at Bombay, between the Company and Kirloskar Engines India Limited (referred to as the "Resulting Company") and their respective shareholders and creditors under Section 391 to 394 of the Companies Act, 1956, the Engines and Auto Components Business of the Company was demerged to the later Company. The said Scheme became effective from 31 March 2010, but operative with retrospective effect from 1 April 2009, being the Appointed Date.

Upon the Scheme becoming effective,

a. The name of the Company changed to Kirloskar Industries Limited.

b. The business and operations of the demerged undertaking were deemed to be vested with the Resulting Company with effect from 1 April 2009. Consequently,

   i. The related assets and liabilities of the Demerged Undertaking, including those specifically identified in the scheme, at the close of business on 31 March 2009 were deemed to have been transferred to the Resulting Company on 1 April 2009.

   ii. The Company carried on the business of the Demerged Undertaking, in trust for the Resulting Company, from 1 April 2009 to 31 March 2010, pending the Scheme becoming effective.

c. The said transfer and vesting of the assets of the undertaking was deemed to be on a going concern basis.

d. The accounting treatment of assets and liabilities is to be effected, as specified in Part V of the Scheme.

e. The investment of the Company, in shares of Kirloskar Engines India Limited stands cancelled.

(A) Accordingly, the broad details of the assets and liabilities transferred and vested with the Resulting Company as at 1 April 2009 are as follows:

Particulars	Rs. In 000's	Rs. In 000's
ASSETS:		
Fixed Assets		
Gross Block	9,490,223	
Accumulated Depreciation	3,261,306	
Net Block	6,228,917	
Capital work in progress, including capital advances	181,376	
Total Fixed Assets		6,410,293
*** Investments**		1,000
Current Assets, Loans and Advances		
[a] Inventories	1,238,798	
[b] Sundry debtors	2,921,051	
[c] Cash and bank balances	777,735	
[d] Other current assets	212,106	
[e] Loans and advances	1,644,802	
	6,794,492	
Current Liabilities and Provisions		
[a] Liabilities	3,919,908	
[b] Provisions	694,901	
	4,614,809	
Net Current Assets		2,179,683
Total Assets		8,590,976
Loans:		
[a] Secured loans	3,489,391	
[b] Unsecured loans	460	
	3,489,851	
Deferred Tax Liability (Net):		
[a] Deferred tax liability	525,902	
[b] Deferred tax asset	285,314	
	240,588	
		3,730,439
Hedging Reserve - Debit Balance	480,825	
Excess of assets transferred over liabilities	**5,341,362**	

As the Scheme became effective only on 31 March 2010 the titles to the Assets vested and those resulting from the conduct of business thereafter, could not, where necessary, be transferred, as at 31 March 2010. Hence the company held the same, in trust, for the resulting company.

* Includes share of Kirloskar Proprietary Limited, cost Rs 100/-.

(B) Reorganisation of Share Capital

i. Authorised Share Capital

250,000,000 Equity Shares of Rs 2/- each altered to 50,000,000 Equity Shares of Rs 10/- each.

ii. Issued Share Capital

195,353,480 Equity Shares of Rs 2/- each altered to 9,708,650 Equity Shares of Rs 10/- each.

iii. Subscribed Share Capital

194,173,000 Equity Shares of Rs 2/- each altered to 9,708,650 Equity Shares of Rs 10/- each.

iv. Called up and Paid up Capital

194,172,380 Equity Shares of Rs 2/- each are reduced to 48,543,095 Equity Shares of Rs 2/- each (by cancellation of 145,629,285 equity shares of Rs 2/- each) and the same is further consolidated into 9,708,619 Equity Shares of Rs 10/- each.

v. Share Capital Suspense Account

620 Equity Shares of Rs 2/- each, being shares in abeyance, are reduced to 155 Equity Shares of Rs 2/- each (by cancellation of 465 equity shares of Rs 2/-each) and the same is further consolidated into 31 Equity Shares of Rs 10/- each.

The reorganization of Share Capital resulted into creation of Capital Reserve amounting to Rs 291,259,500/-.

(C) Appropriation of Reserves **As at 31 March 2010**

	Rs in 000's
Excess of Assets / Liabilities as disclosed in 'A' above	5,341,362
Appropriated against :	
i. Capital Reserve as disclosed in 'B' above	291,260
ii. General Reserve	5,050,102
	5,341,362

3. Contingent Liabilities not provided for **As at 31 March 2010**

	Rs in 000's
(a) Disputed Central Excise demands	128
(b) Claims against the Company not acknowledged as debts	43,321
(c) Guarantees given on behalf of third parties	50,000
	93,449

4. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) 9,553

5. Payments to Auditors: (Net of Service Tax)

Particulars	Rs in 000's 2009-10
Statutory Auditors	
a) As Auditors	400
b) In other capacity:	
For Tax Audit	100
Total	**500**

6. Details of licensed and installed capacity, production, stock and turnover:

A) Licensed and installed capacity and production:

Sr. No.	Class of Goods	Unit	Licensed Capacity	Installed Capacity	Production meant for sale
			2009-10	2009-10	2009-10
1	Wind Power	Kwh (000's)	N.A.	11,200 ##	8,964 **

Capacity is based on Plant Load Factor as advised by the Company's technical consultant.

B) Turnover

Sr. No.	Class of Goods	Unit	2009-10	
			Nos.	Rs in '000
1	Wind Power	Kwh (000's)	8,964 **	46,601

** All units produced have been sold. Turnover is net of transmission and distribution losses, as decided by the Maharashtra Electricity Regulatory Commission (MERC).

7. **Managerial Remuneration:**

(a) Commission payable to Managing Director and other Directors:

		Rs in 000's
Computation of Net Profit and Directors' Commission		**2009-10**
Profit for the year		386,927
Add:		
Provision for taxation (including Wealth tax)	34,789	
Directors' remuneration	19,222	54,011
Less:		
Profit on sale of Mutual Fund Investments (Net)	1,241	
Surplus on sale of investments	82,517	
Surplus on sale of assets	9,321	
		93,079
Profit for the purpose of Managerial Remuneration and Directors' Commission under Section 349 of the Companies Act, 1956		347,859
Managing Director's Remuneration @5%		17,393
Restricted to		17,212
Non Whole time Directors' Commission @1%		3,479
Restricted to		2,010

(b) Details of payments and provisions included in the Profit and Loss Account on account of remuneration to Managing Director : *

	Rs in 000's
Particulars	**2009-10**
Salary	6,017
Contributions to:	
Provident Fund	722
Superannuation Fund	903
Gratuity	(570)
Leave Travel Assistance	200
Leave Encashment	499
Commission	7,000
Perquisites	2,441
	17,212
Estimated value of other benefits	107
Total	**17,319**

* Above remuneration is for the period 1 April 2009 to 30 March 2010.

8. On the basis of information available with the Company regarding the status of suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006", there are no suppliers covered under the above mentioned Act and hence the question of provision or payment of interest and related disclosures under the said Act does not arise.
9. In case of long term Investments made by the Company, diminution in the value of quoted investments, if any, are not considered to be of a permanent nature. However provision of estimated diminution in the value wherever considered necessary by the Management has been made in the Financial Statements.
10. Disclosure pursuant to Accounting Standard (AS 15) - Revised 2005 "Employee Benefits" prescribed by Companies (Accounting Standards) Amendment Rules, 2006

a. Defined Contribution Plans:

Amount of Rs 1,713,855/- is recognised as expense and included in Schedule No. 16 "Employee Cost".

b. Defined Benefit Plans (Unfunded Scheme):

(i) Amount Recognised in the Balance Sheet:

Rs. in 000's

		As at 31 March 2010
Particulars		**Gratuity**
a.	Present value of Defined Benefit obligation	425
b.	Fair value of Plan Assets	--
c.	Net Liability/(Asset) recognized in the Balance Sheet	425

(ii) Amount recognised in the Profit and Loss Account are as follows:

Rs in 000's

		As at 31 March 2010
Particulars		**Gratuity**
a.	Current Service Cost	32
b.	Interest Cost	29
c.	Expected return on Plan Assets	--
d.	Actuarial Losses / (Gains)	(65)
	Total included in "Employee Cost"	(4)

(iii) Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation:

Rs in 000's

		As at 31 March 2010
Particulars		**Gratuity**
a.	Present value of Defined Benefit obligation at the beginning of the year	430
b.	Interest cost	29
c.	Current service cost	32
d.	Actuarial Losses / (Gains)	(65)
e.	Benefits paid	--
f.	Present value of Defined Benefit obligation at the close of the year	426

(iv) Actuarial Assumptions as at 31 March 2010:

	As at 31 March 2010
Particulars	**Gratuity**
a. Discount Rate	8.30%
b. Expected rate of return on Plan Assets	--
c. Salary Escalation rate - Management Staff	7.50%

(v) General descriptions of Significant Defined plans:

The Company operates gratuity plan wherein every employee is entitled to the benefit as per scheme of the Company, for each completed year of service. The same is payable on retirement or termination whichever is earlier. The benefit vests only after five years of continuous service.

11. Segment information as required by Accounting Standard (AS 17) "Segment Reporting" prescribed by Companies (Accounting Standards) Amendment Rules, 2006 is set out in a separate statement annexed to the schedule.

12. Related parties, as defined under Clause 3 of Accounting Standard (AS 18) "Related Party Disclosures" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, have been identified on the basis of representation made by the Key Management Persons and taken on record by the Board. Disclosure of transactions with Related Parties are as under.

(A) Name of the related party and nature of relationship where control exists:

1. Subsidiary Company

Kirloskar Engines India Limited *

2. Associate Companies

Kirloskar Integrated Technologies Limited (Formerly Known as Kirloskar Kisan Equipment Ltd.) $

Kothrud Power Equipments Limited

Kirloskar Ferrous Industries Limited

3. Joint Venture Companies

Kirloskar Toyoda Textile Machinery Private Limited #

Denso Kirloskar Industries Private Limited #

T. G. Kirloskar Automotive Private Limited #

Toyota Tsusho India Private Limited #

Toyota Kirloskar Auto Parts Private Limited #

Toyota Kirloskar Motor Private Limited #

Kirloskar Kenya Limited

4. Companies controlled by Key Management Personnel

Cees Investments & Consultants Private Limited

Navsai Investments Private Limited

Kirloskar Consultants Limited

Achyut & Neeta Holding & Finance Private Limited **

Alpak Investments Private Limited **

5. Key Management Personnel & their relatives

Key Management Personnel		Relatives
Name	**Designation**	
Atul C. Kirloskar	Chairman & Managing Director	Arti A. Kirloskar, Gauri A. Kirloskar, Aditi A. Kirloskar, Sanjay C. Kirloskar, Rahul C. Kirloskar, Suman C. Kirloskar
Gautam A. Kulkarni **	Joint Managing Director	Jyotsna G. Kulkarni, Nihal G. Kulkarni, Ambar G. Kulkarni, Ashwini H. Parulkar, Neeta A. Kulkarni
Rahul C. Kirloskar **	Whole time Director	Alpana R. Kirloskar, Aman R. Kirloskar, Alika R. Kirloskar, Atul C. Kirloskar, Sanjay C. Kirloskar, Suman C. Kirloskar
R. R. Deshpande **	Whole time Director	Veena R. Deshpande, Kaustubh R. Deshpande, Saurabh R. Deshpande, D. R. Deshpande, P. R. Deshpande, R. G. Deshpande, Leela R. Deshpande

* Upto 31 March 2010
$ Upto 29 March 2010
# Upto 27 November 2009
** Upto 30 March 2010

(B) Related Party Transactions

Rs. in 000's

Nature of Transaction	Year	Subsidiary Company	Associate Companies	Joint Venture Companies	Key Management Personnel	Relatives of Key Management Personnel
Reimbursement of Expenses	2009 – 10	11,205	--	--	--	--
Rendering of Services	2009 – 10	--	--	--	15,648	--
Rent Paid	2009 – 10	--	--	--	--	1,800
License Fees	2009 – 10	192,828	--	--	--	--
Dividend Paid	2009 – 10	--	--	--	22,899	22,651
Dividend Received	2009 – 10	--	32,996	34,208	--	--
Lease Rent Received	2009 – 10	--	1,716	--	2,377	--
Security Deposit	2009 – 10	96,414	--	--	--	--
Investments sold	2009 – 10	--	46,860	2,500,376	--	--
Outstanding as at 31March 2010						
Receivable	2009 – 10	--	--	--	44	--
Payable	2009 – 10	--	--	--	7,000	--
Security Deposit	2009 – 10	--	--	--	--	--
Investments	2009 – 10	--	1,634,720	856	--	--

13. Kirloskar Engines India Limited, a wholly owned subsidiary was promoted and incorporated by the Demerged Company on 12 January 2009 for the purpose of taking over the Engines and Auto Components business of Demerged Company on going concern basis.

As a result of the scheme becoming effective as detailed in Note No. 2, investment in equity shares of Kirloskar Engines India Limited stand cancelled and therefore it ceased to be a subsidiary of the Company. Hence as per the provisions of the Accounting Standard (AS 21) "Consolidated Financial Statements" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, the consolidated financial statements have not been prepared.

14. Earning Per Share (Basic and Diluted)

	Rs in 000's
Particulars	**2009-10**
Profit for the year after taxation	386,927
Total number of equity shares at the end of the year	9,708,650
Basic and Diluted Earning Per Share	39.84

Earning per share is calculated in accordance with Accounting Standard (AS 20) "Earning Per Share" prescribed by Companies (Accounting Standards) Amendment Rules, 2006.

15. As required by Accounting Standard (AS 22) "Taxes on Income" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, the Company has recognised deferred taxes, which result from timing differences between book profits and tax profits for the year aggregating (Rs. 20,061,224/-) in the Profit and loss Account, the details of which are as under.

Rs in 000's

Particulars	**Balance as at 31 March 2009**	**Transferred in terms of the scheme as detailed in Note No 2**	**Arising during the year**	**Balance as at 31 March 2010**
(i) Deferred Tax Liabilities				
Depreciation	602,435	525,902	(19,704)	56,829
(ii) Deferred Tax Assets				
a) Disallowance under section 43B of Income Tax Act	108,359	108,359	357	357
b) Provision for Doubtful Debts and Advances	99,514	99,514	--	--
c) VRS	10,761	10,761	--	--
d) Other	66,680	66,680	--	--
Total (a+b+c+d) [ii]	**285,314**	**285,314**	**357**	**357**
Deferred Tax Liability (Net) [i-ii]	**317,121**	**240,588**	**(20,061)**	**56,472**

16. Disclosure required as per clause 32 of the Listing Agreement are as follows:

Rs in 000's

Name of the Company	Amount outstanding as at 31 March 2010	Maximum balance outstanding during the year	Amount outstanding as at 31 March 2010	Maximum balance outstanding during the year
Wholly Owned Subsidiary				
Kirloskar Engines India Limited	--	98,363	--	--
Associates				
Kothrud Power Equipments Limited	--	--	--	--
Kirloskar Integrated Technologies Limited	--	--	--	16,500
Kirloskar Ferrous Industries Limited	--	--	1,634,720	1,634,720

There are no loans and advances in the nature of loans to firms/companies in which Directors are interested.

17. The Company has during the year, sold its investments in unlisted Joint Venture Companies (referenced in the Schedule 6 to the Accounts), to Kirloskar Systems Ltd, a Group Company. The sale was effected at a price higher than that determined by applying the erstwhile CCI Guidelines, and in terms of the Joint Venture Agreements, which is not lower than the carrying value in the books of accounts of the company and as resolved by the Board of Directors. Consequently, the resultant gain amounting to Rs. 52,256,230 has been recognized in the Financial Statements during the year.

18. Consequent to the Demerger disclosed in Note No 2 above, previous years comparatives in the profit and loss account and the profit and loss account schedules serve no meaningful purpose and hence have not been disclosed. However, previous years figures have been regrouped in the balance sheet to make them comparable with those of the current year.

19. Information given above is restricted to the extent the relevant income and expenditure has been recognized in Profit and Loss account of the Company. Income and expenses incurred by the Company, in the conduct of the business of Demerged Undertaking referred to in Note No 2(A) above, from 1 April 2009 in trust pending the scheme becoming effective, has been disclosed in the financial statements of the Resulting Company. Consequently there are no disclosures necessary for this financial year.

20. Information required in terms of Part IV of Schedule VI of the Companies Act, 1956 is attached.

Signatures to the Schedules 1 to 18, forming part of the Financial Statement.

As per our attached report of even date.

For DALAL & SHAH
Firm Registration number 102021W
Chartered Accountants

SHISHIR DALAL
Partner
Membership Number: 37310

Mumbai : 14 May 2010

For and on behalf of the Board of Directors.

ATUL C. KIRLOSKAR
Chairman & Managing Director

A.N. ALAWANI
Director

GIRISH S. PATNEKAR
Head - Finance

ADITI CHIRMULE
Company Secretary

Pune : 14 May 2010

KIRLOSKAR INDUSTRIES LIMITED

Annexure referred to in Note No. 11 of Notes forming part of the Financial Statements

Segment reporting as required by Accounting Standard 17:

(Rs. In '000)

	Particulars	Year ended (Audited) *31-03-2010*
1	**Segment Revenue**	
	a Windpower Generation	46,601
	b Investments (Securities & Properties)	443,338
	Total	489,939
	Less: Inter segment revenue	-
	Net revenue	**489,939**
2	**Segment Results**	
	Profit (+) / Loss (-) before tax and interest from each segment	
	a Windpower Generation	10,076
	b Investments (Securities & Properties)	406,050
	Total	416,126
	Less:	
	i Interest	-
	ii Other Unallocable expenditure net off unallocable income	(5,590)
	Total Profit Before Tax	**421,716**
3	**Total carrying amount of segment assets**	
	a Windpower Generation	199,345
	b Investments (Securities & Properties)	4,827,866
	c Unallocable corporate assets	15,218
	Total Segment assets	**5,042,429**
4	**Total amount of segment liabilities**	
	a Windpower Generation	3,504
	b Investments (Securities & Properties)	110,714
	c Unallocable corporate liabilities	85,263
	Total segment liabilities	**199,481**
5	**Capital Employed**	
	(Segment assets - Segment liabilities)	
	a Windpower Generation	195,841
	b Investments (Securities & Properties)	4,717,152
	c Unallocable corporate assets less liabilities	(70,045)
	Total capital employed in the company	**4,842,948**
6	**Total cost incurred during the year to acquire segment assets that are expected to be used during more than one period**	
	a Windpower Generation	-
	b Investments (Securities & Properties)	-
	Total assets acquired	**-**
7	**Depreciation & Amortisation**	
	a Windpower Generation	27,191
	b Investments (Securities & Properties)	3,299
	Total Depreciation & Amortisation	**30,490**

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. C I N L 2 9 1 1 2 P N 1 9 7 8 P L C 0 8 8 9 7 2

State Code 1 1 Balance Sheet Date 3 1 0 3 2 0 1 0

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	**Private Placement**
NIL	NIL

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

Total Liabilities	Total Assets
4842948	4842948

Sources of Funds

Paid Up Capital	Reserves and Surplus
97087	4689389
Secured Loans	**Unsecured Loans**
NIL	NIL
Deferred Tax Adjustment	
56472	

Application of Funds

Net Fixed Assets	Investments
288082	4256082
Net Current Assets	**Misc. Expenses**
298784	NIL
Accumulated Losses	
NIL	

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
46601	85649
Profit/(Loss) before tax	**Profit/(Loss) after tax**
421716	386927
Earning per share (Rs.)	**Dividend Rate %**
39.84	NIL

V. GENERIC NAMES OF PRINCIPAL PRODUCTS / SERVICE OF COMPANY : Windpower Generation and Investments (Securities and Properties) - NA

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TEAR HERE

KIRLOSKAR INDUSTRIES LIMITED

Registered Office: Laxmanrao Kirloskar Road,
Khadki, Pune 411 003 (Maharashtra)

ATTENDANCE SLIP

Annual General Meeting on 28 July 2010 at 11.00 A.M.

Ledger Folio No. / DP Id and Client Id. .....

Full name of the shareholder (in capital) .....…….....
.....….....

I certify that I am a member / proxy for the member of the Company.

I hereby record my presence at the Annual General Meeting of the Company at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, on Wednesday, 28 July 2010 at 11.00 A.M.

Shareholder's / Proxy's Signature .....

Proxy's full name (in capital) .....
.....

Note : Please fill in this Attendance Slip and hand over at the entrance of the Hall.

----------TEAR HERE----------

KIRLOSKAR INDUSTRIES LIMITED

Registered Office: Laxmanrao Kirloskar Road,
Khadki, Pune 411 003 (Maharashtra)

PROXY FORM

I/We .....

L.F. No / DP Id and Client Id ..... of .....

being member/members of Kirloskar Industries Limited do hereby appoint .....

……..of…….....or failing him/her ……..... of ..... as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, on Wednesday, 28 July 2010 at 11.00 A.M. and at any adjournment/(s) thereof.

In witness whereof, I/we have set my/our hand /(s) on this ……day of…… 2010.

(Signature of the member across the stamp)

Please affix 15 paise Revenue Stamp

Note: This form, in order to be effective, should be completed, duly signed, stamped and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

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Enriching Lives

KIRLOSKAR INDUSTRIES LIMITED

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune - 411 003, INDIA.
Tel.: +91 (20) 2581 0341. Fax: +91 (20) 2581 3208, 2581 0209.
E-mail: investorrelations@kirloskar.com | Website: www.kirloskar.com

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