



Enriching Lives



Enriching lives every moment,
reaping rewards around the world

From India to the world, we are going places.

As India's leading engineering conglomerate, we have been enriching the lives of millions for decades. And now, we are all set to make forays in global markets as well.

Pillared on the values of true understanding, true effort and true commitment in every endeavour, small or big, our presence has now also spread to world markets. We made a small beginning with exports of Rs. 148.89 Million, and our foothold is only getting stronger with every passing moment.

So, while we continue to reap rich benefits in India, our exports will also be contributing significantly to our economic growth.

We are sure that with your continued support and faith, we'll make a bigger difference.

Year after Year.

- Profit before Tax - Rs. 397.59 Million. Achieved profit for fourth consecutive year.
- Achieved turnover - Rs. 4827.46 Million.
- ISO - 14001: 2004 for environment system re-certified by IRQS Chennai.
- Reduction in loans by Rs. 210.72 Million.

15th ANNUAL REPORT FOR THE YEAR ENDED 31st MARCH, 2006

BOARD OF DIRECTORS

Mr. Atul C. Kirloskar	Chairman
Mr. Sanjay C. Kirloskar	
Mr. R. V. Gumaste	Managing Director
Mr. A. R. Jamenis	
Mr. C. V. Tikekar	
Mr. S. N. Inamdar	
Mr. S. G. Chitnis	
Mr. A. N. Alawani	(w. e. f. 22 nd October, 2005)

COMPANY SECRETARY

Mr. C. S. Panicker

AUDITORS

M/s. P. G. Bhagwat
Chartered Accountants

BANKERS

State Bank of India
Bank of Maharashtra
Andhra Bank
UTI Bank Ltd.
ICICI Bank Ltd.
IDBI Bank Ltd.
ING Vysya Bank Ltd.
HDFC Bank Ltd.

REGISTRAR & TRANSFER AGENT

Intime Spectrum Registry Limited
Bhagirathi Building, 1202/3/11, Shivajinagar,
Off Ghole Road, Opposite Hotel Surya, Pune - 411 004.

REGISTERED OFFICE

13, Laxmanrao Kirloskar Road, Khadki, Pune - 411 003.

FACTORY

Bevinhalli Village, P. O. Hitnal, Taluk & Dist. Koppal
Karnataka - 583 234.

Information for Shareholders

15th Annual General Meeting

Date	: Friday, 28 th July, 2006
Time	: 11.30 A.M.
Venue	: Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune - 411 002.
Date of Book Closure	: 21 st July, 2006 to 28 th July, 2006 (both days inclusive)

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NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Members of Kirloskar Ferrous Industries Limited will be held at the Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002. on Friday the 28th day of July, 2006 at 11.30 A.M. to transact the following business:

ORDINARY BUSINESS

Item No. 1:

To receive, consider and adopt the audited Profit and Loss Account for the year ended on 31st March, 2006 and the Balance Sheet as at that date and also the reports of the Auditors and the Board of Directors thereon.

Item No. 2:

To declare dividend (including arrears) on Redeemable Cumulative Non-Convertible Preference Shares.

Item No. 3:

To appoint a Director in place of Mr. Atul C. Kirloskar who retires by rotation and being eligible, offers himself for re-appointment.

Item No. 4:

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

Item No. 5:

To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration for the said period.

M/s. P.G. Bhagwat, Chartered Accountants, the retiring Auditors, being eligible, offer themselves for re-appointment.

SPECIAL BUSINESS

Item No. 6:

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

“RESOLVED THAT Mr. A.N. Alawani who was appointed as an Additional Director at the meeting of the Board of Directors held on 22nd October, 2005 pursuant to Section 260 of the Companies Act, 1956 read with Article 92 of the Articles of Association of the Company and who holds office of Director upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

Item No. 7:

To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED that consent of the Company be and is hereby accorded pursuant to the provisions of sections 198, 309, 310 and other applicable provisions, if any of the Companies Act 1956 to increase salary of Mr. R. V. Gumaste – Managing Director of the Company for a period of 2 years w.e.f. 1st July, 2006 as follows:

A) BASIC SALARY:

Basic Salary shall be Rs. 340,000/- per month

B) SPECIAL ALLOWANCE:

Rs. 40,000/- per month

C) PERQUISITES:

In addition to the aforesaid salary and special allowance, Mr.R.V.Gumaste as Managing Director shall be entitled to the following perquisites:

1. Residential accommodation, valuation of which shall not exceed Rs. 10,000/- per month; where no accommodation is provided by the Company, house rent allowance in lieu thereof not exceeding Rs. 10,000/- per month be paid.
2. Reimbursement of all medical expenses incurred for self and family, subject to a limit of Rs. 20,000/- per annum.
3. Leave travel assistance for self and family once in a year, in accordance with the rules of the Company, not exceeding Rs. 90,000/- per annum.
4. Mediclaim Insurance Policy premium and personal accident insurance premium whereof does not exceed Rs. 10,000/- per annum
5. Provision of car for use on Company business. Use of car for private purpose shall be billed by the Company to the Managing Director.
6. The Company shall provide Telephone and Internet connection at his residence.
7. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
8. Gratuity at the rate not exceeding half a month's salary for each completed year of service as Managing Director, and
9. Leave at the rate of 30 days per calendar year of service. Leave calculation for a part of the calendar year at the date of appointment as Managing Director or on ceasing to be Managing Director shall be made on a pro-rata basis at the rate of two and a half days leave for every completed month of service. Leave accumulated and not availed of may be encashed at the end of the tenure as per the rules of the Company.

“Family” for the above purpose means wife, dependent children and dependent parents of the Managing Director.

Perquisites shall be evaluated as per the provisions of the Income tax Rules.

D) COMMISSION:

Commission shall be decided by the Remuneration Committee and approved by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Managing Director shall not exceed the limit laid down under Sections 198 and 309 of the Companies Act, 1956.

E) MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Managing Director, remuneration by way of salary, perquisites and other allowances shall be paid as mentioned under A, B and C above.

For the purpose of computation of minimum remuneration, the following shall not be included:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.



2. Gratuity at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

F) The Managing Director, so long as he functions as such, shall not be paid any sitting fees for attending the meetings of the Board of Directors or Committee thereof.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps and to do all such acts, deeds, matters and things as may be necessary or desirable to give effect to this resolution and also to make such alterations and modifications, as may be required within the limits of Schedule XIII of the Companies Act, 1956.

NOTES :

- i) Pursuant to Section 173 (2) of the Companies Act, 1956 explanatory statement in respect of the item No. 6 and 7 above is annexed.
- ii) The Register of Members and the Share Transfer Books of the Company will remain closed for a period of 8 days from 21st July, 2006 to 28th July, 2006 (both days inclusive) in connection with the 15th Annual General Meeting.
- iii) Dividend on Redeemable Cumulative Non-Convertible Preference Shares as recommended by the Board of Directors, if declared, at this Annual General Meeting, will be paid to those members whose names will appear on the Register of Members as on 28th July, 2006.
- iv) A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT THE SAID MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies if any, in order to be effective, must be received at the Registered Office of the Company at Pune, not later than 48 hours before the time fixed for the meeting.

Proxies shall not have any right to speak at the meeting.

- v) The documents relating to the items of Special Business are available for inspection at the Registered Office of the Company on any working day, during the business hours of the Company.
- vi) Members who hold shares in physical form are requested to advise the Company immediately of any change in their addresses.
- vii) Members who hold shares in dematerialised form are requested to intimate details regarding change of address, etc. to the Depository Participants where they have their D-mat account.
- viii) Since Company's shares are in compulsory Dematerialised trading, to ensure better investor service and elimination of risk of holding shares in Physical form, it is requested that the shareholders holding shares in Physical form to get their shares dematerialised at the earliest.
- ix) Members may avail of the facility of dematerialisation by opening D-mat account with the Depository participants of either National Securities Depository Limited or Central Depository Services (India) Limited and get equity share certificates held by them dematerialised.
- x) Members who hold shares in dematerialised form are requested to bring their Client Id and DP Id for easy identification.
- xi) In case members wish to ask for any information about accounts or operations of the Company, they are requested to send their queries in writing at least 7 days before the date of the meeting so that the information can be made available at the time of the meeting.
- xii) Members are requested to bring their copy of the Annual Report for the Meeting.
- xiii) Members having multiple folios are requested to intimate to the Company such folios to enable the Company to consolidate all shareholdings into one folio.

Registered Office :
13, Laxmanrao Kirloskar Road,
Khadki, Pune – 411 003.
Pune : 24th May, 2006

By order of the Board of Directors

C.S.Panicker
Company Secretary

**ANNEXURE TO THE NOTICE
EXPLANATORY STATEMENT**

As required by Section 173 (2) of the Companies Act, 1956, the following Explanatory Statement set out all material facts relating to the Special Business in respect of Item No. 6 and 7 in the accompanying notice of Annual General Meeting of the Company to be held at the Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002. on Friday, the 28th day of July, 2006 at 11.30 A.M.

ITEM NO. 6 OF THE NOTICE

This information is also given pursuant to clause 49 of the Listing Agreement

Mr. A. N. Alawani was appointed as an Additional Director at the meeting of the Board of Directors held on 22nd October, 2005 pursuant to Section 260 of the Companies Act, 1956 read with Article 92 of the Articles of Association of the Company. He holds office of Director upto the date of this Annual General Meeting and in respect of whom the Company has received notice in writing under Section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

Mr. A. N. Alawani, a Chartered Accountant, has been associated with Kirloskar group since 1977. Prior to his appointment as Director in the Company, he was Director- Finance of Kirloskar Oil Engines Limited. Besides his core area of finance and taxation, he has experience in import-export and labour matters. His abilities in corporate tax planning and finance have helped the Company immensely, in financial restructuring and tax benefits. Mr A.N. Alawani aged 61 years, has recently retired from the Kirloskar Oil Engines Limited.

Mr.A.N.Alawani also holds directorship in Kirloskar Copeland Limited, Kirloskar Brothers Limited, Kirloskar Power Equipment Limited, Kirloskar Systems Limited, Kirloskar Kisan Equipment Limited and Denso Kirloskar Industries Private Limited.

Mr.A.N.Alawani is holding 13300 equity shares of the Company.

None of the Directors of the Company except Mr.A.N. Alawani is in any way concerned or interested in the resolution.

ITEM NO. 7 OF THE NOTICE

Mr. R. V. Gumaste was appointed as Managing Director of the Company for a period of 5 years w.e.f. 1st July, 2003.

The appointment and remuneration was approved by the shareholders at the Annual General Meeting held on 20th September, 2003 by passing an ordinary resolution.

The remuneration approved by the members on 20th September, 2003 was in accordance with sub-paragraph (A) of Paragraph 1 under Section II of Part II of Schedule XIII of the Companies Act, 1956. Since the increased remuneration will now be in accordance with sub-paragraph (B) of Paragraph 1 under Section II of Part II of Schedule XIII of the Companies Act, 1956 approval of the members by special resolution is required. Hence the resolution.

Mr.R.V.Gumaste is holding 5000 equity shares of the Company.

None of the Directors of the Company except Mr.R.V.Gumaste is in any way concerned or interested in the resolution. The Board recommends the resolution.

The proposed resolution and this explanatory statement may be treated as an abstract of the terms and conditions for increase in remuneration of Mr. R.V.Gumaste – Managing Director in terms of Section 302 of the Companies Act,1956.

A Statement as required by Schedule XIII of the Companies Act 1956, is annexed to the Notice.

Registered Office :
13, Laxmanrao Kirloskar Road,
Khadki, Pune – 411 003.
Pune : 24th May, 2006

By order of the Board of Directors

C.S.Panicker
Company Secretary



INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH THE STOCK EXCHANGE IN RESPECT OF THE DIRECTORS WHO ARE RETIRING BY ROTATION, AND BEING ELIGIBLE, HAVE OFFERED THEMSELVES FOR REAPPOINTMENT AT THE 15th ANNUAL GENERAL MEETING TO BE HELD ON 28th JULY, 2006.

1. **Mr. Atul C. Kirloskar** aged 50 years, began his career with the erstwhile Kirloskar Cummins Limited in the year 1978, where he started as a trainee. In December 1981, he was appointed as the Chief Executive of Cummins Diesel Sales & Services.

On 1st November 1984, he was appointed as the Executive Vice President of Kirloskar Oil Engines Limited (KOEL).

He was co-opted on the Board of KOEL on 6th August, 1985 wherein he took over as the Managing Director. In 1988, he became the Vice Chairman of KOEL and held the position till 25th July, 1998 when he was appointed Chairman of KOEL.

He has been the Chairman of the Company since its inception.

He is also a Director of G G Dandekar Machine Works Limited, Kirloskar Oil Engines Limited, Kirloskar Systems Limited, Swaraj Engines Limited, Navsai Investments Private Limited and Toyota Kirloskar Motor Private Limited.

Mr. Atul C. Kirloskar is holding 1600 equity shares of the Company.

2. **Mr. Ashok Ramkrishna Jamenis** aged 63 years, completed his Graduation in Mechanical Engineering in 1965 from the University of Pune. He has been associated with the Kirloskar Group when he joined Kirloskar Oil Engines Limited. in 1967. Mr. Jamenis has worked in various capacities and has acquired experience in the field of production, Quality and SBU administration of Small and Medium engines etc. of Kirloskar Oil Engines Limited. He resigned from Kirloskar Oil Engines Limited as Executive Vice President (Engines) in 1998 to shoulder the responsibility as Managing Director of Kirloskar Ferrous Industries Limited. Mr. Jamenis has by his knowledge and experience turned around the Company from a loss making Company to a profit making one. Mr. Jamenis resigned from the office of Managing Director on 31st January, 2003 and continued to be a Director liable to retire by rotation. He is also a member of the Audit Committee, Remuneration Committee and the Share transfer cum Shareholders'/ Investors' grievance committee of the Board of Directors. His continued guidance is very much needed by the Company to make more progress.

Mr. A. R. Jamenis is holding 600 equity shares of the Company.

Mr. A. R. Jamenis does not hold directorship in any other Company.

A Statement Pursuant to sub-clause (iv) under the proviso to sub-paragraph (B) of Paragraph 1 under Section II of Part II of Schedule XIII of the Companies Act, 1956:-

General Information :																					
Nature of industry	The Company operates in the business of iron Castings. The industry is very competitive. The major growth is coming from automobile and tractor segment. The foundry is the main consumer for the pig iron. Company's foundry is having a backward integration of liquid metal from the blast furnaces which is unique in entire Asia.																				
Date or Expected date of commencement of commercial production	Commercial production of pig iron commenced from 1 st April, 1994 and the commercial production with the increased manufacturing capacity thereof commenced from 1 st July, 1995. Commercial production of the castings commenced from 28 th March, 1995.																				
Financial performance based on given indicators during the financial year ended March 31, 2006	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">Rs in Crores</th> </tr> </thead> <tbody> <tr> <td>Total Income</td> <td style="text-align: right;">487.19</td> </tr> <tr> <td>Expenses</td> <td style="text-align: right;">447.74</td> </tr> <tr> <td>Profit</td> <td style="text-align: right;">39.76</td> </tr> <tr> <td>Provision for Taxation</td> <td style="text-align: right;">13.68</td> </tr> <tr> <td>Profit after Tax</td> <td style="text-align: right;">26.08</td> </tr> <tr> <td>EPS</td> <td style="text-align: right;">2.97</td> </tr> <tr> <td>P/E ratio</td> <td style="text-align: right;">15.15</td> </tr> <tr> <td>Total Assets (Fixed Assets & Current Assets)</td> <td style="text-align: right;">250.20</td> </tr> <tr> <td>Accumulated Losses</td> <td style="text-align: right;">37.91</td> </tr> </tbody> </table>		Rs in Crores	Total Income	487.19	Expenses	447.74	Profit	39.76	Provision for Taxation	13.68	Profit after Tax	26.08	EPS	2.97	P/E ratio	15.15	Total Assets (Fixed Assets & Current Assets)	250.20	Accumulated Losses	37.91
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Foreign investments or collaborators, if any	There is no foreign collaboration. The promoters and persons acting in concert owns 49.65% of paid up Equity share Capital. Foreign Equity holding constitute 5.81% of the Company's paid up Capital as on 31st March, 2006 .																				
Information about Mr. R. V. Gumaste, Managing Director																					
Background details	<p>Mr.Ravindranath Venkatesh Gumaste completed B.Tech in Metallurgical Engineering from Karnataka Regional Engineering College, Surathkal, in the year 1981, securing first class with distinction. He has been associated with the Kirloskar Group since July, 1981. In Kirloskar Oil Engines Limited he worked in several departments such as Heat Treatment, Metallurgical Quality Control, etc. in various capacities for a period of 12 years till June 1993.</p> <p>In 1993, he joined the Company and worked for development of project concepts, layouts and implementation of both pig iron and foundry projects after which he took over as chief of pig iron production operations and subsequently took charge of materials and marketing.</p> <p>In the year 1998, he was promoted as Chief of pig iron business. He was with the Company for 8 years till February, 2001. Thereafter, for a short span of 8 months, he joined another organisation and in November, 2001, he rejoined the Company as Senior Vice President (Operations).</p> <p>He was Executive Director from 25th July, 2002 till 30th June, 2003 and from 1st July, 2003 he was appointed as the Managing Director of the Company.</p>																				



Past remuneration	Rs.24,00,000 p.a. along with perquisites as per Schedule XIII of The Companies Act, 1956
Recognition or awards	Mr.R. V. Gumaste has been awarded "Samajshree" in the year 2005 in recognition of outstanding services rendered to the public by Indian Council of Management Executives, Mumbai.
Job Profile and his suitability	<p>The Managing Director (MD) is responsible for the overall operations of the Company. He is expected to help achieve the Company's operational goals.</p> <p>The MD is instrumental in setting and reviewing performance of all units/departments of the Company. He ensures performance compliance in accordance with the Company's stated business plans and policies. In this regard, the MD is expected to give proper direction to the thought process and activities carried out by the various units/departments of the Company.</p> <p>The MD heads a senior management team and is responsible for taking business decisions keeping in mind that the industry is a volatile one. The MD is also expected to ensure that stakeholder interests are met with leading to a balanced and sustainable growth for the Company.</p> <p>Mr. R. V. Gumaste has all the requisite qualification, experience and attributes to meet the above requirements.</p>
Remuneration proposed	Rs.48,00,000 p.a. along with perquisites as per Schedule XIII of The Companies Act, 1956.
Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates, the relevant details would be w.r.t. the country of origin)	<p>Comparative remuneration profile with respect to industry and size of the Company</p> <p>Information about the remuneration profile of Managing Director of other companies of comparable size and business profile is not available. The appointee has necessary qualification and experience and the remuneration is commensurate with his ualification and experience and the challenges faced by him with the respect to the Industry in general and Company in particular.</p> <p>The profile of the position : As set out above.</p> <p>The profile of the person : The profile appears in the explanatory statement to Item No.7 of the Notice convening the 15th Annual General Meeting.</p>
Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any	Apart from holding the office of Managing Director of the Company, Mr. R.V. Gumaste has no pecuniary relationship with the Company. As Company has not appointed any managerial personnel except Mr. R. V. Gumaste, there is no pecuniary relation with any such person.

Other Information

Reasons of loss or inadequate profits	<p>The Company started its operations since 1994. In the initial years upto 1996 the Company reported profits. Thereafter from 1997 to 2002 company incurred losses mainly due to :</p> <ol style="list-style-type: none">High interest costsIncreased raw material and operational costProlonged economic recession leading to low capacity utilizations. <p>Thereafter the Company has been continuously registering profits for last 4 financial years ending 31st March, 2006. However the accumulated losses are yet to be wiped out fully.</p>
Steps taken or proposed to be taken for improvement	<p>The entire high cost term loans have been repaid through settlement arrived with the financial institutions. Thereafter the Company took reduced quantum of loans with lower rate of interest.</p> <p>The capacity utilization of foundry is improving due to good demand for the casting business.</p> <p>Following projects have been planned to remain competitive and to increase profit margins:</p> <ol style="list-style-type: none">Installation of stoves in Mini Blast Furnace to reduce the rate of coke consumptionInstallation of railway siding for logistic advantagesInstallation of casting handling device and effective cooling system to improve the handling system and thereby reduce the casting damages. <p>The Company continues its efforts to get iron ore mines on lease from Government of Karnataka. This will reduce the dependency of iron ore supplies from private iron ore suppliers.</p>
Expected increase in productivity and profits in measurable terms	<p>Industry in which Company is operating is volatile in nature and the profits for the future years cannot be estimated with the sufficient degree of assurance.</p>
Disclosure of remuneration package of Mr. R. V. Gumaste	<p>The remuneration package is already disclosed in the resolution mentioned in item No. 7 of the notice.</p>



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have the pleasure in presenting this 15th Annual Report together with Audited Accounts for the year ended 31st March, 2006.

1. FINANCIAL PERFORMANCE :

	(Amount in Rupees)	
	2005-2006	2004-2005
Income	4,871,979,263	5,004,791,286
Profit before tax	397,597,651	207,631,798
Provision for:		
Deferred tax	131,762,836	(10,777,702)
Fringe Benefit Tax	1,509,804	—
Minimum Alternate Tax	3,400,000	—
Wealth tax	108,803	91,775
Profit after tax	260,816,208	218,317,725

Appropriation:

Your Directors propose to appropriate the available profit for the year 2005-06 as follows:

Proposed dividend on :

12% Redeemable Cumulative non convertible Preference shares	Rs. 38,959,503
1% Redeemable Cumulative non convertible Preference shares	Rs. 188,830,677
Tax on proposed Dividend	Rs. 31,947,573
Balance carried to Balance sheet	Rs. 1,078,455

Dividend :

Your Company achieved profit for the fourth consecutive year and posted a profit after tax of Rs. 260.82 Millions in 2005-06, and therefore the Directors have decided to recommend dividend of Rs. 38.96 Millions on 32,466,253 —12% Redeemable Cumulative non convertible Preference Shares and dividend of Rs. 188.83 Millions (inclusive of dividend in arrears) on 72,220,000 —1% Redeemable Cumulative non convertible Preference Shares and propose to carry forward the balance available to the Balance Sheet.

2. MANAGEMENT DISCUSSION AND ANALYSIS:

A. Industry Overview :

The industry witnessed an improved market for the pig iron during the year under review. The market conditions for sale of pig iron was generally favourable for a greater part of the year. New players along with some closed units have entered the market.

Since there was a good demand for the steel in the domestic and in the international market, the steel manufacturers did not divert their production capacity towards the pig iron. This in turn also helped the pig iron manufacturers in sustaining the overall demand for the pig iron.

The pig iron price also showed an upward trend in the international market. The selling price in the domestic market was marginally higher than the price in the international market. The selling price of the pig iron in the domestic market during the year under review was lower as compared to the previous year.

The important raw materials required in the manufacture of pig iron are coke and iron ore. Although there was considerable reduction in the price of Coke during the year the iron ore price continued to be on the rise on account of huge demand both in the international as well as in the domestic market.

Automobile sector continued to show good growth resulting in increased demand for castings and higher capacity utilization of the foundries. The tractor industry also witnessed an increased demand on account of good monsoon. Thus the market for the sale of castings was favourable throughout the year.

B. Company Performance :

During the year under review, your Company achieved sales of Rs.4827 Million (previous year Rs. 4970 million) resulting in marginal decrease in sales by 3% over the previous year. The sales value decreased as compared to previous year due to the decrease in sales realization of pig iron by 13% over the previous year, in spite of increase in sales quantity of pig iron.

The profit before tax for the year under review stood at Rs. 397 Million as compared to Rs. 208 Million of the previous year after providing for depreciation and amortization. The increase in profitability during the year under review with respect to previous year was mainly on account of stability in coke prices and favourable market condition for both pig iron and foundry.

To reduce the cost of coke, when the price of the imported coke shot up exorbitantly, your Company commenced sourcing of some quantity of indigenous coke by opting for coal to coke conversion route in India. However, in time, the price of coking coal increased and the conversion cost of coal to coke worked out higher than the cost of imported coke prevailing in international market and hence your Company decided not to pursue further into the conversion route and reverted back to buying of the imported coke.

As a permanent solution to the water shortage during the summer season, your Company commissioned one more water storage tank of 180,000 m³ during the year under review.

C. Operational Performance :

Pig iron prices were relatively stable as compared to the price variations experienced in the previous years.

With the increase of prices of the pig iron in the international market, opportunity to export the pig iron improved and your Company could make a beginning on export front in the year under review.

The coke prices which were at a level of USD 250/MT at the beginning of the year later stabilized at a level of USD 150/MT for the remaining part of the year. However, the prices of iron ore continued to increase throughout the year, on account of the continued demand from China and from the domestic industry as well. Increased diesel cost had its impact on the transportation cost of raw materials.

Your Company sold 221,218 MT of pig iron valued at Rs.3067 Million as compared to 203,091 MT valued at Rs.3253 Million in the previous year.

The demand for castings from both auto and tractor industry showed increasing trend. Your Company sold castings aggregating to Rs.1,185 Million as compared to Rs.1,217 Million in the previous year.

Even though the demand for castings was high, your Company was not in a position to increase the production due to low productivity and go slow tactics adopted by the workmen of the foundry division for wage agreement. After exhausting the options of discussing, counselling and negotiating, the management had to take a firm stand with the workmen with regard to the adherence of productivity norms and production as per the machine capacity. Workmen initially resisted the demand of the management and went in for a stoppage of work for almost 45 days. During this period, the Company continued the operations with the support of management staff, casual and temporary workmen. Subsequently, workmen unconditionally agreed to give the productivity as per the productivity norms and also gave undertaking to this effect.



Thereafter there has been an improvement in the productivity of the foundry, inspite of inconclusive wage agreement till date.

D. Cost Control :

Your Company has adopted following measures to reduce the cost :

1. Introduction of alternate low cost materials as substitute for the present materials without compromising on quality of the product.
2. Improving the floor in the raw material yard to reduce the wastage.
3. Improvements in handling system of casting to reduce the damages of castings at shake out stage of the foundry.
4. Streamlining of core trolley movement to reduce core breakages.

E. Concerns and Threats :

Entry of new pig iron manufacturers may put more pressure on the pig iron prices affecting the contribution level.

Continuous increase in iron ore prices will result in increase in input costs. To offset such increase the sanction for an iron ore mine on lease by Government of Karnataka, is a solution. An application has already been made and the outcome is awaited.

Coke is an important material required for the manufacture of pig iron. Any rise in the price or change in duty structure or change in the policy of the Chinese Government may adversely affect the availability / cost of the coke. However, the Company has already entered into an agreement with a domestic coke manufacturer for conversion of coal to coke, which can be a solution to overcome this problem.

If the continued buoyancy in steel market wanes, the steel plants may start dumping pig iron in to the market. To overcome this situation, your Company will be undertaking study on production of high value added products like spun pipes and steel making.

Expansion of the existing foundries may result into excess capacities, if the upbeat in the auto and tractor industry declines creating pressures on the casting prices. Such situation would demand higher sales in the export market for which beginning has been made.

Wage negotiation with Workmen Union is yet to be completed. Presently the settlement of Charter of Demand has been referred to the Industrial Tribunal by the Government of Karnataka, for hearing and final disposal. The matter is sub-judice and settlement may take time.

F. Prospects for the Current Year :

The world growth in 2006 is projected to be driven more from Asia Pacific Region and China and India in particular. It is expected that India's GDP will grow at 7.5% to 8.0% for the financial year 2007. This will support increase in steel consumption in the country, there by sustaining the demand for the pig iron. The Auto Industry as well as tractor industry are expected to register growth for the coming year. Export of tractors to developed countries is also on an increasing mode. Therefore, your Company expects to have good demand for its castings.

In order to become cost competitive, the Company has already taken up the following capital expenditure to improve the operational efficiencies:

1. Installation of stoves : to reduce coke consumption and increase productivity.
2. Construction of Railway siding within the factory premises to reduce the logistics cost on material transportation. Your Company is completing the process of acquisition of land required for the installation of Railway siding.
3. Installation of casting handling device and effective cooling system at casting evacuation section in foundry to improve the handling system and thereby reduce the casting damages.

Your Company continues to focus on broad basing market for casting products and explore the sale of both pig iron and castings in the International market.

Prices of iron ore is rising owing to the increased demand in the domestic as well as in international market. Efforts are continuing to get iron ore mines on lease from Government of Karnataka. This will reduce the dependency of iron ore supplies from private iron ore suppliers.

In mean time, the Company is exploring the possibility of having tie up with the mine owners to have confirmed iron ore supplies at predetermined prices. This will reduce the cost of procurement of iron ore.

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 may differ materially from those either expressed or implied.

G. Status on Joint Venture Agreement:

As informed in 14th Annual Report, a new Joint Venture Company by the name of Karnataka OSD Coke Pvt. Ltd. was formed for the purpose of manufacturing of coke from coking coal.

This arrangement enables another option of sourcing indigenously manufactured coke whenever the price of imported coke turn out to be unfavourable or in cases where the coke becomes unavailable due to the restrictions imposed by the Chinese government on the export of coke.

In the recent period this alternate route of sourcing of coke indigenously has not been viable owing to very steep hike in the price of coking coal. This in turn has resulted into the investment for this new joint venture company to be kept on a hold.

H. Internal Control Systems and their adequacy:

The Company has a proper and adequate system of controls in order to ensure that all assets are safeguarded against loss from unauthorized use or disposal. All transactions are properly checked, verified, recorded and reported correctly.

Regular Internal Audit checks are carried out to ensure that the responsibilities are executed effectively and that proper and adequate systems are in place.

Your Company implemented Integrated Information System on Informix RDBMS from April 1994. The Company has commenced working on Web based applications and is moving towards paperless office concept.

Your Company is also in the process of migrating from the present Informix RDBMS to Oracle based system and is expected to complete the same during the financial year 2006-07.

I. Safety, Health and Environment :

Your Company is giving utmost importance to safety, health and environment related issues. The employees are educated and trained to improve their awareness and skills.

All safety statutory requirements like licenses, mock drills under emergency conditions and testing of lifting tackles and pressure vessels etc are being complied with. As a proactive approach, periodical safety audit is conducted to identify and eliminate possible potential causes of accidents.

Requirements of environmental acts and regulations are also complied with. Monitoring and analysis of waste water, stack emissions and Ambient Air Quality are undertaken periodically to verify whether the level of environmental parameters are well within the specified limits. Immediate, corrective and preventive measures are under taken in case of deviations from the specified norms. ISO-14001:2004 for Environment systems has been re-certified for the Company by the M/s IRQS, Chennai in December 2005.



Effluent treatment of waste products and suppression of fugitive emissions through sprinklers is also carried meticulously. Lot of attention has been given to improve the greenery all around the plant through massive tree plantation programme.

Medical check up for the employees is being conducted at the pre-employment stage and thereafter periodical check up is undertaken during the continuance of the employment period. Based on the medical reports of the employees, necessary measures are taken to improve the health condition of the employees. Your Company has appointed a full time Doctor and qualified nurses for the Occupational Health Centre, which cater to the medical needs of the employees.

J. Social responsibility:

Your Company has been supporting and providing assistance to nearby villages by supply of good quality drinking water, educational assistance and medical assistance for the village people. Also basic facilities such as roads, drainages, school building and medical centre has been provided though the Trust set up by your Company. Seed money has also been provided to rural women for self employment scheme.

K. Human Resources:

Your Company considers human resource to be an important valuable asset for the organisation and therefore constantly strives to attract and recruit best talent for the current and future needs. The Company has taken necessary steps to upgrade the standard of present employees by conducting various in-house training programs and courses. Further measures for the safety of the employees are also adopted through training programs on safety and mock drills. As on 31st March, 2006 the total number of salaried employees stood at 798. The Employer – Employee Relations have been generally cordial throughout the year except during period, when the workmen resorted to stoppage of work for 45 days. The last Wage agreement with the Company's workman union expired on January 31, 2005. The worker Union has submitted its Charter of Demand. Unfortunately, the settlement could not be reached on mutually agreeable terms. Presently the settlement on the Charter of Demand has been referred to the Industrial Tribunal by the Government of Karnataka, for hearing and final disposal. An Interim relief has however been granted to workmen as they have unconditionally accepted the adherence to the agreed productivity norms and are producing accordingly.

3. REDUCTION IN EQUITY SHARE CAPITAL :

A special resolution for the reduction of Equity Share Capital was passed by the members at the Annual General Meeting held on 5th August 2005 for the cancellation of the 50% of the paid up value of the Equity Shares. The reduction of Equity Share Capital was confirmed by the Hon'ble High Court of Judicature at Bombay on 30th September, 2005. The order of the Hon'ble High Court was registered by the Registrar of Companies, Maharashtra, Pune on 17th October, 2005.

After reduction, the Equity Shares of Rs. 10 each fully paid up was reduced to Rs.5 each fully paid up.

4. DIRECTORS:

Mr. Atul C. Kirloskar and Mr. A.R.Jamenis retire by rotation and being eligible, offer themselves for re-appointment.

Mr. A. N. Alawani was appointed as an additional Director on the Board under section 260 of the Companies, Act w.e.f. 22nd October, 2005 till the forth coming Annual General Meeting and being eligible offers himself for reappointment.

5. DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to the requirements under section 217 (2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed :

- (i) That in the preparation of the Accounts for the financial year ended 31st March, 2006 the applicable accounting standards have been followed ;
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for the year under review ;
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) That the Directors have prepared the accounts for the year ended 31st March 2006 on a "going concern" basis.

6. AUDITORS :

M/s. P.G. Bhagwat, Chartered Accountants, retire as auditors of your Company at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Audit committee has recommended their appointment. The Company has received a certificate from the retiring auditors to the effect that the appointment, if made, will be in accordance with the limit specified in section 224(1B) of the Companies Act, 1956.

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

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in Annexure-A and forms part of this Report.

8. PARTICULARS OF EMPLOYEES :

The information required under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure-B and forms part of this report .

9. CORPORATE GOVERNANCE :

Your Company conforms to the norms of Corporate Governance as envisaged in the Companies Act, 1956 and the Listing Agreement with the Bombay Stock Exchange Limited. A report of the Corporate Governance, along with the certificate of compliance from the Auditors, forms part of this report.

10. APPRECIATION :

The Board records its appreciation of the contribution of all the employees of the Company and its gratitude to the Company's valued customers, bankers, financial institutions, vendors and members for their continued support and confidence in the Company.

FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS

Pune : 25th April 2006

(ATUL C. KIRLOSKAR)
Chairman



**ANNEXURE - A
TO THE
DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED
31ST MARCH, 2006 AND FORMING PART THEREOF**

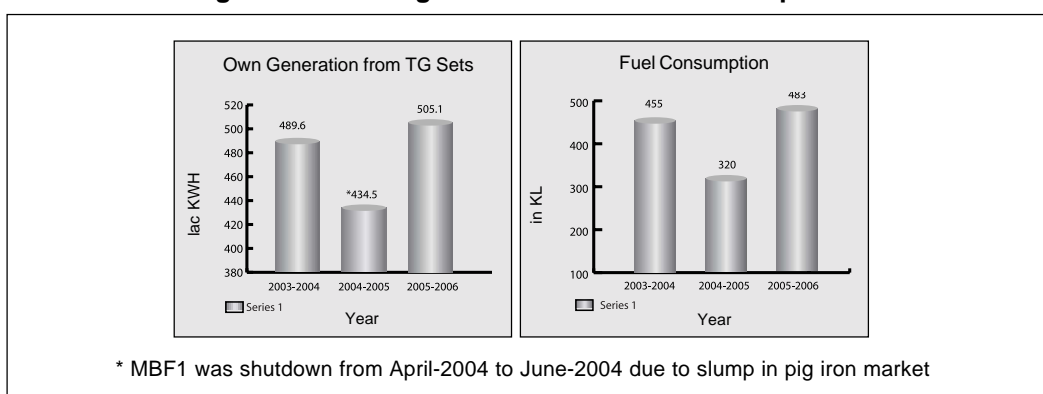
Additional Information pursuant to Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming a part of the aforesaid Directors' Report :

A CONSERVATION OF ENERGY :

a) Energy conservation measures taken during the year 2005-2006 is as follows;

- i Installation of auto power factor controller and upgradation of LT capacitor to accommodate more load and to avoid energy losses.
- ii Removal of higher rating motor with suitable motor for pump application.
- iii Cyclic timer for shop floor lighting to switch off/on to reduce the consumption.
- iv Ladle preheating by BFG instead of HSD/LDO.
- v Installation of Harmonic filters for Furnace-3 to improve power factor at HT side in foundry.
- vi Auto loading/unloading of compressor by installing PLC.

Figures of Power generation and Fuel consumption:



b) Additional Proposals for the year 2006-2007 :

- i Installation of stoves for MBF1, with technology from Kalugin, Russia.
- ii Coating of pump's internal surfaces with a special material to improve surface finish. This will reduce friction losses.
- iii Installation of variable frequency drive for fans and mixers.
- iv It is proposed to install fanless cooling tower at compressor house.
- v Installation of LT capacitors at foundry and compressor house

c) Impact of the above measures :

- i Reduction in consumption of coke.
- ii Reduction in power consumption.
- iii Improvement in operational efficiency and widening the scope for energy conservation.
- iv By installing capacitors energy losses can be reduced.

B TECHNOLOGY ABSORPTION :

Kalugin shaftless stoves has separate combustion chamber and hence total working volume is reduced compared to conventional stoves.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Earnings (Rs. in Million)	Rs. 148.89
Outgo (Rs. in Million)	Rs. 1615.51

ANNEXURE – B

DIRECTORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31ST MARCH, 2006 AND FORMING A PART THEREOF

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and forming a part of the aforesaid Directors' Report :

Name of the employee	Age Years	Qualification	Experience (Years)	Designation/ Nature of duties	Date of Joining	Remuneration Rs.	Particulars of last employment
Mr. R.V. Gumaste	48	B.Tech (Met.)	25	Managing Director	08-11-2001	26,94,552	Chief Executive- Works Indian Seamless Metal Tubes Ltd.

Notes :

- 1) Designation of the employee indicates the nature of duties.
- 2) Remuneration includes salary, Special allowance, House Rent allowance, reimbursement of medical expenses, Medclaim and Personal Accident Insurance, Leave Travel Allowance value of perquisites as per Income Tax Act, 1961 and the Rules thereunder and Company's Contribution to Provident Fund and Superannuation Fund. It does not include terminal benefits like leave encashment, gratuity payment if any.
- 3) The employee listed above is not a relative of any Director of the Company.

Addendum to the Directors' Report

Dear Members

The Board of Directors at its meeting held on 24th May, 2006 approved issue of equity shares on a rights' basis to the existing shareholders of the Company which shall be for an issue size of an aggregate amount not exceeding Rs. 250 Crores. The issue proceeds are proposed to be utilized towards redemption of preference shares of the Company, acquisition of assets/capital goods or such other purposes as may be decided by the Board of Directors. The Board has appointed the 'Rights issue and allotment committee' and has authorised the said committee to decide on all issues including issue price and ratio in which the shares shall be offered to the shareholders of the Company.

For Kirloskar Ferrous Industries Limited

Pune : 24th May, 2006

R.V. Gumaste
Managing Director

A. R. Jamenis
Director

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

We have examined the compliance of the conditions of Corporate Governance by Kirloskar Ferrous Industries Limited for the year ended 31st March, 2006, as stipulated in Clause 49 of the Listing Agreements 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 the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of 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 Agreements.

On the basis of representation received from Registrars and Share Transfer Agents and as per the records maintained by the Company which are presented to the Shareholders / Investors Grievance Committee, we state that during the year ended 31st March, 2006, no Investor Grievances were pending for a period exceeding one month.

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

S. B. Pagad
Partner

Pune : 25th April, 2006

Membership No.206124

CORPORATE GOVERNANCE

1. Company's philosophy on Code of Governance :

Corporate Governance contains a set of principles, process and systems to be followed by Directors, management and all employees of the Company for increasing the shareholders' value keeping in view interest of other stakeholders. While adhering to the above, the Company is committed to integrity, accountability, transparency and compliance with laws in all dealings with the Government, customers, suppliers, employees and other stakeholders.

2. Board of Directors :

As on 31st March 2006, there were eight Directors on the Board. Out of these, one is Executive Director, and seven are Non-Executive Directors. The Non-Executive Directors constituted more than half of the total number of Directors.

Four out of eight Directors were independent Directors, which duly complied with the requirement of Code.

The information on composition of the Board, category of Directors, attendance at Board meetings held during the year and at the last Annual General Meeting, Directorships in other public companies and Committees of other public companies of which the Director is a member/Chairman is as under:-

Name of Directors	Category	Financial Year 2005-06		Attendance at the Last AGM	No. of Directorships In other public limited companies incorporated in India	Committee positions held in other companies		No. of Shares Held by Non-Executive Directors
		Board Meetings held	Board Meetings attended			#M	*C	
Mr. Atul C. Kirloskar	Chairman Non-Independent Non Executive	5	5	Yes	4	3	1	1600
Mr. Sanjay C. Kirloskar	Non-Independent Non Executive	5	5	Yes	6	2	Nil	200
Mr. R. V. Gumaste	Executive	5	5	Yes	Nil	Nil	Nil	N.A.
Mr. A.R. Jamenis	Non-Independent Non Executive	5	5	Yes	Nil	Nil	Nil	600
Mr. S.N. Inamdar	Independent Non Executive	5	4	Yes	10	5	2	6100
Mr. C.V. Tikekar	Independent Non Executive	5	5	Yes	Nil	Nil	Nil	6000
Mr.S.G.Chitnis	Independent Non Executive	5	3	Yes	Nil	Nil	Nil	700
Mr.A.N.Alawani (appointed as Additional Director w.e.f. 22 nd October, 2005)	Independent Non Executive	5	1	N.A.	5	2	Nil	13300

M : Member

* C : Chairman

During the year under review, five Board meetings were held on the following dates:

11th April, 2005, 10th June, 2005, 27th July, 2005, 22nd October, 2005, and 30th January, 2006.



Code of Conduct :

The Board of Directors of the Company have laid down a Code of Conduct for all its members and senior management personnel of the Company who have affirmed their compliance therewith. The same has been uploaded on the website www.kirloskar.com

3. Audit Committee :

During the year under review, four meetings of the committee were held on 10th June, 2005, 27th July, 2005, 22nd October, 2005, and 30th January, 2006. The composition of the committee and attendance at its meetings is given below:

Name of the Directors	Category	No. of Meetings held	No. of Meetings attended
Mr. S. N. Inamdar (Chairman)	Independent Non Executive	4	3
Mr. C. V. Tikekar	Independent Non Executive	4	4
Mr. A. R. Jamenis	Non- Independent Non Executive	4	4
Mr. S. G. Chitnis	Independent Non Executive	4	3

The representatives of the Internal Auditors, Statutory Auditors and Senior General Manager – Finance are also invited to the meetings. The Company Secretary acts as the Secretary of the Committee.

The terms of reference of the Audit committee include the matters specified under clause 49 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. Oversight of the Company's financial reporting process and the disclosures of its financial information to ensure that the financial statement is 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.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with management the annual financial statements before submission to the board, for approval, with particular reference to:
 - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause 2AA of section 217 of the Companies Act, 1956.
 - b) Changes, if any, in accounting policies and practices and reasons for the same.
 - c) Major accounting entries involving estimates based on the exercise of judgment by management.
 - d) Significant adjustments arising out of audit findings.
 - e) Compliance with listing and other legal requirements relating to financial statements.
 - f) Disclosure of any related party transactions.
 - g) Qualification in Draft Audit Report.
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 systems.
 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 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 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. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
 13. To mandatorily review the following information:
 - a. Management discussion and analysis of financial condition and results of operations;
 - b. Statement of significant related party transactions submitted by the management;
 - c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
 - d. Internal audit reports relating to internal control weaknesses; and
 - e. The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
 14. Carrying out any other function as is mentioned in the terms of reference of Audit Committee as amended from time to time by the Listing Agreement and Companies Act, 1956.

4. Remuneration to Directors

Remuneration Committee of the Board of Directors has been constituted on 24th June, 2002. Mr. Sanjay C. Kirloskar, Mr. A. R. Jamenis, Mr. S. N. Inamdar, are the members of this committee. The Board of Directors had fixed the remuneration of the Managing Director on the recommendation of the Remuneration Committee in accordance with the provisions of the Companies Act, 1956 and Schedule XIII of the said Act, and the same was approved by the shareholders at the 12th Annual General Meeting held on 20th September, 2003.

The Non Executive Directors are not paid any remuneration.

A sitting fee of Rs. 1000/- is paid to non-executive Directors for each meeting of Board or any committee thereof attended by them upto 5th August, 2005 and thereafter sitting fees has been increased to Rs.5000/- per meeting.

During the year, one Remuneration committee Meeting was held on 10th June, 2005 to revise the remuneration payable to the Managing Director, the abstract of which was already send to the members.



The details of the sitting fees paid to the Non Executive Directors during the year 2005-06 are given below:

Directors	Sitting Fees (Rs.)
Mr. Atul C. Kirloskar	24,000
Mr. Sanjay C. Kirloskar	25,000
Mr. A. R. Jamenis	37,000
Mr. S. N. Inamdar	23,000
Mr. C. V. Tikekar	36,000
Mr. S. G. Chitnis	14,000
Mr. A. N. Alawani	5,000
Total	1,64,000

Details of remuneration by way of salary and perquisites paid to the Managing Director of the Company for the year 1st April, 2005 to 31st March, 2006 are as given below.

Particulars	Total Amount (Rs.)
Salary	20,70,000
Contribution to PF	2,05,200
Contribution to Superannuation	2,56,500
Perquisites	1,62,852
Total	26,94,552

Salary includes Basic Salary, Special allowance and House Rent allowance .

Perquisites include reimbursement of medical expenses, Leave travel assistance, personal accident insurance, mediclaim insurance premium.

The Managing Director is also entitled to the following:

- i) Gratuity not exceeding one half month's salary for each completed year of service.
- ii) Encashment of leave at his credit as per Company's Rules at the end of his tenure.

The Company does not have a scheme for grant of stock options.

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

Share Transfer cum Shareholders'/Investors' Grievance committee of the Board has been constituted to look into complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of dividend etc. The committee is headed by Mr. Atul C. Kirloskar as Chairman (Non-Executive Director) and other members are Mr. Sanjay C. Kirloskar and Mr. A.R. Jamenis. Mr. Sarang Deshpande, Sr. Officer, Secretarial & Legal (who is also a member of the Institute of Company Secretaries of India) is the Compliance Officer. The Compliance Officer can be contacted at:

Kirloskar Ferrous Industries Limited
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003.
Tel: 25810341, 25815341, extn : 4845
Fax: 25813208, 25810209 E-mail: sarangd@koel.co.in

During the year, 82 complaints were received from the shareholders all of which have been resolved and there was no complaint pending as on 31st March, 2006.

6. General Body Meetings

Location and time of last three Annual General Meetings:

AGM for the Financial Year	Date	Time	Venue
2002-2003	20 th September, 2003*	11.00 a.m.	Registered Office of the Company at 13, Laxmanrao Kirloskar Road, Khadki, Pune - 411 003
2003-2004	27 th August, 2004	11.00 a.m.	
2004-2005	5 th August, 2005**	11.00 a.m.	

* One Special Resolution passed for Delisting of the equity shares from Pune Stock Exchange Ltd. and Delhi Stock Exchange Association Ltd.

**One Special Resolution passed for Reduction of Equity Share Capital from Rs.10 each to Rs.5 each.

None of the Special Resolution proposed at the last Annual General Meeting were required to be passed by postal ballot.

7. Disclosures :

During the year under review, the Company, in its normal course of business, has had sale / purchase transactions with its promoter company viz. M/s Kirloskar Oil Engines Limited. Transactions with the related parties are disclosed in Note No 18 of B Part of Schedule 20 to the Accounts in the Annual Report.

The Company has not had any transaction with the Directors and / or their relatives during the year under review that may have conflict with the interest of the Company at large.

During the last three years, there were no strictures or penalties imposed by either SEBI or the stock exchanges or any statutory authority for non-compliance of any matter related to the capital markets.

Adoption of non-mandatory requirements' under the listing agreement.

The Company has adopted the non-mandatory requirements as regards provisions relating to remuneration committee . The quarterly results are published in news papers, posted on the Kirloskar Group's web site and sent to the shareholders on request.

8. Means of Communication :

The Quarterly and Half Yearly results are published in widely circulating national and local dailies such as Business Standard in English and Kesari in Marathi. The results are not sent individually to the shareholders.

The Company's result and official news releases are displayed on the Kirloskar Group's website namely: www.kirloskar.com

There were no presentations made to the institutional investors or analysts during the year.

The Management Discussion and Analysis Report forms part of the Annual Report.



9. General Shareholder Information :

Annual General Meeting	
Date and Time	28 th July, 2006 at 11.30. A.M
Venue	Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002.
Financial Calendar	1 st April, 2005 to 31 st March, 2006 During the year under review, the results were announced as under :- First Quarter 27 th July, 2005 Second Quarter 22 nd October, 2005 Third Quarter 30 th January, 2006 Annual 25 th April, 2006
Date of Book Closure	21 st July, 2006 to 28 th July, 2006 (both days inclusive)
Dividend payment date	No dividend is being recommended on Equity shares*
Listing on stock exchange and Stock Code	Bombay Stock Exchange Limited 500245

* Dividend is declared on 12% and 1% Redeemable Cumulative Non – Convertible Preference Share which are not listed on any Stock Exchange.

The ISIN Number (or demat number) of Kirloskar Ferrous Industries Limited on both NSDL and CDSL is INE 884B01025 for Equity share of Rs.5 each fully paid up.

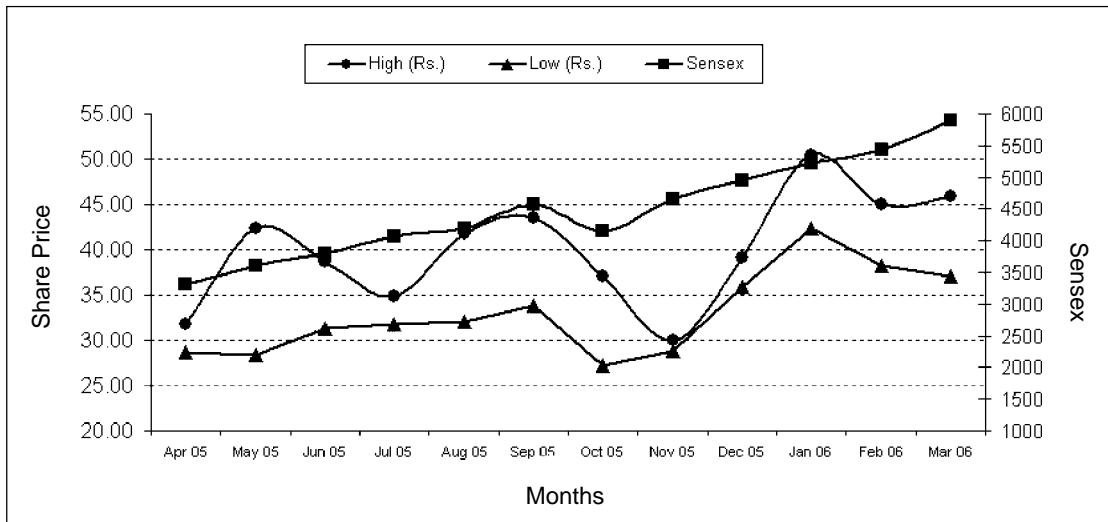
The Company has paid listing fees to the Bombay Stock Exchange Limited for the year 2005–06.

Market Price Data

Monthly high/low during the year 2005-06 on the Bombay Stock Exchange Limited :

Year	Month	High (Rs.)	Low (Rs.)
2005	April	31.75	28.65
	May	42.30	28.45
	June	38.70	31.35
	July	34.90	31.80
	August	41.80	32.10
	September	43.50	33.85
	October	37.00	27.20
	November	30.00	28.80
	December	39.15	35.85
2006	January	50.40	42.35
	February	45.00	38.25
	March	45.90	37.10

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





Registrar & Transfer Agent :

The Company entrusted the entire work relating to processing of transfer of shares to Intime Spectrum Registry Limited being a SEBI Registered R & T Agent whose address is given below :

Intime Spectrum Registry Limited
Bhagirathi Building, 1202/3/11 Shivajinagar,
Off Ghole Road, Opposite Hotel Surya, Pune 411 004.
Telephone : (020) 56203395
Email ID : pune@intimespectrum.com

Share Transfer System:

The applications for transfer of shares received by the company's Registrar and Share Transfer Agents in physical form are processed and registered within 30 days of receipt of the documents which are valid in all respects.

Shares under objection are returned within a week's time. The transfer applications are approved periodically.

Distribution of Shareholding as on 31st March, 2006

Range of Shares		Share Holders		Shares	
From	To	Number	% to Total	Number	% to Total
1	5,000	71,632	96.96	12,905,240	17.87
5,001	10,000	953	1.29	1,548,809	2.14
10,001	20,000	649	0.88	1,879,397	2.60
20,001	30,000	275	0.37	1,391,560	1.93
30,001	40,000	62	0.08	435,740	0.60
40,001	50,000	89	0.12	854,792	1.18
50,001	1,00,000	110	0.15	1,544,401	2.14
1,00,001 and above		114	0.15	51,651,657	71.52
In Transit				10,804	0.01
Total		73,884	100.00	72,222,400	100.00

Shareholding Pattern as on 31st March, 2006

Category	No. of Shares	% of Share Holding
Promoter Companies	34,750,485	48.12
Persons Acting In Concert	1,107,592	1.53
Financial Institutions	4,100,000	5.68
Nationalised Banks	800	0.00
Non Nationalised Banks	900	0.00
Non Resident Indians	1,705,265	2.36
Mutual Funds	30,700	0.04
FII	2,489,109	3.45
Domestic Companies	5,522,969	7.65
General Public	22,503,776	31.16
In Transit	10,804	0.01
Total	72,222,400	100.00

Dematerialisation of shares :

As on 31st March, 2006, 82.17 % of the total equity capital of the Company was held in dematerialised form.

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

The Company has not issued any GDR / ADR/ Warrants.

Nominations in respect of shares held in Physical form :

The Companies Act, 1956 provides facility for making nominations by shareholders in respect of their holding of shares. However a large number of shareholders are yet to make nominations in respect of their holding in physical form. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/ her Nominee without having to go through the time consuming and cumbersome process of obtaining the Succession Certificate / Probate or Will. Therefore it would be in the best interest of the shareholders holding shares in Physical form as sole registered holders to make Nomination without any delay. The Nominee shall be the person in whom all the rights of transfer and / or amount payable in respect of the shares shall vest in the event of death of shareholder(s). A minor can also be a Nominee provided the name of the Guardian is given in the Nomination form. The facility of Nomination is not available to Non- individual shareholders such as Bodies Corporate, Financial Institutions, Kartas of Hindu Undivided Family and Holders of Powers of Attorney. Nominations will have to be made in prescribed form, which could be obtained from the Registered office of the company or the Share Transfer Agent.

Pursuant to Regulation 3(1)(e)(i) of Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 and subsequent amendments thereto, 'Group' consists of Better Value Holdings Private Limited, Kirloskar Brothers Limited, Kirloskar Oil Engines Limited, Kirloskar Pneumatic Company Limited, Kirloskar Ferrous Industries Limited, Pooja Credits Private Limited, Kirloskar Systems Limited, Asara Sales & Investments Private Limited, PIH Finvest Company Limited, Navsai Investments Private Limited, Prakar Investments Private Limited, Alpak Investments Private Limited, Achyut & Neeta Holdings & Finance Private Limited, Sri Harihareshwara Finance & Investments Private Limited, Cees Investments & Consultants Private Limited, Kirloskar Kisan Equipments Limited, Kothrud Power Equipment Limited, Kirloskar Silk Industries Limited, Kirloskar Proprietary Limited, Kirloskar Copeland Limited, G G Dandekar Machine Works Limited, Suman Kirloskar, Mrinalini Kirloskar, Neeta A. Kulkarni, Atul C. Kirloskar, Arti Kirloskar, Gauri Kirloskar, Aditi Kirloskar, Sanjay C. Kirloskar, Pratima Kirloskar, Alok Kirloskar, Rama Kirloskar, Rahul C. Kirloskar, Alpina Kirloskar, Alike Kirloskar, Aman Kirloskar, Gautam A. Kulkarni, Jyotsna Kulkarni, Nihal Kulkarni, Shruti Kulkarni, Ambar Kulkarni, Vikram S. Kirloskar, Geetanjali Kirloskar, Mansi Kirloskar and Roopa Gupta.

Plant Location:

Bevinahalli Village
P.O. Hitnal, Taluk & Dist. Koppal,
Karnataka - 583 234

Address for Correspondence:**In respect of shares:**

Intime Spectrum Registry Ltd.
Bhagirathi Building,
1202/3/11, Shivajinagar, off Ghole Road,
Opposite Hotel Surya, Pune 411 004
Tel. No: (020) 56203395
E-mail ID : pune@intimespectrum.com

Kirloskar Ferrous Industries Limited
13, Laxmanrao Kirloskar Road,
Khadki, Pune 411 003
Tel. No. (020) 25810341, 25815341
Extn - 4845

10. (i) As required by Clause 49 of the Listing Agreement, Certificate of the Auditors regarding Compliance with the provisions of Corporate Governance forms a part of the Directors' Report.
- (ii) There are no qualifications in the Auditors Report.

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

The Shareholders,

I, Ravindranth V. Gumaste, Managing Director of the Company, do hereby declare that all the Board Members & Senior Management personnel have affirmed compliance with the Code of Conduct for the Board of Directors & Senior Management of Kirloskar Ferrous Industries Limited made effective from April 1, 2005.

Pune : 25th April, 2006

Sd/-
Managing Director



AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **KIRLOSKAR FERROUS INDUSTRIES LIMITED** as at 31st March, 2006, the Profit and Loss account and also the Cash Flow statement of the Company for the year 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 (Auditors' Report) Order, 2003 [as amended by Companies (Auditors' 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 purpose of our audit;
 - (ii) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of such books;
 - (iii) The Balance Sheet, 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 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, 2006, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 on the said date;
 - (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, 2006;
 - (b) In the case of the Profit and Loss account of the profit for the year ended on that date;
 - (c) In the case of the Cash Flow statement, of the Cash Flows for the year ended on that date.

For M/s P. G. BHAGWAT
Chartered Accountants

S.B.Pagad

Partner

Membership No : 206124

Pune : 25th April, 2006

ANNEXURE TO THE AUDITORS' REPORT

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. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (c) According to the information and explanation given to us, the Company has not disposed off substantial part of fixed assets, during the year.
- (ii) (a) The inventory was physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) The Company has neither granted, nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(a),(b),(c),(d),(e),(f) & (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there were adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (b) As there are no transactions that need to be entered into the register maintained under section 301 of the companies Act, paragraph 4(v)(b) of the order is not applicable.
- (vi) The Company has not accepted deposits from public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of records with a view to determine whether they are accurate or complete.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. As informed to us Employees' State Insurance Act is not applicable to the Company.

According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2006 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 amounts of excise duty which have not been deposited on account of dispute as listed below

Name of the stature	Nature of the dues	Amount (Rs.)	Forum where dispute is pending
Central Excise Act	Interest on refund	341,496	Assistant Commissioner of Central Excise
	Duty on pattern development charges	242,068	Commissioner of Central Excise
	Duty on valuation of castings	7,254,483	CESTAT- Bangalore
	Cenvat Credit Eligibility	18,606,352	CESTAT-Bangalore
	Cenvat Credit	356,929	Assistant Commissioner of Central Excise

- (x) In our opinion, the accumulated losses of the Company are not more than fifty percent of its net worth as on 31st March, 2006. The Company has not incurred cash losses during the financial year and in the immediately preceding financial year.
- (xi) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to banks during the year. The Company has not taken any loans from financial institutions and has not issued debentures during the year.
- (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.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society.
- (xiv) According to information and explanation given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
- (xv) As informed to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (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) The Company has not issued any debenture during the year.
- (xx) According to information and explanation given to us, the Company has not made any public issue to raise money.
- (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

S. B. Pagad
Partner

Pune : 25th April, 2006

Membership No : 206124

BALANCE SHEET AS AT 31st MARCH, 2006

	Schedule	Rs.	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.
I. SOURCES OF FUNDS :				
1. Shareholders' Funds :				
(a) Capital	1	1,407,974,530		1,769,086,530
(b) Reserves and Surplus		—		—
			1,407,974,530	1,769,086,530
2 Loan Funds :				
(a) Secured Loans	2	160,233,338		220,950,229
(b) Unsecured Loans	3	163,333,341		313,333,337
			323,566,679	534,283,566
Total			1,731,541,209	2,303,370,096
II. APPLICATION OF FUNDS :				
1. Fixed Assets :				
(a) Gross Block	4	2,400,708,577		2,328,162,125
(b) Less: Depreciation		1,196,752,707		1,084,721,839
(c) Net Block		1,203,955,870		1,243,440,286
(d) Capital Work In Progress		43,105,892		41,462,191
			1,247,061,762	1,284,902,477
2. Investments				
			—	—
3. Deferred Tax Asset - Net				
	5		82,351,690	214,114,526
4. Current Assets, Loans And Advances:				
(a) Inventories	6	430,241,368		561,607,595
(b) Sundry Debtors	7	450,794,052		548,361,522
(c) Cash & Bank Balances	8	83,433,695		386,608,305
(d) Other Current Assets	9	8,276,716		11,098,977
(e) Loans & Advances	10	282,346,576		276,972,820
		1,255,092,407		1,784,649,219
Less : Current Liabilities & Provisions	11			
Current Liabilities		962,343,408		1,592,632,781
Provisions		269,738,697		134,928,172
		1,232,082,105		1,727,560,953
Net current assets			23,010,302	57,088,266
5. Miscellaneous Expenditure				
(to the extent not written off or adjusted)	12		—	5,956,917
Profit & Loss Account	13		379,117,455	741,307,910
Total			1,731,541,209	2,303,370,096
Notes forming part of the accounts	20			

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G.Bhagwat
Chartered Accountants

ATUL C.KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

S.B.PAGAD
Partner

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Sr. General Manager-Finance

Pune : 25th April, 2006

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006**

INCOME	Schedule	Rs.	For the year	For the year
			ended 31st March, 2006 Rs.	ended 31st March, 2005 Rs.
Sales			5,318,547,952	5,211,357,395
Sale of byproducts, waste and scrap			289,730,585	402,516,516
			<u>5,608,278,537</u>	<u>5,613,873,911</u>
Less : Excise Duty & Education Cess on Excise Duty			780,816,881	643,759,478
Net Sales			<u>4,827,461,656</u>	<u>4,970,114,433</u>
Other income	14		44,517,607	34,676,853
			<u>4,871,979,263</u>	<u>5,004,791,286</u>
EXPENDITURE				
Raw Materials & Stores Consumed	15		3,690,576,962	4,076,121,370
Employees Remuneration & Benefits	16		134,462,950	119,751,615
Operational and Establishment Expenses	17		459,557,659	392,729,600
Interest	18		69,937,829	89,898,555
Depreciation and Amortisation	19		119,809,133	126,462,174
			<u>4,474,344,533</u>	<u>4,804,963,314</u>
Profit for the year			<u>397,634,730</u>	<u>199,827,972</u>
Prior period Expenses / (Income) (Net)			37,079	(7,803,826)
Profit before tax			<u>397,597,651</u>	<u>207,631,798</u>
Provision for Taxation:				
Deferred Tax			131,762,836	(10,777,702)
Fringe Benefit Tax			1,509,804	—
Minimum Alternate Tax			3,400,000	—
Wealth Tax for the year			108,803	91,775
Profit after tax			<u>260,816,208</u>	<u>218,317,725</u>
Appropriation				
Proposed Dividend on :				
12% Cumulative Redeemable Preference Shares		38,959,503		113,379,134
1% Cumulative Redeemable Preference Shares		188,830,677		—
		<u>227,790,180</u>		<u>113,379,134</u>
Tax on above proposed dividend		<u>31,947,573</u>		<u>15,901,424</u>
			<u>259,737,753</u>	<u>129,280,558</u>
Profit after appropriation			<u>1,078,455</u>	<u>89,037,167</u>
Earnings Per Share:				
Basic & Diluted Earnings Per Share			2.97	2.38
Notes forming part of the accounts	20			

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G.Bhagwat
Chartered AccountantsATUL C.KIRLOSKAR
ChairmanR.V.GUMASTE
Managing DirectorS.B.PAGAD
PartnerC.S.PANICKER
Company SecretaryR.S.SRIVATSAN
Sr. General Manager-Finance

Pune : 25th April, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2006

	Rs.	2005-2006 Rs.	2004-2005 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit/(Loss) before tax		397,597,651	207,631,798
Adjustments for			
Depreciation	113,852,216		116,250,317
Write offs	5,956,917		10,211,857
Profit on sale of assets	(281,508)		(8,401)
Loss on sale of assets	80,476		934,864
Interest paid	69,937,829		89,898,555
Interest income	(11,175,760)		(13,990,792)
Rent on Building	(6,000,000)		(6,000,000)
		<u>172,370,170</u>	<u>197,296,400</u>
Operating profit before working capital changes		569,967,821	404,928,198
Decrease/(Increase) in Trade & Other Receivables	93,837,565		(256,051,107)
Decrease/(Increase) in Inventories	131,366,227		(182,025,368)
(Decrease)/Increase in Trade Payables	(629,353,071)		540,792,886
		<u>(404,149,279)</u>	<u>102,716,411</u>
Cash generated from operations		165,818,542	507,644,609
Tax Deducted at Source (Refunds)		1,126,355	83,503
Taxes paid		(1,601,579)	(86,543)
Net cash from operating activities		<u>165,343,318</u>	<u>507,641,569</u>
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of assets	(78,917,561)		(72,484,502)
Proceeds from sale of assets / Adjustment to Gross Block	722,306		5,302,271
Interest received	13,612,601		11,784,996
Rent on Building	6,000,000		6,000,000
Net cash used In investing activities		<u>(58,582,654)</u>	<u>(49,397,235)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES :			
Interest paid	(70,254,724)		(98,241,904)
Proceeds/(Repayment) of Long Term Borrowings	39,600,004		166,541,334
Proceeds/(Repayment) from Short Term Borrowings	(249,999,996)		(236,666,663)
Increase/(Decrease) Cash Credit	-		(10,289,677)
Dividend on Cumulative Redeemable Preference Shares	(113,379,134)		-
Tax on Dividend on Cumulative Redeemable Preference Shares	(15,901,424)		-
Net cash used In financing activities		<u>(409,935,274)</u>	<u>(178,656,910)</u>
Net Increase/(decrease) in cash & cash equivalents		<u>(303,174,610)</u>	<u>279,587,424</u>
Opening Cash and Cash Equivalents		386,608,305	107,020,881
Closing Cash and Cash Equivalents		83,433,695	386,608,305

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G.Bhagwat
Chartered Accountants

ATUL C.KIRLOSKAR
Chairman

R.V.GUMASTE
Managing Director

S.B.PAGAD
Partner

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Sr. General Manager-Finance

Pune : 25th April, 2006


Schedule Nos. 1 to 13 annexed to and forming part of the Balance Sheet as at 31st March, 2006

	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.
SCHEDULE 1		
SHARE CAPITAL		
Authorised :		
210,000,000 (105,000,000) Equity Shares of Rs. 5 each (Rs.10 each) (Refer Note No.B-13b)	1,050,000,000	1,050,000,000
117,000,000 (117,000,000) Preference Shares of Rs.10 each	1,170,000,000	1,170,000,000
	<u>2,220,000,000</u>	<u>2,220,000,000</u>
Issued, Subscribed and Paid up :		
72,222,400 (72,222,400) Equity Shares of Rs.5 each (Rs.10 each) (Refer Note No. B-13a)	361,112,000	722,224,000
32,466,253 (32,466,253) 12% Redeemable Cumulative Non Convertible Preference Shares of Rs.10 each redeemable at par as follows	324,662,530	324,662,530
a) 26,406,253 (26,406,253) Shares Redeemable at par commencing from 31-03-2008 and ending on 31-03-2011		
b) 6,060,000 (6,060,000) Shares Redeemable at par commencing from 15-09-2008 and ending on 15-09-2013		
72,220,000 (72,220,000) 1% Redeemable Cumulative Non Convertible Preference Shares of Rs.10 each Redeemable at par as follows:	722,200,000	722,200,000
a) 45,000,000 (45,000,000) Shares Redeemable at par after a period of 3 years from allotment date (i.e. 10.03.1998) but not later than 10 years from the date of allotment		
b) 23,420,000 (23,420,000) Shares Redeemable at par on 30-03-2011		
c) 3,800,000 (3,800,000) Shares Redeemable at par on 24-09-2011		
	<u>1,407,974,530</u>	<u>1,769,086,530</u>
SCHEDULE 2		
SECURED LOANS		
Term Loans:		
a) from Banks	35,833,338	45,833,334
Interest accrued and due on above loans (Secured by way hypothecation (first charge) on movable fixed assets (except charge on Core Shop machinery) and further secured by mortgage on the immovable property)	—	316,895
b) from Others	124,400,000	174,800,000
(Secured by exclusive charge by way hypothecation on specific movable Plant & Machinery (Core Shop machinery))		
	<u>160,233,338</u>	<u>220,950,229</u>
Cash Credit from Banks (See Note - B-6)	—	—
	<u>160,233,338</u>	<u>220,950,229</u>

As at
31st March,
2006
Rs.

As at
31st March,
2005
Rs.

SCHEDULE 3

UNSECURED LOANS

Term Loans :

- a) Short Term Loan from Banks
b) from Others

	–	150,000,000
	163,333,341	163,333,337
	<u>163,333,341</u>	<u>313,333,337</u>

SCHEDULE 4

FIXED ASSETS

	FREEHOLD LAND	BUILDINGS	PLANT & MACHINERY INCLUDING COMP. & ELEC.	FURNITURE & FIXTURES	VEHICLES	AS AT 31 st MARCH 2006	AS AT 31 st MARCH 2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross Block :							
As at 1st April 2005	22,734,109	509,119,051	1,777,624,744	12,619,699	6,064,522	2,328,162,125	2,306,769,315
Additions during the year	860,432	49,479,535	21,070,099	813,564	2,665,444	74,889,074	31,293,186
Deductions and adjustments	-	-	1,723,402	273,045	346,175	2,342,622	9,900,376
As at 31st March 2006	23,594,541	558,598,586	1,796,971,441	13,160,218	8,383,791	2,400,708,577	2,328,162,125
Depreciation :							
Upto 31st March 2005	-	149,097,244	925,324,296	8,532,678	1,767,621	1,084,721,839	972,143,164
For the year 2005-06	-	16,156,152	96,215,820	812,276	667,968	113,852,216	116,250,317
Deductions and adjustments	-	-	1,323,671	217,465	280,212	1,821,348	3,671,642
Upto 31st March 2006	-	165,253,396	1,020,216,445	9,127,489	2,155,377	1,196,752,707	1,084,721,839
Net Block :							
As at 31st March 2006	23,594,541	393,345,190	776,754,996	4,032,729	6,228,414	1,203,955,870	1,243,440,286
As at 31st March 2005	22,734,109	360,021,807	852,300,448	4,087,021	4,296,901	1,243,440,286	

As at
31st March,
2006
Rs.

As at
31st March,
2005
Rs.

SCHEDULE 5

DEFERRED TAX - Net

Deferred Tax Assets:

- Unabsorbed Business Loss as per Income Tax Act
Unabsorbed Depreciation as per Income Tax Act
Disallowance under Section 43 B of Income Tax Act
Provision for doubtful debts

Total Assets

Deferred Tax Liabilities:

- Depreciation
Deferred Revenue expenses
Lease Adjustment account

Total Liabilities

Net Assets

	–	33,772,222
	404,848,658	519,026,528
	2,412,166	1,908,810
	6,652,208	8,481,775
	<u>413,913,032</u>	<u>563,189,335</u>
	280,277,788	296,273,848
	–	2,005,098
	51,283,554	50,795,863
	<u>331,561,342</u>	<u>349,074,809</u>
	<u>82,351,690</u>	<u>214,114,526</u>



	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.
SCHEDULE 6		
INVENTORIES		
(As certified by the Managing Director)		
(i) Stores, Spares & Consumables	102,081,858	79,715,283
(ii) Raw material including self generated scrap	282,756,195	424,845,939
(iii) Stock in trade		
Finished Goods	15,646,746	20,236,035
Non-reusable waste	1,433,626	-
(iv) Work in Process	28,322,943	36,810,338
	<u>430,241,368</u>	<u>561,607,595</u>
SCHEDULE 7		
SUNDRY DEBTORS		
(Unsecured)		
(a) Debts outstanding for a period exceeding six months		
Considered Good	2,577,695	6,285,143
Considered Doubtful	15,646,626	20,698,379
	<u>18,224,321</u>	<u>26,983,522</u>
Less: Provision for doubtful debts	15,646,626	20,698,379
	2,577,695	6,285,143
(b) Others - Considered Good	448,216,357	542,076,379
	<u>450,794,052</u>	<u>548,361,522</u>
SCHEDULE 8		
CASH AND BANK BALANCES		
Cash and stamps on hand	167,572	130,936
Bank Balances with scheduled banks:		
In Current Account	58,475,849	118,038,043
In Margin Deposit	24,558,700	70,807,204
In Fixed Deposit	231,574	197,632,122
	<u>83,433,695</u>	<u>386,608,305</u>
SCHEDULE 9		
OTHER CURRENT ASSETS		
Interest accrued on investments and deposits	586,945	3,023,786
Claims Receivable	12,189,771	12,575,191
Less: Provision for doubtful advances / Deposits	<u>4,500,000</u>	<u>4,500,000</u>
	7,689,771	8,075,191
	<u>8,276,716</u>	<u>11,098,977</u>

	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.
SCHEDULE 10		
LOANS AND ADVANCES		
(Unsecured considered good)		
Advances recoverable in cash or in kind or for value to be received	51,326,562	65,479,493
Advance against capital expenditure	5,785,434	3,400,648
Prepaid Expenses	181,648,774	181,565,401
Sundry Deposits	5,556,139	7,488,619
Balance and deposit with Central Excise & Customs	35,532,231	15,414,868
Advance Income tax and Tax deducted at Source	2,497,436	3,623,791
	<u>282,346,576</u>	<u>276,972,820</u>

SCHEDULE 11

CURRENT LIABILITIES

Sundry Creditors:		
Amount due to Small Scale Industrial Undertakings	155,360	170,095
Other than Small Scale Industrial Undertakings	947,133,829	1,565,731,826
	<u>947,289,189</u>	<u>1,565,901,921</u>
Earnest Money Deposit Received	233,000	93,000
Advance from customers	14,821,219	26,637,860
	<u>962,343,408</u>	<u>1,592,632,781</u>
Provision:		
For Wealth Tax	108,803	91,775
For Minimum Alternate Tax	3,400,000	-
For Leave encashment	6,492,141	5,555,839
For Proposed Dividend	227,790,180	113,379,134
For Tax on Proposed Dividend	31,947,573	15,901,424
	<u>269,738,697</u>	<u>134,928,172</u>

Note: There is no amount due and outstanding as at Balance Sheet date to be credited to Investor Education and Protection Fund.



	As at 31st March, 2006 Rs.	As at 31st March, 2005 Rs.
SCHEDULE 12		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Deferred Revenue Expenses :		
Relining Expenses of Mini Blast Furnace	—	5,956,917
	—	5,956,917
	<u>—</u>	<u>5,956,917</u>
SCHEDULE 13		
PROFIT & LOSS ACCOUNT		
Opening Balance	741,307,910	830,345,077
Less:(a) Adjustment on account of Capital Reduction (Ref.Note 13)	(361,112,000)	—
(b) Profit for the year	(1,078,455)	(89,037,167)
Balance Carried to Balance Sheet	<u>379,117,455</u>	<u>741,307,910</u>

Schedule Nos. 14 to 20 annexed to and forming part of the Profit and Loss Account for the year ended 31st March,2006

	For the year ended 31st March, 2006 Rs.	<i>For the year ended 31st March, 2005 Rs.</i>
SCHEDULE 14		
OTHER INCOME		
Interest on deposits ((T.D.S.Rs.2,313,738) (Rs.3,219,767))	11,175,760	13,990,792
Dividend Income	155,341	-
Rent on Building	6,000,000	6,000,000
Profit on sale of Assets	281,508	8,401
Miscellaneous Income	11,083,982	1,427,094
Provisions no longer required written back	15,821,016	13,250,566
	<u>44,517,607</u>	<u>34,676,853</u>
SCHEDULE 15		
RAW MATERIALS & STORES CONSUMED		
(a) Raw materials consumed :		
Stocks at commencement	424,845,939	164,581,391
Less : Vat Credit available on opening stock	(2,642,313)	-
Add : Purchases	3,250,825,098	4,021,937,988
	<u>3,673,028,724</u>	<u>4,186,519,379</u>
Less: Stocks at close	282,756,195	424,845,939
	3,390,272,529	3,761,673,440
(b) Stores and Spares consumed	289,007,415	228,847,568
(c) Decrease/(Increase)in stocks		
Stock at close		
Work in process	28,322,943	36,810,338
Finished Goods	15,646,746	20,236,035
Non Reusable Waste	1,433,626	-
	<u>45,403,315</u>	<u>57,046,373</u>
Less: Stocks at commencement		
Work in process	36,810,338	36,960,553
Finished Goods	20,236,035	113,057,282
	<u>57,046,373</u>	<u>150,017,835</u>
	11,643,058	92,971,462
Excise Duty on Increase/(Decrease) in Closing Stock	(346,040)	(7,371,100)
	<u>3,690,576,962</u>	<u>4,076,121,370</u>



	For the year ended 31st March, 2006 Rs.	<i>For the year ended 31st March, 2005 Rs.</i>
SCHEDULE 16		
EMPLOYEES REMUNERATION AND BENEFITS		
Salaries, Wages & Other Benefits	117,594,225	103,107,371
Contribution to Provident & Superannuation Funds	8,256,915	7,162,171
Employees' Welfare Expenses	8,611,810	9,482,073
	<u>134,462,950</u>	<u>119,751,615</u>
SCHEDULE 17		
OPERATION AND ESTABLISHMENT EXPENSES		
Power & Fuel	181,370,437	163,439,850
Insurance	3,256,351	3,430,948
Machinery Hire	1,585,979	2,202,596
Lease rent	33,595,267	33,958,350
Repairs & Maintenance		
- Building	3,037,927	3,566,779
- Machinery	9,506,687	33,466,791
- Others	3,407,445	7,711,576
Labour Charges	52,354,252	49,628,046
Rent	382,860	371,360
Rates and Taxes	3,959,270	4,777,758
Travelling Expenses	6,689,570	5,614,547
Administrative Expenses	28,681,602	23,956,763
Bank Commission	12,271,429	17,905,285
Selling Expenses	113,030,180	41,433,919
Bad Debts, Doubtful Advances & Deposits written off	9,412,455	-
Provision for doubtful debts, Advances & Deposits (net)	(3,453,528)	237,168
Directors Sitting Fees	164,000	68,000
Donations	225,000	25,000
Loss on sale/scrap of assets	80,476	934,864
	<u>459,557,659</u>	<u>392,729,600</u>
SCHEDULE 18		
INTEREST		
Interest		
- On Fixed Loans	26,304,712	55,869,500
- On Others	43,633,117	34,029,055
	<u>69,937,829</u>	<u>89,898,555</u>
SCHEDULE 19		
DEPRECIATION AND AMORTISATION		
Depreciation	113,852,216	116,250,317
Deferred Revenue Expenditure written off	5,956,917	10,211,857
	<u>119,809,133</u>	<u>126,462,174</u>

NOTES FORMING PART OF THE ACCOUNTS

SCHEDULE - 20

[A] SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

- a) The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India 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 have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

2. Fixed Assets

Fixed assets are stated at original cost less accumulated depreciation. Cost comprises the purchase price and any other attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use. Cenvat credit availed has been deducted from the cost of respective assets.

3. Depreciation

Depreciation on fixed assets has been provided on straight line method in the manner and at the rates specified in Schedule-XIV to the Companies Act, 1956.

4. Investments

Investments that are readily realisable and intended to be held for not more than a year 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 investments.

5. Inventories

- a) Raw Materials, Stores & Spares at lower of Cost and net realisable value. Rates are determined on First in First out basis.
- b) Work in process and Finished goods other than by-product at lower of Cost and net realisable value. Cost is arrived at by absorption cost method. Finished goods are valued inclusive of Excise Duty.
- c) By-products, Self Generated Scrap and non reusable waste – at net realisable value.

6. Foreign Currency Transactions

- a) Initial Recognition: Transactions denominated in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction.
- b) Conversion: At the year end, monetary items denominated in foreign currencies other than those covered by forward contracts are converted into rupee equivalents at the year-end exchange rates.
- c) Exchange Differences: All exchange differences arising on settlement/conversion on foreign currency transactions are included in the Profit and Loss Account, except in cases where they



relate to the acquisition of fixed assets, in which case they are adjusted in the cost of the corresponding asset.

- d) Forward Exchange Contracts: In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognized as income or expense over the life of the contract, except where it relates to fixed assets, in which case it is adjusted in the cost of the corresponding asset.

7. Leases

Lease transactions entered prior to 1st April, 2001 are accounted for as per the Guidance Note on Accounting for leases issued by the Institute of Chartered Accountants of India whereby:

The Lease rentals in respect of assets taken on Finance Lease are accounted for on accrual basis irrespective of contractual obligations for payment of lease rentals.

8. Borrowing Costs

Borrowing costs are charged to Profit and Loss account except in cases where the borrowings are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use.

9. Excise Duty

Excise Duty in respect of goods manufactured by the Company is accounted on accrual basis.

10. Employee Retirement Benefits

- a) Contribution to Provident Fund and Superannuation Fund is made at pre-determined rate to the Provident Fund Commissioner and Life Insurance Corporation of India respectively and charged to the profit and loss account.
- b) Encashment of leave has been accounted on actuarial valuation basis.
- c) The accruing liability of Gratuity is covered by Employees Group Gratuity Scheme of the Life Insurance Corporation of India and the premium is accounted for in the year of accrual. The additional amount if any, payable in the event of premature retirement of employee is accounted for in the year of retirement.

11. Taxes on Income

Deferred tax is recognized 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 accounting period based on prevailing enacted or subsequently enacted regulations.

12. Minimum Alternate Tax credit available under section 115JB will be accounted in the year in which the benefit is claimed.

13. Miscellaneous Expenditure (to the extent not written off)

As per the Accounting Standard AS-26 on Intangible Assets prescribed by the Institute of Chartered Accountants of India, which came into effect from 1st April, 2003, the relining expenses incurred on Mini Blast Furnace up to 31st March, 2003 are treated as Deferred Revenue expenses in the year in which relining is completed and the same is written off over its expected useful life of 4 years. Relineing expenses incurred after 1st April 2003, have been charged to Profit and Loss account in the year in which the expenditure is incurred.

[B] OTHER NOTES

SI no	Particulars	2005-06 (Rs.)	2004-05 (Rs.)
1	Estimated amount of contracts remaining to be executed on capital account and not provided for	181,052,568	9,760,759
2	Contingent Liabilities not provided for in respect of:		
	a) Central Excise (Matter Subjudice)	26,801,328	757,567
	b) Wealth Tax	Nil	Nil
	c) Labour Matters (Matter Subjudice)		
	i 4 (2) cases	1,098,665	1,265,000
	ii 5 (2) cases	Not quantifiable	Not quantifiable
	d) Arrears of fixed cumulative dividend on Redemable Cumulative Non convertible Preference Shares of Rs.10/- each		
	i 12% Dividend	Nil	Nil
	ii 1% Dividend	Nil	181,608,677
3	The amount of future obligations towards lease rent in respect of assets taken on finance lease	98,224,695	133,268,835
4	Aggregate value of the letters of credit outstanding	538,103,779	1,135,844,654
5	Amount of borrowing costs capitalised	Nil	Nil

- 6 The working capital facilities with Consortium Banks (Fund based & Non Fund based) are secured by hypothecation of inventories and book debts. Further , the said facilities have been secured by second charge on the immovable properties of the company to the extent of Rs.1,723,000,000 (Previous year Rs.430,000,000).
- 7 Interest paid on others Rs.43,633,117 /- (Previous year Rs.34,029,055/-) is net of Rs.3,042,489/- (Previous Year Rs. 74,789/-) being interest received from customers/suppliers/contractors. [Tax deducted at source Rs.Nil (Previous Year Rs. Nil)].
- 8 Sundry Creditors includes amount due to Small Scale and / or Ancillary Industrial Undertaking Rs.155,360/- (Previous year Rs.170,095/-) on account of principal and Rs. 481,456/- (Previous year Rs.3,158,948/-) on account of interest. (Based on information regarding Status of Suppliers available as on the Balance Sheet date and confirmations of balances received)
- 9 The names of small scale industrial undertaking(s) to whom the company owes sums, including interest outstanding for more than 30 days are: Ajay Metachem Pvt. Ltd., Sri Natraj Engineering Industries, System Engineering and Kamakshi Engineering.
- 10 The Net Gain/(Loss) on account of exchange difference arising on foreign currency transactions is (Rs.5,691,226 /-) (Previous Year – Rs. 4,144,110/-).
- 11 Segment Information : The company operates in one segment namely Iron castings



12 Remuneration to Auditors

Statutory Auditors	2005-06 (Rs.)	2004-05 (Rs.)
a) Audit Fees	525,000	250,000
b) Tax Audit Fees	50,000	50,000
c) Certification and other services	129,500	147,102
d) Expenses reimbursed	38,884	33,607
Total	743,384	480,709

13 a. Reduction in paid up Share Capital :

Pursuant to Special Resolution passed at the Annual General Meeting held on 5th August, 2005 and consequent upon the order of the Honourable High Court of Judicature at Mumbai on 30th September 2005, the Company has reduced its fully paid up Equity Share Capital from Rs.722,224,000 consisting of 72,222,400 Equity Shares of face value of Rs.10 each to Rs.361,112,000 consisting of 72,222,400 Equity Shares of face value of Rs.5 each, by reducing the face value to the extent of Rs.5 per Equity Share and correspondingly reducing the issued, subscribed and paid up Equity Share Capital of the Company. Rs.361,112,000 representing the total reduction has been adjusted against the debit balance under Profit and Loss Account.

b. Change in number of Equity Shares in Authorised Share Capital :

Pursuant to the Special Resolution passed at the Annual General Meeting held on 5th August, 2005 and consequent upon the order of the Honourable High Court of Judicature at Mumbai on 30th September 2005, the existing Authorised Equity Share capital of Rs.1,050,000,000 consisting of 105,000,000 Equity Shares of Rs.10 each stands changed to Rs.1,050,000,000 consisting of 210,000,000 Equity Shares of Rs.5 each.

14. C.I.F. Value of Import and Expenditure in Foreign currencies:

	2005-06 in Rs.	2004-05 in Rs.
(a) C.I.F. value of imports		
Capital Goods	Nil	423,633
Raw Materials	1,577,374,996	2,068,891,151
Stores & Spares	4,137,078	1,170,248
(b) Expenditure in foreign currencies		
Interest	33,299,603	11,598,901
Others	701,047	854,364

15. Earnings in Foreign Exchange

FOB Value of Exports	148,893,972	510,673
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16. Details of raw material consumption:

(i) Raw Material Consumed:

		2005-2006		2004-2005	
	Unit	Qty.	Rs.	Qty.	Rs.
(a) Iron Ore Lumps	MT	475,500	779,256,357	412,766	486,207,088
(b) Coke	MT	214,014	2,054,462,432	194,213	2,892,378,092
(c) M.S. Scrap	MT	12,746	211,965,825	14,718	261,757,970
(d) Others		-	344,587,915	-	121,330,290
Total			3,390,272,529		3,761,673,440

Imported and Indigenous Raw Material Consumption:

	2005-2006		2004-2005	
	Rs.	Percent	Rs.	Percent
(a) Imported	1,913,760,732	56.45	1,994,293,267	53.02
(b) Indigenous	1,476,511,797	43.55	1,767,380,173	46.98
Total	3,390,272,529	100.00	3,761,673,440	100.00

(ii) Imported and Indigenous Stores & Spares Consumption:

	2005-2006		2004-2005	
	Rs.	Percent	Rs.	Percent
(a) Imported	3,796,910	1.31	2,116,640	0.92
(b) Indigenous	285,210,505	98.69	226,730,928	99.08
Total	289,007,415	100.00	228,847,568	100.00

17. Details of licensed and installed capacity, Production:

A. Licensed and installed capacity:

Class of goods	Unit	Licensed Capacity		Installed Capacity	
		2005-2006	2004-2005	2005-2006	2004-2005
Liquid Metal for Pig Iron	MT	Not Applicable		240,000	240,000
Castings	No. of Moulds	Not Applicable		475,500	475,500

Note: Installed capacity includes Mini Blast Furnace with capacity of 120,000 MT per annum taken on lease.

B. Production:

Class of Goods	Unit	2005-2006	2004-2005
Liquid Metal			
- Consumed in Foundry	MT	27,746	28,343
- Consumed for Manufacture of Pig Iron	MT	232,521	203,447
Castings	Nos.	338,643	352,949



C. Stock and Turnover:

Class of Goods	Unit	Opening Stock		Closing Stock		Turnover	
		2005-2006	2004-2005	2005-2006	2004-2005	2005-2006	2004-2005
(a) Pig Iron Quantity Value (Rs.)	(MT)	694 12,749,568	10,381 110,677,270	852 12,490,064	694 12,749,568	221,218 3,067,441,588	203,091 3,253,175,069
(b) Castings Quantity Nos Value (Rs.)		– –	– –	– –	– –	323,411 1,185,380,564	333,924 1,217,337,869
(c) Others Value (Rs.)		7,486,467	2,380,012	3,156,682	7,486,467	574,639,504	499,601,495
Total Turnover (Value Rs.)						4,827,461,656	4,970,114,433

Notes:

- (i) Castings turnover is net of rejections –Nos.15,232 amounting to Rs.52,605,768 /- (Previous Year 19,025 Nos. Amounting to Rs. 65,342,929/-)
- (ii) As the contracts for sale of castings with the customers are in numbers and the stock records are also maintained in numbers, the quantitative information for production, Stock and Turnover of castings are disclosed in numbers. The weight of these numbers if converted at standard weight of respective Castings will be as under:

Particulars	2005-2006 (MT)	2004-2005 (MT)
Production	28,235	28,949
Opening Stock	–	–
Closing Stock	–	–
Turnover	27,002	27,438
Rejection	1,233	1,511

18. Related Party Disclosures :

- a) Controlling Company :Kirloskar Oil Engines Ltd
- b) Key Management Personnel :Mr. R.V.Gumaste – Managing Director
- c) Relatives of Key Management Personnel :
Mrs. Kamala R. Gumaste, Ms Pooja R. Gumaste,
Ms Kavya R. Gumaste, Mrs. Vimala V. Gumaste

d) Transactions with related parties :

Particulars	Controlling Company 2005-06 (Rs)	Controlling Company 2004-05 (Rs)	Key Management Personnel 2005-06 (Rs)	Key Management Personnel 2004-05 (Rs)
(a) Sale of finished goods	296,852,987	285,869,063	—	—
(b) Sale of Stores & Spares	Nil	1,871	—	—
(c) Purchase of Material & Components	51,236,571	126,183,561	—	—
(d) Lease Rentals	35,044,140	35,044,140	—	—
(e) Other Services	124,702	254,859	—	—
(f) Remuneration	—	—	2,694,552	1,699,822
(g) Electricity Charges	25,184,827	78,097,048	—	—
(h) Building Rent Received	6,000,000	6,000,000	—	—
(i) Other Expenses	6,728,323	5,804,969	—	—
Outstanding as on 31st March				
(a) Outstanding Receivables	40,281,349	28,796,335	—	—
(b) Outstanding Payables	70,891,040	206,456,527	—	—
(c) Unsecured Loan	100,000,000	—	—	—

19. Details of payment and provisions on account of managerial remuneration included in the Profit and Loss Account as under (minimum remuneration as per Schedule XIII to the Companies Act, 1956)

Particulars	2005-2006 (Rs.)	2004-2005 (Rs.)
Salary	2,070,000	1,395,000
Contribution to Provident Fund	205,200	124,200
Contribution to Superannuation Fund	256,500	155,250
Perquisites	27,852	25,372
Leave Travel Assistance	135,000	Nil
Total	2,694,552	1,699,822

In addition to the above, the Managing Director is eligible for Gratuity and leave encashment payable at the end of his tenure.

20. Following Investments are purchased and sold during the year:

Particulars	No. of Units	Face Value	Cost price
ICICI Liquid Plan Institutional plus-daily dividend option	15,058,702	10	178,468,214
DSP Merrill Lynch Liquidity Fund-daily Regular dividend	20,303,609	10	203,239,127



21. a) Details of foreign currency exposures that are hedged by derivative instruments or otherwise:

Particulars	Amount in foreign currency	Currency	Equivalent Indian currency	Purpose
Liabilities Payables	8,020,350	USD	358,687,088	Hedging the Risk

b) Details of foreign currency exposures that are not hedged by derivative instruments or otherwise:

Particulars	Amount in foreign currency	Currency	Equivalent Indian currency
Assets Receivables	722,491	USD	32,244,773
Liabilities Payables	4,092,219	USD	186,012,900

22. Earnings per Equity Share

Particulars	2005-06 (Rs.)	2004-05 (Rs.)
a) Basic Earnings Per Share	2.97	2.38
b) The amount of profit/(loss) considered for calculation of EPS is as follows:		
Net Profit/(Loss) after tax	260,816,208	218,317,725
Dividend on non convertible Redeemable Cumulative Preference Shares	46,181,504	46,181,504
Adjusted Profit/(Loss) after tax	214,634,704	172,136,221
c) Basic Earnings for equity share has been computed by dividing net profit/(loss) after tax by the weighted average number of equity share outstanding for the period		
Weighted average number of equity shares used in computing Basic earnings per equity share	72,222,400	72,222,400
d) Face value of each equity share- Rs. 5/-		

23. Previous year's figures have been regrouped and reclassified to conform with current year's grouping wherever necessary.

24 Information as per Part IV of Schedule VI of the Companies Act, 1956.

Balance Sheet Abstract and Company's General Business Profile.

I. Registration Details:

Registration No.

1	1	-	6	3	2	2	3
---	---	---	---	---	---	---	---

State Code

1	1
---	---

Balance Sheet Date

3	1	0	3	2	0	0	6
---	---	---	---	---	---	---	---

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

Public Issue

N	I	L
---	---	---

Rights Issue

N	I	L
---	---	---

Bonus Issue

N	I	L
---	---	---

Private Placement

N	I	L
---	---	---

III Position of Mobilisation and Deployment of Funds :

(Amount in Rs.Thousands)

Total Liabilities

1	7	3	1	5	4	1
---	---	---	---	---	---	---

Total Assets

1	7	3	1	5	4	1
---	---	---	---	---	---	---

Sources of Funds

Paid up Capital

1	4	0	7	9	7	5
---	---	---	---	---	---	---

Reserves and Surplus

		N	I	L		
--	--	---	---	---	--	--

Secured Loans

1	6	0	2	3	3
---	---	---	---	---	---

Unsecured Loans

1	6	3	3	3	3
---	---	---	---	---	---

Application of Funds

Net Fixed Assets

1	2	0	3	9	5	6
---	---	---	---	---	---	---

Capital Work in Progress

		4	3	1	0	6
--	--	---	---	---	---	---

Investments

		N	I	L		
--	--	---	---	---	--	--

Net Current Assets

		2	3	0	1	0
--	--	---	---	---	---	---

Deferred Tax Asset Net

		8	2	3	5	2
--	--	---	---	---	---	---

Misc. Expenses

		N	I	L		
--	--	---	---	---	--	--

Accumulated Losses

		3	7	9	1	1	7
--	--	---	---	---	---	---	---

IV Performance of Company (Amount in Rs.Thousands)

Turnover

4	8	7	1	9	7	9
---	---	---	---	---	---	---

Total Expenditure

4	4	7	4	3	8	1
---	---	---	---	---	---	---

Profit/(Loss) before tax

+	3	9	7	5	9	8
---	---	---	---	---	---	---

Profit/(Loss) after tax

+	2	6	0	8	1	6
---	---	---	---	---	---	---

Earning per share (Basic) (Rs.)

✓	+	-	2	.	9	7
---	---	---	---	---	---	---

Dividend Rate (%)

		N	I	L		
--	--	---	---	---	--	--

V Generic Name of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.

		7	2	0	1	1	0
--	--	---	---	---	---	---	---

Product Description Non Alloy Pig Iron containing by weight 0.5% or less of Phosphorous.

Item Code No.

		7	3	2	5	1	0
--	--	---	---	---	---	---	---

Product Description Industrial Castings of non-malleable cast iron

Item Code No.

7	3	2	5	9	9	0	9
---	---	---	---	---	---	---	---

Product Description Industrial Castings of other cast articles of Iron or steel.

Signatures to Schedules 1 to 20

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G.Bhagwat
Chartered Accountants

ATUL C.KIRLOSAR
Chairman

R.V.GUMASTE
Managing Director

S.B.PAGAD
Partner

C.S.PANICKER
Company Secretary

R.S.SRIVATSAN
Sr. General Manager-Finance

Pune : 25th April, 2006

**ATTENDANCE SLIP****KIRLOSKAR FERROUS INDUSTRIES LIMITED**

Regd. Office : Laxmanrao Kirloskar Road,
Khadki, Pune 411 003 (Maharashtra State)

**15th Annual General Meeting on
28th July, 2006 at 11.30 A.M.**

Ledger Folio No. / DP Id and Client Id

Full name of the shareholder

(in capitals)

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

I hereby record my presence at the 15th Annual General Meeting of the Company at the Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002. on Friday, the 28th July, 2006 at 11.30 A.M.

Shareholder's / Proxy's Signature

Proxy's full name

(in block capitals)

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

TEAR HERE

PROXY**KIRLOSKAR FERROUS INDUSTRIES LIMITED**

Regd. Office : Laxmanrao Kirloskar Road,
Khadki, Pune 411 003 (Maharashtra State)

I/We

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

being member/members of Kirloskar Ferrous Industries Limited, Pune 411 003 do hereby appoint

..... or failing him/her

..... of as my/our

proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 15th Annual General Meeting of the Company, to be held at the Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Near Nehru Stadium, Swargate Corner, Pune 411 002. Friday, the 28th July, 2006 at 11.30 A.M. and at any adjournment thereof.

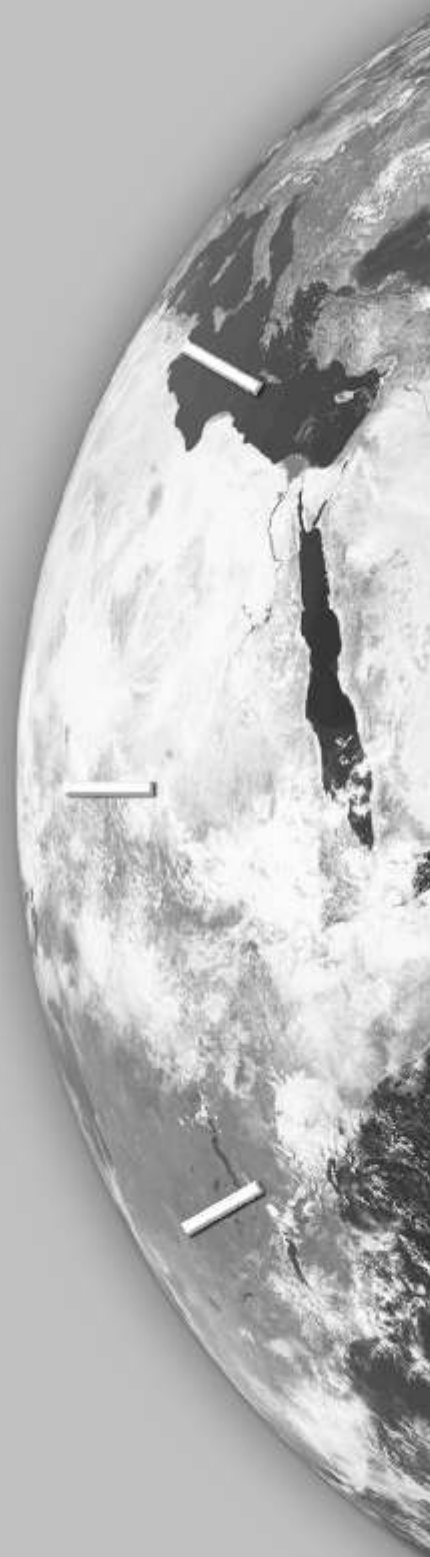
In witness whereof, I/we have set my/our hand/hands this day of 2006.

(Signature of the member across the stamp)

Please
affix
Re.1
Revenue
Stamp

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

Book-Post



Enriching Lives

KIRLOSKAR FERROUS INDUSTRIES LIMITED
Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune - 411 003, INDIA.
Tel.:+ 91(20) 2581 0341, 2581 5341. Fax:+ 91(20) 2581 3208, 2581 0209.
E-mail: enrichinglives@kirloskar.com