



KIRLOSKAR BROTHERS INVESTMENTS LIMITED

ANNUAL REPORT 2011 - 2012

Enriching Lives

Invisible yet Omnipresent



At Kirloskar we believe in working silently yet relentlessly towards one definite goal- Enriching Lives. You may not spot us easily, but we are always around you, fulfilling your every need. Be it the power that lights up your world, the fluids that flow in numerous industries, water that quenches thirst, the engines that power innumerable equipments, gensets that provide critical back-up power, compressors that help CNG reach to millions and refrigeration that preserves food. Kirloskar works silently and reliably to make sure your life is hassle-free. And, in our inconspicuous presence lies, our true commitment to engineering that enriches your lives.



Annual Report for the financial year ended on 31 March 2012

BOARD OF DIRECTORS

Mr. Atul C. Kirloskar	Chairman
Mr. A. C. Kulkarni	Executive Director
Mr. Nihal G. Kulkarni	
Mr. A. N. Alawani	
Mr. A. R. Sathe	
Mr. G. P. Kulkarni	(resigned w.e.f. 22 May 2012)

ASSISTANT COMPANY SECRETARY

Mr. Aniket Deshpande

AUDITORS

M/s. P. G. Bhagwat, Chartered Accountants

BANKERS

HDFC Bank Limited

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited
 Block No. 202, 2nd Floor, Akshay Complex,
 Near Ganesh Temple,
 Off Dhole Patil Road, Pune - 411 001
 Tel.: +91 (20) 2616 0084 / 2616 1629
 Fax: +91 (20) 2616 3503
 Email: pune@linkintime.co.in

REGISTERED OFFICE

13/A, Karve Road, Kothrud, Pune - 411 038
 Tel.: +91 (20) 2545 3002
 Fax: +91 (20) 2543 4262
 Email : contact@kbil.co.in
 Website: www.kbil.co.in

Information for shareholders

Annual General Meeting
 Day & Date : Friday, 20 July 2012
 Time : 11.00 a.m.
 Venue : S. M. Joshi Socialist Foundation
 (S. M. Joshi Hall)
 S. No. 191/192, Navi Peth,
 Near Ganjave Chowk,
 Pune - 411 030
 Proposed Dividend : 40% (₹ 4/- per share)
 Date of Book Closure : 10 July 2012 to 20 July 2012
 (Both days inclusive)

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Directors' Report

To the Members,

Your Directors have pleasure in presenting the Third Annual Report with the Audited Annual Accounts of the Company for the year ending 31 March 2012.

AMALGAMATION OF POOJA CREDITS PRIVATE LIMITED WITH THE COMPANY

The Hon'ble High Court of Judicature at Bombay vide its Order dated 18 November 2011 approved the Scheme of Amalgamation of Pooja Credits Private Limited ("PCPL") with the Company. The certified true copy of the Order received on 1 December 2011 has been filed with Registrar of Companies, Pune on 5 December 2011 (Effective Date).

In terms of the said Scheme, all the assets and liabilities of the PCPL as on 1 April 2011 (Appointed Date) were transferred to the Company. Also, the investments of the Company in the shares of the PCPL, appearing in the books of accounts of the Company were cancelled. The authorised capital of the Company is also increased by an amount of ₹ 4/- Crores and resultantly stands at ₹ 14/- Crores.

FINANCIAL RESULTS

Particulars	(₹ In lakhs)	
	Year ended 31 March 2012	Year ended 31 March 2011
Total Income	15,620.48	3,057.02
Total Expenditure	171.23	92.74
Profit before taxation	15,449.25	2,964.28
Provision for tax (including Deferred Tax)	2,356.89	76.36
Net Profit	13,092.36	2,887.92
Balance of Profit/(Loss) from previous year	4,156.57	2,288.69
Balance of Profit of PCPL as per Scheme of Amalgamation	2022.97	-
Balance available for appropriation	19,271.90	5,176.61
Appropriations		
Transfer to Reserve Fund in terms of Section 45-IC of the Reserve Bank of India Act, 1934	2,618.47	577.58
Transfer to General Reserves	1,309.24	288.79
Proposed Dividend	211.55	132.22
Tax on Proposed Dividend	-	21.45
Balance carried to Balance Sheet	15,132.64	4,156.57

DIVIDEND

Your Directors recommend 40% dividend i.e. ₹ 4/- per equity share (previous year 25% i.e. ₹ 2.50 per equity share) for the financial year ended 31 March 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company commenced business in February 2011 after qualifying as a Core Investment Company – Non Banking Financial Company (CIC-NBFC). Majority of the investments of the Company is in the form of strategic investments in Kirloskar Group Companies. During the year under review the Company has formed an Investment Committee of the Board of Directors for considering the options for investment of available surplus funds.

During the year under review, on account of acquisition of equity shares of Kirloskar Oil Engines Limited (KOEL) and Kirloskar Pneumatic Company Limited (KPC) and as a result of Amalgamation of Pooja Credits Private Limited with the

Company, KOEL and KPC have become subsidiaries of the Company. Consequently, the dividends declared by the Company, to the extent of dividends received from KOEL and KPC are exempt from payment of Dividend Distribution Tax.

COMPANY PERFORMANCE

During the financial year under review, your Company achieved an income of ₹ 156.20 Crores (previous year ₹ 30.57 Crores). The net profit after tax is ₹ 130.92 Crores (previous year ₹ 28.88 Crores).

OPERATIONS OF THE COMPANY

The main operations of the Company are that of an investment company, and majority of the investments of the Company are in the nature of strategic investments in Kirloskar Group Companies. The investment pattern of the Company also complies with the requirement for the Company continuing to qualify as a Core Investment Company – Non Banking Financial Company (CIC-NBFC). The source of income for the Company is in the form of dividends as declared by these companies.

HUMAN RESOURCES

As on 31 March 2012, the Company has 6 employees on its roll, including the Executive Director and Assistant Company Secretary. During the year under review, the organization structure and human resource policies have been put in place.

CONCERNS AND THREATS

- Fluctuations in the securities market and global economic scenario, may pose a risk of devaluation of the investments made by the Company.
- Only source of income for the Company is dividend, mainly from its Subsidiary Companies.
- The risks and concerns associated with the businesses/operations of these investee companies, which may impact the performance of these companies, could result in variation in dividends declared by these companies.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems to ensure operational efficiency, accuracy and promptness in financial reporting and compliance of various laws and regulations.

The internal control system is supported by the internal audit process. An Internal Auditor has been appointed for this purpose. The Audit Committee of the Board reviews the Internal Audit Report and the adequacy and effectiveness of internal controls periodically.

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.

LISTING FEES

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

SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

As on 31 March 2012, the Company has three subsidiaries viz. Nashik Silk Industries Limited, Kirloskar Oil Engines Limited and Kirloskar Pneumatic Company Limited.

The Board presents audited consolidated financial statements incorporating the duly audited financial statements of the subsidiaries and as prepared in compliance with the Accounting Standards and Listing Agreement as prescribed by Securities and Exchange Board of India (SEBI).

The Central Government vide its Circular dated 8 February 2011 issued directions under Section 212 of the Companies Act, 1956, granting general permission to all the companies for not attaching the Annual Accounts of Subsidiary Companies under certain conditions.

Accordingly, the Board of Directors of the Company at its meeting held on 24 May 2012 decided not to attach the Annual Accounts of its subsidiaries. The Company has attached to the Annual Accounts, the audited consolidated financial statements as required by the said Circular.

Further, the Company undertakes that the Annual Accounts of the Subsidiary Companies and the related detailed information shall be made available to the shareholders on demand, at any point of time. The Annual Accounts of the Subsidiary Companies shall also be kept open for inspection by any shareholder at the Registered Office of the Company.

A. Nashik Silk Industries Limited (NSIL)

NSIL was incorporated on 5 May 1992 as Kirloskar Silk Industries Limited. The name of the Company was changed to Nashik Silk Industries Limited.

NSIL was incorporated with the main object of manufacturing, development and sale of raw silk. However, the said project was implemented but was subsequently discontinued, as it was not financially feasible.

NSIL has approached the Government Authorities seeking their approval for change of purpose of the land allotted to the Company. The application is pending with the Government Authorities. The Board of Directors of NSIL decided to pursue the said application and hence, deferred the decision of disposal of land and existing business.

B. Kirloskar Oil Engines Limited (KOEL)

KOEL is in the business of manufacturing of Diesel Engines and is having manufacturing facilities at Pune, Nashik, Kagal, and Rajkot.

The Company has a presence in international markets, with offices in UAE, South Africa and Kenya, as well as representatives in Indonesia and Nigeria and a strong distribution network throughout the Middle East and Africa.

Pune and Kagal plants received the prestigious '12th National Award for Excellence in Energy Management 2011' from Confederation of Indian Industries (CII).

The Board of Directors of KOEL has recommended a final dividend of ₹ 4/- (200%) per equity share for the year ended March 31, 2012 as against ₹ 4/- (200%) per equity share paid last year.

On 30 September 2011, KOEL hived off its bearings business division, for a purchase consideration of ₹ 87/- Crores, resulting in a profit of ₹ 47.71 Crores.

The Board of Directors of KOEL in its meeting held on 25 January 2012, had approved a buyback of fully paid up equity shares of the Company by way of open market purchases through stock exchange route at a maximum price of ₹ 170/- and the buyback amount not exceeding ₹ 73.63 Crores. This represents 10% of total paid up capital and free reserves as per the latest audited balance sheet as on 31 March 2011.

The buyback commenced on 5 March 2012 and will remain open till 24 January 2013 or any earlier date on which the buyback to the extent of ₹ 73.63 Crores is completed. However, in case Minimum Offer Shares (10,82,721 nos.) are purchased under the buyback, the Board at its discretion may close the buyback by giving appropriate notice in this regard.

KOEL has achieved sales of ₹ 2,276/- Crores (including sales of bearings business of ₹ 62/- Crores) as against ₹ 2,364/- Crores in the previous year, (including sales of bearings business of ₹ 123/- Crores). The profit before tax is ₹ 281/- Crores (including profit on sale of bearings business ₹ 48 Crores) in 2011-12 against ₹ 244/- Crores in the previous year 2010-11.

C. Kirloskar Pneumatic Company Limited (KPC)

KPC is in the business of manufacturing of Air Compressors, Compressors for Refrigeration and Air Conditioning, Gas Compressor packages, Hydraulic power transmission products.

KPC has achieved a net sale of ₹ 666.61 Crores during the year as against ₹ 491.73 in last year. This 36% increase in revenue growth over the previous year has also contributed to a Profit before Tax growth of ₹ 23.05 Crores.

The Board of Directors of the Company has recommended a final dividend of ₹ 12/- (120%) per equity share for the year ended 31 March 2012 as against ₹ 12/- (120%) per equity share paid last year.

KPC has successfully delivered its largest Centrifugal Compressor based Refrigeration System for the first Coal Gasification Plant in India.

KPC's exports grew from ₹ 12.9 Crores to ₹ 31.9 Crores over the previous year.

KPC has received National level award for Excellence in Energy Management from CII on 1 December, 2011.

KPC has also received a State level award for Excellence in Energy Conservation and Management from Maharashtra Energy Development Agency on 13 March 2012 for the year 2008-09.

During the year Kirloskar RoadRailer Limited (KRL) has become subsidiary of KPC and the manufacturing facility has been set up at Nashik and the actual production will commence in the current financial year.

The consolidated financial statement is prepared as per applicable provisions, and duly audited by the statutory auditors, is presented elsewhere in this Annual Report.

STATUTORY DISCLOSURES

(a) Conservation of energy and technology absorption

The Company being an Investment Company, there are no particulars regarding conservation of energy and technology absorption, as required under Section 217 (1) (e) of the Companies Act, 1956 and Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

(b) Foreign exchange earnings and outgo

Total foreign exchange used	Nil
Total foreign exchange earned	₹ 0.24 Crores

PARTICULARS OF EMPLOYEES

The Company has no particulars to report as required under the provisions of Sub-Section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 and Notification dated 31 March 2011 issued by Central Government.

DIRECTORS

Mr. G. P. Kulkarni resigned as Director with effect from 22 May 2012. The Board places on record its sincere appreciation for the valuable services rendered by Mr G. P. Kulkarni.

Mr. A. N. Alawani and Mr. Nihal G. Kulkarni retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself 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.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there was no material departure from the accounting standards.
- Accounting policies have been selected and applied consistently and that the judgments and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at 31 March 2012 and of the profits of the Company for such period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- The annual accounts have been prepared on a going concern basis.

CASH FLOW

A cash flow statement for the year ended 31 March 2012 is attached to the Balance Sheet.

FIXED DEPOSITS

Your Company has not accepted any fixed deposits during the year.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement entered with the Stock Exchanges, a report on Corporate Governance forms part of this Annual Report. The Company has obtained the certificate from its Statutory Auditors regarding compliance with the provisions relating to Corporate Governance as laid down in Clause 49 of the Listing Agreement. The same is appearing elsewhere in this Annual Report.

Declaration by the Executive Director regarding affirmation for compliance with the Company's Code of Conduct is annexed to the Corporate Governance Report.


AUDITORS

M/s. P. G. Bhagwat, Chartered Accountants (Firm's Registration No. 101118W), Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate as per Section 224 (1B) of the Companies Act, 1956, has been received by the Company. The Audit Committee has recommended their re-appointment.

ACKNOWLEDGMENTS

Your Directors wish to place on record, their appreciation for the contribution made and support provided to the Company by the shareholders, employees and bankers, during the year under the report.

For and on behalf of the Board of Directors



ATUL C. KIRLOSKAR
CHAIRMAN

Pune : 24 May 2012

Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement)

1. The Company's philosophy on Code of Corporate Governance

The Company strongly believes that the system of Corporate Governance protects the interest of all the stakeholders by inculcating transparent business operations and accountability from management towards fulfilling the highest standards of Corporate Governance in all facets of the Company's operations.

2. Board of Directors

a. Composition of the Board

As on 31 March 2012, the strength of the Board was six Directors, comprising of one Executive Director and five Non-Executive Directors. Three out of six Directors were Independent Directors, which duly complied with the requirements of Clause 49 of the Listing Agreement.

b. Number of Board Meetings

During the financial year under review, four Board Meetings were held on 26 April 2011, 22 July 2011, 18 October 2011 and 24 January 2012.

c. Director's attendance record and directorships held

The information on composition and category of the Board of Directors as on 31 March 2012, attendance of each Director at Board Meetings held during the financial year 2011-12 and the Annual General Meeting (AGM) held on 22 July 2011, Directorships and Committee positions in other public companies of which the Director is a Member / Chairman and the shareholding of Non-Executive Directors is as follows:

Sr. No.	Name of Director	No. of shares held by Non-Executive Directors	No. of Directorships in other public companies	No. of Committee positions held in other public companies**		Attendance at the meetings	
				Chairman	Member	Board	AGM
	Executive Director						
1.	Mr. A. C. Kulkarni	–	2	Nil	Nil	4	Present
	Non-Executive Director						
2.	Mr. Atul C. Kirloskar*	10,33,909	8	1	Nil	3	Absent
3.	Mr. Nihal G. Kulkarni*	–	3	Nil	3	4	Present
	Independent and Non-Executive Directors						
4.	Mr. A. N. Alawani	500	6	2	3	4	Present
5.	Mr. A. R. Sathe	30	4	Nil	4	4	Present
6.	Mr. G. P. Kulkarni	–	3	Nil	Nil	4	Present

Notes:

* Deemed as Promoters within the meaning of Securities Exchange Board of India (SEBI) (Substantial Acquisition of Shares and Takeover) Regulations, 2011.

** For this purpose only Audit and Investors' Grievance Committee positions of the public limited companies are considered.

(1) As on 31 March 2012, none of the current Directors are related to any other Director within the meaning of Section 6 of the Companies Act, 1956.

(2) Directorships in private limited companies, foreign companies and companies under Section 25 of the Companies Act, 1956 are excluded in the above table.

d. Information supplied to the Board

Among others, this includes:

- Quarterly results of the Company;
- 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 any by the Company, or substantial non-payment to the Company by any;
- Any issue, which involves possible liability claims of substantial nature;
- Details of any joint venture or collaboration agreement;
- 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.

3. Audit Committee**a) Composition**

The Audit Committee comprises of three Non-Executive Directors, majority of who are Independent. The Assistant Company Secretary acts as the Secretary to the Committee. The Executive Director also attends the Audit Committee Meetings. The representatives of the Internal Auditors and Statutory Auditors are also invited to the meetings.

During the financial year under review, four meetings of the Committee were held on 26 April 2011, 22 July 2011, 18 October 2011 and 24 January 2012. 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. A. N. Alawani (Chairman) – Independent	4
2.	Mr. A. R. Sathe – Independent	4
3.	Mr. Nihal G. Kulkarni – Non Independent	4

b) Terms of Reference

The terms of reference of the Audit Committee include the matters specified in 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:

1. Supervision of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. 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 and also approval for payment of any other services.
3. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preference issue etc.), the statement of funds utilised for the purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of public or rights issues, and making appropriate recommendations to the Board to take up steps in this matter.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' 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 made in the financial statements arising out of audit findings.

- e. Compliances with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft Audit Report.
 - h. Review Auditor's Report, internal controls and recommendations relating thereto.
5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
 6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control system.
 7. 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.
 8. Discussion with internal auditors about any significant findings and follow up there on.
 9. 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.
 10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 11. 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.
 12. Review of the following:
 - a. Management discussion and analysis of financial condition and results of operations;
 - b. Statement of significant related party transactions (as defined by the Audit Committee), 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;
 - e. The appointment, removal and terms of remuneration of the Chief Internal Auditor;
 - f. Financial statements, in particular, the investments made by the unlisted subsidiary;
 - g. Minutes of Board Meetings of the unlisted subsidiary company; and
 - h. A statement of significant transactions and arrangements entered into by the unlisted subsidiary.
 13. 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 the Companies Act, 1956.

c) Powers of Audit Committee

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

4. Remuneration Committee

a) Composition

The Remuneration Committee was constituted by the Board of Directors of the Company at its meeting held on 13 February 2010. The Committee comprises of three Independent Directors, namely:

Mr. A. R. Sathe, Chairman

Mr. A. N. Alawani, Member

Mr. G. P. Kulkarni, Member

During the financial year under review, one meeting of the Remuneration Committee was held on 26 April 2011. All the above named Directors were present during the meeting.

b) Remuneration to Directors

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Director. The Board also decides the commission payable to the Executive 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 Executive Director. There is no notice period and severance fee 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 of the Company at the first Annual General Meeting held on 27 July 2010, approved the payment of remuneration by way of commission to the Non-Executive Directors of the Company, not exceeding 1% of the net profits of the Company as computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956.

The sitting fee of ₹ 5,000/- per meeting of the Board and any Committee thereof, attended by the Non-Executive Directors is payable to them.

c) Details of remuneration paid to Directors during the financial year 2011-12

Amount in ₹

Sr. No.	Name of the Director	Basic Salary	Perquisites	Contribution to Statutory Funds	Sitting Fees	Commission	Total
	Executive Director						
1.	Mr. A. C. Kulkarni	22,83,186	82,396	6,16,856	–	20,00,000	49,82,438
	Non-Executive Directors						
2.	Mr. Atul C. Kirloskar	–	–	–	15,000	30,000	45,000
3.	Mr. Nihal G. Kulkarni	–	–	–	50,000	1,00,000	1,50,000
4.	Mr. A. N. Alawani	–	–	–	55,000	1,10,000	1,65,000
5.	Mr. A. R. Sathe	–	–	–	50,000	1,00,000	1,50,000
6.	Mr. G. P. Kulkarni	–	–	–	30,000	60,000	90,000

Notes:

- Perquisites include reimbursement of medical expenses, leave travel, term insurance premium and provision for leave encashment.
- Contribution to Statutory Funds includes contribution to Provident Fund and Superannuation Fund.

5. Investment Committee

The Investment Committee was constituted by the Board of Directors of the Company at its meeting held on 18 October 2011. The committee comprises of three Directors, namely:

- Mr. A. N. Alawani, Chairman
- Mr. Nihal G. Kulkarni, Member
- Mr. A. C. Kulkarni, Member

During the financial year, two meetings of the Investment Committee were held on 1 November 2011 and 17 February 2012.

6. Investors' Grievance Committee

The Investors' Grievance Committee has been constituted to look into investor's 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. G. P. Kulkarni, an Independent Director, with Mr. A. C. Kulkarni, Executive Director and Mr. A. R. Sathe, an Independent Director being the other Members of the Committee.

During the financial year under review, one Investors' Grievance Committee Meeting was held on 18 October 2011. All the above Directors were present during the Meeting.

Mr. Aniket Deshpande, Assistant Company Secretary is the Compliance Officer.

The Compliance Officer can be contacted at:

Kirloskar Brothers Investments Limited

13 / A, Karve Road, Kothrud,

Pune – 411 038

Tel.: (020) 2545 3002; Fax: (020) 2543 4262

E-mail: aniket.deshpande@kirloskar.com; contact@kbil.co.in

With reference to clause 47(f) of the Listing Agreement, the Company has designated exclusive e-mail id for the investors as contact@kbil.co.in to register their grievances, if any. This has been initiated by the Company to resolve such investors' grievances immediately. The Company has also displayed the said e-mail id on its website for the use of investors.

The total number of complaints received and replied to the satisfaction of the shareholders during the year ended 31 March 2012 were 3 and there were no complaints outstanding as on 31 March 2012.

7. General Body Meeting

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

Financial Year	Date	Type of Meeting	Venue	Time
2010-11	22 July 2011	Annual General Meeting	S. M. Joshi Socialist Foundation (S. M. Joshi Hall) S. No. 191 / 192, Navi Peth, Near Ganjve Chowk, Pune – 411 030	3.00 p.m.
2009-10	27 July 2010	Annual General Meeting	Kirloskar Brothers limited, 'Yamuna', S. No. 98 (3-7), Baner, Pune – 411 045	1.30 p.m.

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

1. Authorising the Board of Directors of the Company to decide and pay the remuneration by way of commission to the Non-Executive Directors of the Company.
2. Authorising the Board of Directors of the Company to decide and pay the remuneration by way of commission to the Executive Director of the Company.

No Special Resolution passed at the above Annual General Meetings were required to be passed through postal ballot.

8. Disclosures

- i. During the financial year under review, there were no materially significant related party transactions made by the Company with its Promoters, Directors, Management or their Subsidiaries that may have potential conflict with the interest of the Company at large.

Transactions with the related parties are disclosed in Note No. C-1 of the Accounts in the Annual Report.

- ii. There have been no instances of non-compliances by the Company on any matters related to capital markets since its incorporation i.e. 16 April 2009. Neither penalties have been imposed nor any strictures imposed on the Company by the Stock Exchanges, Securities and Exchange Board of India (SEBI) or any other statutory authority, on any matter related to capital markets.

- iii. **Whistle Blower Policy**

The Company has formulated and implemented the Whistle Blower Policy ("the Policy"). This would, inter alia, provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee; any instance of unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct. Thus, any employee has direct access to the Audit Committee.

The Policy has been communicated to all the employees of the Company and the same has also been uploaded on the Company's website.

iv. Disclosure pursuant to amended Clause 5A II of the Listing Agreement

The Securities and Exchange Board of India (SEBI) vide its circular dated 16 December 2010, effected certain amendments to the Equity Listing Agreement. By inserting the new Clause 5A II, certain provisions have been introduced, containing uniform procedure for dealing with unclaimed shares.

Pursuant to the said Clause, the Company had sent first reminder on 22 February 2011 to all those shareholders, whose shares remained unclaimed with the Company, requesting them to forward correct addresses to avoid transfer of such unclaimed shares to the "Unclaimed Suspense Account".

The Company had sent second reminder on 28 March 2012 to such shareholders whose share certificates were undelivered and hence remained unclaimed.

The details of shares claimed by the shareholders based on the second reminder during the year are as follows:

Sr. No.	Particulars	No. of shares
i.	Total number of unclaimed shares as on 1 April 2011	97,118
ii.	Number of shares claimed by the respective shareholders during the year	5,115
iii.	Balance number of shares remaining unclaimed as on 31 March 2012	92,003

- v. 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

a. Remuneration Committee

Remuneration Committee is already in place and complying with related non-mandatory requirements.

b. Shareholders' 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 and that of Stock Exchanges, the Company does not send any declaration of half yearly performance to the shareholders.

c. Audit qualifications

There are no qualifications on the Financial Statements of the Company for the year ended 31 March 2012.

d. Whistle Blower Policy

The Company has a Whistle Blower Policy. It inter alia, provides a mechanism for the employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee; any instance of unethical behavior, actual or suspected fraud or violation of the Company's code of conduct. It also provides for adequate safeguard against victimisation of such employees. Further, the existence of the mechanism has been appropriately communicated within the Organisation.

9. Particulars of Director to be re-appointed at the ensuing Annual General Meeting

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.

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

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

Kirloskar Brothers Limited @	Kirloskar Industries Limited* #
Kothrud Power Equipment Limited	Kirloskar Integrated Technologies Limited
Kirloskar Oil Engines Limited	Kirloskar Ferrous Industries Limited @**

* Audit Committee – Chairman

** Audit Committee – Member

@ Share Transfer and Investors' Grievance Committee – Member

Share Transfer and Investors' Grievance Committee – Chairman

Mr. A. N. Alawani is holding 500 (0.01%) equity shares of the Company.

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. Nihal G. Kulkarni

Mr. Nihal G. Kulkarni, A.B. in Economics from Brown University, USA, has over six years of experience in the areas of finance and investments. He has undergone extensive training with the Kirloskar Group, Toyota Motor Sales, USA and DSP Merrill Lynch. He was Vice President in Kirloskar Pneumatic Company Limited upto 22 October 2010. He was the Managing Director of Kirloskar Industries Limited from 23 October 2010 upto 25 January 2012. He has been appointed as Managing Director of Kirloskar Oil Engines Limited with effect from 26 January 2012. He is the Vice Chairman and Director of G. G. Dandekar Machine Works Limited and also a Director on the Boards of Kirloskar Industries Limited and G. G. Dandekar Investments Pte. Limited, a wholly owned subsidiary of G. G. Dandekar Machine Works Limited, incorporated in Singapore.

Mr. Nihal G. Kulkarni is a Director in the following other companies:

G. G. Dandekar Machine Works Limited** @	Kirloskar Oil Engines Limited
G. G. Dandekar Investments Pte. Limited	Kirloskar Industries Limited**

** Audit Committee – Member

@ Share Transfer cum Shareholder’s Grievance Committee - Member

Mr. Nihal G. Kulkarni is not holding any equity shares of the Company.

Mr. Nihal G. Kulkarni is not related to any other Director on the Board of the Company as per provisions of Section 6 of the Companies Act, 1956.

10. Means of Communication

- The quarterly and half yearly results are published in national and local dailies, namely Financial Express (English) and Loksatta (Marathi), having wide circulation. Since the results of the Company are published in the newspapers, half yearly reports are not sent individually to the shareholders.
- The Company’s results and official news releases are displayed on the Company’s website namely www.kbil.co.in.
- The Management Discussion and Analysis Report forms part of this Annual Report.

11. General shareholder Information

Annual General Meeting

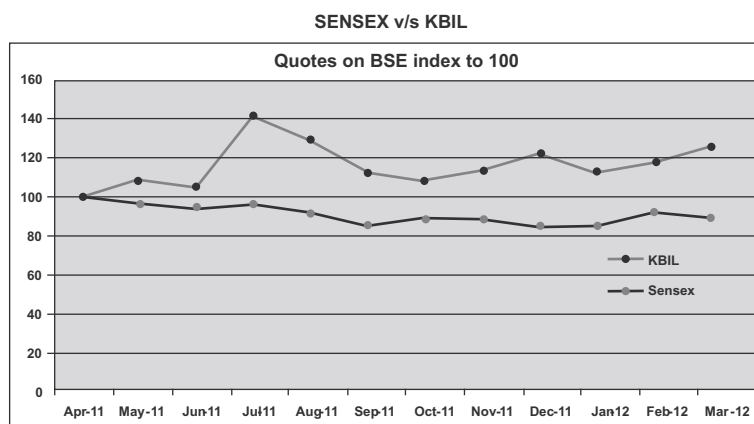
Date and Time	20 July 2012 at 11.00 a.m.		
Venue	S. M. Joshi Socialist Foundation (S. M. Joshi Hall) S. No. 191 / 192, Navi Peth, Near Ganjave Chowk, Pune 411 030		
Financial Year	1 April 2011 to 31 March 2012 During the year the financial results were announced as under: First quarter : 22 July 2011 Second quarter : 18 October 2011 Third quarter : 24 January 2012 Annual : 24 May 2012		
Date of Book Closure	10 July 2012 to 20 July 2012 (Both days inclusive)		
Dividend payment date	On or before 6 August 2012		
Listing on Stock Exchanges (Stock Code)	Sr. No.	Name of the Stock Exchange	Stock Code
	1.	BSE Limited (BSE), Mumbai	533297
	2.	National Stock Exchange of India Limited (NSE), Mumbai	KBIL

Market Price Data

Details of Monthly high / low during the year 2011-12 on the BSE and NSE

Stock Exchange	BSE Limited		National Stock Exchange of India Limited	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2011	620.90	487.00	599.90	421.15
May 2011	672.00	500.10	625.00	503.00
June 2011	650.00	505.10	644.95	509.00
July 2011	857.00	600.00	800.00	600.00
August 2011	796.95	600.00	790.00	576.40
September 2011	698.70	600.00	718.00	611.05
October 2011	670.00	603.00	729.00	600.00
November 2011	700.00	562.50	700.00	560.00
December 2011	750.00	566.60	775.00	570.00
January 2012	700.00	630.00	706.90	640.00
February 2012	729.00	660.00	720.00	620.00
March 2012	775.00	700.00	750.00	700.00

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



Distribution of shareholding as on 31 March 2012

Nominal value of shares (₹)			Shareholders		Share Amount	
From	To		Number	% to total	In ₹	% to total
1	-	5000	14,462	97.78	5,622,790	10.63
5001	-	10000	161	1.09	1,100,990	2.08
10001	-	20000	87	0.59	1,213,540	2.29
20001	-	30000	22	0.15	570,680	1.08
30001	-	40000	6	0.04	206,270	0.39
40001	-	50000	11	0.07	505,740	0.96
50001	-	100000	21	0.14	1,322,010	2.50
100001	-	Above	21	0.14	42,345,160	80.07
TOTAL			14,791	100.00	52,887,180	100.00

Shareholding Pattern as on 31 March 2012

Sr. No.	Category	No. of shares	% of shareholding
1.	Promoters' Holding		
	Indian Promoters	3,518,559	66.53
	Bodies Corporate	5,016	0.09
2.	Non Promoters' Holding		
	Mutual funds	15,311	0.29
	Financial Institutions / Banks	153,989	2.91
	Insurance Companies	93,828	1.77
	Foreign Institutional Investors	141,871	2.68
	Private Corporate Bodies	320,792	6.07
	Indian Public	10,29,401	19.46
	Non Resident Indians	12,915	0.24
	Clearing Members	2,052	0.04
	TOTAL	52,88,718	100.00

Registrar and Share Transfer Agent (R and T Agent)

The entire work of the Company, relating to processing of transfer of shares has been given to an outside agency i.e. M/s Link Intime India Private Limited, being a SEBI Registered R & T Agent. The contact details are as follows:

Link Intime India Private Limited
(Unit : Kirloskar Brothers Investments Limited)
Block No. 202, 2nd Floor, Akshay Complex,
Near Ganesh Temple, Off Dhole Patil Road,
Pune – 411 001
Tel.: (020) 2616 0084
Fax: (020) 2616 3503
Email: pune@linkintime.co.in

Share Transfer System

- The applications for transfer of shares lodged at the Company's Registrar and Share Transfer Agent in physical form are processed within 30 days of receipt of valid and complete documents in all respects. After such processing, the Registrar and Share transfer agent will issue share certificate to the respective shareholders within 30 days of receipt of certificate 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.
- 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.

Register Your National Electronic Clearing Service (NECS) Mandate

The Reserve Bank of India (RBI) has initiated NECS for credit of Dividend directly to the Bank Account of shareholders. Shareholders holding shares in electronic mode are requested to register their latest Bank Account details with their Depository Participant and in physical form with the Company's R & T Agent viz. Link Intime India Private Limited.

Dematerialisation of shares and liquidity

As on 31 March 2012, 4,891,877 equity shares being 92.50% of the total equity share capital of the Company were held in dematerialised form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The International Securities Identification Number (ISIN) allotted to the Company's equity shares is INE920K01010.

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

Not applicable.

Address for correspondence

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

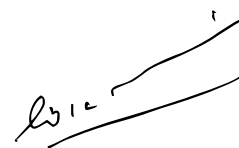
contact@kbil.co.in

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

To the members of **KIRLOSKAR BROTHERS INVESTMENTS LIMITED**

Pursuant to clause 49 I (D) (ii) of the Listing Agreement, I hereby declare that all the Board Members and Senior Management Personnel are aware of the provisions of the Code of Conduct laid down by the Board as made effective from 2 March 2010. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

For Kirloskar Brothers Investments Limited



A. C. Kulkarni
Executive Director

Pune : 24 May 2012

REPORT OF THE AUDITORS ON CORPORATE GOVERNANCE TO THE MEMBERS

To the members of KIRLOSKAR BROTHERS INVESTMENTS LIMITED

We have examined the compliance of conditions of Corporate Governance by Kirloskar Brothers Investments Limited for the year ended on 31st March 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination 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 opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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

For M/s P. G. BHAGWAT
Chartered Accountants
Firm's Registration No: 101118W

ABHIJEET BHAGWAT
Partner
Membership No. 136835

Pune : 24 May 2012

**AUDITOR'S REPORT TO THE MEMBERS OF
KIRLOSKAR BROTHERS INVESTMENTS LIMITED**

1. We have audited the attached balance sheet of **Kirloskar Brothers Investments Limited** as at 31st March 2012, the profit and loss account and the cash flow statement of the Company for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of Sub-Section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) the balance sheet, the profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply, in all material aspects; read with Note No. Part C 6 (iii) to the financial statements in respect of accounting and disclosures under Accounting Standard 15 (revised) not being practicable, comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of the written representations received from the Directors as on 31st March, 2012, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a Director in terms of clause (g) of Sub-Section (1) of Section 274 of the Companies Act, 1956;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (b) in the case of the profit and loss account of the profit for the period ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the period ended on that date.

For M/s P. G. BHAGWAT
Chartered Accountants
Firm's Registration No: 101118W

ABHIJEET BHAGWAT
Partner
Membership No. 136835

Pune : 24 May 2012

ANNEXURE Re: KIRLOSKAR BROTHERS INVESTMENTS LIMITED

Referred to in paragraph 3 of our report of even date

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the Management at reasonable intervals. According to the information and explanation given to us, no discrepancies were noticed on such verification.
- (c) No fixed assets are disposed off during the year.
- (ii) As the Company has no manufacturing activity, the provisions of clause 4 (ii) of the Order, 2003 are not applicable to the Company.
- (iii) (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained as per Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) (c) and (d) of the Order are not applicable to the Company.
- (e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained as per Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (f) and (g) of the Order are not applicable to the Company.
- (iv) Being an Investment Company, 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 with regard to the purchase of fixed assets. During the course of audit we have not observed any continuing failure or continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanations given to us, there were no contracts or arrangements referred to in Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (v) (b) of the Order are not applicable to the Company.
- (vi) According to information and explanations given to us, the Company has not accepted any deposits from public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) Being an Investment Company, the provisions of clause 4 (viii) of the Order, 2003 related to maintenance of cost records are not applicable to the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2012 for a period of more than six months from the date they became payable.
- (b) According to information and explanation given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute other than those mentioned in the Appendix to this report.
- (x) The Company has no accumulated losses as at 31st March, 2012. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
- (xi) According to information and explanations given to us, the Company has no dues to any financial institution, bank or debenture holders. Accordingly, the provisions of clause 4 (xi) of the Order, 2003 are not applicable to the Company.
- (xii) According to information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4 (xii) of the Order, 2003 are not applicable to the Company.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, the provisions of clause 4 (xiii) of the Order, 2003 are not applicable to the Company.
- (xiv) According to information and explanation given to us, the Company is dealing in, but not trading in, shares, securities,

debentures and other investments. Accordingly, proper records have been maintained of the transactions and contracts and timely entries have been made therein. Also the shares, securities, debentures and other investments have been held by the Company, in its own name.

- (xv) According to information and explanation given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to information and explanation given to us, the Company does not have any term loans.
- (xvii) According to information and explanation given to us, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanation given to us, the Company has not made any preferential allotment of any shares to parties and companies covered under Section 301 of the Companies Act, 1956.
- (xix) According to information and explanation given to us, the Company has not issued any debentures. Accordingly, the provisions of clause 4 (xix) of the Order, 2003 are not applicable to the Company.
- (xx) According to information and explanation given to us, the Company has not made any public issue to raise money. Accordingly, the provisions of clause 4 (xx) of the Order, 2003 are not applicable to the Company.
- (xxi) According to information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For M/s P. G. BHAGWAT
Chartered Accountants
 Firm's Registration No: 101118W

ABHIJEET BHAGWAT
Partner
 Membership No. 136835

Pune : 24 May 2012

Appendix [referred to in clause (ix) (b) of the annexure to the Auditor's Report]

Sr. No.	Name of Statute	Amount (₹)	Forum where dispute is pending
1.	Income Tax Act, 1961	1,328,877/-	Centralized Processing Centre (CPC) , Bangalore For IT A.Y. 2006-2007 (in respect of Pooja Credits Private Limited, amalgamated with Kirloskar Brothers Investments Limited w.e.f. 05.12.2011)
2.	Income Tax Act, 1961	7,639,830/-	Centralized Processing Centre (CPC) , Bangalore For IT A.Y. 2009-2010 (in respect of Pooja Credits Private Limited, amalgamated with Kirloskar Brothers Investments Limited w.e.f. 05.12.2011)

BALANCE SHEET AS AT MARCH 31, 2012

Particulars	Note No.	[in ₹]	
		Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	A – 1	52,887,180	52,887,180
(b) Reserves and surplus	A – 2	2,564,147,843	1,065,394,614
(c) Money received against share warrants		–	–
		<u>2,617,035,023</u>	<u>1,118,281,794</u>
2 Share application money pending allotment		–	–
3 Non-current liabilities			
(a) Long-term borrowings		–	–
(b) Deferred tax liabilities (Net)		–	–
(c) Other Long term liabilities		–	–
(d) Long term provisions		–	–
		<u>–</u>	<u>–</u>
4 Current liabilities			
(a) Short-term borrowings		–	–
(b) Trade payables		247,814	224,371
(c) Other current liabilities	A – 3	3,723,065	1,964,148
(d) Short-term provisions	A – 4	22,510,415	15,665,038
		<u>26,481,294</u>	<u>17,853,557</u>
	TOTAL	<u>2,643,516,317</u>	<u>1,136,135,351</u>
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	A – 5	762,093	936,718
(ii) Intangible assets		–	–
(iii) Capital work-in-progress		–	–
(iv) Intangible assets under development		–	–
(b) Non-current investments	A – 6	2,531,321,434	588,376,791
(c) Deferred tax assets (Net)	C – 7	–	274,155
(d) Long term loans and advances	A – 7	635,585	–
(e) Other non-current assets		–	–
		<u>2,532,719,112</u>	<u>589,587,664</u>
2 Current assets			
(a) Current investments		–	–
(b) Inventories		–	–
(c) Trade receivables		–	–
(d) Cash and bank balances	A – 8	110,576,914	545,659,652
(e) Short-term loans and advances	A – 9	44,744	2,000
(f) Other current assets	A – 10	175,547	886,035
		<u>110,797,205</u>	<u>546,547,687</u>
	TOTAL	<u>2,643,516,317</u>	<u>1,136,135,351</u>

The Notes referred in Part A - Notes to Accounts, Part B - Significant Accounting Policies and Part C - Other Notes form an integral part of the Balance Sheet

As per our attached report of even date

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSekar
Chairman

A. C. KULKARNI
Executive Director

ABHIJEET BHAGWAT
Partner
Pune : 24 May 2012

ANIKET DESHPANDE
Assistant Company Secretary

PROFIT & LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Note No.	[in ₹]	
		Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
I Revenue from operations	A – 11	1,559,903,254	305,702,412
II Other income	A – 12	2,144,906	–
III Total revenue (I + II)		1,562,048,160	305,702,412
IV Expenses:			
Cost of materials consumed		–	–
Purchase of Stock-in-Trade		–	–
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade		–	–
Employee benefits expense	A – 13	6,369,964	5,274,797
Financial costs		–	–
Depreciation and amortization expense	A – 5	265,114	262,970
Other expenses	A – 14	10,487,895	3,736,397
Total expenses		17,122,973	9,274,164
V Profit before exceptional and extraordinary items and tax (III – IV)		1,544,925,187	296,428,248
VI Exceptional Items		–	–
VII Profit before extraordinary items and tax (V – VI)		1,544,925,187	296,428,248
VIII Extraordinary Items		–	–
IX Profit before tax (VII – VIII)		1,544,925,187	296,428,248
X Tax expenses:			
(1) Current tax		235,415,000	7,910,000
(2) Deferred tax	C – 7	274,155	(274,155)
		235,689,155	7,635,845
XI Profit / (Loss) for the period from continuing operations (IX – X)		1,309,236,032	288,792,403
XII Profit / (Loss) from discontinuing operations		–	–
XIII Tax expense of discontinuing operations		–	–
XIV Profit / (Loss) from discontinuing operations (XII – XIII)		–	–
XV Profit / (Loss) for the period (XI + XIV)		1,309,236,032	288,792,403
XVI Earning per equity share having nominal value of ₹ 10 / - per share:			
(1) Basic	C – 2	247.55	54.61
(2) Diluted	C – 2	247.55	54.61

The Notes referred in Part A - Notes to Accounts, Part B - Significant Accounting Policies and Part C - Other Notes form an integral part of the Profit and Loss Statement

As per our attached report of even date

For and on behalf of the Board of Directors

For **M/s P. G. Bhagwat**
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

A. C. KULKARNI
Executive Director

ABHIJEET BHAGWAT
Partner

ANIKET DESHPANDE
Assistant Company Secretary

Pune : 24 May 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Particulars	[in ₹]	
	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
A. Cash Flow from Operating Activities		
Net Profit before taxation and extra ordinary items	1,544,925,187	296,428,248
Adjustments for		
Investments written off	500,000	–
Provisions written back	(2,144,906)	–
Depreciation and amortization expense	265,114	262,970
(Profit) / Loss on sale of non current Investments	(1,144,574,468)	3
Operating profits before working capital changes	398,970,927	296,691,221
Increase / (decrease) in short term provisions	(127,780)	229,566
Increase / (decrease) in other current liabilities	460,561	(1,005)
Increase / (decrease) in trade payables	10,208	1,546,635
(Increase) / decrease in long term loans and advances	(65,400)	–
(Increase) / decrease in short term loans and advances	6,507,256	(15,022)
(Increase) / decrease in other current assets	948,676	(788,907)
Net Cash Flow from Operating Activities	406,704,448	297,662,488
Income Tax (Paid) / Refunded	(233,968,992)	(7,841,229)
Net Cash from Operating Activities (A)	172,735,456	289,821,259
B. Cash Flow from Investing Activities		
(Purchase) / sale of Investments (Net)	(701,572,877)	1,003,206
(Purchase) / sale of Fixed Assets	(90,489)	(1,199,688)
Net Cash from Investment Activities (B)	(701,663,366)	(196,482)
C. Cash Flow from Financing Activities		
Dividends paid	(12,799,628)	–
Sale of fractional Shares	2,964,001	–
Fractional entitlements paid	(2,087,813)	–
Net Cash Flow from Financing Activities (C)	(11,923,440)	–
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	(540,851,350)	289,624,777
Cash and cash equivalents at the beginning of the year	545,659,652	256,034,875
Addition on account of Scheme of Amalgamation (Refer note C – 8)	105,768,612	–
	651,428,264	256,034,875
Cash and cash equivalents at the end of the year (Refer note A – 8)	110,576,914	545,659,652

As per our attached report of even date

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

A. C. KULKARNI
Executive Director

ABHIJEET BHAGWAT
Partner
Pune : 24 May 2012

ANIKET DESHPANDE
Assistant Company Secretary

PART A : NOTES TO ACCOUNTS

[in ₹]

	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
NOTE A - 1 : SHARE CAPITAL		
Authorised		
14,000,000 (10,000,000) Equity Shares of ₹ 10/- each (₹ 10/- each) (Increased due to Amalgamation of Pooja Credits Private Limited with the Company)	140,000,000	100,000,000
TOTAL	140,000,000	100,000,000
Issued, Subscribed And Paid-up		
5,288,718 (5,288,718) Equity Shares of ₹ 10/- each (₹ 10/- each)	52,887,180	52,887,180
TOTAL	52,887,180	52,887,180

(a) Reconciliation of Share Capital

Particulars	Figures as at the end of the current reporting year ended on March 31, 2012		Figures as at the end of the previous reporting year ended on March 31, 2011	
	No. of Shares	₹	No. of Shares	₹
Shares outstanding at the beginning of the year	5,288,718	52,887,180	5,288,218	52,882,180
Add / (Less) : Shares issued (for consideration other than cash)	-	-	500	5,000
Shares outstanding at the end of the year	5,288,718	52,887,180	5,288,718	52,887,180

(b) The Company has only one class of equity shares, having par value of ₹ 10/- per share. Each holder of equity share is entitled for one vote per share and has a right to receive dividend as recommended by the Board of Directors subject to the necessary approval from the shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

(c) For the year ended March 31, 2012, the Board of Directors have proposed dividend of ₹ 4/- per share (March 31, 2011 ₹ 2.50 per share).

PART A : NOTES TO ACCOUNTS (CONTD.)

(d) Details of shareholders holding more than 5% shares

Name of the shareholder	Figures as at the end of the current reporting year ended on March 31, 2012		Figures as at the end of the previous reporting year ended on March 31, 2011	
	No. of Shares	% of holding	No. of Shares	% of holding
Mr. Rahul Chandrakant Kirloskar	1,034,383	19.56	764,932	14.46
Mr. Gautam Achyut Kulkarni	1,035,751	19.58	766,967	14.50
Mr. Atul Chandrakant Kirloskar	1,033,909	19.55	764,589	14.46
Kirloskar Industries Limited	–	–	551,309	10.42
TOTAL	3,104,043	58.69	2,847,797	53.84

- (e) Aggregate number of shares allotted as fully paid up without payment being received in cash pursuant to Scheme of Arrangement between Kirloskar Brothers Limited and Kirloskar Brothers Investments Limited and their respective shareholders under Section 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 are 5,288,718 (5,288,718) equity shares of ₹ 10/- each (₹10/- each).

	[in ₹]	
	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011

NOTE A - 2 : RESERVES AND SURPLUS

General Reserve

Opening Balance	591,979,550	563,105,310
Add : Transfer as per Scheme of Amalgamation (Refer note C - 8)	8,375,434	–
Add : Transfer from Surplus	130,923,603	28,879,240
Less : Written off	–	5,000
	731,278,587	591,979,550

Reserve Fund

In terms of Section 45-IC of the Reserve Bank of India Act, 1934

Opening Balance	57,758,481	–
Add : Transfer from Surplus	261,847,206	57,758,481
	319,605,687	57,758,481

Surplus

Opening Balance	415,656,583	228,868,602
Add : Transfer as per Scheme of Amalgamation (Refer note C - 8)	202,296,635	–
Add : Transfer from Profit and Loss Statement	1,309,236,032	288,792,403
Amount available for appropriation	1,927,189,250	517,661,005

Less : Appropriations

Proposed Dividend	21,154,872	13,221,795
Tax on Proposed Dividend (Refer note C - 12)	–	2,144,906
Transfer to Reserve Fund in terms of Section 45-IC of the Reserve Bank of India Act, 1934	261,847,206	57,758,481
Transfer to General Reserve	130,923,603	28,879,240

Balance in Profit & Loss Statement

1,513,263,569	415,656,583
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TOTAL

2,564,147,843	1,065,394,614
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PART A : NOTES TO ACCOUNTS (CONTD.)

[in ₹]

	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
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NOTE A - 3 : OTHER CURRENT LIABILITIES

Other payables

TDS payable	21,711	21,178
Superannuation fund contribution payable	2,998	2,970
Salary and commission	2,400,000	1,940,000

**Investor Education and Protection Fund
(will be credited as and when due)**

Unpaid Dividend	422,168	-
Unpaid Fractional entitlements	876,188	-

TOTAL	3,723,065	1,964,148
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NOTE A - 4 : SHORT TERM PROVISIONS

Provision for employee benefits

Leave encashment	101,786	123,571
Gratuity	-	105,995

Others

Proposed Dividend	21,154,872	13,221,795
Tax on Proposed Dividend (Refer note C - 12)	-	2,144,906
Provision for Taxation (Net of Advance Income Tax)	1,253,757	68,771

TOTAL	22,510,415	15,665,038
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NOTE A - 5 : TANGIBLE ASSETS

[in ₹]

Particulars	Tangible Assets			Total
	Motor Car	Computers	Office Equipments	
Gross Block				
At 01.04.2010	-	-	-	-
Additions	1,070,000	96,388	33,300	1,199,688
As at 31.03.2011	1,070,000	96,388	33,300	1,199,688
Additions	-	42,421	48,068	90,489
As at 31.03.2012	1,070,000	138,809	81,368	1,290,177
Depreciation/Amortization				
At 01.04.2010	-	-	-	-
Charge for the year	241,352	21,529	89	262,970
At 31.03.2011	241,352	21,529	89	262,970
Charge for the year	215,124	43,581	6,409	265,114
At 31.03.2012	456,476	65,110	6,498	528,084
Net Block				
At 31.03.2011	828,648	74,859	33,211	936,718
At 31.03.2012	613,524	73,699	74,870	762,093

PART A : NOTES TO ACCOUNTS (CONTD.)

NOTE A - 6 : NON CURRENT INVESTMENTS

[in ₹]

Particulars	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
Long term investments		
Trade Investments (Refer details below)	2,531,321,434	588,376,791
Investment in Equity Instruments	2,531,321,434	588,376,791
TOTAL		
Aggregate cost of quoted investments	2,496,930,871	531,450,578
Aggregate Market Value of quoted investments	14,519,717,368	11,488,194,644
Aggregate cost of unquoted investments	34,390,563	56,926,213
Aggregate provision for diminution in value of investments	1,152,999	-

Name of the Body Corporate	Subsidiary/ Others	Face Value each, in ₹	No. of Shares		Quoted/ Unquoted	Partly paid/ Fully paid	Extent of Holding (%)		Amount in ₹	
			2012 (4)	2011 (5)			2012 (8)	2011 (9)	2012 (10)	2011 (11)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Investment in Equity Instruments – At cost										
Kiroskar Oil Engines Limited (Refer note no. C-9 and C-10) (12,751,567 no. of shares are acquired during current year on Amalgamation of Pooja Credits Private Limited with the Company)	Subsidiary	2	75,964,859	55,430,262	Quoted	Fully paid	52.16	38.06	1,282,972,542	205,404,401
Kiroskar Pneumatic Company Limited (Refer note no. C-9 and C-11)	Subsidiary	10	6,885,884	4,547,254	Quoted	Fully paid	53.61	35.40	1,144,852,462	125,655,633
Kiroskar Industries Limited	Others	10	200	3,695,163	Quoted	Fully paid	-	38.06	5,867	199,979,544
*Kiroskar Ferrous Industries Limited	Others	5	3,800,000	-	Quoted	Fully paid	2.77	-	69,100,000	-
*Kiroskar Ferrous Industries Limited – Detachable warrants	Others	-	1,800,000	-	Quoted	-	-	-	-	-
Housing Development Finance Corporation Limited	Others	2	-	2,000	Quoted	Fully paid	-	-	-	9,500
ICICI Bank Limited	Others	10	-	1,081	Quoted	Fully paid	-	-	-	100,000
Kulkarni Power Tools Limited	Others	5	-	60,000	Quoted	Fully paid	-	1.76	-	301,500
Pooja Credits Private Limited	Subsidiary	10	-	3,445,477	Unquoted	Fully paid	-	100.00	-	34,454,770
(Amalgamated with the Company w.e.f. 01.04.2011 – refer note C-8)										
Nashik Silk Industries Limited	Subsidiary	10	3,353,990	2,000,130	Unquoted	Fully paid	100.00	100.00	33,539,900	20,001,300
Kiroskar Kenya Limited	Others	in K.Sh. 1,000	1,272	1,272	Unquoted	Fully paid	-	-	850,662	850,662
Kirsons Trading Pte Limited	Others	in Singapore \$ 1	-	56,250	Unquoted	Fully paid	-	-	-	1,119,481
Kranti Sahakari Sakhar Karkhana Limited	Others	5,000	-	100	Unquoted	Fully paid	-	-	-	500,000
*Kiroskar Investments and Finance Limited	Others	10	57,650	-	Unquoted	Fully paid	-	-	1	-
(At cost i.e. ₹ 1,153,000/- less provision for diminution in value of ₹ 1,152,999/-)										
TOTAL									2,531,321,434	588,376,791

*These investments are acquired during the year, on Amalgamation of Pooja Credits Private Limited with the Company.

PART A : NOTES TO ACCOUNTS (CONTD.)

	[in ₹]	
	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
NOTE A - 7 : LONG TERM LOANS AND ADVANCES		
Other Loans and advances		
Unsecured, considered good –		
Advances to Employees	24,400	–
Advance to Employees Group Superannuation Trust	41,000	–
Advance income tax (net of provision)	570,185	–
TOTAL	635,585	–
NOTE A - 8 : CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash on Hand	18,433	14,001
Balance with banks	109,260,125	545,645,651
Earmarked balance with bank –		
Unpaid dividend account	422,168	–
Unpaid fractional entitlement account	876,188	–
TOTAL	110,576,914	545,659,652
NOTE A - 9 : SHORT TERM LOANS AND ADVANCES		
Other Loans and advances		
Unsecured, considered good –		
Advances to Employees	15,400	2,000
Provision for Gratuity (Refer note C – 6)	29,344	–
TOTAL	44,744	2,000
NOTE A - 10 : OTHER CURRENT ASSETS		
Interest Accrued on Fixed Deposits with Bank	166,177	873,013
Prepaid Expenses	9,370	13,022
TOTAL	175,547	886,035

PART A : NOTES TO ACCOUNTS (CONTD.)

	[in ₹]	
	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
NOTE A - 11 : REVENUE FROM OPERATIONS		
Interest income		
On fixed deposits	37,926,858	28,862,371
On loan to subsidiary	439,295	23,433
Profit on sale of long term investments	1,144,574,468	-
Dividend income from long term Investments		
From subsidiary companies	372,693,966	-
From other companies	4,268,667	276,816,608
TOTAL	<u><u>1,559,903,254</u></u>	<u><u>305,702,412</u></u>
NOTE A - 12 : OTHER INCOME		
Other non operating income		
Provision written back (Refer note C - 12)	2,144,906	-
TOTAL	<u><u>2,144,906</u></u>	<u><u>-</u></u>
NOTE A - 13 : EMPLOYEE BENEFITS EXPENSE		
Salaries	5,541,014	4,700,328
Contribution to provident and other funds	810,455	448,143
Gratuity	4,458	110,240
Welfare expenses	14,037	16,086
TOTAL	<u><u>6,369,964</u></u>	<u><u>5,274,797</u></u>

PART A : NOTES TO ACCOUNTS (CONTD.)

	[in ₹]	
	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
NOTE A - 14 : OTHER EXPENSES		
Rent	303,587	302,174
Rates and Taxes	53,124	47,309
Royalty	105,000	105,000
Legal and Professional Fees	1,059,037	328,482
Payment to Auditor (Refer note C - 3)	199,127	265,548
Filing and application fees	297,521	174,531
Directors' Fees	200,000	220,000
Directors' Commission	400,000	440,000
Printing and publication	771,747	1,213,912
Travelling and Conveyance	336,809	233,476
Postage and Telephone	536,669	363,327
Other miscellaneous expenses	209,112	35,791
Investments Written off	500,000	-
Donations	5,020,000	-
Bank Charges	496,162	6,847
TOTAL	10,487,895	3,736,397

PART B : SIGNIFICANT ACCOUNTING POLICIES**NOTE B - 1 : BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

- a) The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India. The financial statements have been prepared to comply in all material respects with the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.
- b) The financial statements have been prepared under the historical cost convention on an accrual basis.
- c) The accounting policies applied by the Company are consistent with those used in the previous year except for the change in accounting policy explained below.

NOTE B - 2 : CHANGE IN ACCOUNTING POLICY**Presentation and disclosure of financial statements**

During the year ended March 31, 2012, the revised schedule VI notified under the Companies Act, 1956 has become applicable to the Company for preparation of its financial statements. Except accounting for dividend on investment in subsidiary companies the adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. The Company has also reclassified the previous year figures in accordance with requirements applicable in current year.

Dividend on investment in subsidiary companies

The pre-revised schedule VI required companies to recognize dividend declared by the subsidiary companies after reporting date in the current year's financial statement of profit and loss if such dividend pertained to the period ending on or before the reporting date. The revised schedule VI applicable for financial year commencing from April 1, 2011, does not contain this requirement. Hence the Company now, in accordance with Accounting Standard 9 'Revenue

PART B : SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Recognition' recognises dividend as income only when the right to receive the same is established in the reporting period.

NOTE B - 3 : USE OF ESTIMATES

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumption that affect the reported amounts of revenue, expenses, current assets, non-current assets, current liabilities, non-current liabilities and disclosure of the contingent liabilities at the end of reporting period. Although these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets or liabilities in future periods.

NOTE B - 4 : CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

NOTE B - 5 : DEPRECIATION

Depreciation on fixed assets has been provided in a manner that amortizes the cost of the assets over their estimated useful lives on written down value method at the rates prescribed by schedule XIV of the Companies Act, 1956.

NOTE B - 6 : REVENUE RECOGNITION

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, revenue recognition is postponed to the extent of uncertainty involved. In such cases revenue is recognised only when it is reasonably certain that the ultimate collection will be made.

- a) Interest accrues on the time basis, and is determined by the amount outstanding and the rate applicable.
- b) Dividend from investments in shares is not recognised in the statement of profit and loss until a right to receive payment is established in the reporting year.

NOTE B - 7 : TANGIBLE FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation. The cost of a fixed asset comprises its purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

NOTE B - 8 : INVESTMENTS

Investments are classified as trade when investment is made in the shares or debentures of another company for the purpose of promoting the trade or business of the Company.

Investments that are readily realisable and intended to be held for not more than a year from the date on which such investment is made are classified as current investments. All other investments are classified as long-term investments.

- a) Current investments are carried at lower of cost and fair value determined on an individual investment basis.
- b) Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.
- c) On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged or credited to the Profit and Loss Statement.

NOTE B - 9 : EMPLOYEE BENEFITS

Short term compensated absence benefits (both vesting and non-vesting) are accounted for on the basis of the actual valuation of the leave entitlement as on the balance sheet date.

PART B : SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**I. Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. Benefits such as salaries and short term compensated absences are recognised in the period in which the employee renders the related service.

II. Post-Employment Benefits**a) Defined Contribution Plans**

The Company's approved superannuation scheme and state governed provident fund are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.

b) Defined Benefit Plans

The employees' gratuity fund scheme with LIC is the company's defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognised immediately in the Profit and Loss Statement.

In the funded plan, the fair value of the plan's assets is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Past service cost is recognised as expenses on a straight-line basis over the average period until the benefits become vested.

III. Long Term Employee Benefits

The obligation for long term employee benefits such as long term compensated absences is determined in terms of their entitlement based on the actual completed service at the end of the year.

Accumulated leave that is expected to be utilized within the next 12 months is treated as short term employee benefits.

NOTE B - 10 : EARNINGS PER SHARE**Basic earnings per share**

For the purpose of calculating basic earnings per share, the net profit or loss for the period attributable to equity shareholders after deducting any attributable tax thereto for the period is divided by weighted number of equity shares outstanding during the period.

Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

NOTE B - 11 : TAXES ON INCOME

- a) Tax on income for the current period is determined on the basis of taxable income after considering the various deductions available under The Income Tax Act, 1961.
- b) Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or subsequently enacted regulations.
- c) Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for deductible timing differences only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. At each reporting date the Company reassesses the unrecognised deferred tax assets and reviews the deferred tax assets recognised.

PART B : SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

NOTE B - 12 : PROVISIONS

A provision is recognised when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources is expected to settle the obligation, in respect of which a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

NOTE B - 13 : CONTINGENT LIABILITY

A contingent liability is a possible obligation that arises from past events and the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or present obligation that arises from past events that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

PART C : OTHER NOTES

NOTE C - 1 : RELATED PARTY DISCLOSURES

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 transaction with Related Parties are as under :

A. Names of the related parties where control exists

Sr. No.	Name of the related company	Nature of relationship
1.	Nashik Silk Industries Limited	Subsidiary Company
2.	Kirloskar Pneumatic Company Limited (Refer note C – 9)	Subsidiary Company
3.	Kirloskar Oil Engines Limited (Refer note C – 9)	Subsidiary Company
4.	Kirloskar RoadRailer Limited	Subsidiary Company of Kirloskar Pneumatic Company Limited
5.	Pooja Credits Private Limited	Subsidiary Company - Upto 31.03.2011

B. Names of the related parties with whom transactions have been entered into

Sr. No.	Name of the related party	Nature of relationship
1.	Nashik Silk Industries Limited	Subsidiary Company
2.	Kirloskar Pneumatic Company Limited (Refer note C – 9)	Subsidiary Company
3.	Kirloskar Oil Engines Limited (Refer note C – 9)	Subsidiary Company
4.	A. C. Kulkarni - Executive Director	Key Management Personnel

PART C : OTHER NOTES (CONTD.)**C. Related Party Transactions during the period**

Sr. No.	Particulars	₹ 2011-12	₹ 2010-11
1.	Loan Given: to Nashik Silk Industries Limited	–	1,193,185
	Transferred from Pooja Credits Private Limited on its Amalgamation with the Company	6,550,000	–
	Interest : from Nashik Silk Industries Limited	488,600	23,433
		7,038,600	1,216,618
2.	Loan Repaid: by Nashik Silk Industries Limited	–	1,216,618
3.	Investments made: in Nashik Silk Industries Limited*	13,538,600	–
	in Kirloskar Oil Engines Limited	1,048,113,342	403,094
	in Kirloskar Pneumatic Company Limited	1,019,196,829	–
4.	Dividend received: Kirloskar Pneumatic Company Limited	77,967,048	–
	Kirloskar Oil Engines Limited	294,726,918	–
5.	Remuneration paid: to Executive Director - Mr. A. C. Kulkarni	4,982,438	4,487,917

* Note: Loan given along with outstanding interest (Net), to Nashik Silk Industries Limited was converted into 703,860 equity shares of ₹ 7,038,600/- and an additional investment of ₹ 6,500,000/- i.e. 650,000 equity shares was made during the current year.

D. Amount due to

Sr. No.	Particulars	₹ 2011-12	₹ 2010-11
1.	Key Management Personnel Commission - to Executive Director - Mr. A. C. Kulkarni	2,000,000	1,500,000

NOTE C - 2 : EARNING PER SHARE (BASIC AND DILUTED)

Sr. No.	Particulars	₹ 2011-12	₹ 2010-11
(a)	I – Basic Profit for the year before tax	1,544,925,187	296,428,248
	Less : Attributable Tax thereto	235,689,155	7,635,845
	Profit after Tax	1,309,236,032	288,792,403
(b)	Weighted average number of equity shares used as denominator	5,288,718	5,288,718
(c)	Basic earning per share of nominal value of ₹ 10/- each	247.55	54.61
(a)	II – Diluted Profit for the year before tax	1,544,925,187	296,428,248
	Less : Attributable Tax thereto	235,689,155	7,635,845
	Profit after tax	1,309,236,032	288,792,403
(b)	Weighted average number of equity shares used as denominator	5,288,718	5,288,718
(c)	Diluted earning per share of nominal value of ₹ 10/- each	247.55	54.61

PART C : OTHER NOTES (CONTD.)

NOTE C-3 : REMUNERATION TO AUDITORS

Sr. No.	Particulars	₹ 2011-12	₹ 2010-11
	Statutory Auditors :		
(a)	Audit Fees	112,360	132,360
(b)	For Tax Audit Fees	27,987	22,060
		140,347	154,420
(c)	For Certification	58,780	111,128
	TOTAL	199,127	265,548

NOTE C - 4 : CONTINGENT LIABILITIES NOT PROVIDED IN RESPECT OF

- (i) Demand notice of ₹ 5,560,121/- issued by Deputy Superintendent of Stamps, Mumbai for stamp duty on transfer of investments from Kirloskar Brothers Limited to Kirloskar Brothers Investments Limited in terms of the Scheme of Arrangement. The Company has vide its letter dated 8 May 2010 informed the Stamp Authorities that the said transfer attracts Nil stamp duty, to which no written communication has been received.
- (ii) Income tax demand of ₹ 1,328,877/- for A.Y. 2006-2007, issued by Centralised Processing Centre (CPC), Bangalore, in respect of Pooja Credits Private Limited (PCPL), amalgamated with the Company w.e.f. 05 December 2011.
- (iii) Income tax demand of ₹ 7,639,830/- for A.Y. 2009-2010, issued by Centralised Processing Centre (CPC), Bangalore, in respect of Pooja Credits Private Limited (PCPL), amalgamated with the Company w.e.f. 05 December 2011.

NOTE C - 5 : EARNINGS IN FOREIGN CURRENCIES

Sr. No.	Particulars	₹ 2011-12	₹ 2010-11
(a)	Dividend received	313,633	392,380
(b)	Sale of Investment	2,097,628	-
	TOTAL	2,411,261	392,380

NOTE C - 6 : EMPLOYEE BENEFITS

(i) Defined Contribution Plans

Amount of ₹ 810,455/- (₹ 448,143/-) is recognised as an expense and included in "Employee Benefits Expense" (Refer note A - 13) in the Profit and Loss Account.

(ii) Defined Benefit Plans

In previous year, actuarial valuation of defined benefit plan was not obtained, as it was not considered practicable and material. Hence In table (a), (b) and (c) below, previous year's figures are not mentioned.

PART C : OTHER NOTES (CONTD.)

(a) The amounts recognised in Balance Sheet are as follows

[in ₹]

Sr. No.	Particulars	Figures as at the end of the current reporting year ended on March 31, 2012
		Gratuity Plan (Funded)
A.	Amount to be recognised in Balance Sheet	
	Present Value of Defined Benefit Obligation	143,048
	Less : Fair Value of Plan Assets	172,392
	Amount to be recognised as liability or (asset)	(29,344)
B.	Amounts reflected in the Balance Sheet	
	Liabilities	–
	Assets	29,344
	Net liability/(Assets)	(29,344)

(b) The amounts recognised in Profit and Loss account are as follows

[in ₹]

Sr. No.	Particulars	Figures as at the end of the current reporting year ended on March 31, 2012
		Gratuity Plan (Funded)
1.	Current Service Cost	15,217
2.	Past Service Cost	–
3.	Interest Cost	1,220
4.	Expected Return on Plan Assets	(3,343)
5.	Actuarial Losses / (Gains)	111,366
6.	Past Service Cost	–
7.	Effect of any curtailment or settlement	–
8.	Actuarial Gain not recognised in books	–
9.	Amount recognised in earlier years	(120,002)
	Total included in Note A - 13	4,458
	'Employee Benefits Expense'	
	Actual Return on Planned Assets	1.94%

(c) Broad categories of plan assets as a percentage of total plan assets as at March 31, 2012 of Employee's Gratuity Scheme are as under

Sr. No.	Description	Percentage 2011-12
1.	Central Govt. Securities	36.76%
2.	State Govt. Securities	11.83%
3.	Govt. Guaranteed Securities	1.59%
4.	Bonds / Debentures etc.	43.11%
5.	Loans	0.12%
6.	Equity Shares	3.46%
7.	Fixed Deposits and Money Market	3.13%
	TOTAL	100.00%

PART C : OTHER NOTES (CONTD.)

- (d) Principal actuarial assumptions at the balance sheet date
1. Discount rate as at March 31, 2012 – 8%
 2. Expected return on plan assets – 1.94%
 3. Salary growth rate – 7%
 4. The estimate of future salary increases considered in actuarial valuation taken into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market

(iii) **Long term Employee benefit**

- (a) The amount recognised in Balance Sheet is ₹ 101,786/- (₹123,571/-).
- (b) The amount recognised in Profit and Loss Account is ₹ 21,785/- (Cr) (₹101,571/- (Dr))

As the Company has only 6 employees as on 31st March 2012, it is not considered practicable or material to obtain an actuarial valuation for long term liability on account of leave encashment as per Accounting Standard 15 "Employee Benefits". The Company has accounted for the same in the manner specified in note no. B-9-III.

NOTE C - 7 : DEFERRED TAXASSET

The Company has written off deferred tax asset on timing differences of ₹ 274,155/- as on March 31, 2012 since there is no reasonable certainty that future taxable income will be available against which such deferred tax assets can be realised. The Company is paying income tax under Minimum Alternative Tax (MAT) (115JB) provisions of the Income Tax Act, 1961 and the Company expects to continue paying tax under the MAT provisions in the forceable future.

NOTE C - 8

The Hon'ble High Court of Judicature at Bombay has vide Order dated 18 November 2011, approved the Scheme of Amalgamation (the Scheme) of Pooja Credits Private Limited (PCPL) with the Company. PCPL was a wholly owned subsidiary of the Company. The Appointed Date as per the Scheme is 01 April 2011 and the Effective Date is 05 December 2011.

Upon coming into effect of the Scheme, all the assets and liabilities relating to PCPL have been transferred and vested with the Company in accordance with the said Scheme.

NOTE C - 9

During the year the Company has acquired additional equity shares of the following companies and has become the holding Company of these companies :

- Kirloskar Oil Engines Limited (w.e.f. 24 May 2011)
- Kirloskar Pneumatic Company Limited (w.e.f. 20 May 2011)

NOTE C - 10

Out of the total 75,964,859 Equity Shares of ₹ 2/- each held in Kirloskar Oil Engines Limited, 29,125,950 equity shares are under lock-in for a period upto 30 December 2013.

NOTE C - 11

Out of total 6,885,884 Equity Shares of ₹ 10/- each held in Kirloskar Pneumatic Company Limited, 101,000 equity shares were purchased on 30 March 2012 and credited to demat account on 4 April 2012.

NOTE C - 12

Provision for Dividend Distribution Tax of ₹ 2,144,906/- made in March 2011 has been reversed during the year as the Company is satisfying all the conditions of Section 115-O(1A) of the Income Tax Act, 1961; for claiming reduction of the dividend amount declared by the subsidiary company from the dividend amount declared by the holding company. For the current year, amount of proposed dividend from subsidiaries is more than that declared by the Company and hence provision for Dividend Distribution Tax is not required.

NOTE C - 13

Figures for the current year ended March 31, 2012 includes the financials of Pooja Credits Private Limited on its amalgamation and as such are not comparable with the figures of the previous year ended March 31, 2011.

NOTE C - 14

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

As per our attached report of even date

For and on behalf of the Board of Directors

For **M/s P. G. Bhagwat**
Chartered Accountants

ATUL C. KIRLOSekar
Chairman

A. C. KULKARNI
Executive Director

ABHIJEET BHAGWAT
Partner

ANIKET DESHPANDE
Assistant Company Secretary

Pune : 24 May 2012

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES :

Sr. No.	Names of the Subsidiaries	Nashik Silk Industries Limited	Kirloskar Oil Engines Limited	Kirloskar Pneumatic Company Limited (Consolidated)
1.	The Financial year of the Subsidiary Companies ended on	March 31, 2012	March 31, 2012	March 31, 2012
2.	Holding Company's Interest	Controls composition of the Board and also owns 100% of Equity Share Capital	Owens 52.16% of Equity Share Capital	Owens 53.61% of Equity Share Capital
3.	Net aggregate amount of Subsidiary's Profits / (Losses) as far as it concerns members of the holding company not dealt with the Holding Company's accounts :			
	(i) Profit / (Loss) for the Subsidiary's financial year ended March 31, 2012 ₹	(468,465)	1,000,500,906	331,890,704
	(ii) Profit / (Losses) for its previous financial years since becoming subsidiary ₹	(6,109,868)	-	-
4.	Net aggregate amount of Subsidiary's Profits / (Losses) dealt with in the Holding Company's accounts :			
	(i) For the Subsidiary's financial year ended March 31, 2012	-	-	-
	(ii) For its previous financial years	-	-	-

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman
Pune : 24 May 2012

A. C. KULKARNI
Executive Director

ANIKET DESHPANDE
Assistant Company Secretary

The Central Government has vide its Circular dated 8 February 2011 issued Directions under Section 212 of the Companies Act, 1956, granting general permission to all the companies for not attaching the documents of its subsidiary companies as referred to in Section 212 (1) of the Act. Accordingly, the Company is giving the following information in respect of its subsidiaries for the financial year ended 31 March 2012 and for the corresponding previous year ended 31 March 2011.

Previous years figures in respect of Kirloskar Oil Engines Limited, Kirloskar Pneumatic Company Limited and Kirloskar RoadRailer Limited are not given as these companies have become subsidiaries during the current year.

[in ₹]

Particulars	Nashik Silk Industries Limited		Kirloskar Oil Engines Limited	Kirloskar Pneumatic Company Limited	Kirloskar RoadRailer Limited
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2012	As at March 31, 2012
I. EQUITY AND LIABILITIES					
1. Shareholders' funds					
(a) Share capital	33,539,900	20,001,300	291,259,500	128,443,380	1,000,000
(b) Reserves and surplus	(9,421,580)	(8,953,115)	10,035,244,828	2,168,977,649	(65,843)
	24,118,320	11,048,185	10,326,504,328	2,297,421,029	934,157
2. Non-current liabilities					
(a) Long-term borrowings	–	–	781,972,047	62,548,750	–
(b) Deferred tax liabilities (net)	–	–	380,202,921	4,274,365	–
(c) Other long-term liabilities	245,006	245,006	460,181,709	13,174,461	–
(d) Long-term provisions	–	–	311,541,462	26,500,705	–
	245,006	245,006	1,933,898,139	106,498,281	–
3. Current liabilities					
(a) Short-term borrowings	–	7,061,566	83,943,593	–	–
(b) Trade payables	300,943	800,943	2,489,414,568	1,077,945,194	–
(c) Other current liabilities	–	14,038	1,791,271,068	862,108,860	34,693
(d) Short-term provisions	–	–	1,051,977,310	488,123,129	–
	300,943	7,876,547	5,416,606,540	2,428,177,183	34,693
TOTAL	24,664,269	19,169,738	17,677,009,006	4,832,096,493	968,850
II. ASSETS					
1. Non-current assets					
(a) Fixed assets					
Tangible assets	23,429,624	18,429,624	5,698,174,387	780,576,593	–
Intangible assets	–	–	59,930,665	125,275,639	–
Capital work-in-progress	–	–	89,100,718	20,424,092	–
Intangible assets under development	–	–	66,093,992	–	–
	23,429,624	18,429,624	5,913,299,762	926,276,324	–
(b) Non-current investments	–	–	100,000,200	30,713,098	–
(c) Deferred Tax Assets (Net)	–	–	–	–	–
(d) Long-term loans and advances	–	–	724,717,601	45,170,926	–
(e) Other non-current assets	120,150	120,150	102,874,088	28,465,895	–
	23,549,774	18,549,774	6,840,891,651	1,030,626,243	–
2. Current assets					
(a) Current investments	–	–	5,174,293,728	1,000,000,000	–
(b) Inventories	–	–	1,322,211,173	821,739,537	–
(c) Trade receivables	–	–	2,989,445,017	1,350,411,642	–
(d) Cash and bank balances	576,627	82,096	273,794,707	251,346,348	968,850
(e) Short term loans and advances	500,000	500,000	565,139,197	84,054,519	–
(f) Other current assets	37,868	37,868	511,233,533	293,918,204	–
	1,114,495	619,964	10,836,117,355	3,801,470,250	968,850
TOTAL	24,664,269	19,169,738	17,677,009,006	4,832,096,493	968,850
Turnover	–	–	23,621,594,669	6,801,749,978	–
Profit before tax	(468,465)	(6,109,868)	2,809,879,969	884,716,512	(64,843)
Tax expense	–	–	891,852,361	265,571,187	–
Profit / (Loss) for the period	(468,465)	(6,109,868)	1,918,027,608	619,145,325	(64,843)
Interim Dividend	–	–	–	–	–
Proposed Dividend	–	–	582,519,000	154,132,056	–

contd.

[in ₹]

Particulars	Nashik Silk Industries Limited		Kirloskar Oil Engines Limited	Kirloskar Pneumatic Company Limited	Kirloskar RoadRailer Limited
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2012	As at March 31, 2012
Note 1 : Details of Investments					
Non Current Investments					
Government and Trust Securities – Quoted					
201,988 units of ₹ 10/- each in UTI Balanced fund (Growth)	-	-	-	8,063	-
4,811,812 (4,524,825) units of ₹ 10/- each in UTI Balanced Fund (Dividend Plan –Reinv.)	-	-	-	83,447	-
3300 Master Shares of ₹ 10/- each	-	-	-	8,244	-
Other Quoted Investments					
46,990 Shares of ₹ 2/- each in Housing Development Finance Corporation Ltd.	-	-	-	117,475	-
10,059 Shares of ₹ 10/- each in ICICI Bank Ltd.	-	-	-	206,101	-
2,000,000 Shares of ₹ 5/- each in Kirloskar Ferrous Industries Ltd.	-	-	-	20,000,000	-
2,500 Shares of ₹ 2/- each (500 Equity Shares of ₹ 10/- each) in HDFC Bank Ltd.	-	-	-	5,000	-
1,400 Equity shares of ₹ 10/- each in Punjab National Bank	-	-	-	43,400	-
100,000 Shares of ₹ 10/- each in The Mysore Kirloskar Ltd.	-	-	-	1	-
(At cost i.e. ₹ 2,400,000/- less provision for diminution in value of ₹ 2,399,999/-)					
375,000 Shares of ₹ 10/- each in Kirloskar Investment and Finance Ltd.	-	-	-	1,136,250	-
(At cost i.e. ₹ 5,000,000/- less provision for diminution in value of ₹ 3,863,750/-)					
Fully paid Equity Shares : Trade, Unquoted					
1,272 Shares of Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.	-	-	-	833,984	-
56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. – a Foreign Body Corporate	-	-	-	1,120,932	-
1 Share of ₹ 100/- fully paid in The Nasik Merchants' Co-operative Bank Ltd.	-	-	-	100	-
62,500 Shares of ₹ 20/- each fully paid in The Cosmos Co-operative Bank Ltd.	-	-	-	1,250,000	-
2 Shares of ₹ 100/- each in Kirloskar Proprietary Ltd.	-	-	100	100	-
100,000 Equity Shares of ₹ 10/- each in Kirloskar RoadRailer Limited – Subsidiary Company	-	-	-	1,000,000	-
490,000 Equity Shares of ₹ 10/- each fully paid in Kirloskar Chillers Pvt. Ltd. – Associate Company	-	-	-	4,900,000	-
Fully paid Preference Shares : Trade, Unquoted					
1 Preference Share of ₹ 100/- each in Kirloskar Proprietary Ltd.	-	-	100	-	-
In Debentures and Bonds : Quoted					
12.5% Secured Redeemable Partly Convertible Debentures of The Mysore Kirloskar Ltd.	-	-	-	1	-
(At cost i.e. ₹ 1,100,000/- less provision for diminution in value of ₹ 1,099,999/-)					
Unquoted Debt Instrument					
7,385,411 (2,339,200) HDFC Group Unit Linked Plan	-	-	100,000,000	-	-
Total Non-current Investments	-	-	100,000,200	30,713,098	-

contd.

[in ₹]

Particulars	Nashik Silk Industries Limited		Kirloskar Oil Engines Limited	Kirloskar Pneumatic Company Limited	Kirloskar RoadRailer Limited
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2012	As at March 31, 2012
Current Investments					
In Mutual Fund Units –					
Current Portion of Long Term Investments					
Dividend Scheme – Fixed Maturity Plan					
5,000,000 (–) SBI Debt Fund Series – 367 Days – 12 Dividend	–	–	50,000,000	–	–
10,000,000 (10,000,000) Birla Sun Life Interval Income Fund – Instl – Qtrly – S1 – Div Payout	–	–	100,000,000	–	–
10,000,000 (–) Birla Sun Life Short Term FMP Series 25 – Div – Payout	–	–	100,000,000	–	–
10,000,000 (–) Birla Sun Life Short Term FMP Series 29 – Div – Payout	–	–	100,000,000	–	–
10,000,000 (–) Birla Sun Life Quarterly Interval Series – 4 – Div Payout	–	–	100,000,000	–	–
10,000,000 (–) DSP Black Rock FMP – 3M Series 33 – Div Payout	–	–	100,000,000	–	–
10,000,000 (–) DSP Black Rock FMP – 3M Series 40 – Div Payout	–	–	100,000,000	–	–
15,000,000 (–) DSP Black Rock FMP – 3M Series 42 – Div Payout	–	–	150,000,000	–	–
10,000,000 (–) IDFC Quarterly FMP Series – 72 – Div Payout	–	–	100,000,000	–	–
10,000,000 (–) SBI Debt Fund Series – 90 Days – 55 Dividend	–	–	100,000,000	–	–
9,997,001 (–) UTI Fixed Income Interval Series – I	–	–	100,000,000	–	–
9,996,901 (–) UTI Fixed Income Interval Series – III	–	–	100,000,000	–	–
10,000,000 (–) UTI Quarterly FMP Series – 1	–	–	100,000,000	–	–
5,192,992 (–) Birla Sunlife Cash Plus INSTL Premium – Daily Div. Reinvestment	–	–	520,311,834	–	–
40,813,645 (–) HDFC Liquid Fund Premium Plan – Daily Div. Reinvestment	–	–	500,367,129	–	–
5,500,975 (1,000,423) ICICI Prudential Liquid Super Inst. Plan – Div – Daily	–	–	550,221,795	–	–
30,152,171 (–) IDFC Ultra Short Term Fund	–	–	301,898,617	–	–
300,060 (–) IDFC Cash Fund Super Inst Plan C	–	–	300,135,031	–	–
55,983,445 (–) Reliance Liquid Fund – Daily Dividend	–	–	600,140,364	–	–
498,827 (39,886,975) SBI Premier Liquid Fund – Super Inst. – Daily Dividend	–	–	500,448,015	–	–
100,275 (–) TATA Liquidity Management Fund – Daily Dividend Reinvestment	–	–	100,536,734	–	–
490,692 (–) UTI Liquid Fund – Cash Plan – Daily Dividend	–	–	500,234,210	–	–
	–	–	5,174,293,728	–	–
Quoted					
7,000,000.00 (–) units of ₹ 10/- each of DSP BlackRock FMP Series 36 – 3M Dividend	–	–	–	70,000,000	–
3,000,000.00 (–) units of ₹ 10/- each of DSP BlackRock FMP Series 39 – 12-M Dividend	–	–	–	30,000,000	–
5,000,000.00 (–) units of ₹ 10/- each of IDFC Fixed Maturity Yearly – Series 61 Dividend	–	–	–	50,000,000	–
7,000,000.00 (–) units of ₹ 10/- each of IDFC FMP Yearly Series 52 Dividend	–	–	–	70,000,000	–
2,000,000.00 (–) units of ₹ 10/- each of Kotak FMP – Series 45 Dividend	–	–	–	20,000,000	–
3,000,000.00 (–) units of ₹ 10/- each of Kotak FMP – Series 75 Dividend	–	–	–	30,000,000	–
2,000,000.00 (–) units of ₹ 10/- each of Reliance Fixed Horizon Fund – XX Series 15 Div. Plan	–	–	–	20,000,000	–
5,000,000.00 (–) units of ₹ 10/- each of Reliance Fixed Horizon Fund – XX Series 13 Div. Plan	–	–	–	50,000,000	–
5,000,000.00 (–) units of ₹ 10/- each of Reliance Fixed Horizon Fund – XXI Series 6 Div. Plan	–	–	–	50,000,000	–
2,000,000 (–) units of ₹ 10/- each of Religare FMP Series X Plan – E (371 Days)	–	–	–	20,000,000	–
3,000,000.00 (–) units of ₹ 10/- each of Sundaram Interval Fund – Qtrly. Pl. Fixed Term Plan – E Div.	–	–	–	30,000,000	–
5,000,000.00 (–) units of ₹ 10/- each of Sundaram Fixed Term Plan BK – 366 Days Div.	–	–	–	50,000,000	–
4,500,000.00 (–) units of ₹ 10/- each of Tata Fixed Maturity Plan Series – 39 Scheme A Div.	–	–	–	45,000,000	–
5,000,000.00 (–) units of ₹ 10/- each of Birla SunLife FMP Series – EG Div.	–	–	–	50,000,000	–
2,000,000.00 (–) units of ₹ 10/- each of SBI Debt Fund Series 13 Months Div.	–	–	–	20,000,000	–

contd.

[in ₹]

Particulars	Nashik Silk Industries Limited		Kirloskar Oil Engines Limited	Kirloskar Pneumatic Company Limited	Kirloskar RoadRailer Limited
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2012	As at March 31, 2012
5,000,000.00 (-) units of ₹ 10/- each of SBI Debt Fund Series 370 Days Div.	-	-	-	50,000,000	-
5,000,000.00 (-) units of ₹ 10/- each of SBI Debt Fund Series 58-90 Days Div.	-	-	-	50,000,000	-
7,000,000.00 (-) units of ₹ 10/- each of UTI Fixed Term Income Fund-Series IX-V (367 Days) Div.	-	-	-	70,000,000	-
3,000,000.00 (-) units of ₹ 10/- each of UTI Fixed Term Income Fund Series IX-VI (367 Days) Div.	-	-	-	30,000,000	-
7,000,000.00 (-) units of ₹ 10/- each of ICICI Prudential FMP Series 57-1 Year Plan A Div.	-	-	-	70,000,000	-
5,000,000.00 (-) units of ₹ 10/- each of HDFC FMP 92 D March 12-Series XIX	-	-	-	50,000,000	-
5,000,000.00 (-) units of ₹ 10/- each of HDFC FMP 370 D March 12-Series XIX	-	-	-	50,000,000	-
2,500,000.00 (-) units of ₹ 10/- each of L and T FMP VI March (371 Days) Div.	-	-	-	25,000,000	-
	-	-	-	1,000,000,000	-
Total Current Investments	-	-	5,174,293,728	1,000,000,000	-

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CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF KIRLOSKAR BROTHERS INVESTMENTS LIMITED

We have audited the attached consolidated balance sheet of **Kirloskar Brothers Investments Limited (KBIL) Group**, as at 31st March 2012, the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the generally accepted auditing standards 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 the Management; as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures, prescribed by Companies (Accounting Standards) Rules, 2006.

In view of the pending finalisation of accounts of Kirloskar Chillers Private Limited; an associate company of Kirloskar Pneumatic Company Limited (KPCL), as at 31st March 2012, the same has not been considered in the consolidated accounts of KPCL and consequently in the consolidated accounts of KBIL Group.

Based on our audit and on consideration of report of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the consolidated balance sheet, of the state of affairs of KBIL Group as at 31st March, 2012;
- b) in the case of consolidated profit and loss account, of the profit for the year ended on that date; and
- c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For M/s P. G. BHAGWAT
Chartered Accountants
Firm's Registration No.: 101118W

ABHIJEET BHAGWAT
Partner
Membership No.: 136835

Pune : 24 May 2012

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

Particulars	Note No.	[in ₹]	
		Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	A - 1	52,887,180	52,887,180
(b) Reserves and surplus	A - 2	7,131,272,933	1,267,113,567
(c) Money received against share warrants		—	—
		<u>7,184,160,113</u>	<u>1,320,000,747</u>
2 Share application money pending allotment		—	—
3 Minority Interest			
Capital		198,914,322	—
Reserves and surplus		5,806,278,559	—
		<u>6,005,192,881</u>	<u>—</u>
4 Non-current liabilities			
(a) Long-term borrowings	A - 3	844,520,797	—
(b) Deferred tax liabilities (Net)	A - 4	384,477,286	—
(c) Other long term liabilities	A - 5	473,476,176	418,331
(d) Long-term provisions	A - 6	338,042,167	—
		<u>2,040,516,426</u>	<u>418,331</u>
5 Current liabilities			
(a) Short-term borrowings	A - 7	83,943,593	—
(b) Trade payables		3,566,414,710	3,261,742
(c) Other current liabilities	A - 8	2,657,107,992	—
(d) Short-term provisions	A - 9	1,176,120,811	15,665,038
		<u>7,483,587,106</u>	<u>18,926,780</u>
TOTAL		<u><u>22,713,456,526</u></u>	<u><u>1,339,345,858</u></u>
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	A - 10	6,502,157,697	19,366,342
(ii) Intangible assets	A - 11	185,206,302	—
(iii) Capital work-in-progress		109,524,811	—
(iv) Intangible assets under development		66,093,992	—
(b) Non-current investments		199,669,828	665,672,789
(c) Deferred tax assets (Net)	A - 4	—	274,155
(d) Long-term loans and advances	A - 12	770,399,113	—
(e) Other non-current assets	A - 13	131,460,132	120,150
		<u>7,964,511,875</u>	<u>685,433,436</u>
2 Current assets			
(a) Current investments		6,174,293,728	—
(b) Inventories	A - 14	2,143,950,709	—
(c) Trade receivables	A - 15	4,338,362,849	—
(d) Cash and bank balances	A - 16	637,263,446	651,510,360
(e) Short-term loans and advances	A - 17	649,708,767	502,000
(f) Other current assets	A - 18	805,365,152	1,900,062
		<u>14,748,944,651</u>	<u>653,912,422</u>
TOTAL		<u><u>22,713,456,526</u></u>	<u><u>1,339,345,858</u></u>

The Notes referred in Part A - Notes to Accounts, Part B - Significant Accounting Policies and Part C - Other Notes form an integral part of the Balance Sheet

As per our attached report of even date

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

A. C. KULKARNI
Executive Director

ABHIJEET BHAGWAT
Partner

ANIKET DESHPANDE
Assistant Company Secretary

Pune : 24 May 2012

CONSOLIDATED PROFIT & LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

Particulars	Note No.	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
[in ₹]			
I. Revenue from operations	A - 19	31,109,320,533	366,300,896
II. Other income	A - 20	498,180,635	3,746,617
III. Total revenue (I + II)		31,607,501,168	370,047,513
IV. Expenses :			
Cost of materials consumed	A - 21	16,477,848,413	—
Purchases of Stock-in-Trade	A - 22	1,046,542,953	—
Changes in inventories of finished goods work-in-progress and stock-in-trade	A - 23	298,155,945	—
Employee benefits expense	A - 24	2,465,208,536	5,308,130
Finance costs	A - 25	171,555,482	127,028
Depreciation and amortization expense	A - 26	1,033,823,144	262,970
Other expenses	A - 27	5,725,980,778	9,657,232
Total expenses		27,219,115,251	15,355,360
V. Profit before exceptional and extraordinary items and tax (III – IV)		4,388,385,917	354,692,153
VI. Exceptional items	A - 28	477,123,476	—
VII. Profit before extraordinary items and tax (V + VI)		4,865,509,393	354,692,153
VIII. Extraordinary Items		—	—
IX. Profit before tax (VII – VIII)		4,865,509,393	354,692,153
X. Tax expense :			
(1) Current tax		1,347,358,725	9,716,000
(2) Deferred tax		45,753,978	(274,155)
		1,393,112,703	9,441,845
XI. Profit / (Loss) for the period from continuing operations (IX – X)		3,472,396,690	345,250,308
XII. Profit / (Loss) from discontinuing operations		—	—
XIII. Tax expense of discontinuing operations		—	—
XIV. Profit / (Loss) from discontinuing operations (after tax) (XII – XIII)		—	—
XV. Profit / (Loss) for the period (XI + XIV)		3,472,396,690	345,250,308
Less : Pre Acquisition Profit		523,624,364	—
		2,948,772,326	345,250,308
XVI. Less : Minority Interest		560,444,634	—
XVII. Profit / (Loss) for the period (XV – XVI)		2,388,327,692	345,250,308
XVIII. Earnings per equity share having nominal value of ₹ 10/- per share			
(1) Basic	C - 3	451.59	65.28
(2) Diluted	C - 3	451.59	65.28

The Notes referred in Part A - Notes to Accounts, Part B - Significant Accounting Policies and Part C -Other Notes form an integral part of the Profit & Loss Statement

As per our attached report of even date

For and on behalf of the Board of Directors

For **M/s P. G. Bhagwat**
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman

A. C. KULKARNI
Executive Director

ABHIJEET BHAGWAT
Partner

ANIKET DESHPANDE
Assistant Company Secretary

Pune : 24 May 2012

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

Particulars	[in ₹]	
	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
A Cash flows from Operating Activities		
Net Profit before Taxes and Extraordinary Items	4,865,509,393	354,692,153
Adjustments for		
Depreciation / Amortization	1,032,473,652	262,970
Leasehold land written off	1,349,492	-
(Profit) / Loss on sale of Fixed Assets	12,179,928	-
Write down of obsolete and non moving components	30,365,384	-
Bad debts and irrecoverable balances written off, Net	13,657,939	-
Interest Income	(88,433,295)	-
Dividend Income	(310,122,592)	-
Interest paid on Secured / Unsecured Loans	171,555,482	-
Profit on sale of Undertaking	(477,123,476)	-
Valuation gain / (loss) in respect of Derivative Instruments	(21,516,655)	-
Surplus on sale of Assets	(12,144,639)	-
Profit on sale of Investment (Net)	(1,144,574,468)	3
Profit on sale of mutual fund investment (Net)	(219,430)	-
Sundry Credit Balances appropriated	(12,022,027)	-
Provision written back	(173,537,209)	(3,746,617)
Investment written off	500,000	-
Operating Profit Before Working capital changes	3,887,897,479	351,208,509
Adjustments for		
(Increase) / decrease in Inventories	(171,332,027)	-
(Increase) / decrease in Trade and Other Receivables	1,674,654,133	(1,435,814)
(Increase) / decrease in Long Term Loans and Advances	(65,400)	-
(Increase) / decrease in Short Term Loans and Advances	(217,048)	-
(Increase) / decrease in Other Current Assets	179,951,778	-
Increase / (decrease) in Short Term Provisions	(150,741,852)	-
Increase / (decrease) in Other Current Liabilities	(127,780)	-
Increase / (decrease) in Trade Payables	108,611,123	1,822,340
Income Tax (Paid) / Refunded	(1,250,273,593)	(9,639,321)
Net Cash from Operating Activities (A)	4,278,356,813	341,955,714

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012 (CONTD.)

Particulars	[in ₹]	
	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
B Cash flows from Investing Activities		
Capital Expenditure - Tangible Assets	(156,685,775)	–
Capital Expenditure - Intangible Assets	(21,350,163)	–
Sale of Undertaking	906,200,000	–
Sale of Fixed Assets	17,494,182	–
Purchase of Fixed Assets	(931,051,838)	(1,199,688)
(Purchase) / Sale of Investments (Net)	(3,405,678,472)	1,003,206
Interest received	88,433,295	–
Dividend received	310,122,592	–
Net Cash from Investment Activities (B)	(3,192,516,179)	(196,482)
C Cash Flows from Financing Activities		
Increase / (Decrease) in Secured Loans	(63,470,000)	–
Interest on Secured / Unsecured Loans	(12,188,554)	–
Interest paid	(47,347,681)	–
Proceeds from borrowing	83,943,593	–
Repayment of borrowing	(1,075,458,318)	–
Dividend & Dividend Tax paid	(491,199,661)	–
Sale of Fractional Shares	2,964,001	–
Fractional entitlements	(2,087,813)	–
Net Cash used in Financing Activities (C)	(1,604,844,433)	–
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	(519,003,801)	341,759,232
Cash and Cash Equivalents at beginning of period (Refer note A-16 (a))	651,510,360	309,751,128
Add : Cash and Cash Equivalents from acquisition of subsidiaries	490,083,350	–
Cash and Cash Equivalents at end of period (Refer note A-16 (a))	622,589,909	651,510,360

As per our attached report of even date

For and on behalf of the Board of Directors

For **M/s P. G. Bhagwat**
Chartered Accountants

ATUL C. KIRLOSekar
Chairman

A. C. KULKARNI
Executive Director

ABHIJEET BHAGWAT
Partner
Pune : 24 May 2012

ANIKET DESHPANDE
Assistant Company Secretary

PART A : CONSOLIDATED NOTES TO ACCOUNTS

[in ₹]

	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
NOTE A - 1 : SHARE CAPITAL		
Authorised		
14,000,000 (10,000,000) Equity Shares of ₹ 10/- each (₹ 10/- each) (Increased due to Amalgamation of Pooja Credits Private Limited with the Company)	140,000,000	100,000,000
TOTAL	140,000,000	100,000,000
Issued, Subscribed And Paid-up		
5,288,718 (5,288,718) Equity Shares of ₹ 10/- each (₹ 10/- each)	52,887,180	52,887,180
TOTAL	52,887,180	52,887,180

(a) Reconciliation of Share Capital

Particulars	Figures as at the end of the current reporting year ended on March 31, 2012		Figures as at the end of the previous reporting year ended on March 31, 2011	
	No. of Shares	₹	No. of Shares	₹
Shares outstanding at the beginning of the year	5,288,718	52,887,180	5,288,218	52,882,180
Add / (Less) : Shares issued	-	-	500	5,000
Shares outstanding at the end of the year	5,288,718	52,887,180	5,288,718	52,887,180

- (b) The Company has only one class of equity shares, having par value of ₹ 10/- per share. Each holder of equity share is entitled for one vote per share and has a right to receive dividend as recommended by the Board of Directors subject to the necessary approval from the shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.
- (c) For the year ended March 31, 2012, the Board of Directors have proposed dividend of ₹ 4/- per share (March 31, 2011 ₹ 2.50 per share).

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

(d) Details of shareholders holding more than 5% shares

Name of the shareholder	Figures as at the end of the current reporting year ended on March 31, 2012		Figures as at the end of the previous reporting year ended on March 31, 2011	
	No. of Shares	% of holding	No. of Shares	% of holding
Mr. Rahul Chandrakant Kirloskar	1,034,383	19.56	764,932	14.46
Mr. Gautam Achyut Kulkarni	1,035,751	19.58	766,967	14.50
Mr. Atul Chandrakant Kirloskar	1,033,909	19.55	764,589	14.46
Kirloskar Industries Limited	–	–	551,309	10.42
TOTAL	3,104,043	58.69	2,847,797	53.84

- (e) Aggregate number of shares allotted as fully paid up without payment being received in cash pursuant to Scheme of Arrangement between Kirloskar Brothers Limited and Kirloskar Brothers Investments Limited and their respective shareholders under Section 391 to 394 read with Sections 100 to 103 of the Companies Act, 1956 are 5,288,718 (5,288,718) equity shares of ₹ 10/- each (₹ 10/- each).

[in ₹]

Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
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NOTE A - 2 : RESERVES AND SURPLUS

(a) Capital Reserves

Opening Balance	97,200,659	97,200,659
Add : Subsidy availed during the year	83,359,602	–
Add : Due to acquisition of subsidiaries	3,880,821,460	–
Less : Due to Amalgamation of subsidiary	100,028,205	–
Closing Balance	3,961,353,516	97,200,659

(b) Revaluation Reserve

Opening balance	–	–
Add : Due to acquisition of subsidiaries	10,154,527	–
Less : Adjusted during the year	10,154,527	–
Closing balance	–	–

(c) Reserve Fund

In terms of Section 45-IC of the Reserve Bank of India Act, 1934

Opening balance	57,758,481	–
Add : Transfer from Surplus	261,847,206	57,758,481
Closing balance	319,605,687	57,758,481

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

	[in ₹]	
	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
(d) General Reserve		
Opening Balance	591,979,550	563,105,310
Add : Due to Amalgamation of subsidiary	8,375,434	-
Less : Written off	-	5,000
Add : Transfer from Surplus	722,726,403	28,879,240
Closing Balance	1,323,081,387	591,979,550
(e) Surplus		
Opening Balance	520,174,877	276,928,991
Add : Transfer from Profit and Loss Statement	2,388,327,692	345,250,308
Less : Due to acquisition of subsidiaries	(2,472,626)	-
Add : Due to Amalgamation of subsidiary	91,652,771	-
Balance available for appropriation	3,002,627,966	622,179,299
Less : Appropriations :		
Proposed dividend	371,315,884	13,221,795
Tax on dividend	119,506,130	2,144,906
Transfer to General Reserve	722,726,403	28,879,240
Transfer to Reserve Fund In terms of Section 45-IC of the Reserve Bank of India Act, 1934	261,847,206	57,758,481
Sub total	1,475,395,623	102,004,422
Closing Balance	1,527,232,343	520,174,877
TOTAL	7,131,272,933	1,267,113,567

NOTE A - 3 : LONG TERM BORROWINGS

Secured

Term loans from banks

i) Foreign currency term loan from BNP PARIBAS	781,972,047	-
ii) Bank of India, UK	62,548,750	-
TOTAL	844,520,797	-

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

[in ₹]

	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
NOTE A - 4 : DEFERRED TAX ASSETS / (LIABILITIES) (NET)		
(a) Deferred Tax Assets		
i) On employees voluntary retirement schemes	2,125,866	—
ii) On provision for doubtful debts / advances	45,576,684	—
iii) Disallowances u/s 43 b of Income Tax Act	119,289,683	—
iv) Deamalgamation Expenses	11,201,232	—
v) Difference in Exchange—MTM losses on exports Options	30,104,348	—
vi) On depreciation / amortization of fixed assets	—	19,132
vii) Others	975,256	255,023
	<u>209,273,069</u>	<u>274,155</u>
(b) Deferred Tax Liabilities		
i) On depreciation / amortization of fixed assets	(593,750,355)	—
ii) Other timing differences	—	—
TOTAL	<u>(593,750,355)</u>	<u>—</u>
NET	<u>(384,477,286)</u>	<u>274,155</u>

NOTE A - 5 : OTHER LONG TERM LIABILITIES

(a) Others		
i) Deposits from customers	150,643,608	—
ii) Advance from customers	317,175,000	—
iii) Other Liabilities	5,657,568	418,331
TOTAL	<u>473,476,176</u>	<u>418,331</u>

NOTE A - 6 : LONG TERM PROVISIONS

(a) Provision for employee benefits		
i) Provision for leave encashment	174,384,754	—
ii) Provision for Pension and other Retirement	57,630,804	—
iii) Provision for Employee benefits	26,500,705	—
	<u>258,516,263</u>	<u>—</u>
(b) Other provisions		
i) Provision for warranty	74,058,848	—
ii) MTM liabilities on derivative	5,467,056	—
TOTAL	<u>338,042,167</u>	<u>—</u>

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

	[in ₹]	
	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011

NOTE A - 7 : SHORT TERM BORROWINGS

Secured

(a) Loans repayable on demand from banks

Packing credit foreign currency loan	83,943,593	-
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Kirloskar Oil Engines Limited's fund and non fund based working capital facilities of ₹ 310/- Crores are secured by first charge by way of hypothecation on the whole of the current assets of the Company both present and future for ₹ 310/- Crores and also the second charge on the whole of the movable Plant and machinery of the Company together with all its accessories, spares, tools and implements both present and future for ₹ 60/- Crores, in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited and The Hongkong and Shanghai Banking Corporation Limited (HSBC).

Packing credit foreign currency loan (LIBOR based) is availed from HSBC at the rate of Interest of 2.94% p.a.

TOTAL	83,943,593	-
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NOTE A - 8 : OTHER CURRENT LIABILITIES

(a) Current maturities of long-term debts	886,266,102	-
(b) Interest accrued and not due on borrowings	4,682,545	-
(c) Unpaid dividends	15,308,659	-
(d) Unpaid Fractional entitlements	876,188	-
(e) Advances from customers	333,369,727	-
(f) Payables for capital purchases	85,326,050	-
(g) Other payables		
i) Statutory dues including provident fund and TDS	51,846,101	-
ii) Employee benefits payable	235,797,551	-
iii) Other payables	559,790,506	-
iv) Other liabilities	483,844,563	-
TOTAL	2,657,107,992	-

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

[in ₹]

	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
NOTE A - 9 : SHORT TERM PROVISIONS		
(a) Provision for employee benefits		
i) Provision for leave encashment	72,088,355	123,571
ii) Provision for pension and other retirement benefits	46,982,390	105,995
	<u>119,070,745</u>	<u>229,566</u>
(b) Others		
i) MTM liabilities on derivative	87,318,730	–
ii) Provision for warranty	183,149,194	–
iii) Tax provision (Net of tax paid in advance)	295,760,128	68,771
iv) Proposed dividend	371,315,884	13,221,795
v) Tax on proposed dividend	119,506,130	2,144,906
TOTAL	<u><u>1,176,120,811</u></u>	<u><u>15,665,038</u></u>

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

NOTE A - 10 : TANGIBLE ASSETS

[in ₹]

	Land Freehold	Land Leasehold	Buildings	Plant & Machinery	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Lease Asset- Plant & Machinery	Total
Gross Block												
At 01.04.2010	18,429,624	-	-	-	-	-	-	-	-	-	-	18,429,624
Additions												
Additions during the year	-	-	-	-	-	1,070,000	-	33,300	96,388	-	-	1,199,688
Subtotal	-	-	-	-	-	1,070,000	-	33,300	96,388	-	-	1,199,688
Deductions												
Deductions during the year	-	-	-	-	-	-	-	-	-	-	-	-
At 31.03.2011	18,429,624	-	-	-	-	1,070,000	-	33,300	96,388	-	-	19,629,312
Additions												
Addition on account of acquisition of subsidiaries	2,175,591	122,282,946	911,680,688	9,464,491,573	154,491,891	136,496,377	229,240,888	55,723,565	367,333,449	247,319,496	49,037,904	11,740,274,368
Additions during the year	5,000,000	-	129,757,775	605,593,350	19,077,981	25,397,557	146,254,542	8,477,515	33,833,404	35,743,045	-	1,009,135,169
Increase due to revaluation on 30.06.1984	-	-	-	10,154,527	-	-	-	-	-	-	-	10,154,527
ECB Diff. in exchange - AS 11	-	-	-	136,776,703	-	-	-	-	-	-	-	136,776,703
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-
Recoupment/Adjustment	-	-	154,600	-	-	-	-	-	-	-	-	154,600
Hive-off - Bearing Division	-	-	-	(7,486,042)	-	(2,376,771)	-	(1,823,850)	(9,483,759)	(8,888,839)	-	(813,314,293)
Subtotal	7,175,591	122,282,946	1,041,593,063	9,433,763,121	166,083,830	159,515,163	375,495,430	62,377,230	391,683,094	274,173,702	49,037,904	12,083,181,074
Deductions	-	1,349,492	38,103	203,226,207	11,908,662	36,554,904	-	4,438,299	30,534,593	2,906,761	-	290,957,021
Deduction in revaluation during the year	-	-	-	10,154,527	-	-	-	-	-	-	-	10,154,527
At 31.03.2012	25,605,215	120,933,454	1,041,554,960	9,220,382,387	154,175,168	124,030,259	375,495,430	57,972,231	361,244,889	271,266,941	49,037,904	11,801,698,838
Depreciation/Amortization												
At 01.04.2010	-	-	-	-	-	-	-	-	-	-	-	-
For the year	-	-	-	-	-	241,352	-	89	21,529	-	-	262,970
At 31.03.2011	-	-	-	-	-	241,352	-	89	21,529	-	-	262,970
At 01.04.2011	-	-	-	-	-	241,352	-	89	21,529	-	-	262,970
On account of acquisition of subsidiaries	-	-	154,951,283	4,331,406,870	99,909,204	96,905,454	84,181,695	31,190,844	273,624,329	71,169,385	49,037,904	5,192,376,968
For the year	-	-	25,497,261	865,693,354	9,904,333	16,559,980	18,542,093	3,365,053	35,751,147	15,935,509	-	994,248,730
ECB Diff. in exchange - AS 11	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	183,448,544	5,197,100,224	109,813,537	113,465,434	102,723,788	34,555,897	309,375,476	87,104,894	49,037,904	6,186,625,698
Recouped	-	-	24,842	-	-	-	-	-	-	-	-	24,842
Deductions	-	-	33,512	202,051,837	10,655,263	33,480,772	-	4,223,020	30,534,592	2,827,938	-	283,806,934
Deduction in revaluation during the year	-	-	-	-	-	-	-	-	-	-	-	-
Hive-off - Bearing Division	-	-	-	580,995,807	6,580,169	2,182,338	-	1,626,718	7,363,254	4,767,465	-	603,515,751
Subtotal	-	-	58,354	783,047,644	17,235,432	35,663,110	-	5,849,738	37,897,846	7,595,403	-	887,347,527
For the year (Net)	-	-	183,390,190	4,414,052,580	92,578,105	77,802,324	102,723,788	28,706,159	271,477,630	79,509,491	49,037,904	5,299,278,171
At 31.03.2012	-	-	183,390,190	4,414,052,580	92,578,105	78,043,676	102,723,788	28,706,248	271,499,159	79,509,491	49,037,904	5,299,541,141
Net Block												
As at 31.03.2011	18,429,624	-	-	-	-	828,648	-	33,211	74,859	-	-	19,366,342
As at 31.03.2012	25,605,215	120,933,454	858,164,770	4,806,329,807	61,597,063	45,986,583	272,771,642	29,265,983	89,745,730	191,757,450	-	6,502,157,697

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

NOTE A - 11 : INTANGIBLE ASSETS

[in ₹]

	Computer Software	Drawings & Designs	Technical Knowhow	Development expenditure	Total
Gross Block					
At 01.04.2010	-	-	-	-	-
Additions					
Additions during the year	-	-	-	-	-
Total additions	-	-	-	-	-
Deductions					
Deductions during the year	-	-	-	-	-
At 31.03.2011	-	-	-	-	-
Additions					
Addition on account of acquisition of subsidiaries	113,043,368	158,104,343	148,497,955	14,300,000	433,945,666
Additions during the year	16,622,788	4,191,331	24,100,276	-	44,914,395
Hive off – Bearing Division	(2,843,395)	(46,881,869)	-	-	(49,725,264)
Total additions	126,822,761	115,413,805	172,598,231	14,300,000	429,134,797
Deductions	-	-	-	-	-
At 31.03.2012	126,822,761	115,413,805	172,598,231	14,300,000	429,134,797
Depreciation / Amortization					
At 01.04.2010	-	-	-	-	-
For the year	-	-	-	-	-
At 31.03.2011	-	-	-	-	-
At 01.04.2011	-	-	-	-	-
On account of acquisition of subsidiaries	69,169,882	141,498,236	16,571,550	10,468,398	237,708,066
For the year	24,077,883	1,343,340	9,036,209	3,767,490	38,224,922
Sub total	93,247,765	142,841,576	25,607,759	14,235,888	275,932,988
Less : Hive off – Bearing Division	441,870	31,562,623	-	-	32,004,493
At 31.03.2012	92,805,895	111,278,953	25,607,759	14,235,888	243,928,495
Net Block					
As at 31.03.2011	-	-	-	-	-
As at 31.03.2012	34,016,866	4,134,852	146,990,472	64,112	185,206,302

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
NOTE A - 12 : LONG TERM LOANS AND ADVANCES		
(a) Capital advances		
Unsecured, considered good	55,578,584	-
(b) Security deposits		
Unsecured, considered good	194,479,596	-
(c) Loans and advances to suppliers		
Unsecured, considered good	56,799,542	-
Doubtful	1,307,584	-
Less : Provision	1,307,584	-
	-	-
(d) Loans to employees		
Unsecured, considered good	59,117,808	-
(e) Other loans and advances		
i) Advance to Employees Group Superannuation Trust	41,000	-
ii) Tax paid in advance (net of provision for tax)	404,382,583	-
TOTAL	770,399,113	-

NOTE A - 13 : OTHER NON CURRENT ASSETS

(a) Long term trade receivables		
i) Doubtful	168,939,570	-
Less: Provision for doubtful receivables	140,473,675	-
	28,465,895	-
(b) Others		
i) Subsidy receivable for setting up Kagal plant	27,458,959	-
ii) Derivative asset	51,442,556	-
iii) Other bank balances (Deposits with maturity of more than 12 months)	115,000	-
iv) Deposits with Post, Railways and Others	120,150	120,150
v) Inventories	23,857,572	-
TOTAL	131,460,132	120,150

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

[in ₹]

	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
NOTE A - 14 : INVENTORIES		
(a) Raw Materials	1,425,415,635	–
– Raw Materials in transit	15,285,672	–
(b) Work-in-progress	284,828,103	–
(c) Finished goods	260,533,968	–
(d) Stores and spares	157,887,331	–
TOTAL	<u><u>2,143,950,709</u></u>	<u><u>–</u></u>

NOTE A - 15 : TRADE RECEIVABLES

(i) Trade receivables outstanding for a period less than six months Unsecured, considered good	326,679,161	–
(ii) Trade receivables outstanding for a period exceeding six months Secured, considered good	438,179,699	–
Unsecured, considered good	3,573,503,989	–
TOTAL	<u><u>4,338,362,849</u></u>	<u><u>–</u></u>

NOTE A - 16 : CASH AND BANK BALANCES

(a) Cash and Cash Equivalents		
i) Cash on hand	1,771,105	19,662
ii) Balance with Bank	604,637,677	651,490,698
iii) Earmarked balances with banks		
Unpaid dividend accounts	15,304,939	–
Unpaid fractional entitlement account	876,188	–
	<u>622,589,909</u>	<u>651,510,360</u>
(b) Other bank balances		
Deposits with original maturity of more than 3 months but less than 12 months	14,673,537	–
TOTAL	<u><u>637,263,446</u></u>	<u><u>651,510,360</u></u>

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

	[in ₹]	
	Figures as at the end of current reporting year ended on March 31, 2012	Figures as at the end of previous reporting year ended on March 31, 2011
NOTE A - 17 : SHORT TERM LOANS AND ADVANCES		
(a) Others		
i) Loans and advance to suppliers		
Unsecured, considered good	163,068,630	–
ii) Loans and advance to employees		
Unsecured, considered good	18,155,385	2,000
iii) Other loans and advances		
Unsecured, considered good	120,256,371	500,000
iv) Balance with collectorate of central excise and custom	60,991,314	–
v) Sales tax / VAT / service tax receivable (Net)	287,207,723	–
vi) Provision for Gratuity	29,344	–
TOTAL	649,708,767	502,000

NOTE A - 18 : OTHER CURRENT ASSETS

i) Export incentive receivable	57,031,915	–
ii) Accrued Interest on Fixed deposits with bank	166,177	1,017,966
iii) Sundry Deposits	2,382,740	–
iv) Balances with Central Excise	8,730,012	–
v) Taxes paid in Advance (Net of provision for tax)	282,843,320	869,074
vi) Income receivable	9,524,834	–
vii) Derivative asset	35,096,847	–
viii) Subsidy receivable for setting up Kagal plant	406,695,770	–
ix) Others	2,893,537	13,022
TOTAL	805,365,152	1,900,062

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

	[in ₹]	
	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
NOTE A - 19		
(a) Revenue from operations		
Sale of products (gross)	30,001,622,079	—
Less : Excise duty	2,152,981,358	—
	<u>27,848,640,721</u>	—
Works Contract Sale	380,523,696	—
Sales of services	1,188,615,074	—
(b) Interest Income		
On Fixed deposits with bank	37,926,858	34,676,620
(c) Profit on sale of non current Investments	1,144,574,468	—
(d) Dividend Income from Long term investments –		
From other companies	4,268,667	331,624,276
(e) Other operating revenue		
i) Sale of scrap	141,916,206	—
ii) Cash discount received	19,603,106	—
iii) Commission received	67,652,358	—
iv) Export incentives	71,707,360	—
v) Refund of sales tax, octroi etc.	8,350,144	—
vi) Sundry credit balances appropriated	7,920,215	—
vii) Provisions no longer required written back	168,476,127	—
viii) Miscellaneous receipts	19,145,533	—
TOTAL	<u><u>31,109,320,533</u></u>	<u><u>366,300,896</u></u>

NOTE A - 20 : OTHER INCOME

(a) Interest Income		
i) On income tax refund	46,150,221	—
ii) On others	42,283,074	—
(b) Dividend	310,122,592	—
(c) Profit on Sale of Mutual Fund investments (Net)	219,430	—
(d) Surplus on sale of assets	12,144,639	—
(e) Bad debts / Liquidated damages recovered	4,520,197	—
(f) Insurance Claim Received	203,195	—
(g) Refund of Income Tax	8,131,876	—
(h) Sundry Credit balances appropriated	4,101,812	—
(i) Others	65,623,692	—
(j) Other non operating income - Provision written back	4,679,907	3,746,617
TOTAL	<u><u>498,180,635</u></u>	<u><u>3,746,617</u></u>

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
NOTE A - 21 : COST OF MATERIAL CONSUMED		
(a) Opening stocks	1,229,960,449	—
Less : Value of obsolete and non-moving material written-down (net of realisable value)	30,365,384	—
Add : Purchases	16,339,942,325	—
	<u>17,539,537,390</u>	—
Less : Closing stock	1,448,871,817	—
	<u>16,090,665,573</u>	—
(b) Freight, octroi and entry tax	356,817,456	—
(c) Write-down of obsolete and non-moving material	30,365,384	—
TOTAL	<u><u>16,477,848,413</u></u>	<u><u>—</u></u>
NOTE A - 22 : PURCHASES OF STOCK-IN-TRADE		
Finished goods purchases for resale	1,046,542,953	—
TOTAL	<u><u>1,046,542,953</u></u>	<u><u>—</u></u>
NOTE A - 23 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE		
Opening Stock		
Work-in-progress	651,120,894	—
Finished goods	181,286,977	—
	<u>832,407,871</u>	—
Closing Stock		
Work-In-Progress	285,229,494	—
Finished goods	260,533,968	—
	<u>545,763,462</u>	—
Increase / (decrease) in excise duty of finished goods	11,511,536	—
TOTAL	<u><u>298,155,945</u></u>	<u><u>—</u></u>

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

[in ₹]

	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
NOTE A - 24 : EMPLOYEE BENEFITS EXPENSE		
Salaries, wages and bonus	1,956,504,562	4,843,901
Incentives	26,784,980	-
Contribution to provident fund and E.S.I.	202,470,708	448,143
Welfare expenses	274,329,824	16,086
Provident and other funds' expenses	5,118,462	-
TOTAL	2,465,208,536	5,308,130

NOTE A - 25 : FINANCE COST

Interest expense	51,672,417	127,028
Other borrowing costs	5,090,627	-
Applicable net gain / loss on foreign currency transactions and translation	114,792,438	-
TOTAL	171,555,482	127,028

NOTE A - 26 : DEPRECIATION AND AMORTIZATION

(a) Depreciation		
Tangible assets	994,248,730	262,970
Intangible assets	38,224,922	-
(b) Amount written off against leasehold land		
	1,349,492	-
TOTAL	1,033,823,144	262,970

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

	[in ₹]	
	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
NOTE A - 27 : OTHER EXPENSES		
(a) Manufacturing Expenses		
Stores consumed	897,371,912	—
Power and fuel	348,899,683	—
Machinery spares	93,034,589	—
Repairs to machinery	71,256,060	—
Job work charges	242,620,587	—
Labour charges	102,200,305	—
Cost of services	832,255,763	—
Other manufacturing expenses	277,760,116	—
(b) Selling Expenses		
Commission	238,995,150	—
Freight and forwarding	423,243,166	—
Excise Duty, Net	4,632,274	—
Sales Tax	2,684,213	—
Sales warranty claims	294,491,536	—
Royalty, technical and license fees etc.	108,640,663	105,000
Advertisement and publicity	92,961,453	—
Other selling expenses	37,074,366	—
(c) Administration Expenses		
Rent	271,809,460	302,174
Rates and taxes	9,135,243	47,309
Insurance	12,608,319	—
Repairs to building	103,480,461	—
Other repairs and maintenance	233,681,198	—
Travelling and conveyance	228,559,097	233,476
Vehicle expenses	17,338,660	—
Communication expenses	52,919,414	81,337
Printing and publication	29,983,446	1,495,902
Legal and professional fees	161,796,120	6,423,118
Auditor's remuneration	5,879,217	183,098
Donations	42,843,323	—
Directors Fees	6,377,374	220,000
Director's Commission	400,000	440,000
Directors Remuneration	24,410,323	—
Other / Miscellaneous expenses	285,925,573	125,818
Bank charges	23,629,867	—
Investments written off	500,000	—
Loss on assets sold, demolished, discarded and scrapped	12,179,928	—
Bad debts and irrecoverable balances written off	13,657,939	—
Liquidated Damages	128,255,129	—
Expenses capitalised	(7,511,149)	—
TOTAL	5,725,980,778	9,657,232

PART A : CONSOLIDATED NOTES TO ACCOUNTS (CONTD.)

	[in ₹]	
	Figures for current reporting year ended on March 31, 2012	Figures for previous reporting year ended on March 31, 2011
NOTE A - 28 : EXCEPTIONAL ITEMS		
Profit on sale of Bearings business	477,123,476	-
TOTAL	<u>477,123,476</u>	<u>-</u>

PART B: CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES

NOTE B - 1 : PRINCIPLES OF CONSOLIDATION

Principle of consolidated financial statements relate to Kirloskar Brothers Investments Limited (KBIL) and its majority owned subsidiary companies, consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after fully eliminating intra-group transactions and the unrealised profit / losses on intra-group transactions and are presented to the extent possible in the manner as the Company's independent financial statements.

The names of the subsidiary companies, country of incorporation, proportion of ownership interest and reporting dates considered in the consolidated financial statements are per the table mentioned below:

Name of the Company	Country of Incorporation	Proportion of Ownership Interest of KBIL	Reporting Date
Nashik Silk Industries Limited (NSIL)	India	100%	31.03.2012
Kirloskar Oil Engines Limited (KOEL)	India	52.16%	31.03.2012
Kirloskar Pneumatic Company Limited (KPCL)	India	53.61%	31.03.2012
Kirloskar RoadRailer Limited (KRL)	India	100% subsidiary of KPCL	31.03.2012

If the amount of the Company's share of equity in the subsidiary company is higher than the cost of its acquisition it is treated as capital reserve. If cost of acquisition is more than the share of equity in the subsidiary, it is treated as goodwill. Goodwill / capital reserve arising due to the investments in subsidiary company is netted out in the consolidated financial statements.

NOTE B - 2 : OTHER ACCOUNTING POLICIES

They are set out in Part B: Significant Accounting Policies of the parent company – Kirloskar Brothers Investments Limited

NOTE B - 3 : ACCOUNTING POLICIES OTHER THAN THOSE ADOPTED BY THE PARENT COMPANY FOR THE CONSOLIDATION OF FINANCIAL STATEMENTS

(A) Kirloskar Oil Engines Limited

(i) Fixed Assets

- a. Leasehold land is valued at cost less amount written off.
- b. Expenditure on New Projects and Expenditure during Construction :

In case of new projects, expenditure incurred prior to commencement of commercial production, including interest on borrowings and financing costs of specific loans, is being capitalized to the cost of assets.

PART B: CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

- c. Capital work-in-progress comprises cost of fixed assets that are not yet installed and not ready for their intended use at the balance sheet date
- d. Intangible assets are recorded at the consideration paid for acquisition. Expenditure incurred on development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset. Such developmental expenditure is capitalised at cost including a share of allocable expenses.
- e. Own manufactured assets are capitalised at cost including a share of allocable expenses.

(ii) Depreciation and Amortization

- a. Freehold land is not depreciated.
- b. Leasehold land is amortized over the period of lease.
- c. Depreciation on all assets for the year 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. However, if the rate inferred by estimated useful life of the asset is higher than those of Schedule XIV, then Depreciation is computed with reference to useful life. Accordingly, Depreciation on following asset classes has been provided over the estimated useful life of respective assets at the rates being higher than the rates as per Schedule XIV to the Companies Act, 1956.
 - i. On Computers and peripherals, depreciation rates range from 20.00% p.a. to 33.33% p.a.
 - ii. On Pattern tooling equipment, depreciation rate is 25.00% p.a.
 - iii. On Electrical Installation, depreciation rate is 6.67% p.a.
 - iv. On Furniture and Fixture, depreciation rates range from 10.00% p.a. to 25.00% p.a.
 - v. On Vehicles and Aircraft, depreciation rates are 20.00% p.a. and 6.67% p.a. respectively.
- d. Jigs and Fixtures, Dies and Patterns costing below ₹ 1 lac and other fixed assets costing below ₹ 5,000/- are charged to revenue in the year of acquisition.
- e. Intangible assets are amortized over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its intended use.
- f. Depreciation on additions due to increase in rupee value of fixed assets on account of foreign exchange fluctuations is being provided at the rates of depreciation over the remaining useful life of the said asset.
- g. 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.

(iii) Inventories

- a. Stores and spares, raw materials and components are valued at cost or net realisable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition. Cost is ascertained using weighted average method.
- b. Work-in-process including finished components and finished goods are valued at cost or realisable value whichever is lower. Cost includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity. Finished goods lying in the factory premises, branches and depots are valued inclusive of excise duty.
- c. Materials-in-transit and materials in bonded warehouse is valued at actual cost up to the date of balance sheet.
- d. Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.

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

PART B: CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(iv) Foreign Currency Transactions

a. Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b. Conversion

Current assets and current liabilities, Secured Loans, being monetary items, designated in foreign currencies are revalourised at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c. Exchange Differences

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31 March 2009, as amended vide G.S.R. 378(E) dated 11 May 2011, eligible exchange difference on foreign currency loans utilised for acquisition of assets, up to 31 March, 2012, is adjusted in the cost of the asset to be depreciated over the balance life of the asset.

d. The Company, as per Ministry of Corporate Affairs notification dated 31 March 2009 as amended vide G.S.R. 378(E) dated 11 May 2011, had exercised the option of implementing the provisions of paragraph 46 of Accounting Standard (AS - 11) "The effects of changes in Foreign Exchange Rates" prescribed by Companies (Accounting Standards) Amendment Rules, 2006. The Company has outstanding long term foreign currency loans which are categorised as long-term foreign currency monetary Items utilised for the acquisitions of assets as referred in the said notification. Accordingly the Company has capitalised exchange difference loss of ₹136,776,703/- [P.Y. loss ₹ 142,653,475/-] is pertaining to the current financial year in respect of its foreign currency loans.

e. Forward Contracts

The Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts is intended to reduce the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose. Mark to Market Losses or Gains are recognized in the profit and loss account subject to (c). above. However, Mark to Market Losses or Gains on instruments to hedge highly probable forecast transactions which serve as effective hedges, as determined under the accounting standard 30, are accumulated in the Hedge reserve until the underlying transaction occurs upon which the respective accumulated balances are recognised in the profit and loss account.

In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate (Spot rate) prevailing on the date of forward contract (i.e. forward premium / discount) is amortized as income or expense over the life of the contract, subject to (c) above.

f. Option Contracts

The Company uses foreign exchange option contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange option contracts reduces the risk or cost to the Company. Foreign Exchange option contracts are not used for trading or speculation purpose.

Outstanding foreign exchange option contracts on the date of Balance Sheet are marked to market (MTM). MTM losses or gains, if any, are recognised in the Profit and Loss subject to (c) above. However, in respect of instruments to hedge highly probable forecast transactions which serve as effective hedges as determined under the accounting standard 30, the gains and losses are accumulated in the Hedge reserve until the underlying transaction occurs upon which the respective accumulated balances are recognised in the profit and loss account.

(v) Employee Benefits

Termination Benefits

Termination benefits such as compensation under voluntary retirement scheme are recognised in the year

PART B: CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

in which termination benefits become payable.

(vi) Warranty

Product warranty expenses are determined based on past experience and estimates, and are accrued in the year of sale.

(vii) Research and Development

Capital expenditure incurred on research and development is capitalised as fixed assets. Expenditure incurred on development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset.

Revenue expenditure for carrying out the research activity is charged to the Profit and Loss Account in the year in which it is incurred.

(viii) Revenue Recognition

- a. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with their delivery to the buyer. Sales are stated net of discounts, rebates and returns.
- b. Export sales are accounted on the basis of the dates of "Shipped on Board" Bill of Lading and other delivery documents as per contract.
- c. Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.
- d. Income from services is recognised on completion of services as per the terms of specific contracts.
- e. Income from dividend on investments is accrued in the year in which it is declared, whereby right to receive is established.
- f. Profit / loss on sale of investments is recognised on the contract date.

(ix) Government Grant

Grants and subsidies from the Government are recognised if the following conditions are satisfied,

- There is reasonable assurance that the Company will comply with the conditions attached to it.
- Such benefits are earned and reasonable certainty exists of the collection.

The Government grants or subsidies given with reference to the total investment in an undertaking or setting up of new industrial undertaking is treated as capital receipt and credited to capital reserve. The said capital reserve is not available for distribution of dividend nor is considered as deferred income.

(x) Borrowing Cost

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised till the month in which the asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expenses in the period in which these are incurred.

Borrowing costs include foreign exchange differences on the long term foreign currency loans to the extent they are attributable to interest differential on the said loans.

(xi) Segment Reporting**a. Identification of Segments**

The Company's operating businesses are organised 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 inter-segment 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

PART B: CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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.

(xii) 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 or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount (economic value in use) of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised 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.

(B) Kirloskar Pneumatic Company Limited

(i) System of Accounting

Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.

(ii) Tangible Assets

- i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
- ii) Land and Building, Plant and Machinery at Faridabad Unit acquired before 30th June, 1984, are taken at revalued cost and those acquired after 30th June, 1984, are valued at landed cost.

(iii) Depreciation on Assets (other than Freehold Land)

On Plant and Machinery given on Lease

Depreciation on Plant and Machinery given on Lease is being provided at the rates worked on Straight Line Method over the primary period of Lease Agreement or at the rate specified in Schedule XIV to the Companies Act, 1956, whichever is higher, on pro-rata basis.

Asset	Primary Lease Period	Rate on Straight Line Method	
		Over the primary Period of Lease	As specified in Schedule XIV
Plant and Machinery	8 years	12.50%	10.34%
Plant and Machinery	5 years	20.00%	10.34%

- i) Depreciation on Additions to the Fixed Assets up to 31st March, 1961, is being provided on "Written Down Value" Method in accordance with the Provisions of Section 205(2)(a) of the Companies Act, 1956, at the rates specified in Schedule XIV to the said Act.
- ii) Depreciation on Additions to Assets from 1st April, 1961, to 30th September, 1987, is being provided for on Straight Line basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, pursuant to Circular No. 1 / 1 / 86 / CLV No.15-(50)84 CL VI dated 21st May, 1986, issued by the Department of Company Affairs, at the rates corresponding to the rates (inclusive of multiple shift allowance) applicable under the Income Tax Rules, 1962 as in force at the time of acquisition / installation and on additions on or after 1st October, 1987, on the same basis at the rates specified in Schedule XIV to the Companies Act, 1956.
- iii) Depreciation on assets of erstwhile Faridabad unit has been charged on Straight Line Method as per rates prescribed by Schedule XIV to the Companies Act, 1956. Depreciation on additions made after 16th December, 1993, has been charged on Straight Line Method at the revised rates as prescribed in Schedule XIV to the Companies Act, 1956 and substituted by Notification GSR No.756 (E) dated 16 December, 1993, of the Department of Company Affairs, Government of India.

PART B: CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

- iv) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as required by Schedule XIV to the Companies Act, 1956.
- v) Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year.
- vi) Depreciation on Additions to Vehicle is being provided on pro-rata basis from the month of acquisition as useful life of asset is estimated as five years.
- vii) Depreciation on Additions, on account of increase in rupee value due to Foreign Exchange fluctuations, is being provided at the rates of depreciation over the future life of said assets.
- viii) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such Assets are sold, discarded or demolished.
- ix) No Depreciation is being charged on Revaluation amount of the Fixed Assets.

Intangible assets

Expenditure on acquiring Technical Know-how (intangible asset) is being amortized equally over a period of five years or usage period whichever is lesser, after commencement of commercial production.

(iv) Inventories

Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.

- i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.
- ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
- iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
- iv) Jigs and Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
- v) Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
- vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
- vii) Excise / Customs Duty :

Excise Duty on Finished Goods and Customs Duty on imported materials are accounted on production of Finished Goods / Receipt of materials in Customs Bonded Warehouse.

(v) Foreign Currency Conversion**a. Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

b. Conversion

Current assets and current liabilities, Secured Loans designated in foreign currencies are revalored at the rate prevailing on the date of Balance Sheet.

c. Exchange Differences

Exchange differences arising on the settlement and conversion on foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31 March 2009, eligible exchange difference on foreign currency loans is adjusted in the cost of the asset to be depreciated over the balance life of the asset.

PART B: CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

d. Effects of changes in foreign exchange rates

The Company, in terms of Notification issued by Ministry of Corporate Affairs on 31st March, 2009, had exercised the option of implementing the provisions of newly inserted Paragraph 46 of Accounting Standard 11, 'Accounting for the Effects of Changes in Foreign Exchange Rates', prescribed by Companies (Accounting Standards) Amendment Rules, 2009. The Company has outstanding long term foreign currency loans which are categorised as Long Term Foreign Currency Monetary Item as referred in the said notification. Accordingly ₹ 2,763,750/- being loss for the year.

(Previous year gain ₹ 1,897,500/-) has been adjusted against the cost of Fixed Assets.”

e. Forward Contracts

The Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.

In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate prevailing on the date of forward contract (i.e. forward premium / discount) is amortized as income or expense over the life of the contract, except in respect of the liabilities for the acquisition of qualifying assets, where such amortization is adjusted in the cost of the corresponding asset.

(vi) Borrowing cost

Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.

(vii) Sales

- i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.
- ii) Export Sales are accounted for on the basis of dates of Bills of Lading.
- iii) Construction Contract Sales

In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.

(viii) Segment Reporting

1. Segments have been identified in line with the Accounting standard, AS-17 "Segment Reporting" (AS-17), taking in to account the organisation structure as well as the differing risks and returns.
2. The Company has disclosed Business Segment as the primary segment.
3. Composition of Business Segment

Name of the Segment	Comprises of
a) Compression Systems	Air and Gas Compressors, Airconditioning and Refrigeration Compressors and Systems etc.
b) Transmission Equipments	Power Transmission Equipments (Torque Converter), Reverse Reduction Gears for Marine Gear Engines, Industrial and Mobile application etc.

4. The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis
5. The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policies.

PART C : CONSOLIDATED OTHER NOTES**NOTE C - 1**

During the year the Company has acquired additional equity shares of the following companies and has become the holding company of these companies –

- Kirloskar Oil Engines Limited
- Kirloskar Pneumatic Company Limited

NOTE C - 2

The effect of acquisition of subsidiary companies :

Acquisition of Kirloskar Oil Engines Limited (KOEL) and Kirloskar Pneumatic Company Limited (KPCL) has resulted in :

An increase of ₹ 6,396,785,479/- in the financial position of the Company for the current year ended 31 March, 2012 and an increase of ₹ 882,811,343/- in the group profit of the current year net of minority interest.

NOTE C - 3 : EARNING PER SHARE (BASIC AND DILUTED)

	[in ₹]	
	2011-12	2010-11
I-Basic		
Profit for the year before tax	4,865,509,393	354,692,153
Less : Attributable tax thereto	1,393,112,703	9,441,845
Profit after tax	3,472,396,690	345,250,308
Less : Preacquisition profit	523,624,364	–
Less : Minority interest	560,444,634	–
Post acquisition profit for the year	2,388,327,692	345,250,308
Total Number of equity shares at the end of the year used as denominator	5,288,718	5,288,718
Basic earning per share of nominal value of ₹ 10/- each	451.59	65.28
II-Diluted		
Profit for the year before tax	4,865,509,393	354,692,153
Less : Attributable tax thereto	1,393,112,703	9,441,845
Profit after tax	3,472,396,690	345,250,308
Less : Preacquisition profit	523,624,364	–
Less : Minority interest	560,444,634	–
Post acquisition profit for the year	2,388,327,692	345,250,308
Weighted average number of shares outstanding used as denominator	5,288,718	5,288,718
Diluted earning per share of nominal value of ₹ 10/- each	451.59	65.28

NOTE C - 4 : CAPITAL AND OTHER COMMITMENTS

a) Estimated amount of contracts remaining to be executed on capital account and not provided for	248,687,782	–
b) Guarantees given by Company's Bankers for Contracts underaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bill and Second Charge on Fixed Assets. Amount outstanding as on 31 March 2012	1,388,346,356	–
c) Purchase of Bearings from KSPG Automotive India Pvt. Limited on a non exclusive basis	1,180,000,000	–

PART C : CONSOLIDATED OTHER NOTES (CONTD.)

	[in ₹]	
	2011-12	2010-11
NOTE C - 5 : CONTINGENT LIABILITIES NOT PROVIDED FOR IN RESPECT OF		
a) Guarantees	147,220,786	–
b) Central Excise (Matter Subjudice)	12,752,455	–
c) Sales Tax (Matter Subjudice)	62,105,074	–
d) Income Tax (Matter Subjudice)	140,231,783	–
e) Disputed Customs Duty demands	10,798,507	–
f) Claims against Company not acknowledged as debts	1,126,998,373	–
g) Stamp duty (Matter Subjudice) (for Kirloskar Brothers Investments Limited)	5,560,121	5,560,121
h) Tax on non utilisation of Land (for Nashik Silk Industries Limited)	2,726,125	2,726,125

Note : Previous year figures in respect of Kirloskar Oil Engines Limited and Kirloskar Pneumatic Company Limited are not given as they have become subsidiaries in the current year.

- i) Claim for US \$ 10 million has been filed against the Company (Kirloskar Pneumatic Company Limited) in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable.
- j) The Company (Kirloskar Oil Engines Limited) has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which, remaining future obligations aggregates USD 64.20 million (previous year USD 110.09 million). Non fulfillment of the balance of such future obligations, if any, entails options / rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the said scheme. Minimum Export obligation to be fulfilled by the Company under the said scheme, by March 31, 2012 has been fulfilled.

NOTE C - 6 : RELATED PARTY DISCLOSURES

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

Sr. No.	Name of the related party	Nature of relationship	Effective Date
1.	Nashik Silk Industries Limited	Subsidiary Company	
2.	Kirloskar Pneumatic Company Limited	Subsidiary Company	From 20.05.2011
3.	Kirloskar Oil Engines Limited	Subsidiary Company	From 24.05.2011
4.	Kirloskar RoadRailer Limited	Subsidiary Company of Kirloskar Pneumatic Company Limited	From 06.05.2011
5.	Kirloskar Chillers Private Limited	Associate of Kirloskar Pneumatic Company Limited	
6.	Pooja Credits Private Limited	Subsidiary Company	Upto 31.03.2011

PART C : CONSOLIDATED OTHER NOTES (CONTD.)

(B) Disclosure of related parties transactions

Previous years figures in respect of Kirloskar Oil Engines Limited and Kirloskar Pneumatic Company Limited are not given as they have become subsidiaries in the current year.

[in ₹]

Sr. No.	Nature of transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount for major parties*	Amount	Amount for major parties*
1.	Purchase of goods and services				
	Enterprises over which key management personnel or their relatives exercise significant influence				
	Kirloskar Integrated Technologies Limited	75,375	75,375	-	-
	Associate of KPCL				
	Kirloskar Chillers Private Limited	55,839	55,839	-	-
	TOTAL	131,214		-	
2.	Sale of goods / contract revenue and services				
	Enterprises over which key management personnel or their relatives exercise significant influence				
	Kirloskar Integrated Technologies Limited	3,061,154	3,061,154	-	-
	Associate of KPCL				
	Kirloskar Chillers Private Limited	464,822	464,822	-	-
	TOTAL	3,525,976		-	
3.	Sales Return				
	Enterprises over which key management personnel or their relatives exercise significant influence				
	Kirloskar Integrated Technologies Limited	84,327,022	84,327,022	-	-
	TOTAL	84,327,022		-	
4.	Purchase of Fixed Assets				
	Enterprises over which key management personnel or their relatives exercise significant influence				
	Kirloskar Integrated Technologies Limited	6,930,876	6,930,876	-	-
	TOTAL	6,930,876		-	
5.	Rendering Services				
	Enterprises over which key management personnel or their relatives exercise significant influence				
	Kirloskar Integrated Technologies Limited	1,058,880	1,058,880	-	-
	TOTAL	1,058,880		-	

PART C : CONSOLIDATED OTHER NOTES (CONTD.)

[in ₹]

Sr. No.	Nature of transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount for major parties*	Amount	Amount for major parties*
6.	Receiving Services				
	Key Management Personnel	143,208,692		-	
	Mr. Atul C. Kirloskar		40,307,997		-
	Mr. Gautam A. Kulkarni		41,041,825		-
	Mr. R. R. Deshpande		23,411,290		-
	Mr. Rahul C. Kirloskar		32,863,649		-
		143,208,692		-	
	Enterprises over which key management personnel or their relatives exercise significant influence				
	Kirloskar Consultants Limited	1,104,657	1,104,657	-	-
		1,104,657		-	
	TOTAL	144,313,349		-	
7.	Dividend paid				
	Key Management Personnel	23,475,628		-	
	Mr. Atul C. Kirloskar		8,056,128		-
	Mr. Gautam A. Kulkarni		7,681,880		-
	Mr. Rahul C. Kirloskar		7,692,620		-
			23,475,628		-
	Relatives of Key Management Personnel	44,444,216		-	
	Mrs. Alpana R. Kirloskar		14,400,000		-
	Mrs. Arti A. Kirloskar		14,400,000		-
	Mrs. Jyotsna G. Kulkarni		15,429,000		-
		44,444,216		-	
	TOTAL	67,919,844		-	
8.	Dividend received				
	Associate of KPCL	7,350,000		-	
	Kirloskar Chillers Private Limited		7,350,000		-
	TOTAL	7,350,000		-	
9.	Remuneration Paid				
	To Key Management Personnel	32,442,819		4,487,917	
	Mr. A. C. Kulkarni		4,982,438		4,487,917
	Mr. Rahul C. Kirloskar		8,506,245		-
	Mr. Aditya Kowshik		18,954,136		-
	TOTAL	32,442,819		4,487,917	
10.	Expenses				
	Enterprises over which key management personnel or their relatives exercise significant influence				
	Kirloskar Integrated Technologies Limited	22,039,522	22,039,522	-	-
	TOTAL	22,039,522		-	
11.	Reimbursement of Expenses				
	Enterprises over which key managerial personnel or their relatives exercise significant influence				
	Kirloskar Integrated Technologies Limited	110,000	110,000	-	-
	TOTAL	110,000		-	

PART C : CONSOLIDATED OTHER NOTES (CONTD.)

[in ₹]

Sr. No.	Nature of transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount for major parties*	Amount	Amount for major parties*
12.	Rent paid				
	Relatives of Key Management Personnel	5,400,000		-	
	Mrs. Arti A. Kirloskar		1,800,000		-
	Mrs. Jyotsna G. Kulkarni		1,800,000		-
	Mrs. Suman C. Kirloskar		1,800,000		-
	TOTAL	5,400,000		-	
13.	Rent received				
	Associate of KPCL	462,000		-	
	Kirloskar Chillers Private Limited		462,000		-
	TOTAL	462,000		-	

* "Major parties" denote entities who account for 10% or more of the aggregate for that category of transactions.

(C) Amount due to / from related parties

[in ₹]

Sr. No.	Nature of transaction / relationship / major parties	2011-12	2010-11
1.	Accounts receivable		
	Enterprises over which key managerial personnel or their relatives exercise significant influence		
	Kirloskar Integrated Technologies Limited	104,158,293	-
	Associate of KPCL		
	Kirloskar Chillers Private Limited	11,305	-
	Relatives of Key Management Personnel		
	Mrs. Suman C. Kirloskar	10,000,000	-
	TOTAL	114,169,598	-
2.	Amount Due		
	Key Management Personnel		
	Commission		
	Mr. Gautam A. Kulkarni	25,000,000	-
	Mr. Rahul C. Kirloskar	25,060,000	-
	Mr. R. R. Deshpande	15,000,000	-
	Mr. Atul C. Kirloskar	25,000,000	-
	Mr. Nihal G. Kulkarni	3,490,000	-
	Mr. Aditya Kowshik	12,500,000	-
	Mr. A. C. Kulkarni	2,000,000	1,500,000
	Retirement Benefit-Superannuation		
	Mr. Gautam A. Kulkarni	900,000	-
	Mr. Rahul C. Kirloskar	585,484	-
	Mr. R. R. Deshpande	514,000	-
Mr. Atul C. Kirloskar	900,000	-	
Mr. Nihal G. Kulkarni	206,613	-	
	TOTAL	111,156,097	1,500,000

PART C : CONSOLIDATED OTHER NOTES (CONTD.)

[in ₹]

Sr. No.	Nature of transaction / relationship / major parties	2011-12	2010-11
3.	Security Deposit Receivable		
	Relative of Key Management Personnel		
	Mrs. Arti A. Kirloskar	10,000,000	—
	Mrs. Jyotsna G. Kulkarni	10,000,000	—
	TOTAL	20,000,000	—
4.	Investment		
	Associate of KPCL		
	Kirloskar Chillers Private Limited	4,900,000	—
	TOTAL	4,900,000	—

* "Major parties" denote entities who account for 10% or more of the aggregate for that category of transactions

(D) Names of related parties with whom transactions have been entered into

1.	Key Management Personnel	Mr. Atul C. Kirloskar Mr. Gautam A. Kulkarni Mr. Rahul C. Kirloskar Mr. Nihal G. Kulkarni Mr. R. R. Deshpande Mr. Aditya Kowshik Mr. A. C. Kulkarni	
2.	Relatives of Key Management Personnel	Mrs. Alpana R. Kirloskar Mrs. Arti A. Kirloskar Mrs. Jyotsna G. Kulkarni Mrs. Neeta A. Kulkarni Mrs. Suman C. Kirloskar	Wife of Mr. Rahul C. Kirloskar Wife of Mr. Atul C. Kirloskar Wife of Mr. Gautam A. Kulkarni Mother of Mr. Gautam A. Kulkarni Mother of Mr. Rahul C. Kirloskar and Mr. Atul C. Kirloskar
3.	Associate Companies of Kirloskar Pneumatic Company Limited	Kirloskar Chillers Private Limited	
4.	Enterprises over which key managerial personnel or their relatives exercise significant influence	Kirloskar Integrated Technologies Limited Kirloskar Consultants Limited	

PART C : CONSOLIDATED OTHER NOTES (CONTD.)

NOTE C - 7 : SEGMENT REPORTING

Subsidiaries of the company operate in various segments. Results of Kirloskar Brothers Investments Limited and Nashik Silk Industries Limited are included under 'Others' category.

Details of Segment Reporting

[in ₹]

Sr. No.	Particulars	Compression Systems	Transmission Equipments	Engines	Others	Total
A. Information about Business Segment – Primary						2012
1.	Segment revenue					
	Sales	5,781,278,792	884,862,546	22,532,796,602	1,991,988,543	31,190,926,483
	Less: inter segment revenue					81,605,950
	Net revenue from operations	5,781,278,792	884,862,546	22,532,796,602	1,991,988,543	31,109,320,533
2.	Result					
	Segment Result – Profit	1,094,429,953	46,229,799	2,319,338,554	1,165,103,664	4,625,101,970
	Less: unallocable corporate expenses					-411,962,904
	Operating profit before interest					5,037,064,874
	Less: interest					171,555,481
	Profit before tax					4,865,509,393
3.	Other information					
	Segment assets	2,336,405,941	802,093,061	11,514,115,469	6,367,546,511	21,020,160,981
	Add: Unallocable common assets					1,693,295,544
	Total assets					22,713,456,525
	Segment liabilities	1,656,733,609	257,558,189	4,424,668,546	554,082,285	6,893,042,629
	Add: unallocable common liabilities					491,844,762
	Total liabilities					7,384,887,391
4.	Capital expenditure during the year	115,161,915	3,799,051	817,338,744	177,760,108	1,114,059,818
5.	Depreciation	75,416,114	44,689,348	871,395,567	41,870,419	1,033,371,448
	Add: unallocable depreciation					451,696
						1,033,823,144
B. Secondary segment – geographical by customers						
	Segment revenue					
	In India					30,789,498,219
	Outside India					319,822,314
	TOTAL					31,109,320,533

Notes :

- Others category includes figures of Kirloskar Brothers Investments Limited and Nashik Silk Industries Limited and others category of Kirloskar Oil Engines Limited.
- Figures of the previous year are not disclosed since Kirloskar Brothers Investment Limited operates only one segment i.e. investments and hence Accounting Standard 17 on Segment Reporting was not applicable to it. The above segments are of its subsidiary companies which have become its subsidiaries in the current year.

PART C : CONSOLIDATED OTHER NOTES (CONTD.)

NOTE C - 8

Consolidated figures for the year ended 31st March 2012 are not comparable with previous year figures, as Kirloskar Oil Engines Limited and Kirloskar Pneumatic Company Limited have become subsidiaries of the company during the year.

NOTE C - 9

Figures have been regrouped, wherever necessary.

As per our attached report of even date

For and on behalf of the Board of Directors

For **M/s P. G. Bhagwat**
Chartered Accountants

ATUL C. KIRLOS KAR
Chairman

A. C. KULKARNI
Executive Director

ABHIJEET BHAGWAT
Partner
Pune : 24 May 2012

ANIKET DESHPANDE
Assistant Company Secretary





Enriching Lives

KIRLOSKAR BROTHERS INVESTMENTS LIMITED

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