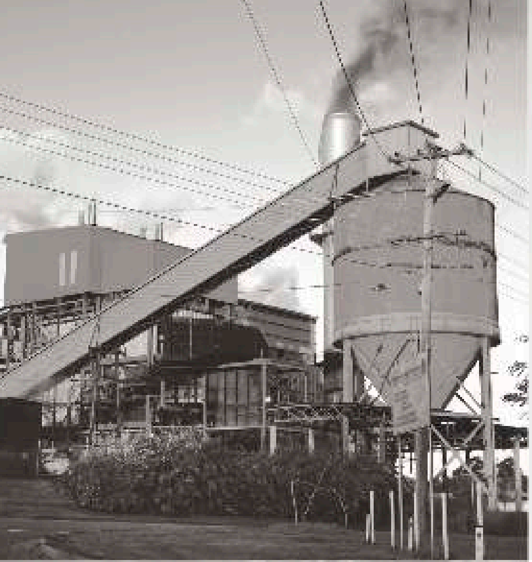
KIRLOSKAR OIL ENGINES LIMITED

ANNUAL REPORT 2011 - 2012

Enriching Lives

Invisible yet Omnipresent




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

- From small pump sets to huge harvesters, from tractors to earth-movers, from Army trucks to Naval ships, Kirloskar engines power over 85 applications for your world — silently and reliably.
- Over 15 models of engines power virtually everything that moves and over 40 models of generating sets provide stand-by and continuous power of over 15,364 MW.
- That too with a variety of fuels — Diesel, CNG, LPG, 100% Bio-fuels and blends of Diesel and Bio-fuel Diesel.
- And save billions in fuel costs since they are highly energy-efficient and eco-friendly.



Annual Report for the financial year ended on 31 March 2012

BOARD OF DIRECTORS

Atul C. Kirloskar	Managing Director upto 25 January 2012 and Executive Chairman w.e.f. 26 January 2012
Gautam A. Kulkarni	Joint Managing Director upto 25 January 2012 and Executive Vice Chairman w.e.f. 26 January 2012
Nihal G. Kulkarni	Non Executive Director upto 25 January 2012 and Managing Director w.e.f. 26 January 2012
Rajendra R. Deshpande	Executive Director
Rahul C. Kirloskar	Whole time Director upto 21 January 2012 and since then Non Executive Director
U. V. Rao	
Pratap G. Pawar	
Hemendra M. Kothari	Ceased to be a director w.e.f. 15 March 2012
R. Srinivasan	
Dr. Naushad D. Forbes	
M. Lakshminarayan	
Anil N. Alawani	
Dattatraya R. Swar	

CHIEF FINANCIAL OFFICER
Sanjay D. Parande

ASSISTANT COMPANY SECRETARY
Smita A. Raichurkar

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

BANKERS
State Bank of India
Bank of Maharashtra
HDFC Bank Limited
ICICI Bank Limited
The HSBC Limited

REGISTRAR & SHARE TRANSFER AGENT
Link Intime India Private Limited
Block No. 202, 2nd Floor,
'Akshay' Complex, Near Ganesh Temple,
Off Dhole Patil Road, Pune - 411 001

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

LOCATION OF FACTORIES
Pune, Nasik, Kagal and Rajkot

Information for shareholders
Annual General Meeting

Date	:	Thursday, 19 July 2012
Time	:	11.00 A.M.
Venue	:	Hotel Le Meridien Raja Bahadur Mill Road, Pune – 411 001
Proposed Dividend	:	200% (₹ 4/- per share of ₹ 2/- each)
Dates of Book Closure	:	12 July 2012 to 19 July 2012 (both days inclusive)

Contents **Page No.**

FINANCIALS AT A GLANCE

₹ in Crs.

Sr. No.	Particulars	2011-12	2010-11	2009-10
1	Net Sales	2,276	2,364	2,219
2	Profit Before Tax	281	244	263
3	Profit After Tax	192	174	164
4	Dividend (%)	200	200	200
5	Dividend Per Share (₹)	4	4	4
6	Dividend Amount	58	58	58
7	Earning Per Share (₹)	13	12	11
8	Book Value Per Share (₹)	71	61	47
9	Share Capital	29	29	29
10	Reserves and Surplus	1,004	860	651
11	Shareholders' Funds	1,033	889	680
12	Loan Funds	169	249	270
13	Total Capital Employed	1,202	1,138	950
14	Net Block	576	591	563

Directors' Report

To

The Members,

The Directors have the privilege of presenting the Third Annual Report of the Company for the year ended March 31, 2012.

Financial Performance

A. Statement of Profit & Loss

(₹ In Crores)

Particulars	2011-12	2010-11
Total Revenue	2362.16	2435.38
Profit before exceptional and extraordinary items and tax	**233.27**	**247.46**
Exceptional Items	47.71	(3.73)
Profit before tax	**280.98**	**243.73**
Tax Expense (Current & Deferred Tax)	89.18	70.00
Profit for the Period	**191.80**	**173.73**

B. Appropriations

The Directors propose to appropriate the available surplus as follows:

(₹ In Crores)

Particulars	2011-12	2010-11
Proposed Dividend	58.25	58.25
Corporate Tax on Dividend	9.45	9.45
Transfer to General Reserve	19.18	17.38
Closing Balance of Statement of Profit & Loss	273.25	168.33

C. Borrowings and Capex

(₹ in Crores)

Particulars	2011-12	2010-11
Total borrowings	168.96	248.99
Cash and cash equivalents	27.39	22.93
Capital expenditure	106.46	107.42

D. Financial Ratios

Financial Ratios	2011-12	2010-11
Return on capital employed (%)	24.7	23.2
Book value per share (₹)	71	61
Diluted earnings per share (₹)	13.2	11.9
Dividend payout ratio (%)	35.3	39.0

E. Divesture of the Bearing Business Division

On September 30, 2011, the Company divested its Bearings Business division to KSPG Automotive India Private Limited, for a purchase consideration of ₹ 87 crores resulting in a profit of ₹ 47.71 crores (shown under exceptional items).

Dividend

The Directors recommend a dividend of 200% (₹ 4/- per share) for the year. (PY 200%, ₹ 4 per share)

Total dividend payout for the year is ₹ 67.70 crores, including payment of ₹ 9.45 crores, as dividend distribution tax.

Buyback of Equity Shares

The Board of Directors, in its meeting held on January 25, 2012, had approved a buyback of fully paid equity shares of the Company by open market purchases through the stock exchange route at a maximum price of ₹ 170 per equity share, with the buyback amount not exceeding ₹ 73.625 crores. This represents 10% of the total paid up capital and free reserves as per the latest audited balance sheet on March 31, 2011.

The Company had issued a Public Announcement in compliance with the SEBI (Buyback of Securities) Regulations, 1998, (as amended) on February 17, 2012 and corrigendum to the Public Announcement on March 2, 2012, pursuant to the letter issued by SEBI.

The buyback commenced on March 5, 2012 and will remain open till January 24, 2013 or any earlier date on which the buyback to the extent of ₹ 73.625 crores is completed. However, in case Minimum Offer Shares (10,82,721 nos.) are purchased under the buyback, the Board at its discretion may close the buyback by giving appropriate notice in this regard.

As on April 25, 2012, the Company had not bought back any equity shares.

Directors

Independent Non Executive Directors U. V. Rao, R. Srinivasan and M. Lakshminarayan retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Atul C. Kirloskar has resigned as the Managing Director of the Company with effect from the close of working hours of January 25, 2012. The Board of Directors of the Company, in its meeting held on January 25, 2012, appointed him as the Executive Chairman for a period of 5 years beginning January 26, 2012. A proposal for his appointment as the Executive Chairman and remuneration payable to him is being placed before the Members of the Company for their approval at the Annual General Meeting.

Gautam A. Kulkarni has resigned as the Joint Managing Director of the Company with effect from the close of working hours of January 25, 2012. The Board of Directors of the Company, in its meeting held on January 25, 2012, appointed him as the Executive Vice Chairman for a period of 5 years beginning January 26, 2012. A proposal for his appointment as the Executive Vice Chairman and remuneration payable to him is being placed before the Members of the Company for their approval at the Annual General Meeting.

The Board of Directors of the Company, in its meeting held on January 25, 2012, appointed Nihal G. Kulkarni as the Managing Director of the Company for a period of 5 years beginning January 26, 2012. A proposal for his appointment as the Managing Director and remuneration payable to him is being placed before the Members of the Company for their approval at the Annual General Meeting.

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

Directors' Responsibility Statement

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

- In preparation of the annual accounts, applicable accounting standards have been followed along with proper explanations relating to material departures;
- The Directors have selected such accounting policies, applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs and of the profit of the Company at the end of the financial year;
- The Directors have taken appropriate care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities; and
- The Directors have prepared the annual accounts on a going concern basis.

Listing Fees

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

Corporate Governance

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

Internal Audit, Internal Controls & their Adequacy

The Company's internal audit is carried out by a renowned auditing firm as per the plan approved by the Audit Committee. The Internal Audit Plan covers extensive review of the Company's operations. Periodically, the Company's management reviews internal audit observations and major findings in the Audit Committee meeting.

The Company has established a strong internal controls framework for key business processes across business units which are tested and validated during the internal audit. Significant findings and action plans are presented to the Audit Committee for their review.

Auditors

You are requested to appoint Auditors for the current year. The retiring Auditors M/s. P. G. Bhagwat, Chartered Accountants, Pune (Firm Registration Number 101118W) are eligible for re-appointment.

Statutory Disclosures

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1) (e) of the Companies Act, 1956 read with the rules there under is presented in Annexure A to this report.

As required under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, a statement giving required information relating to the employees covered there under is given in Annexure B to this report. As per the provisions of section 219 (1) (b) (IV) of the said Act, these particulars will be made available to shareholders on request.

MANAGEMENT DISCUSSION & ANALYSIS

Global Economy

The global economy grew at 3.8% in the calendar year 2011 as against 5.2% in 2010, according to the World Economic Outlook released by the International Monetary Fund. The slowdown during 2011 occurred mainly due to emerging and developing economies experiencing slower growth than before which was compounded by increased stringency of monetary policies. The growth is likely to slowdown further to 3.3% during 2012.

There is a possibility that the Euro regions may experience a mild recession in 2012. This may emerge as a result of rise in sovereign yields, effects of bank de-leveraging on the real economy and additional fiscal consolidation. Growth in emerging and developing economies is also expected to slow down due to worsening external environment and a weakening internal demand.

Indian Economy

The Indian economy grew robustly at around 8.4% in the two preceding financial years. In 2011-12, it grew at the rate of 6.9%. The Wholesale Price Index (WPI) remained constant at around 9% during the year. This slowdown is almost entirely, due to the weakening of the country's industrial growth which is expected to grow at 3.9% in Financial Year 2011-12. However, agriculture, its allied sectors and the services sector, continued to perform well. The expected growth of these sectors would be 2.5% and 9.4% respectively in Financial Year 2011-12.

Several global factors contributed to India's economic slowdown. These include Euro region crises, sluggish growth in some industrialized economies and rising global commodity prices. The hardening of international crude oil prices also had a significant impact on the national economy. Resultantly, commodity prices in the domestic markets also saw a steep rise, which, along the tightening of monetary policies to control inflation contributed to an environment of slowing investment in the industrial sector.

Future outlook

India's Economic Survey for Financial Year 2011-12 projects the country's GDP growth to accelerate to 7.6% in 2012-13 and 8.6% in 2013-14, along with falling inflation and fiscal consolidation. The Global Economic Prospects published by the World

Bank more cautiously predict a continued slowdown in the Indian economy, with a 6% growth rate in 2012-13 that will rise to 7.3% over 2013-14.

Industry Overview

The Company's performance is impacted by industrial growth in key business sectors.

India's construction sector was expected to grow at 4.8% during the Financial Year 2011-12 as against 8% during the Financial Year 2010-11. In Financial Year 2011-12, highway construction projects, 4,375 km in total length, were commissioned. The Union Budget has set a target of completing highways totalling 8,800 km in length under the National Highway Development Programme (NHDP) in the Financial Year 2012-13.

The power sector saw a growth of 8.6% during April 2011 - January 2012 as compared to 5.2% during April 2010 - January 2011. India's energy deficit decreased from 9.6% in 2006-07 to 7.9% during April 2011-December 2011. Peak deficit declined from 13.8% to 10.6% during the same period. Apart from financing related challenges, growth in this sector is expected to be constrained by fuel shortages and issues regarding environmental regulatory clearances.

Company Performance

During the year under review, the Company achieved sales of ₹ 2,276 crores (including sales of bearings business of ₹ 62 crores) as against ₹ 2,364 crores in the previous year, (including sales of bearings business of ₹ 123 crores), showing a marginal decline of 3.8%.

The profit before tax is ₹ 281 crores (including profit on sale of bearings business ₹ 48 crores) in 2011-12 against ₹ 244 crores in the previous year 2010-11.

Engines Business operational performance

The Company caters to diverse customer needs across three key sectors of the economy viz. agriculture, industry and services.

1. **Agriculture Engines Business**

   The agriculture sector witnessed a growth of 2.8 % in 2011. The Indian agriculture market for engines below 20 hp witnessed 21% growth which was due to untimely monsoon and grid power deficit in many regions of rural India. Government subsidy schemes for pump sets also played a vital role in market growth. This was true, especially for portable engines for pump set application below 5 hp. However, the Company's Agriculture Business registered a negative growth of 6% on account of the high price gap with respect to competitors (mainly Indian unorganized sector) and Chinese imports. The Company is in the process of formulating a strategy for growth to respond to these challenges and is committed to improving its market presence.

2. **Industrial Engines Business**

   The industrial engines market grew by 14% during Financial Year 2011-12. The demand for the Company's products in the industrial engines segment was dampened by the tightening monetary policy of the Reserve Bank of India and rising inflation in building material prices in the country. The Company's share in the domestic market declined to 30% in Financial Year 2011-12 from 52% in the previous fiscal. However, the Company continues to maintain a significant position in the Indian industrial engines market.

   During the Twelfth Plan, investment in infrastructure is expected to be ₹ 50 lakh crores. The India Infrastructure Finance Company Limited (IIFCL) has put in place a structure for credit enhancement to ease access of credit to infrastructure projects. As mentioned earlier, the government has indicated a target of covering 8,800 kms of roads under the NHDP in Financial Year 2012-13. With these developments, the Indian construction equipment industry is expected to grow by 19 – 20% over the next few years.

3. **Power Generation Engines Business**

   The Company's power generation engines business addresses the telecom and other industrial segments such as retail, banking and IT. At the macro level, the power situation has improved with decline in the peak deficit from 13.8% in 2006-07 to 10.6% during the period April 2011 – December 2011, thereby affecting demand for power generation sets.

   Telecom operators curtailed expansion plans in India in Financial Year 2011-12. In order to remain competitive amidst an uncertain regulatory landscape, they increased focus on tower sharing arrangements instead of new roll-outs, thereby negatively impacting the demand for DG sets as compared to the previous year.

During Financial Year 2011-12, the Company achieved a market share of 23% by value in this segment. The Company is pursuing a sound risk management strategy through product diversification (to include smaller KVA bracket 3000 RPM Gensets) and enhanced focus on government business.

4. **Large Engine Business**

During the year, all engines manufactured and supplied within the Large Engine Business were for Stationary Power Plant application, to provide emergency power using High Speed Diesel (HSD) as fuel. The Company's engines are preferred by customers on account of high proven reliability in such applications.

In Financial Year 2011-12, the Company received an order of ₹ 396 Crores from the Nuclear Power Corporation of India Limited (NPCIL) for supply, erection and commissioning of 16 Emergency DG sets each with a power rating of 4.2 MW. This order was received under a global tender and is expected to be completed (up to installation phase) in the next 3.5 years.

The Company entered into a license agreement with Daihatsu Diesel Manufacturing Co. Ltd., Japan, for manufacture, marketing and supply of diesel engines in India in the 610KW to 2560 KW range. Daihatsu is an established manufacturer and global supplier of diesel engines for marine and power plant applications. These engines will cater to requirements of the commercial marine segment.

5. **Customer Support**

The presence of an extensive network, comprising 103 trained service dealers and 342 well equipped service outlets, across India illustrates the Company's commitment to customer support. This widespread network enables the Company to provide timely after-sales services to its customers, including those during emergency situations. Customer requests are responded to within 4 to 8 hours of time depending on the distance.

While ensuring high service standards at all times through regular audits of its service dealers, customer education is another area of high priority. Towards this end, over 300 customer training events were conducted in Financial Year 2011-12 with the objective of educating customers on engine maintenance. To further strengthen our customer relationship and to satisfactorily meet customer needs, the Company has proactively introduced centralized Annual Maintenance Contracts (AMC) as well as a customer help desk to handle all complaints.

6. **Exports**

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

Research & Engineering

1. **Existing and New product development**

The Company has continued with the K1080 programme and substituted 4 Cylinder engines in place of 6 Cylinder engines in the 100 to 125 kVA power range.

The development of a Portable Diesel Genset has been completed and its planned market launch is currently underway. The Company is entering a new market segment in India with the launch of this product.

2. **Emission Norms**

The Company has successfully complied with BS-III norms for construction equipment, which became mandatory from April 1, 2011. The engines are now well received in the market.

Quality Assurance

Various Quality Assurance processes were effectively implemented in Financial Year 2011-12 to ensure trouble free production ramp up of all the engines/applications conforming to all BS III requirements. Customers are fully satisfied with the quality of products delivered.

The Company continued training its suppliers and a few identified Genset OEMs on Six Sigma tools, benefits of which have been realized in terms of reduced PPM levels. The Company remains committed towards developing and improving various supply chain related processes.

The Company organized a Supplier Quality Contest in Financial Year 2011-12 to provide a platform for its suppliers to share their quality improvement projects and other best practices. Awards were presented to the winners as a token of recognition of their sustained efforts.

Vendor Development & Material Cost Reduction Initiatives

The Company is focusing its efforts on vendor training for quality systems and Six Sigma Tools. Selective supplier funding has helped improve their delivery performance. The vendor online payment facility is now fully established. New suppliers were added to develop new engines and applications.

Cost control and cost reduction projects continued to be a focus area. Initiatives undertaken in this direction include Value Analysis/Value Engineering (VA / VE), exploration of alternate materials, process improvements and re-engineering. Effective implementation of cost control measures across the supply chain has helped the Company optimize its material cost.

Industrial Relations

The Company continues to maintain healthy and harmonious industrial relations. In September 2011, the Company signed a wage agreement with the workers union at its Nashik plant.

Human Resources

1. **Training and Development Programmes**

   With an objective of developing future leadership, the Company has designed leadership development programmes for different managerial levels:

   - Leadership Development Programme (LDP) was initiated for the second batch of senior level managers.
   - Middle Management Development Programme (MMDP) for middle level managers was launched and completed.
   - Assessment Centre for identifying Fast Trackers at the junior level was initiated. An individual development programme has been evolved for all existing Fast Trackers.

2. **Employee Engagement Activities**

   During the year, the Company conducted various employee engagement activities, including an employee engagement survey, workgroup level action planning and follow up sessions and speak out sessions. These initiatives were aimed at assessing the level of employee satisfaction and taking appropriate corrective actions. The employee satisfaction score in Financial Year 2011-12 showed an improvement over the previous year.

3. **Employee Performance Management Initiatives**

   The Company developed an online Performance Management System (PMS) for managers in Financial Year 2011-12, facilitating online quarterly reviews and feedback. The objective of PMS is to develop a performance oriented culture in the Company and also to ensure the alignment of individual goals with corporate goals.

Environment, Occupational Health & Safety (EHS)

Environment

During the Financial Year 2011-12, the Company undertook the following environment initiatives across all its plants:

Pune Plant:

- Asbestos roofing was replaced with galvalume sheets
- Turbo ventilators were installed for natural ventilation
- A light pipe system was introduced in office areas to reduce electricity consumption

Kagal Plant:

- Reaction cum sludge dewatering unit installed for effective industrial effluent treatment

- A 4000 cu m rainwater harvesting pond was constructed
- An oil and water separator was installed (for the screw compressor) to avoid soil contamination
- 800 trees were planted

Nasik Plant:

- Rainwater harvesting facility installed
- Installation of a light pipe in the assembly and office areas to reduce electricity consumption
- A new paint booth with an innovative concept of down draught ventilation was installed

Rajkot Plant:

- The plantation area was increased from 35,000 sq. ft. to 39,000 sq. ft.
- Turbo ventilators were installed for natural ventilation
- Use of natural gas in place of HSD at paint booth oven
- EHS certification was obtained for this plant

The Company's second annual Corporate Sustainability Report was released in the public domain in January 2012. The report was awarded the highest Application Level Check rating of A+ by the Global Reporting Initiative (GRI), Netherlands, for the second successive year.

Health

The Company places utmost importance on the health and wellbeing of its employees. As part of this commitment, lectures on health, fitness, diseases and lifestyle improvement as well as medical check-ups of its employees are regularly organized.

During the year, the following initiatives were undertaken to improve the occupational health of the Company's employees:

- Acoustic enclosure for all Engine Test beds to reducing occupational noise exposure at the Pune plant
- “Wellness at Door Step” programme (health check up) for employees at the Pune and Kagal plants
- Blood donation camp organized for employees at the Kagal plant
- Realigning of paint booth to reduce odour and improve work environment at the Rajkot plant

Safety

- A new process was implemented for the use of a fire-blanket to cover fire prone material while welding / gas cutting at a height.
- EHS training programmes were conducted throughout the year.

Corporate Social Responsibility (CSR)

The Company conducts yearly Community Perception Surveys (CPS) to assess its perception as a Corporate Citizen among communities in the vicinities of its operations. The CPS rating in Financial Year 2011-12 showed a significant improvement over the previous year. The Company has, as a policy, chosen health and education as primary areas of focus for its CSR initiatives.

In addition to CSR highlights mentioned in last year's report, the following new initiatives were employed during Financial Year 2011-12:

- Health awareness programmes on adolescent health and hygiene
- Provision of school material to primary school children
- Workshop for teachers and students on team building, career guidance

- Waste Management workshop
- “Hasat Khelat Paryavaran” events in Pune and Kagal to develop environmental awareness
- Livelihood generation training for self-help groups
- Life skills training programmes
- Vocational training programmes for the youth
- Support to the Kirloskar Foundation for their programmes

Awards, Recognitions & Certifications

During the Financial Year 2011-12, the Company received the following awards, recognition and certifications:

- The Commendation Certificate for Strong Commitment to Excel from CII. This award is a testament to the efforts and commitment of the Company to attain world class standards of performance.
- For the second consecutive year, the Engineering Export Promotion Council (EEPC) conferred its award to the Company. This award is sponsored by Ministry of Commerce & Industry, Government of India.
- Participated in the national convention on Quality Concept 2011 organized by the Quality Circle Forum of India. The Pune plant received the Par Excellence Award.
- The Pune and Kagal plants received the prestigious '12th National Award for Excellence in Energy Management 2011' from the Confederation of Indian Industries (CII).
- KAIZEN on DV Cylinder Head won 1st prize at the national level in “INDIZEN 2012” contest.
- QCFI, Pune Chapter Trophy for the Financial Year 2010-11 for spreading Quality Circle activities across the organization
- The Pune and Nashik Plants received the MEDA ENCON award
- “Gurukul” (the Company's training centre) at the Kagal Plant received 'Best Prax Benchmark 2011 Award' in the manufacturing category.

Concerns and Threats

India's off highway engines market slowed down to 14% in Financial Year 2011-12. The market demand was adversely affected by factors such as poor availability of funds, which in turn hampered growth in the housing segments, delayed closure of highways projects by NHDP, scams related to the mining sector etc.

Apart from the overall slowdown in the market, during Financial Year 2011-12, a major customer of the Company commenced in-house manufacture of diesel engines. To compensate for this loss, the Company has aggressively begun expanding its customer base and applications portfolio. The Company successfully stabilized manufacture and supply of BS-III engines to over 55 applications during the first quarter of the last fiscal.

The off highway market continues to be bearish and is likely to regain its buoyancy towards the beginning of the third quarter of the current fiscal. The Company anticipates the inflationary trend to pick-up in the coming months. The Company is gearing up to effectively address the cost pressures and enhance its operational efficiency.

The Company's engines and pump sets for the agriculture segment have shown a better performance and low total cost of ownership. This is in comparison to the products of its competitors. Also, the Company's products are priced at an average premium of 35% - 40%.

However, the Company faces stiff competition from low cost Chinese imports and from unorganized Indian players. Availability of Government subsidies for diesel pump sets in most of the agriculture market plays a vital role in generating a demand for our agriculture pump sets.

India's peak power demand continues to grow at approximately 8% annually, the associated power shortage during high peak will raise demand for diesel gensets in the near future. Import of low cost diesel generators has resulted in increased competition from global players in the lower kVA range.

The Company's business plans in the telecom business were not realized on account of low level of buying by telecom operators. Non telecom market movement was lower in the first two quarters, however the Company responded to market needs and achieved growth in the third and fourth quarters.

On the regulatory front, the Government of India is considering revision of emission norms by June 2013. All engine manufacturers will have to upgrade the design of engines to conform to the new emission standards. The Company is confident that its products will meet the required emission norms.

Increased competition in the higher kVA product range from international players venturing into the Indian genset market is expected. The Company is currently in the process of developing engines for higher kVA DG sets and is confident that these will meet customer requirements and will feature enhanced operational and performance parameters.

The stationary power plant segment of the large engine business group was adversely affected by high furnace oil prices in Financial Year 2011-12. Generation of power at those prices became uneconomical for the customers. This situation continues to be an area of concern.

Prospects for the Current Year

For the current financial year, the Company has a cautious outlook on the economy, considering the anticipated rise in crude oil prices and inflationary pressures in the economy, especially in Coke and Steel.

The Government of India continues to put great emphasis on infrastructure, especially the urban infrastructure and national highways. The Union Budget 2012-13 envisages 8,800 kms of road constructions with a total outlay of ₹ 25,000 crores.

In the power generation segment, the estimated demand and supply gap of around 8%, together with continuing improvement in lifestyles will sustain the business growth. Growth in service and manufacturing sectors is also expected to trigger the demand for generator sets. Besides conventional power generation, the Government of India has announced setting up of new nuclear power plants. The Company has already taken a lead in this area by winning orders worth ₹ 396 crores to supply gensets to the Nuclear Power Corporation of India over the next 3 years. The demand for DV series engines is rising and this product segment is expected to perform better in the current financial year.

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.

Acknowledgements

The Directors would like to place on record their appreciation of the contribution made and support provided to the Company by the shareholders, employees, bankers, suppliers and customers.

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman

Date: 26 April 2012
Place: Pune

ANNEXURE A TO THE DIRECTORS' REPORT

A. Conservation of Energy

The Company is committed to achieving optimum use of energy in operations and bringing about improvements in the efficiency of processes and products through use of energy efficient and renewable energy technologies.

During the year, the following major energy conservation activities were implemented at various manufacturing plants:

- **Pune Plant**
  1. Installation of the compressed air consumption monitoring system with individual flow meters for each shop.
  2. Replacement of the old reciprocating compressor by an energy efficient 1000 CFM screw compressor.
  3. Installation of a solar water heating system for engine and component washing machines in place of the electrical heating system.
  4. Replacement of 8 nos. of old transformers by 1 no. energy efficient transformer of 3 MVA .
  5. Replacement of diesel fired melting furnace by energy efficient induction furnace at the heat treatment plant.

- **Kagal Plant**
  1. Installation of a separate transformer for lighting load and other single phase equipment.
  2. Installation of an energy efficient dryer of 2000 CFM capacity.
  3. Installation of occupancy sensors in all toilets and pathways.
  4. PLC Logic modification done to reduce idle running of hydraulic and coolant motors at the CNC shop.
  5. Installation of lighting transformer at the casting powder coating plant.

- **Nashik Plant**
  1. Renovation of test bed compressors' panel.
  2. Installation of a solar water heating system and energy efficient light fixtures in the canteen.

- **Rajkot Plant**
  1. Installation of APFC Panel to improve the power factor and energy savings.
  2. Installation of LED light fittings in the office area.

Disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption

		Particulars	2011-12	2010-11
1		**Electricity**		
	a	**Purchased**		
		Unit (kWh)	30179371	32044376
		Total Amount in ₹	205540445	178793107
		Rate/ Unit (₹ / kWh)	6.81	5.58
	b	**Own generation**		
	i	Through diesel generator		
		Unit (kWh)	551447	556202
		Units per ltr. of diesel oil (kWh/Lit) - HSD	2.63	2.75
		Cost/unit (₹/kWh) - HSD	16.71	12.59
		Units per ltr. of diesel oil (kWh/Lit) - FO		
		Cost/unit (₹ / kWh) - FO		
	ii	Through steam turbine/generator	NA	NA
		Unit (kWh)	NA	NA
		Units per ltr. of fuel oil/gas	NA	NA
		Cost/unit (₹/kWh)	NA	NA
2		**Coal (specify quality and where used)**	**NA**	**NA**
		Quantity (tonnes)	NA	NA
		Total cost	NA	NA
		Average rate	NA	NA
3	i	**Furnace oil (Used for Power Generation)**		
		Quantity (k. ltrs.)	46.9	41.7
		Total amount	1518509	1348348
		Average rate	32.35	32.35
	ii	**HSD (Used for engine testing & Power Generation)**		
		Quantity (k. ltrs.)	2152	2199
		Total amount	95090417	90035956
		Average rate	44.19	40.94
4		**Others**		
		Quantity	NA	NA
		Total cost	NA	NA
		Rate/unit	NA	NA

B Consumption per unit of production

Sr. No.	Particulars	2011-12	2010-11
	Product - Engines		
i	Total Production in BHP	6345175	7670468
ii	Electricity (BHP/kWh)	12.64	6.20

B. Technology Absorption

- **Research and Development**

  i) Specific areas in which R&D is carried out in the Company.
  - Development of 15 ratings, compliant with BS III norms.
  - Development and certification of 3 engines by IRS.
  - Two new models for power generation and industrial applications.

  ii) Benefit derived as a result of above R&D.
  - New market segment of harvester and wheel loader.
  - New market segment of stand by genset for marine / navy applications in higher power range.
  - New market coverage for the agro-industrial segment.

  iii) Plan for future action.
  - Develop new technologies for cost effective emission upgradation.
  - Value engineering through upgrading current product facilities.
  - New application like main propulsion.

  iv) Expenditure on R&D

(₹ in Crs.)

Sr. No.	Particulars	2011-12	2010-11
1	Revenue Expenditure	22.84	20.54
2	Capital Expenditure	7.20	28.00
3	**Total**	**30.04**	**48.54**
4	Total R&D expenditure as a percentage of Total Turnover	1.3%	2.1%

- **Technology absorption, adaptation and innovation**

i. Efforts made towards technology absorption, adaptation and innovation

The Company is working closely with its suppliers and customers to implement design improvements and value engineering of the existing products to meet the customer and regulatory requirements.

ii. Benefits derived and results of above efforts, product improvements, cost reduction, product development, import substitution etc.

a) Industrial engines with BS III are now established in the market place. The Company offers the widest power range with BS III.

b) DV Series engines are in regular production. There is no import content as all components are sourced within India. The upgrading of HP/cylinder pressure and number of cylinders in the DV series engines is being done to further extend this range.

iii. Technology imported during the last 5 years

The Company entered into a license agreement with Daihatsu Diesel Manufacturing Co. Ltd., Japan, for the manufacture, marketing and supply of diesel engines in India in the range of 610 KW to 2560 KW.

iv. Foreign exchange earnings & outgoes

a. Activities undertaken to increase exports, development of new export markets and export plans

The Company actively undertakes various initiatives for brand building and generating product awareness by participating in regional as well as key international exhibitions and trade fares. The Company also extensively advertises in key B2B regional trade magazines.

b. Total foreign exchange used and earned

(₹ in Crs.)

Total Foreign Exchange used & earned	**2011-12**	**2010-11**
Used	121.44	146.18
Earned	162.30	146.31

Report on Corporate Governance

Company's philosophy on Code of Corporate Governance

The Company firmly believes that the business is built on ethical values and principles of transparency. Good Governance is an essential ingredient of any business. The Company's philosophy of good Corporate Governance aims at establishing a system which will assist the management to fulfill its corporate objectives as well as to serve the best interest of the stakeholders at large viz. Shareholders, Customers, Employees, Environment, Society, Suppliers, Lenders etc.

A. BOARD OF DIRECTORS

- **Composition of the Board**

  During the financial year under review, the strength of the Board was 12 directors, comprising of 4 Executive Directors including the Executive Chairman and 8 Non-Executive Directors. 7 out of 12 Directors were Independent Directors, which duly complies with the requirement of Clause 49 of the Listing Agreement.

- **Number of Board Meetings, Director's attendance record, Directorships and committee positions**

  During the financial year under review, 5 Board meetings were held on 13 May 2011, 21 July 2011, 21 October 2011, 25 January 2012 and 15 March 2012. The information on composition and categories of the Board of Directors as on 31 March 2012, attendance of each director at Board meetings held during the financial year ended 31 March 2012,directorships and Committee positions in other public limited companies of which the director is a Member/ Chairman and the shareholding of Non-Executive Directors is as follows:

Sr. No.	Name of Director	No. of Directorships in other Public Ltd. Cos.	No. of Committee positions held in other Public Ltd. Cos. ***		Attendance at meetings		No. of shares held by Non-Executive Directors
			Chairman	Member	BM	AGM	
	Executive Directors						
1	Atul C. Kirloskar *#	8	1	-	4	Absent	NA
2	Gautam A. Kulkarni *##	2	-	1	5	Present	NA
3	Nihal G. Kulkarni * ###	3	-	4	5	Present	NA
4	Rajendra R. Deshpande	2	-	-	5	Present	NA
	Non-Executive and Non Independent Director						
5	Rahul C. Kirloskar * $	5	-	1	4	Present	19,23,155
	Non-Executive and Independent Directors						
6	U. V. Rao	2	1	1	5	Present	-
7	Pratap G. Pawar	5	-	3	4	Present	5,355
8	Hemendra M. Kothari **	2	-	-	3	Absent	34,995
9	R. Srinivasan	11	3	4	5	Present	3,750
10	Dr. Naushad D. Forbes	2	-	-	4	Present	9,000
11	M. Lakshminarayan	3	-	2	3	Present	-
12	Anil N. Alawani	6	3	3	5	Present	34,282
13	Dattatraya R. Swar	4	1	-	4	Absent	700

Notes:

* Deemed as Promoters within the meaning of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011.

** Ceased to be a director with effect from close of working hours of 15 March 2012.

Resigned as the Managing Director with effect from close of working hours of 25 January 2012 and appointed as the Executive Chairman with effect from 26 January 2012.

Resigned as the Joint Managing Director with effect from close of working hours of 25 January 2012 and appointed as the Executive Vice Chairman with effect from 26 January 2012.

Non Executive Director upto 25 January 2012 and appointed as the Managing Director w.e.f. 26 January 2012.

$ Ceased to be a whole time director with effect from close of working hours of 21 January 2012 and continues as Non Executive Director.

*** Includes Audit and Investors'/ Shareholders' Grievance, Investors'/ Shareholders' Grievance cum Share transfer Committee of Public Limited Companies.

Atul C. Kirloskar and Rahul C. Kirloskar, being brothers, are related to each other. Gautam A. Kulkarni and Nihal G. Kulkarni, being father and son, are related to each other. None of the other Directors is related to any other Director of the Company within the meaning of Section 6 of the Companies Act, 1956.

- **Information provided to the Board**

Among others, this includes:

1. Review of Annual operating plans of business, capital budgets, updates;
2. Quarterly results of the Company and its operating divisions or business segments;
3. Materially important show cause, demand, prosecution and penalty notices;
4. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems;
5. Any material relevant default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
6. Any issue, which involves possible public or product liability claims of substantial nature;
7. Details of any joint venture or collaboration agreement;
8. Significant labour problems and their proposed solutions;
9. Significant development in human resources and industrial relation fronts;
10. Non-compliance of any regulatory, statutory provision or listing requirements as well as shareholders service such as non-payment of dividend and delay in share transfer;
11. Information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer or Company Secretary.

B. BOARD COMMITTEES

Currently Board has two committees viz. Audit Committee and Share Transfer cum Shareholders' / Investors' Grievance Committee.

1. Audit Committee

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

During the financial year under review, 5 meetings of the Committee were held on 13 May 2011, 21 June 2011, 21 July 2011, 21 October 2011 and 25 January 2012. The composition of the Committee and attendance at its meetings are given below:

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	U. V. Rao (Chairman)	Non Executive Independent	5
2	Pratap G. Pawar	Non Executive Independent	4
3	R. Srinivasan	Non Executive Independent	5
4	Nihal G. Kulkarni *	Non Executive Non Independent	5
5	Rahul C. Kirloskar **	Non Executive Non Independent	-

Notes:

* Ceased to be a member with effect from 26 January 2012

** Appointed as the member with effect from 26 January 2012

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

1. Overseeing the Company's financial reporting process and disclosures of 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 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.
5. Discussion with internal auditors any significant findings and follow up there on.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
   a) Matters required to be included in the 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 made in the financial statements 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) Qualifications in Draft Audit Report.
8. Reviewing Auditor's report, internal controls and recommendations relating thereto.
9. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
10. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.
11. 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.
12. 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.
13. 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.
14. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
15. 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 (as defined by the Audit Committee) submitted by the management;
   c) Management letters / letters of internal control weaknesses issued by the statutory auditors;
   d) Internal audit reports relating to internal control weaknesses; and
   e) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the Audit Committee.
16. 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.

2. Remuneration Committee

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

Remuneration to Directors

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

The Board of Directors decides the remuneration to Non Executive Directors by way of Commission, based on their attendance and contribution at the meetings. The members at the Annual General Meeting of the Company held on 9 July 2010 and the Central Government vide its order No. SRN/A90791146/2010-CL-VII dated 27 October 2010, approved the payment of commission to the Non-Executive Directors, at the rate of 1% of the net profits of the Company computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956.

The sitting fee of ₹ 10,000 per meeting of the Board and any committee thereof, attended by the Non-Executive Directors is payable to them.

Following are the details of the remuneration paid to Directors during Financial Year 2011-12:

Amount in ₹

Sr. No.	Name of Director	Basic Salary	Allowances	Statutory Contributions	Perquisites@	Commission	Sitting Fees	Total
	Executive Directors							
1	Atul C. Kirloskar #	11,232,000	200,000	3,032,640	2,643,357	25,000,000	-	42,107,997
2	Gautam A. Kulkarni ##	11,200,000	200,000	3,024,000	3,417,826	25,000,000	-	42,841,826
3	Nihal G. Kulkarni **	1,377,419	328,494	371,903	16,115	3,490,000	90,000	5,673,931
4	Rajendra R. Deshpande	5,826,667	780,000	1,573,200	231,423	15,000,000	-	23,411,290
	Non Executive Directors							
5	Rahul C. Kirloskar *	9,103,226	169,638	2,457,871	2,529,369	20,060,000	10,000	34,330,104
6	U. V. Rao	-	-	-	-	1,050,000	100,000	1,150,000
7	Pratap G. Pawar	-	-	-	-	840,000	80,000	9,20,000
8	Hemendra M. Kothari ***	-	-	-	-	180,000	30,000	210,000
9	R. Srinivasan	-	-	-	-	1,050,000	100,000	1,150,000
10	Naushad D. Forbes	-	-	-	-	240,000	40,000	280,000
11	M. Lakshminarayan	-	-	-	-	180,000	30,000	210,000
12	Anil N. Alawani	-	-	-	-	480,000	80,000	560,000
13	Dattatraya R. Swar	-	-	-	-	420,000	70,000	490,000
	Total	**38,739,312**	**1,678,132**	**10,459,614**	**8,838,090**	**92,990,000**	**630,000**	**15,335,148**

Notes:

- * Ceased to be a Whole time Director with effect from close of working hours of 21 January 2012 and continues as Non Executive Director.
- ** Non Executive Director upto 25 January 2012 and appointed as the Managing Director w.e.f. 26 January 2012.
- *** Ceased to be Director with effect from close of working hours of 15 March 2012.
- # Resigned as the Managing Director with effect from close of working hours of 25 January 2012 and appointed as the Executive Chairman with effect from 26 January 2012.
- ## Resigned as the Joint Managing Director with effect from close of working hours of 25 January 2012 and appointed as the Executive Vice Chairman with effect from 26 January 2012.
- Allowances include house rent, education and leave travel allowance.
- Statutory Contributions include Company's contribution to provident fund and superannuation fund.
- @ Perquisites include House rent paid, reimbursement of medical, gas and electricity expenses, perquisite value as per Income Tax Rules for furniture at residence and motorcar. These figures do not include provision for leave encashment and gratuity as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for gratuity and leave encashment.

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

The Share Transfer cum Shareholders' / Investors' Grievance Committee has been constituted to look into shareholders'/ investors' complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends etc., and redressal thereof. The Committee is headed by Pratap G. Pawar (Non-Executive Independent Director), as Chairman and other members of the Committee are Gautam A. Kulkarni and Rajendra R. Deshpande.

Ms. Smita A. Raichurkar, Asst. Company Secretary, is the Compliance Officer.

The Compliance Officer can be contacted at:

Kirloskar Oil Engines Limited
Laxmanrao Kirloskar Road,
Khadki, Pune - 411 003
Tel: 91-20 25810341 (Extn. - 4461) Fax: 91-20 25813208 and 25810209
E-mail: Smita.Raichurkar@kirloskar.com

The Company has received 4 complaints during the financial year. All complaints have been resolved, the details of which are as under:

Nature of Compliant	Received	Resolved
Non receipt of Annual Report	-	-
Non receipt of Dividend	2	2
Non receipt of Share Certificate	2	2
Through SEBI	-	-
Total	4	4

There were no complaints outstanding as on 31 March 2012. The Company had no share transfer requests pending as on 31 March 2012.

C. GENERAL BODY MEETINGS

The details of General Meetings of the shareholders, held during previous years are as under:

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
2009-10	2 June 2009	9.00 a.m.	Statutory	Registered Office of the Company	-
2009-10	18 July 2009	12.00 Noon	Extra Ordinary General	Kirloskar Kisan Premises, Kothurd, Pune – 411 038	Allotment of Shares pursuant to Scheme of Arrangement between Kirloskar Oil Engines Limited (now known as Kirloskar Industries Limited) and Kirloskar Engines India Limited (now known as Kirloskar Oil Engines Limited)
2009-10	30 March 2010	12.00 Noon	Extra Ordinary General	Registered Office of the Company	i. Adoption new set of Articles of Association of the Company ii. Change in the name of the Company iii. Increase in the Authorised Capital of the Company
2010-11	9 July 2010	11.00 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	i. Increase in number of directors from 12 to 18 ii. Payment of commission to Non Executive Directors over and above sitting fees
2011-12	21 July 2011	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	Commencement of hiring and repairing of aircraft business as specified in clause 78 of Memorandum of Association of the Company

RESOLUTION PASSED BY POSTAL BALLOT

No resolution is proposed to be passed at the forthcoming Annual General Meeting by way of postal ballot.

D. DISCLOSURES

- During the financial year under review, there were no materially significant related party transactions made by the Company with its Promoters, Directors, Management or Subsidiaries that may have potential conflict with the interests of the Company at large. Transactions with the related parties are disclosed in Note No. 11 of Schedule 32 to the Accounts in the Annual Report.

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

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

- Disclosure under Clause 5A II of the Listing Agreement in respect of unclaimed shares.

  The Securities and Exchange Board of India (SEBI) vide its circular no. CIR/CFD/DIL/10/2010 dated 16 December 2010, inserted new Clause 5A II containing uniform procedure for dealing with unclaimed shares.

  Pursuant to the said circular, the Company had sent first reminder letter on 30 March 2011 and second reminder letter on 9 May 2011, to such shareholders whose share certificates are in undelivered form and hence have remained unclaimed, by requesting them to update correct details viz. postal addresses, PAN details etc. registered with the Company in order to avoid transfer of such unclaimed shares to the “Unclaimed Suspense Account.”

  The Company will be sending third reminder letter in due course. As on 31 March 2012, the total unclaimed equity shares are 6,53,664.

- With reference to the General Circular No. 15/2011 – 52/5/CAB-2011 dated April 11, 2011 issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, New Delhi, following are the details of Cost Auditor and filing of cost audit report with Central Government:

Particulars of the Cost Auditor	**Details of Filing of Cost Audit Report for the period ended 31 March 2011**
Parkhi Limaye & Co. Mrs. Varsha S. Limaye (M. No. : 12358) - Partner 'Aabha', Plot No. 16, Siddhakala CHS, Warje, Pune – 411 058 E mail : parkhilimaye@hotmail.com	Due date : 27 September 2011 Filing date : 16 September 2011

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

Non-Mandatory Requirements

1. **The Board**

   The Chairman of the Company is an Executive Director. He maintains his office at the Company's expense and is also allowed reimbursement of expenses incurred in performance of his duties.

   There is no limit on the tenure of the Independent Directors on the Board of the Company.

2. **Audit qualifications**

   There are no audit qualifications on the financial statements.

3. **Shareholder Rights**

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

E. **Particulars of Re-appointment/appointment of Non Executive / Executive Directors**

U.V. Rao

U.V. Rao, former Chief Executive Officer and Managing Director of Larsen and Toubro Limited, is a B.E. in Electrical Engineering; Post Graduate from the Indian Institute of Science, Bangalore in Power Engineering; Post Graduate from Bombay University in Industrial Management; has studied Advanced Management at the Harvard Business School and at Stanford University USA.

He is the past President of Indian Electrical and Electronic Manufacturer's association, past Chairman CII {WR}, past Honorary Consul-General for Denmark for Western India, past Chairman Indo-Danish Business Committee; past member Board of governors, IIM, Ahmedabad, past Member of the Capital Goods Committee of Planning Commission, Government of India, past member Development Council for Heavy Electrical Industries, and Earth moving Machineries, Government of India etc.

He has had nearly 4 decades of experience in Larsen & Toubro Limited, during which time he held various positions in marketing, manufacturing and management including that of running the company as its Chief Executive Officer and Managing Director.

He is the recipient of several National and International Awards for excellence in his profession.

He is a director in the following other companies:

Kirloskar Brothers Limited *	TIL Limited **
Dickinson Fowler Private Limited	John Fowler (India) Private Limited

* Audit Committee - Member
** Audit Committee – Chairman

He is not related to any of the Directors on the Board of the Company.

R. Srinivasan

R. Srinivasan did his graduation in Mechanical Engineering from the University of Madras. He underwent practical training with Buckau Wolf, Grevenbroich, and later with M/s Krupp Widia, Essen, West Germany.

He has served Widia, an Indo-German Joint Venture Limited initially as a Works Manager and later as its Managing Director till 1994. He is the past Chairman of CII, Karnataka and Governing Council of CMTI, Bangalore. He is the Past President of Greater Mysore Chamber of Commerce and Indian Machine Tool Manufacturers Association.

At present he is an Independent Director sitting on the Boards of some companies like Tube Investments of India Limited, Sundaram Fasteners Limited, TTK Prestige Limited, TTK Healthcare Limited., Yuken India Limited etc.

He is a director in the following other companies:

ACE Designers Limited **	TTK Healthcare Limited
Cholamandalam MS General Insurance Company Limited **	Tube Investments of India Limited *
Murugappa Morgan Thermal Ceramics Limited	Sundaram Fasteners Limited **
TTK Prestige Limited*	Yuken India Limited *
Sterling Abrasives Limited	MindTree Limited *
Dakshin Foundries Private Limited	Bangalore International Exhibition Services Private Limited
NTTF Industries Private Limited	TaeguTec India Private Limited
Edutech NTTF India Private Limited	Nettur Technical Training Foundation

* Audit Committee - Member

** Audit Committee – Chairman

He is not related to any of the Directors on the Board of the Company.

M. Lakshminarayan

M. Lakshminarayan, aged 64, holds a Masters degree in Technology from the Indian Institute of Technology, Mumbai. After working in Tata Motors for 16 years in the Pune plant, he moved to Bosch Limited (MICO). He has served in various capacities before joining the Board as Joint Managing Director in 2000.

He is presently the Managing Director of Harman International India Private Limited, a 100% subsidiary of Harman International USA. He is deeply connected with the activities of CII and was the past Chairman, CII Southern Region. He is a Director in Kirloskar Oil Engines Limited, Carborundum Universal Limited and Rane (Madras) Limited apart from being the Chairman of WABCO India.

He is a director in the following other companies:

Rane (Madras) Limited *	WABCO India Limited
Carborundum Universal Limited *	Harman International (India) Private Limited

* Audit Committee – Member

He is not related to any of the Directors on the Board of the Company.

Atul C. Kirloskar

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

On 1 November 1984, he was appointed as the Executive Vice President of Kirloskar Industries Limited (KIL - earlier known as Kirloskar Oil Engines Limited). He was co-opted on the Board of KIL on 6 August 1985 wherein he took over as the Managing Director. In 1988, he was also appointed as the Vice Chairman of KIL and held the position till 25 July 1998 when he was elected as Chairman of the Board of KIL. He was appointed as Managing Director of Kirloskar Oil Engines Limited (KOEL - earlier known as Kirloskar Engines India Limited) with effect from 31 March 2010. He is also the Chairman of the Board of KOEL. He resigned as Managing Director of KOEL on 25 January 2012 and was appointed as Executive Chairman with effect from 26 January 2012 of KOEL.

He is a member of the World Economic Forum. He has served as President of MCCIA from September 2002 to September 2004, and was Chairman of CII National Committee of Defence since from 1998 to 2008.

He is a director in the following other companies:

Kirloskar Ferrous Industries Limited #	Kirloskar Brothers Investments Limited
Kirloskar Industries Limited	Kirloskar Proprietary Limited
G.G. Dandekar Machine Works Limited	Green Tek Systems (India) Limited
Kirloskar Pneumatic Company Limited	Five Stars Bulkcarriers Limited
Toyota Kirloskar Motor Private Limited	Navsai Investments Private Limited
Asara Sales and Investments Private Limited	Kirloskar Kenya Limited, Nairobi, Kenya

Share Transfer cum Shareholders'/Investors' Grievance Committee - Chairman

Atul C. Kirloskar and Rahul C. Kirloskar being brothers are related to each other.

Gautam A. Kulkarni

Gautam A. Kulkarni started his career in 1978 as a trainee in Kirloskar Industries Limited (KIL-earlier known as Kirloskar Oil Engines Limited). He underwent extensive training in the servicing department, production and Techcentre (R&D) until 1983.

In 1983, he was as Chief Executive of Kirloskar Filters Limited (KFL). Soon after on 2 April 1984, he was appointed as the Managing Director of KFL. On 1 May 1992, he was appointed as the Vice President of Kirloskar Brothers Limited (KBL). While in KBL, he was attached to the Corporate Office of the group. On 20 August 1998, he was appointed as the Joint Managing Director of Kirloskar Industries Limited (KIL - earlier known as Kirloskar Oil Engines Limited). In July 2000, he was co-opted as a director on the Board of Kirloskar Brothers Limited and as Vice-Chairman. He has continued as Joint Managing Director of Kirloskar Oil Engines Limited (KOEL - earlier known as Kirloskar Engines India Limited) with effect from 31 March 2010. He resigned as the Joint Managing Director of KOEL on 25 January 2012 and appointed as the Executive Vice Chairman of KOEL on 26 January 2012.

He is a director in the following other companies:

Kirloskar Brothers Limited *	Kirloskar Proprietary Limited
SPP Pumps Limited, England	Achyut & Neeta Holdings & Finance Private Limited
Navsai Investments Private Limited	Asara Sales and Investments Private Limited

* Audit and Finance Committee – Member

Gautam A. Kulkarni and Nihal G. Kulkarni, being father and son, respectively, are related to each other.

Nihal G. Kulkarni

Nihal G. Kulkarni, A.B. in Economics from Brown University, USA, has over six years of experience in the areas of finance and investments. He has undergone extensive training with the Kirloskar Group, Toyota Motor Sales, USA and DSP Merrill Lynch. He was Vice President in Kirloskar Pneumatic Company Limited upto 22 October 2010. He was appointed as the Managing Director of Kirloskar Industries Limited (KIL) from 23 October 2010. He has resigned as the Managing Director of KIL on 25 January 2012. He has been appointed as Managing Director of Kirloskar Oil Engines Limited with effect from 26 January 2012.

He is a director in the following other companies:

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

@ Share Transfer cum Shareholders'/Investors' Grievance Committee - Member
* Audit Committee – Member

Nihal G. Kulkarni and Gautam A. Kulkarni, being son and father, respectively, are related to each other.

F. GENERAL INFORMATION FOR SHAREHOLDERS

Annual General Meeting

Date and Time	19 July 2012 at 11.00 A.M.
Venue	Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001
Financial Year	**1 April 2011 to 31 March 2012** During the year the results were announced as under: First quarter : 21 July 2011 Second quarter : 21 October 2011 Third quarter : 25 January 2012 Fourth quarter : 26 April 2012

Dates of Book Closure and Dividend Payment

Book Closure	12 July 2012 to 19 July 2012 (Both days inclusive)
Dividend Payment Date	30 July 2012

Registrar and Share Transfer Agent

The Company had appointed Link Intime India Private Limited as Registrar & Share Transfer Agent (R & T Agent). The contact details are as follows –

Link Intime India Private Limited	Block No. 202, 2nd Floor, 'Akshay' Complex, Off Dhole Patil Road, Pune – 411 001 Tel: 91 20 26161629 / 26160084

All physical transfers, transmission, transposition, issue of duplicate share certificate/s, issue of demand drafts in lieu of dividend warrants, change of address etc. as well as requests for dematerialisation / rematerialisation are being processed at Link Intime India Private Limited. The shareholders correspondence should be addressed to R & T Agent's aforementioned address.

Share Transfer System

- The applications for transfer of shares lodged at the Company's R & T Agent in physical form are processed within 30 days of receipt of the documents valid and complete in all respects. After such processing, the R & T Agent will issue share certificate to all other shareholders within 30 days of receipt of certificate for transfer. Shares under objection are returned within a stipulated period of time. The transfer applications are approved periodically by the senior management of the Company.

- Pursuant to the Listing Agreement, a certificate on half yearly basis is issued by the Practicing Company Secretary for compliance with share transfer formalities by the Company.
- The information on procedures and forms, which are being asked for by the members frequently, viz. Indemnity/Affidavit etc. for issue of duplicate certificates, transmission form, change of address, NECS form, Nomination Form, information about shares allotted pursuant to the Scheme of Arrangement for Demerger etc. are uploaded on the Company's website **www.koel.co.in** under path **"Investor>FAQs for shareholders"**

Designated E-mail address for investors services

Shareholders can also email their queries/grievances at **investors@kirloskar.com**

Communication to the shareholders

- The Quarterly and Half Yearly results are published in national and local dailies such as Economic Times (English) and Sakal (Marathi), having wide circulation. Since the results of the Company were published in the newspapers, half yearly reports were not sent individually to the shareholders. The Company's results and official news releases are displayed on the Company's website namely **www.koel.co.in**
- The Management Discussion and Analysis Report forms part of this Annual Report.

Shareholder Referencer

- **Permanent Account Number (PAN)**

  Shareholders holding Shares in the physical form are informed that as per SEBI's guidelines, it is mandatory to furnish copy of PAN Card in the following cases:

  a) Transferees' PAN Cards for transfer of shares,
  b) Surviving joint holders' PAN Cards for deletion of name of deceased shareholder,
  c) Legal heirs' PAN Cards for transmission of shares,
  d) Joint holders' PAN Cards for transposition of shares.

- **Email Address**

  In order to enable us to further extend our support towards paperless compliance as a part of Green Initiative in the Corporate Governance, which was introduced by MCA in the year 2011, the shareholders who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses.

  In respect of shares held in physical form, shareholders are requested to register their e-mail addresses with the Company/ R & T Agent. (With Depository Participants in case of shares held in dematerialised form).

- **Dematerialisation of Shares**

  Shareholders are requested to dematerialise their physical share holdings through any of the nearest Depository Participant (DPs) in order to avoid hassles involved with physical shares such as possibility of loss/ mutilation of share certificate(s), and to ensure safe and speedy transaction in securities.

- **Register Your National Electronic Clearing Services (NECS) Mandate**

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

Dematerialization of shares and liquidity

As on 31 March 2012, 141,646,976 equity shares being 97.27% of the total equity paid-up share capital of the Company was held in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The International Security Identification Number (ISIN) allotted to the Company's equity shares is **INE146L01010**.

Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity: Not issued.

Listing Details

Following are scrip code details:

Name of the Stock Exchange	Scrip Code
BSE	533293
NSE	KIRLOSENG

Distribution of Shareholding as on 31 March 2012

Range of Shares		No. of shareholders		% to total shareholders		Total face value (in ₹)		% to total face value	
From	To	Physical	Demat	Physical	Demat	Physical	Demat	Physical	Demat
1	500	8530	14332	27.98	47.02	617646	1822008	0.21	0.63
501	1000	789	1834	2.59	6.02	569484	1329114	0.20	0.46
1001	5000	1249	2571	4.10	8.43	2616018	5624492	0.90	1.93
5001	10000	162	423	0.53	1.39	1099578	2957062	0.38	1.02
10001	20000	75	246	0.25	0.81	1033784	3467872	0.35	1.19
20001	30000	24	84	0.08	0.28	552506	2103498	0.19	0.72
30001	40000	8	29	0.03	0.10	268346	1008576	0.09	0.35
40001	50000	2	21	0.01	0.07	90510	963324	0.03	0.33
50001	100000	11	43	0.04	0.14	735596	3073752	0.25	1.06
100001	Above	3	47	0.01	0.15	381150	260954254	0.13	89.60
Sub Total		10853	19630	35.60%	64.40%	7964618	283293952	2.73%	97.27%
TOTAL		**30483**		**100%**		**291258570**		**100%**	

Shareholding Pattern as on 31 March 2012

Sr. No.	Category	No. of shares	%
1	Promoters & Promoter Group	97,416,234	66.89
2	Mutual Funds/UTI	3,739,083	2.57
3	Financial Institutions and Banks	3,827,777	2.63
4	Insurance Companies	5,884,776	4.04
5	Foreign Institutional Investors	17,331,125	11.90
6	Bodies Corporates	1,040,062	0.71
7	Individuals	16,099,629	11.06
8	NRIs	224,736	0.15
9	Others	65,863	0.05
	TOTAL	**145,629,285**	**100.00**

Market Price Data

Monthly high/low share prices during the year 2011-12 on the BSE and NSE are as below:

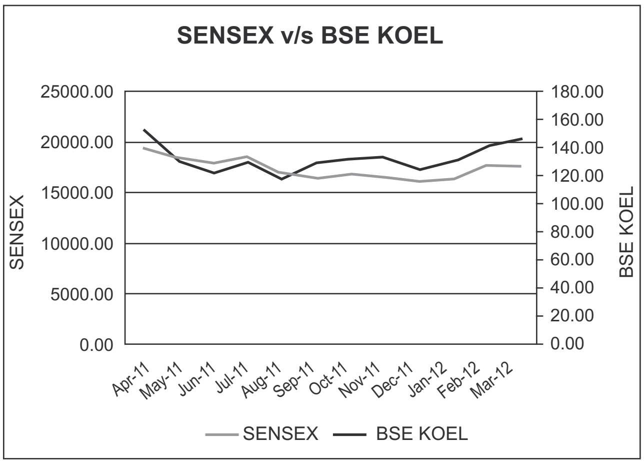
BSE

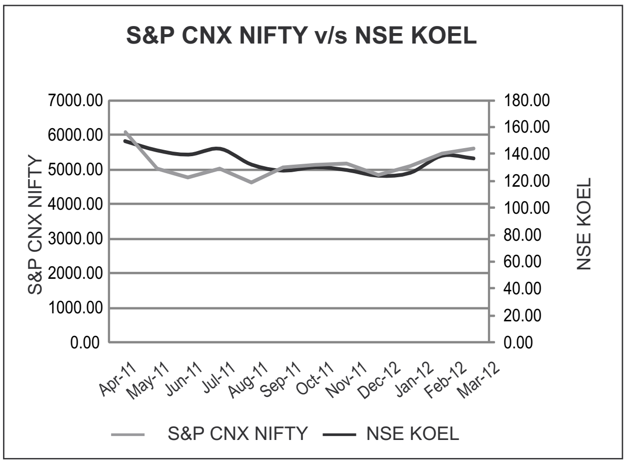
Month	SENSEX	KOEL
April 2011	19393.67	152.65
May 2011	18520.00	131.20
Jun 2011	18093.89	122.40
July 2011	18631.78	130.13
August 2011	17102.80	117.98
September 2011	16506.41	129.50
October 2011	16826.78	131.88
November 2011	16590.48	133.10
December 2011	16069.79	124.80
January 2012	16308.50	130.03
February 2012	17792.67	141.38
March 2012	17480.65	146.75

NSE

Month	S&P CNX NIFTY	KOEL
April 2011	5818.85	156.00
May 2011	5551.98	129.15
Jun 2011	5426.90	122.23
July 2011	5597.18	129.30
August 2011	5135.95	119.18
September 2011	4964.05	129.80
October 2011	5064.00	132.05
November 2011	4982.78	132.70
December 2011	4815.20	124.30
January 2012	4902.53	130.78
February 2012	5394.48	140.18
March 2012	5317.68	144.50

Performance of the Company's Scrip on the BSE and NSE as compared to the SENSEX and S & P CNX Nifty for the year 2011-12





Plant Locations

Sr. No.	Location	Address	Products manufactured
1	Pune	Laxmanrao Kirloskar Road, Khadki, Pune – 411 003	Engines and Bearings (upto 30 September 2011)
2	Nasik	A-11/1, MIDC, Ambad, Nashik - 422 010	Large Engines
3	Kagal	**Plant I** Plot No. - D-1, Kagal-Hatkanangale 5 Star Industrial Area, At post Talandage, Tal – Hatkanangale, Dist. Kolhapur – 416 202	Engines, Gensets and Pumpsets
		Plant II Plot No. – A / 262, Phase – I, Kagal-Hatkanangale 5 star Industrial Area, At post – Talandage, Tal – Hatkanangale, Dist. Kolhapur – 416 202	Engines
		Plant III Plot No. – E -18, Opp. M/s Soktas India Limited, Kagal-Hatkanangale 5 star Industrial Area, Dist. – Kolhapur	Canopy Fabrication
		Spares Parts Plot No. – A / 262, Phase – III, Kagal-Hatkanangale 5 star Industrial Area, At post – Talandage, Tal – Hatkanangale, Dist. – Kolhapur – 416 202	Spares Packing & Distribution
4	Rajkot	Plot no. 2320/2/A, GIDC Lodhika Industrial Estate, Almighty Gate Road, Village Metoda, Rajkot-360021	Engines and Pumpsets
5	Ahmednagar	Plot No. A/3, MIDC Industrial Estate, Nagapur, Ahmednagar – 414111	Bearings and Bimetal Strips (upto 30 September 2011)
6	Silvassa	Survey No. 260/71/1, Plot No. 2, Village Dadra, Silvassa – 396230	K Series Engines and Generating Sets (Upto 31 August 2011)

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 members of Kirloskar Oil Engines Limited

I, Nihal G. Kulkarni, Managing Director of the Company, do hereby declare that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for Board of Directors and Senior Management of Kirloskar Oil Engines Limited made effective from 1 April 2010.

Place: Pune
Date: 26 April 2012

Nihal G. Kulkarni
Managing Director

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To,
THE MEMBERS OF
KIRLOSKAR OIL ENGINES LTD

We have examined the compliance of conditions of Corporate Governance by **KIRLOSKAR OIL ENGINES LIMITED** for the year ended 31st March 2012, as stipulated in Clause 49 of the Listing Agreements of the said company with the recognised stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of Company's management. Our examination was limited to 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 opinion on the financial statements of the company.

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

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

For M/S P.G.BHAGWAT
Chartered Accountants
Firm's Reg. No. 101118W

Nachiket Deo
Partner
Membership No.117695
Pune
Date : 26th April, 2012

AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LTD

1. We have audited the attached balance sheet of **KIRLOSKAR OIL ENGINES LIMITED** as at 31st March 2012, the statement of profit and loss and cash flow statement of the company for the period ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. The financial statements of the Company for the year ended 31st March 2011 were audited by other independent auditor whose report dated 13th May 2011, expressed an unqualified opinion on those statements. The balances as on 31st March 2011 have been considered as opening balances for the purpose of these financial statements.

4. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order to the extent applicable.

5. Further to our comments in the Annexure referred to in paragraph 4 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss 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 2012, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the companies Act, 1956;

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2012;

      (b) in the case of the Statement of Profit and Loss 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
F. R. No. 101118W

Nachiket Deo
Partner
Membership No.: 117695
Pune
Date: 26th April, 2012

ANNEXURE

Referred to in paragraph 4 of our report of even date

(i) (a) The company has maintained proper records showing full particulars of fixed assets including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management according to the phased programme of three years which is reasonable with regard to size of the company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no significant material discrepancies between the book records and such physical verification have been noticed.

(c) According to the information & explanation given to us, the company has not disposed off major part of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory (excluding stock with third parties) at reasonable intervals. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

(b) In our opinion 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) In our opinion the Company is maintaining proper records of inventory. As informed to us, the discrepancies noticed on verification between physical stock and book records were not material.

(iii) (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) (c) and (d) are not applicable to the company.

(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (f) and (g) are not applicable to the company.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchase of the inventory, fixed assets and for the sale of the goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section; and

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

(vi) In our opinion and according to the information and explanation given to us, the company has complied with the directives issued by Reserve Bank of India and the provisions of section 58A and 58AA or any other relevant provisions of the act and companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. According to the information and explanation given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal on the company in respect of the aforesaid deposits.

(vii) In our opinion, the company has an internal audit system commensurate with its 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 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 and complete.

(ix) (a) According to the information and explanations given to us and the records of the company examined by us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to information and explanation given to us, the particulars of dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess as at 31st March, 2012 which have not been deposited on account of a dispute, are as follows:-

Name of the statute	Nature of dispute due	Amount under dispute not deposited (₹ In Crs)	Period to which the amount related	Forum where the dispute is pending
Sales Tax	Sales Tax including Interest and Penalty as applicable	2.21	2008 to 2010 2005-06 2004-05 2005-06 & 2008-09.	Supreme Court Tribunal Appellate authority - Up to Commissioner level
Income Tax	TDS including Interest and Penalty as applicable	0.36	2008-09 & 2009-10	Commissioner of Income Tax (Appeals)
Service Tax	Service Tax including Interest and Penalty as applicable	0.20	2007 to 2010 1997 to 2000 2010-11	High Court Tribunal Assistant commissioner
Excise Duty	Excise Duty including Interest and Penalty as applicable	0.84	1990 to 2002, 2004 to 2007, 2007-08 2007 to 2011, 1996-97	Tribunal Appellate authority - Up to Commissioner Level
Custom Duty	Custom Duty including interest and penalty as applicable	1.08	1991-92, 2006-07	Appellate authority - Up to Commissioner Level
Octroi	Levy of Octroi at higher rate and demand of differential octroi	3.80	2002 to 2008	Civil Court

(x) As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004, is not applicable for the year.

(xi) In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of dues to a financial institution or bank as at the balance sheet date.

(xii) According to information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provision of clause 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xiv) In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in securities. The company has invested surplus funds in mutual funds. According to the information and explanation given to us, proper records have been maintained of the transactions and contracts, and timely entries have been made therein. Further, such investments have been held by the company in its own name except to the extent of the exemption granted under sec. 49 of the Act.

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

(xvi) According to the information and explanation given to us the company has not availed any term loan during the year. Accordingly, the provisions of clause 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.

(xvii) In our opinion and according to information and explanation given to us, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) According to information and explanation given to us, the company has not made any preferential allotment of any shares to parties and companies covered under Section 301 of the Companies Act, 1956.

(xix) According to information and explanation given to us, the company has not issued any debentures. Accordingly, the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.

(xx) According to information and explanation given to us, the company has not made any public issue to raise money during the year. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.

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

FOR M/S P. G. BHAGWAT
Chartered Accountants
F. R. No. 101118W

Nachiket Deo
Partner
Membership No.: 117695
Pune
Date: 26th April, 2012

BALANCE SHEET AS AT 31 MARCH 2012

₹ in Crs.

	PARTICULARS	NOTE NO.	As at 31 March 2012	As at 31 March 2011
I.	**EQUITY AND LIABILITIES**			
1.	**Shareholders' funds**			
(a)	Share capital	1	29.13	29.13
(b)	Reserves and surplus	2	1,003.52	860.28
			1,032.65	889.41
2.	**Non-current liabilities**			
(a)	Long-term borrowings	3	78.20	168.87
(b)	Deferred tax liabilities (net)	4	38.02	32.33
(c)	Other long-term liabilities	5	46.02	18.45
(d)	Long-term provisions	6	31.16	48.09
			193.40	267.74
3.	**Current liabilities**			
(a)	Short-term borrowings	7	8.39	-
(b)	Trade payables	8	248.94	272.58
(c)	Other current liabilities	9	179.12	189.96
(d)	Short-term provisions	10	105.19	113.62
			541.64	576.16
		TOTAL	**1,767.69**	**1,733.31**
II.	**ASSETS**			
1.	**Non-current assets**			
(a)	**Fixed assets**			
	Tangible assets	11	569.82	583.15
	Intangible assets	12	5.99	7.50
	Capital work-in-progress		8.91	8.57
	Intangible assets under development		6.61	-
			591.33	599.22
(b)	Non-current investments	13	10.00	3.00
(c)	Long-term loans and advances	14	72.47	87.74
(d)	Other non-current assets	15	10.29	25.57
			684.09	715.53
2.	**Current assets**			
(a)	Current investments	16	517.43	294.75
(b)	Inventories	17	132.23	138.03
(c)	Trade receivables	18	298.94	381.70
(d)	Cash and bank balances	19	27.39	22.93
(e)	Short term loans and advances	20	56.51	26.19
(f)	Other current assets	21	51.10	154.18
			1,083.60	1,017.78
		TOTAL	**1,767.69**	**1,733.31**

Notes forming part of the Financial Statements 32

As per our attached report of even date.

For and on behalf of the Board of Directors.

FOR M/S P. G. BHAGWAT
Firm Registration Number : 101118W
Chartered Accountants

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Executive Director

NACHIKET DEO
Partner
Membership Number : 117695

SANJAY D. PARANDE
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 26 April 2012

Pune : 26 April 2012

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2012

₹ in Crs.

	PARTICULARS	NOTE NO.	2011-12	2010-11
I.	**Revenue from operations**	22	2,326.03	2,423.02
II.	**Other income**	23	36.13	12.36
III.	**Total revenue (I + II)**		**2,362.16**	**2,435.38**
IV.	**Expenses:**			
	(a) Cost of materials consumed	24	1,276.59	1,337.87
	(b) Purchases of stock-in-trade	25	104.65	90.23
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	26	9.55	(2.43)
	(d) Employee benefits expense	27	175.37	178.92
	(e) Finance costs	28	15.96	19.85
	(f) Depreciation and amortization expense	29	91.29	84.84
	(h) Other expense	30	455.48	478.64
	Total Expenses (a to h)		**2,128.89**	**2,187.92**
V.	**Profit before exceptional and extraordinary items and tax (III-IV)**		233.27	247.46
VI.	**Exceptional items [income / (expenses)]**	31	47.71	(3.73)
VII.	**Profit before tax (V+VI)**		280.98	243.73
VIII.	**Tax expense :**		**89.18**	**70.00**
	(a) Current tax		83.49	70.00
	(b) Deferred tax		5.69	(0.00)
IX.	**Profit (loss) for the period (VII-VIII)**		191.80	173.73
X.	**Earnings per equity share:**			
	(a) Basic		13.17	11.93
	(b) Diluted		13.17	11.93

Notes forming part of the Financial Statements 32

As per our attached report of even date.

For and on behalf of the Board of Directors.

FOR M/S P. G. BHAGWAT
Firm Registration Number : 101118W
Chartered Accountants

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Executive Director

NACHIKET DEO
Partner
Membership Number : 117695

SANJAY D. PARANDE
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 26 April 2012

Pune : 26 April 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2012

	PARTICULARS	2011 - 12	2010 - 11
			₹ in Crs.
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before Tax	280.98	243.73
	Add :		
	Depreciation	91.16	77.01
	Leasehold land written off	0.13	0.13
	Loss on assets sold, demolished, discarded and scrapped	0.95	1.07
	Write down of obsolete and non moving components	3.04	0.21
	Bad debts and irrecoverable balances written off, net	0.84	4.60
	Interest paid	15.96	19.85
		112.08	**102.87**
	Less :		
	Profit on sale of Undertaking	47.71	-
	Profit on sale of mutual fund investment (net)	0.02	0.16
	Surplus on sale of assets	1.08	0.54
	Interest received	7.61	0.46
	Sundry Credit Balances Appropriated	0.79	0.49
	Provision no longer required w.back	16.89	18.48
	Dividend received	25.16	11.09
	Valuation gain / (loss) in respect of Derivative Instruments	2.15	(11.43)
		101.41	**19.79**
	Operating Profit before working capital changes	**291.65**	**326.81**
	Adjustments for :		
	Trade and other receivables	159.44	15.29
	Inventories	(17.38)	1.53
	Trade payables	10.76	13.31
		152.82	**30.13**
	Cash generated from operations	444.47	356.94
	Net Cash generated from operations	444.47	356.94
	Direct taxes paid	(71.27)	(77.19)
	NET CASH FLOW FROM OPERATING ACTIVITIES	**373.20**	**279.75**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Add :		
	Sale of Undertaking	90.62	-
	Sale of fixed assets	1.25	0.77
	Sale of investments	0.02	0.16
	Interest received	7.61	0.46
	Dividend received	25.16	11.09
		124.66	**12.48**
	Less :		
	Purchase of investments (net)	229.68	97.66
	Purchase of fixed assets	92.60	111.94
		322.28	**209.60**
	NET CASH GENERATED FROM INVESTING ACTIVITIES	**(197.62)**	**(197.12)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Interest paid	(4.73)	(20.17)
	Proceeds from borrowing	8.39	-
	Repayment of borrowing	(107.48)	(36.94)
	Dividend Paid	(57.98)	(57.92)
	Tax on Dividend	(9.45)	(9.67)
	NET CASH USED IN FINANCING ACTIVITY	**(171.25)**	**(124.70)**
	Net increase / (decrease) in cash and cash equivalents	**4.33**	**(42.07)**
	Cash and Cash equivalents as on 1st April 2011	21.59	63.66
	Cash and Cash equivalents as on 31st March 2012 (Refer Note 19)	25.92	21.59

As per our attached report of even date.

For and on behalf of the Board of Directors.

FOR M/S P. G. BHAGWAT
Firm Registration Number : 101118W
Chartered Accountants

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Executive Director

NACHIKET DEO
Partner
Membership Number : 117695

SANJAY D. PARANDE
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 26 April 2012

Pune : 26 April 2012

Notes to the Financial Statements for the year ended 31 March, 2012

NOTE 01: SHARE CAPITAL

	As at 31 March 2012	As at 31 March 2011
	₹ in Crs.	₹ in Crs.
Authorised share capital		
200,000,000 (200,000,000) Equity shares of ₹ 2 each	40.00	40.00
Issued and subscribed share capital		
145,629,750 (145,629,750) Equity shares of ₹ 2 each	29.13	29.13
Called up and paid up		
145,629,285 (145,629,285) Equity shares of ₹ 2 each	29.13	29.13
Share capital suspense account		
465 (465) Equity Shares ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by BIFR, are kept in abeyance as per the Scheme of Arrangement.	0.00	0.00
Total	**29.13**	**29.13**

1 **Reconciliation of shares outstanding at the beginning and at the end of the Reporting period**

PARTICULARS	31 March 2012		31 March 2011	
	No. of shares	₹ in Crs.	No. of shares	₹ in Crs.
At the beginning of the period	145,629,285	29.13	145,629,285	29.13
Issued/reduction if any during the period	-	-	-	-
Outstanding at the end of the period	**145,629,285**	**29.13**	**145,629,285**	**29.13**

2 **Terms/Rights attached to the equity shares**

The Company has only one class of equity shares having par value of ₹ 2/- each. Each equity holder is entitled to one vote per share and have a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

The Board of Directors has recommended a dividend of 200 % (₹ 4/- per share) for the financial year.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

3 **Shares held by holding/ultimate holding Company and/or their subsidiaries/associates**

Holding Company ₹ in Crs.

PARTICULARS	31 March 2012	31 March 2011
Kirloskar Brothers Investments Limited		
7,59,64,859 (Nil) equity shares of ₹ 2 each	15.19	-
Equity share holding percentage	52.16%	

- As per Section 4(3)(b)(ii) read with Section 4(3)(d) of the Companies Act, 1956, the Company has become a subsidiary company of Kirloskar Brothers Investments Limited (KBIL) with effect from 24 May 2011, considering total holding of KBIL along with holding of Pooja Credits Private Limited (PCPL), a wholly owned subsidiary of KBIL.

- Further, 1,27,51,567 equity shares of PCPL are transferred to KBIL pursuant to Scheme of Amalgamation between PCPL and KBIL duly approved by Hon'ble High Court, Bombay vide its order dated 18 November 2011 (effective from 5 December 2011). Accordingly, KBIL holds 7,59,64,859 (52.16%) equity shares in the Company. As per Section 4(3)(b)(ii) of the Companies Act, 1956, consequently, the Company had become a subsidiary of KBIL with effect from 30 December 2011.

4 **Number of Shares held by each shareholder holding more than 5% Shares in the company**

Sr. No	Name of the shareholder	31 March 2012		31 March 2011	
		No. of shares	% of shareholding	No. of shares	% of shareholding
i	Kirloskar Brothers Investments Limited	75,964,859	52.16	55,430,262	38.06
ii	Pooja Credits Private Limited	-	-	12,751,567	8.76
iii	Nalanda India Fund Limited	10,896,124	7.48	10,186,964	7.00

5 **Aggregate number of bonus shares issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:**

Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with its order dated 19 March 2010 had approved the Scheme of Arrangement between Kirloskar Oil Engines Limited (now known as Kirloskar Industries Limited – Demerged Company) and Kirloskar Engines India Limited [now known as Kirloskar Oil Engines Limited – Resulting Company ("Company")] and their respective shareholders and creditors. The appointed date was 1 April 2009 and the Scheme has become effective from 31 March 2010. The Engines and Auto Components business of Demerged Company was transferred and vested with the Company i.e. Kirloskar Oil Engines Limited on the Scheme of Arrangement becoming effective retrospectively with effect from 1 April 2009.

145,629,750 Equity Shares of ₹ 2 each were issued and allotted on April 30, 2010 (out of which 465 equity shares of ₹ 2/- each were kept in abeyance) for consideration other than cash under the said Scheme, becoming effective from 31 March 2010, sanctioned by the Honorable High Court of the Judicature of Bombay.

6 **Buyback of shares**

The Board of Directors in its meeting held on 25 January 2012, had approved a buy back of fully paid up equity shares of the Company by way of open market through stock exchange route at a maximum price of ₹ 170/- and the buyback amount not exceeding ₹ 73.625 Crores which represents 10% of total paid up capital and free reserves as per latest audited balance sheet as on 31 March 2011. The buyback was commenced on 5 March 2012. The last date of buyback is 24 January 2013. [i.e. 12 months from the date of the resolution passed by the Board approving the Buyback or when the Company completes the Buyback to the extent of ₹ 73.625 Crs., whichever is earlier, or at such earlier date as may be determined by the Board, in the event the Minimum Offer Shares have been purchased under the Buyback, even if the Maximum Buyback Size has not been reached, by giving appropriate notice of such date and completing all formalities in this regard as per relevant laws and regulations.].

As on 31 March 2012, the Company has not bought back any equity shares.

NOTE 2 : RESERVES AND SURPLUS

₹ in Crs.

		As at 31 March 2012	As at 31 March 2011
Capital reserve			
Subsidy for setting up new industrial unit			
Opening balance		153.16	66.42
Add: Subsidy availed during the year		19.14	86.74
Closing balance		172.30	153.16
General reserve			
Opening balance		538.79	521.41
Add: Set aside this year		19.18	17.38
Closing balance		557.97	538.79
Surplus/(deficit) in the statement of profit and loss			
Balance as per last financial statements		168.33	79.68
Add: Profit for the period		191.80	173.73
Balance available for appropriation		360.13	253.41
Less: Appropriations			
Transferred to general reserve		19.18	17.38
Proposed dividend		58.25	58.25
Tax on proposed dividend		9.45	9.45
		273.25	168.33
	Total	**1,003.52**	**860.28**

Subsidy for setting up new Industrial Unit

The Company's manufacturing facility at Kagal has been granted "Mega Project Status" by Government of Maharashtra and therefore is eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001. The company has been granted Eligibility Certificate issued by the Directorate of Industries, Government of Maharashtra in this regard. IPS consists of the following:

a. Electricity Duty exemption for the period of 9 years from the date of commencement of the project i.e. 1 April 2008, and

b. 100% exemption from payment of Stamp duty for the plots already purchased and to be purchased, and

c. VAT and CST payable to the State Government (before adjustment of Set-off) on sales made from Kagal plant, within a period of 9 years starting from 1 April 2008 to 31 March 2017.

IPS will however be restricted to 100% of the eligible fixed capital investments made from 13 April 2006 to 31 March 2013.

The Eligibility Certificate issued allows maximum Fixed Capital Investment of ₹ 598.57 crores.

PSI 2001 is for intensifying and accelerating the process of dispersal of industries to the less developed regions and promoting high tech industries in the developed areas of the State coupled with the object of generating mass employment opportunities. Further, in terms of the Accounting Standard (AS 12) "Accounting for Government Grants" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, eligible incentive is considered to be in the nature of promoters' contribution.

Therefore incentive of ₹ 19.14 Crs for the year (P.Y. ₹ 86.74 Crs.) has been credited to the Capital Reserve. Subsidy Receivable as at 31 March 2012 is ₹ 43.42 Crs. (P.Y. ₹ 155.00 Crs.)

NOTE 3 : LONG -TERM BORROWINGS

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Term loans from bank (Secured)		
Foreign currency term loan from BNP PARIBAS, Singapore	78.20	131.34
Foreign currency term loan from ICICI Bank Limited, Hongkong	-	15.72
Foreign currency term loan from ICICI Bank Limited, Hongkong	-	21.81
Total	**78.20**	**168.87**

Terms of Repayment

1. Foreign Currency Term Loan i.e. External Commercial Borrowings (ECB) of JPY 3,420.15 Million (USD 30 Million) i.e.₹ 124.50 Crs. availed from BNP PARIBAS, Singapore at the rate of interest of 0.585% p.a. (the Margin) over six months' JPY London Inter-bank Offer Rate i.e. LIBOR [balance outstanding as on 31 March 2012: ₹ 117.30 Crs.].[P.Y. ₹ 160.94 Crs.] This loan is to be repaid in five six-monthly installments starting from 2 March 2012. Accordingly one installment of JPY 550 Million & One Prepayment of JPY 550 Million i.e ₹ 60.53 Crs. was paid on 2 March 2012.
2. Foreign Currency Term Loan i.e. External Commercial Borrowings (ECB) of JPY 2,336.32 Million i.e. ₹ 79.70 Crs availed from ICICI Bank Limited, Hongkong at the rate of interest of 0.84% p.a. (the Margin) over six months' JPY London Inter-bank Offer Rate i.e. LIBOR [balance outstanding as on 31 March 2012: ₹ 18.12 Crs.].[P.Y.₹ 47.16 Crs.] This loan is to be repaid in eight six-monthly equal installments starting from 31 October 2008. Accordingly two installments of JPY 292.04 Million each i.e. ₹ 15.92 Crs. and ₹ 19.08 Crs. were repaid on 27 April 2011 and 31 October 2011 respectively.
3. Foreign Currency Term Loan i.e. External Commercial Borrowings (ECB) of JPY 405.28 Million i.e. ₹ 13.30 Crs. availed from ICICI Bank Limited, Hongkong at the rate of interest of 0.84% p.a. (the Margin) over six months' JPY London Inter-bank Offer Rate i.e. LIBOR [balance outstanding as on 31 March 2012: ₹ 25.15 Crs]. [P.Y ₹ 21.81 Crs]. This is to be repaid in a single tranche on 20 June 2012.
4. Foreign Currency Term Loan i.e. External Commercial Borrowings (ECB) of JPY 1,417.46 Million (USD 12 Million) i.e. ₹ 52.60 Crs availed from HSBC Bank plc, London at the rate of interest of 0.95% p.a. (the Margin) over six months' JPY London Inter-bank Offer Rate i.e. LIBOR [balance outstanding as on 31 March 2012: NIL].[P.Y.₹. 19.07 Crs] This loan is to be repaid in eight six-monthly equal installment starting from 2 June 2008. Accordingly two installments of JPY 177.17 Million each i.e.₹ 8.95 Crs. and ₹ 10.83 Crs.were repaid on 01 Jun 2011 and 01 December 2011 respectively.

Foreign currency term loans, to the extent repayable within one year from the balance sheet date, are grouped under 'Other current liabilities' (Refer note 9)

₹ in Crs.

PARTICULARS	31 March 2012	31 March 2011
Foreign currency term loan from BNP PARIBAS, Singapore	39.10	29.60
Foreign currency Term Loan from HSBC Bank plc, London	-	19.08
Foreign currency term loan from ICICI Bank Limited, Hongkong	18.12	31.44
Foreign currency term loan from ICICI Bank Limited, Hongkong	25.15	-
Total	**82.37**	**80.12**

Foreign currency term loans are secured by way of hypothecation (First Charge) on all movable plant and machinery both present and future, located at Khadki, Pune, Nasik, Kagal and Rajkot, in favour of The Hongkong and Shanghai Banking Corporation Limited, Mumbai (HSBC), the Security Trustee upto ₹ 750 Crs.

The Company is in process of modification of charge only in repsect of change in the list of lenders, due to the final repayment of ECB loan of HSBC Bank plc, London. Further there will be no change in the amount for which charge is created.

NOTE 4 : DEFERRED TAX LIABILITIES (NET)

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Deferred tax liability	56.13	59.69
Less: Deferred tax asset	18.11	27.36
Total	**38.02**	**32.33**

As required by Accounting Standard (AS 22) "Taxes on Income" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, the Company has recognised deferred taxes, which result from timing differences between book profits and tax profits for the period , the details of which are as under.

₹ in Crs.

Particulars		As at 31 March 2012	As at 31 March 2011
(i)	**Deferred Tax Liabilities**		
	Depreciation	56.13	59.69
(ii)	**Deferred Tax Assets**		
a	Disallowances u/s 43 B of Income Tax Act	9.11	15.22
b	Provision for Doubtful debts & advances	4.56	4.59
c	VRS Compensation	0.21	0.52
d	Demerger Expenses	1.12	1.65
e	Others	0.10	1.67
f	Difference in Exchange-MTM losses on exports Options	3.01	3.71
Total (a+b+c+d+e+f) [ii]		**18.11**	**27.36**
Deferred Tax Liability (Net) [i-ii]		**38.02**	**32.33**

NOTE 5 : OTHER LONG-TERM LIABILITIES

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Deposits from customers	14.30	14.03
Advance from customers	31.72	4.42
Total	**46.02**	**18.45**

NOTE 6 : LONG-TERM PROVISIONS

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Provision for employee benefits	**23.20**	**35.83**
Provision for gratuity (Refer note 32.9)	-	-
Provision for leave encashment (Refer note 32.9)	17.44	28.45
Provision for Pension and other Retirement Benefits (Refer note 32.9)	5.76	7.38
Other provisions	**7.96**	**12.26**
Provision for warranty (Refer note 32.12)	7.41	6.02
MTM liabilities on derivative	0.55	6.24
Total	**31.16**	**48.09**

NOTE 7 : SHORT-TERM BORROWINGS

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Loans payable on demand		
Packing credit foreign currency loan (Secured)	8.39	-
Total	**8.39**	**-**

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

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

NOTE 8 : TRADE PAYABLES

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Acceptances	32.99	48.59
Other trade payable (Refer note 32.6)	215.95	223.99
Total	**248.94**	**272.58**

NOTE 9 : OTHER CURRENT LIABILITIES

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Current maturities of long-term debts (Refer note 3)	82.37	80.12
Interest accrued and not due on borrowings	0.33	0.58
Unclaimed dividends	0.61	0.33
Advances from customers	10.38	2.44
Payables for capital purchases	8.53	17.12
Other payables	**76.90**	**89.37**
Statutory dues including provident fund and tax deducted at source	5.18	5.46
Employee benefits payable	23.34	24.30
Other liabilities	48.38	59.61
Total	**179.12**	**189.96**

NOTE 10 : SHORT-TERM PROVISIONS

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Provision for employee benefits	**8.70**	**16.29**
Provision for gratuity (Refer note 32.9)	-	6.29
Provision for leave encashment (Refer note 32.9)	7.20	8.20
Provision for pension and other retirement benefits (Refer note 32.9)	1.50	1.80
Others	**96.49**	**97.33**
MTM liabilities on derivative	8.73	5.19
Provision for warranty	18.31	24.22
Tax provision (Net of tax paid in advance)	1.75	0.22
Proposed dividend	58.25	58.25
Tax on proposed dividend	9.45	9.45
Total	**105.19**	**113.62**

NOTE 11 : FIXED ASSETS - TANGIBLE ASSETS

₹ in Crs.

Fixed Assets	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block											
As At 31 March 2010	0.00	12.36	73.11	755.17	10.30	7.46	22.92	3.02	35.15	19.67	939.16
Additions	-	-	3.00	72.25	1.36	0.35	-	0.10	6.47	4.22	87.75
Add : ECB Diff in Exchange - AS11	-	-	-	14.27	-	-	-	-	-	-	14.27
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	0.13	0.11	11.69	0.02	0.06	-	0.21	4.89	1.21	18.32
As At 31 Mar 2011	0.00	12.23	76.00	830.00	11.64	7.75	22.92	2.91	36.73	22.68	1,022.86
Additions	-	-	4.93	55.90	1.35	1.07	14.63	0.13	3.38	2.08	83.47
Add : ECB Diff in Exchange - AS11	-	-	-	13.68	-	-	-	-	-	-	13.68
Hive off- Bearing Division	-	-	-	78.33	0.74	0.24	-	0.18	0.95	0.89	81.33
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	0.13	0.01	11.41	0.72	2.12	-	0.02	3.05	0.20	17.66
As At 31 Mar 2012	**0.00**	**12.10**	**80.92**	**809.84**	**11.53**	**6.46**	**37.55**	**2.84**	**36.11**	**23.67**	**1,021.02**
Depreciation											
Upto 31 March 2010	-	-	7.59	312.12	6.60	5.37	12.46	2.03	28.94	7.35	382.46
For The Year	-	-	2.21	72.21	0.79	1.02	1.56	0.25	3.35	1.37	82.76
Recoupment / Adjustment*	-	-	-	-	-	-	5.60	-	-	2.10	7.70
Deductions	-	-	0.09	11.57	0.02	0.06	-	0.20	4.92	0.95	17.81
As At 31 March 2011	-	-	9.71	372.76	7.37	6.33	8.42	2.08	27.37	5.67	439.71
Depreciation											
For The Year	-	-	2.26	78.11	0.82	0.72	1.85	0.22	3.57	1.52	89.07
Hive off- Bearing Division	-	-	-	58.10	0.66	0.22	-	0.16	0.74	0.48	60.36
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	0.00	11.17	0.69	2.10	-	0.02	3.05	0.19	17.22
As At 31 Mar 2012	**-**	**-**	**11.97**	**381.60**	**6.84**	**4.73**	**10.27**	**2.12**	**27.15**	**6.52**	**451.20**
Net Block											
As At 31 Mar 2011	0.00	12.23	66.29	457.24	4.27	1.42	14.50	0.83	9.36	17.01	583.15
As At 31 Mar 2012	**0.00**	**12.10**	**68.95**	**428.24**	**4.69**	**1.73**	**27.28**	**0.72**	**8.96**	**17.15**	**569.82**

Notes :

1. Gross block is at Cost except leasehold land which is net of amount written off.
2. For Depreciation and amortisation refer accounting policy (Note 32.1.4).
3. * Recoupment/Adjustment includes reversal of Depreciation due to change in method and rate ₹ NIL (Previous year ₹ 7.70 Crs.)
4. Note 11 of Fixed Assets includes assets at Research & Development facility, the details of which are as under.

FIXED ASSETS - TANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY

₹ in Crs.

Fixed Assets	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block											
As At 31 March 2010	-	-	-	18.72	0.45	-	-	0.09	0.16	0.04	19.46
Additions	-	-	-	26.18	0.05	-	-	0.01	0.67	0.94	27.85
Deductions	-	-	-	1.57	-	-	-	-	-	-	1.57
As At 31 Mar 2011	-	-	-	43.33	0.50	-	-	0.10	0.83	0.98	45.74
Additions	-	-	-	6.21	0.01	-	-	0.01	0.15	0.49	6.87
Deductions	-	-	-	-	-	-	-	-	-	-	-
As At 31 Mar 2012	**-**	**-**	**-**	**49.54**	**0.51**	**-**	**-**	**0.11**	**0.98**	**1.47**	**52.61**
Depreciation											
As At 31 March 2010	-	-	-	8.88	0.20	-	-	0.07	0.09	0.02	9.26
For The Year	-	-	-	2.22	0.06	-	-	-	0.09	0.00	2.37
Deductions	-	-	-	0.74	-	-	-	-	-	-	0.74
As At 31 Mar 2011	-	-	-	10.36	0.26	-	-	0.07	0.18	0.02	10.89
Depreciation											
For The Year	-	-	-	4.58	0.05	-	-	0.01	0.16	0.09	4.89
Deductions	-	-	-	-	-	-	-	-	-	-	-
As At 31 Mar 2012	**-**	**-**	**-**	**14.94**	**0.31**	**-**	**-**	**0.08**	**0.34**	**0.11**	**15.78**
Net Block											
As At 31 Mar 2011	-	-	-	32.97	0.24	-	-	0.03	0.65	0.96	34.85
As At 31 Mar 2012	**-**	**-**	**-**	**34.60**	**0.20**	**-**	**-**	**0.03**	**0.64**	**1.36**	**36.83**

Notes : Above figures are included in note 11 : Fixed Assets - Tangible Assets

NOTE 12 : FIXED ASSETS - INTANGIBLE ASSETS **₹ in Crs.**

Fixed Assets	Computer Software	Drawings & Designs	Technical Knowhow	Development Expenditure	Total
Gross Block					
As At 31 March 2010	6.53	15.81	2.31	1.43	26.08
Additions	3.52	-	-	-	3.52
Add : ECB Diff in Exchange - AS11	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2011	10.05	15.81	2.31	1.43	29.60
Additions	0.41	0.42	1.53	-	2.36
Add : ECB Diff in Exchange - AS11	-	-	-	-	-
Hive off- Bearing Division	0.28	4.69	-	-	4.97
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2012	**10.18**	**11.54**	**3.84**	**1.43**	**26.99**
Depreciation					
Upto 31 March 2010	5.25	13.89	0.44	0.57	20.15
For The Year	0.83	0.26	0.38	0.48	1.95
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2011	6.08	14.15	0.82	1.05	22.10
Depreciation					
For The Year	1.09	0.13	0.49	0.38	2.09
Hive off- Bearing Division	0.04	3.15	-	-	3.19
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2012	**7.13**	**11.13**	**1.31**	**1.43**	**21.00**
Net Block					
As At 31 Mar 2011	3.97	1.66	1.49	0.38	7.50
As At 31 March 2012	**3.05**	**0.41**	**2.53**	**0.00**	**5.99**

Notes :

1. Intangible Assets are amortised on Straight Line method.
2. Useful life of each category is as follows,
   Computer Software- 60 months.
   Drawings & Designs- 115 months.
   Technical Knowhow- 72 months.
   Development Expenditure- 36 months.
3. Note 12 of Fixed Assets includes assets at Research & Development facility, the details of which are as under.

FIXED ASSETS - INTANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY ₹ in Crs.

Fixed Assets	Computer Software	Drawings & Designs	Technical Knowhow	Development Expenditure	Total
Gross Block					
As At 31 March 2010	3.57	10.42	-	-	13.99
Additions	0.14	-	-	-	0.14
Deductions	-	-	-	-	-
As At 31 March 2011	3.71	10.42	-	-	14.13
Additions	0.33	-	-	-	0.33
Add : ECB Diff in Exchange - AS11	-	-	-	-	-
Hive off- Bearing Division	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2012	**4.04**	**10.42**	**-**	**-**	**14.46**
Depreciation					
As At 31 March 2010	3.10	10.42	-	-	13.52
For The Year	0.27	0.00	-	-	0.27
Deductions	-	-	-	-	-
As At 31 March 2011	3.37	10.42	-	-	13.79
Depreciation					
For The Year	0.22	-	-	-	0.22
Hive off- Bearing Division	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2012	**3.59**	**10.42**	**-**	**-**	**14.01**
Net Block					
As At 31 Mar 2011	0.34	-	-	-	0.34
As At 31 March 2012	**0.45**	**-**	**-**	**-**	**0.45**

Notes :
Above figures are included in note 12 : Fixed Assets - Intngible Assets

NOTE 13 : NON-CURRENT INVESTMENTS ₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2012		As at 31 March 2011	
	₹	Nos.	₹ in Crs.	Nos.	₹ in Crs
I TRADE					
UNQUOTED INSTRUMENTS					
Kirloskar Proprietary Limited - Equity Share (Fully Paid)	100.00	1	0.00	1	0.00
Kirloskar Proprietary Limited - Preference Share (Fully Paid)	100.00	1	0.00	1	0.00
II NON TRADE - Unquoted Debt Instrument					
HDFC Group Unit Linked Plan	10.00	7,385,411	10.00	2,339,200	3.00
Total			**10.00**		**3.00**

Notes :

1. Aggregate amount of Unquoted Investments 10.00 3.00
2. Face value per unit in Rupees unless otherwise stated.

NOTE 14 : LONG-TERM LOANS AND ADVANCES

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Capital advances	**4.27**	**10.73**
Secured, considered good	-	0.54
Unsecured, considered good	4.27	10.19
Security deposits	**16.88**	**17.93**
Unsecured, considered good	16.88	17.93
Loans and advances to suppliers	**5.03**	**1.29**
Unsecured, considered good	5.03	1.29
Doubtful	0.13	0.30
Less : Provision	0.13	0.30
	-	-
Loans to employees	**5.91**	**6.69**
Unsecured, considered good	5.91	6.69
Tax paid in advance (net of provision)	**40.38**	**51.10**
Total	**72.47**	**87.74**

NOTE 15 : OTHER NON-CURRENT ASSETS

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Long-term trade receivables	**-**	**-**
Doubtful	14.05	13.84
Less : Provision	14.05	13.84
	-	-
Others	**10.29**	**25.57**
Subsidy receivable for setting up Kagal plant	2.75	22.97
Derivative asset	5.14	2.07
Other bank balances (Deposits with maturity of more than 12 months)	0.01	0.01
Inventories	2.39	0.52
Total	**10.29**	**25.57**

NOTE 16 : CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2012		As at 31 March 2011	
	₹	Nos.	₹ in Crs.	Nos.	₹ in Crs.
INVESTMENTS IN MUTUAL FUNDS					
UNQUOTED					
A Current portion of Long Term Investment					
I DIVIDEND SCHEME - FIXED MATURITY PLAN					
SBI Debt Fund Series - 367 Days - 12 Dividend	10.00	5,000,000	5.00	-	-
B Current Investment					
I DIVIDEND SCHEME - FIXED MATURITY PLAN					
Birla Sun Life Interval Income Fund - Instl- Qtrly-S1-Div Payout	10.00	10,000,000	10.00	10,000,000	10.00
Birla Sun Life Short Term FMP Series 25-Div-Payout	10.00	10,000,000	10.00		-
Birla Sun Life Short Term FMP Series 29-Div-Payout	10.00	10,000,000	10.00		
Birla Sun Life Quarterly Interval Series - 4 - Div Payout	10.00	10,000,000	10.00		-
Birla Sun Life Short Term FMP Series 7-Div-Payout	10.00			15,000,000	15.00
Birls Sun Life Short Term FMP Series 8-Div-Payout	10.00			10,000,000	10.00
Birls Sun Life Short Term FMP Series 11-Div-Payout	10.00			10,000,000	10.00
DSP Black Rock FMP - 3M Series 33-Div Payout	10.00	10,000,000	10.00		-
DSP Black Rock FMP - 3M Series 40-Div Payout	10.00	10,000,000	10.00		-
DSP Black Rock FMP - 3M Series 42-Div Payout	10.00	15,000,000	15.00		-
DSP Black Rock FMP - 3M Series 29-Div Payout	10.00			5,000,000	5.00
DSP Black Rock FMP - 3M Series 30-Div Payout	10.00			5,000,000	5.00
DSP Black Rock FMP - 3M Series 31-Div Payout	10.00			10,000,000	10.00
IDFC Quarterly FMP Series - 72 - Div Payout	10.00	10,000,000	10.00		-
Kotak Quarterly Interval Plan Series 4 - Dividend	10.00			9,996,701	10.00
Kotak Quarterly Interval Plan Series 5 - Dividend	10.00			9,998,200	10.00
Kotak Quarterly Interval Plan Series 6 - Dividend	10.00			10,000,700	10.00
Kotak Quarterly Interval Plan Series 8 - Dividend	10.00			9,999,820	10.00
SBI Debt Fund Series - 90 Days - 39 Dividend	10.00			10,000,000	10.00
SBI Debt Fund Series - 90 Days - 40 Dividend	10.00			10,000,000	10.00
SBI Debt Fund Series - 90 Days - 42 Dividend	10.00			10,000,000	10.00
SBI Debt Fund Series - 90 Days - 55 Dividend	10.00	10,000,000	10.00		
UTI Fixed Income Interval Series - I	10.00	9,997,001	10.00		
UTI Fixed Income Interval Series - III	10.00	9,996,901	10.00		
UTI Quarterly FMP Sreries - 1	10.00	10,000,000	10.00		
			125.00		135.00
II DIVIDEND SCHEME - LIQUID					
Birla Sunlife Cash Plus INSTL Premium-Daily Dividend Reinvestment	100.00	5,192,992	52.04		
Birla Sunlife Cash Plus INSTL Premium-Daily Dividend Reinvestment	10.00			14,000,578	14.03
Birla Sun Life Short Term Opportunities Fund-INSTL-WD-Reinvestment	10.00			17,055,095	17.07
HDFC Cash Management Fund - Treasury Advantage Plan-Wholesale-Daily Div	10.00			20,200,825	20.26
HDFC Cash Management Fund - Savings Plan - Daily Dividend Reinvestment	10.00			12,231,712	13.01
HDFC Liquid Fund Premimum Plan - Daily Dividend Reinvestment	10.00	40,813,645	50.05		
ICICI Prudential Flexible Income Plan - Daily Dividend	100.00			958,502	10.13
ICICI Prudential Liquid Super Institutional Plan - Div- Daily	100.00	5,500,975	55.02	1,000,423	10.01
IDFC Savings Advantage Fund - Plan A - Daily Dividend	1,000.00			150,919	15.09
IDFC Ultra Short Term Fund	10.00	30,152,171	30.19		
IDFC Cash Fund Super Inst Plan C	1,000.00	300,060	30.01		
Reliance Liquid Fund - Daily Dividend	10.00	59,983,445	60.01		
SBI Premier Liquid Fund - Super Institutional - Daily Dividend	10.00	498,827	50.04	39,886,955	40.02
SBI Ultra Short Term Fund - Institutional Plan - Daily Dividend	10.00			10,128,567	10.13
SBI Magnum Income Fund FR Saving Plus Bond Plan - Daily Dividend	10.00			9,944,802	10.00
TATA Liquidity Management Fund - Daily Dividend Reinvestment	10.00	100,275	10.05		
UTI Liquid Fund - Cash Plan - Daily Dividend	1,000.00	490,692	50.02		
			387.43		159.75
Total			**517.43**		**294.75**

Notes :

1. Aggregate amount of Unquoted Investments 517.43 294.75
2. Face value per unit in Rupees unless otherwise stated.

NOTE 17 : INVENTORIES

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Raw materials		
Raw materials and components	85.65	84.93
Raw materials in transit	1.53	0.86
Work-in-progress	**9.11**	**24.35**
Finished goods	**22.92**	**16.08**
Stores and spares	**13.02**	**11.81**
Total	**132.23**	**138.03**

WORK-IN-PROGRESS

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Engines between 2.5 HP to 740 HP	2.27	2.30
Generating sets between 5 KVA to 600 KVA	0.94	0.78
Generating sets between 1.6 MW to 4.4 MW	-	2.42
Bimetal Bearings	-	11.50
Others	5.90	7.35
Total	**9.11**	**24.35**
Others (Refer note 15)	0.04	0.03

FINISHED GOODS

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Engines between 2.5 HP to 740 HP	14.61	7.56
Generating Sets between 5 KVA to 600 KVA	2.91	2.57
Bimetal Bearings	-	2.67
Bimetal Strips	-	0.05
Goods Traded - Engines and Gensets	0.09	0.50
Goods Traded - K-oil	0.51	0.40
Others	4.80	2.33
Total	**22.92**	**16.08**

NOTE 18 : TRADE RECEIVABLES

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Outstanding for a period exceeding six months from the date they are due for payment	**11.21**	**3.15**
Secured, considered good	-	0.20
Unsecured, considered good	11.21	2.95
Other receivables	**287.73**	**378.55**
Secured, considered good	43.82	29.27
Unsecured, considered good	243.91	349.28
Total	**298.94**	**381.70**

NOTE 19 : CASH AND BANK BALANCES

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Cash and cash equivalents	**25.92**	**21.59**
Cash on hand	**0.06**	**0.09**
Balance with Bank	**25.86**	**21.50**
Current accounts and cash credit	25.25	21.17
Unpaid dividend accounts	0.61	0.33
Other bank balances	**1.47**	**1.34**
Deposits with original maturity of more than three months but less than 12 months	1.47	1.34
Total	**27.39**	**22.93**

NOTE 20 : SHORT-TERM LOANS AND ADVANCES

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Loans and advances to related parties	**-**	**-**
Others		
Loans and advance to suppliers		
Unsecured, considered good	7.85	5.81
Loans and advance to employees		
Unsecured, considered good	1.81	1.84
Balance with collectorate of central excise and customs	6.10	5.30
Sales tax / VAT / service tax receivable (net)	28.72	7.29
Other loans & advances	12.03	5.95
Total	**56.51**	**26.19**

NOTE 21 : OTHER CURRENT ASSETS

₹ in Crs.

	As at 31 March 2012	As at 31 March 2011
Export incentive receivable	5.70	7.78
Income receivable	0.93	1.52
Derivative asset	3.51	12.85
Subsidy receivable for setting up Kagal plant	40.67	132.03
Others	0.29	0.00
Total	**51.10**	**154.18**

NOTE 22 : REVENUE FROM OPERATIONS

₹ in Crs.

		2011-12	2010-11
Sale of products (gross)		2,347.42	2,454.23
Less : Excise duty		170.30	173.00
		2,177.12	2,281.23
Sales of services		98.43	82.96
		2,275.55	**2,364.19**
Operating income			
Sale of scrap		14.19	16.34
Cash discount received		1.96	1.30
Commission received		6.77	7.08
Export incentives		7.17	7.06
Refund of sales tax, octroi etc		0.84	0.12
Sundry credit balances appropriated		0.79	0.49
Provisions no longer required written back		16.89	18.48
Provision for doubtful debts and advances written back		(0.04)	6.69
Miscellaneous receipts		1.91	1.27
		50.48	**58.83**
	Total	**2,326.03**	**2,423.02**

₹ in Crs.

Class of Goods		**2011-12**	**2010-11**
Engines between 2.5 HP to 740 HP		1,388.83	1,481.82
Engines above 2400 HP to 10000 HP		-	31.40
Generating Sets between 5 KVA to 600 KVA		214.08	189.83
Generating Sets between 1.6 MW to 4.4 MW		25.98	5.17
Bimetal Bearings		60.52	116.62
Bimetal Strips		1.68	6.15
Goods Traded - Engines and Gensets		0.52	1.86
Goods Traded - K-oil		143.64	127.26
Others		440.30	404.08
	Total	**2,275.55**	**2,364.19**

NOTE 23 : OTHER INCOME

₹ in Crs.

		2011-12	2010-11
Interest		**7.61**	**0.46**
On income tax refund		4.62	-
On others		2.99	0.46
Dividend		25.16	11.09
Profit on Sale of Mutual Fund investments (net)		0.02	0.16
Surplus on sale of assets		1.08	0.54
Others		2.26	0.11
	Total	**36.13**	**12.36**

NOTE 24 : COST OF MATERIALS CONSUMED

		₹ in Crs.
	2011-12	**2010-11**
(a) Raw materials and components consumed		
Opening stocks	85.42	86.17
Less : Value of obsolete and non-moving material written-down (net of realisable value)	3.04	0.21
Add : Purchases	1,243.49	1,297.73
	1,325.87	1,383.69
Less : Stocks at close	88.00	85.42
	1,237.87	1,298.27
(b) Freight, octroi and entry tax	35.68	39.39
(c) Write-down of obsolete and non-moving material	3.04	0.21
Total	**1,276.59**	**1,337.87**

(i) Raw materials and components consumed:

		₹ in Crs.
	2011-12	**2010-11**
a) Steel and Steel Strips	3.41	12.23
b) Non-ferrous Metals	21.52	32.36
c) Components	1,212.73	1,253.53
d) Others	0.21	0.15
Total	**1,237.87**	**1,298.27**

(ii) Imported and indigenous raw materials consumption (including components) :

		₹ in Crs.
	2011-12	**2010-11**
Imported	70.09	103.63
% to total raw material consumption	5.66%	7.98%
Indigenuous	1,167.78	1,194.64
% to total raw material consumption	94.34%	92.02%
Total	**1,237.87**	**1,298.27**

NOTE 25 : PURCHASES OF STOCK-IN-TRADE

		₹ in Crs.
	2011-12	**2010-11**
Finished goods purchases for resale	104.65	90.23
Total	**104.65**	**90.23**

(i) Details of purchase of Trading Goods:

		₹ in Crs.
	2011-12	**2010-11**
a) Engines and Gensets	0.47	1.50
b) K Oil	104.18	88.73
Total	**104.65**	**90.23**

NOTE 26 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

₹ in Crs.

		2011-12	2010-11
(a) (Increase)/decrease in stocks			
Stocks at close:			
Work-in-process (including finished components)		9.15	24.38
Finished goods		22.92	16.08
		32.07	40.46
Less : Opening stocks			
Work-in-process (including finished components)		24.38	18.93
Finished goods		16.08	18.57
		40.46	37.50
		8.39	(2.96)
(b) Increase/(decrease) in excise duty of finished goods		1.16	0.53
	Total	**9.55**	**(2.43)**

NOTE 27 : EMPLOYEE BENEFITS EXPENSE

₹ in Crs.

		2011-12	2010-11
Salaries, wages, gratuity, bonus, commission, etc		140.02	141.24
Contribution to provident and other funds		15.33	17.82
Welfare and training expenses		19.51	19.36
Provident and other funds' expenses		0.51	0.50
	Total	**175.37**	**178.92**

NOTE 28 : FINANCE COSTS

₹ in Crs.

		2011-12	2010-11
Interest expense		4.48	4.89
Applicable loss on foreign currency transactions		11.48	14.96
	Total	**15.96**	**19.85**

NOTE 29 : DEPRECIATION AND AMORTIZATION EXPENSE

₹ in Crs.

		2011-12	2010-11
Depreciation		**91.16**	**84.71**
Tangible assets		89.07	82.76
Intangible assets		2.09	1.95
Amount written off against leasehold land		**0.13**	**0.13**
	Total	**91.29**	**84.84**

NOTE 30 : OTHER EXPENSES

₹ in Crs.

	2011-12	2010-11
Manufacturing Expenses		
Stores consumed	77.84	90.43
Power and fuel	27.41	25.71
Machinery spares	9.30	12.31
Repairs to machinery	5.10	5.48
Job work charges	24.26	29.53
Labour charges	10.22	9.37
Cost of services	83.25	74.45
Other manufacturing expenses	7.32	9.53
	244.70	**256.81**
Selling Expenses		
Commission	12.90	10.91
Freight and forwarding	37.48	38.14
Sales warranty claims	29.45	26.64
Royalty, technical and license fees etc.	8.95	8.66
Advertisement and publicity	8.29	12.28
Other selling expenses	3.71	4.48
	100.78	**101.11**
Administration Expenses		
Rent	26.67	24.44
Rates and taxes	0.30	0.68
Insurance	0.63	0.82
Repairs to building	5.37	11.07
Other repairs and maintenance	21.03	22.83
Travelling and conveyance	15.06	16.24
Communication expenses	3.49	3.62
Printing and stationery	2.01	2.55
Legal & professional fees	10.26	10.30
Auditor's remuneration	0.39	0.53
Donations	1.94	2.42
Demerger expenses	-	0.80
Miscellaneous expenses	21.81	18.82
Loss on assets sold, demolished, discarded and scrapped	0.95	1.07
Bad debts and irrecoverable balances written off	0.84	4.60
Expenses capitalised	(0.75)	(0.07)
	110.00	**120.72**
Total	**455.48**	**478.64**

NOTE 31 : EXCEPTIONAL ITEMS [INCOME / (EXPENSES)]

₹ in Crs.

	2011-12	2010-11
Exceptional income		
Depreciation	-	7.70
Profit on sale of Bearings business (Refer note 32.14)	47.71	-
Exceptional Expenses		
Valuation loss in respect of derivative instruments	-	(11.43)
Total	**47.71**	**(3.73)**

NOTE 32 : NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2012

1. Significant Accounting Policies

1.1 Basis of preparation of Financial Statements

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

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

Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the company from accounting year commencing from 1 April 2011 for preparation and presentation of financial statements. Accordingly all assets and liabilities have been classified as current or noncurrent as per Companies normal operating cycle and/or other criteria's set out in Revised Schedule VI.

1.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any revisions to accounting estimates are recognised prospectively in future periods.

1.3 Fixed Assets

a. Fixed assets, except leasehold land, are stated at cost of acquisition or construction less accumulated depreciation. Cost includes the purchase price and all other attributable costs incurred for bringing the asset to its working condition for intended use. Leasehold land is valued at cost less amount written off.

b. Expenditure on New Projects and Expenditure during Construction :

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

c. Capital work-in-progress comprises cost of fixed assets that are not yet installed and not ready for their intended use at the balance sheet date.

d. Intangible assets are recorded at the consideration paid for acquisition. Expenditure incurred on development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset. Such developmental expenditure is capitalised at cost including a share of allocable expenses.

e. Own manufactured assets are capitalised at cost including a share of allocable expenses.

f. Exchange Differences – See 32 .1.7 (c) below

1.4 Depreciation and Amortization

a. Freehold land is not depreciated.

b. Leasehold land is amortized over the period of lease.

c. Depreciation on all assets for the year has been provided on straight line method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 from the beginning of the month in which addition is made. However, if the rate inferred by estimated useful life of the asset is higher than those of schedule XIV, then Depreciation is computed with reference to useful life. Accordingly, Depreciation on following asset classes has been provided over the estimated useful life of respective assets at the rates being higher than the rates as per Schedule XIV to the Companies Act, 1956.

   i. On Computers and peripherals, depreciation rates range from 20.00% p.a. to 33.33% p.a

   ii. On Pattern tooling equipment, depreciation rate is 25.00% p.a.

   iii. On Electrical Installation, depreciation rate is 6.67% p.a.

   iv. On Furniture & Fixture, depreciation rates range from 10.00% p.a. to 25.00% p.a.

   v. On Vehicles & Aircraft, depreciation rates are 20.00% p.a. and 6.67% p.a. respectively.

d. Jigs and Fixtures, Dies and Patterns costing below ₹ 1 lac and other fixed assets costing below ₹ 5,000/- are charged to revenue in the year of acquisition.

e. Intangible assets are amortised over their respective individual estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its intended use.

f. Depreciation on additions due to increase in rupee value of fixed assets on account of foreign exchange fluctuations is being provided at the rates of depreciation over the remaining useful life of the said asset.

g. Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on prorate basis up to the end of the previous month during which such assets are sold, discarded or demolished.

1.5 Investments

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

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

1.6 Inventories

a. Stores and spares, raw materials and components are valued at cost or net realizable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition. Cost is ascertained using weighted average method.

b. Work-in-process including finished components and finished goods are valued at cost or realisable value whichever is lower. Cost includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity. Finished goods lying in the factory premises, branches and depots are valued inclusive of excise duty.

c. Materials-in-transit and materials in bonded warehouse is valued at actual cost up to the date of balance sheet.

d. Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.

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

1.7 Foreign Currency Transactions

a. Initial Recognition

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

b. Conversion

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

c. Exchange Differences

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31 March 2009, as amended vide G.S.R. 378(E) dated 11 May 2011, eligible exchange difference on foreign currency loans utilized for acquisition of assets, up to 31 March 2012, is adjusted in the cost of the asset to be depreciated over the balance life of the asset. (See Note No 32.8).

d. Forward Contracts

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

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

e. Option Contracts

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

Outstanding foreign exchange option contracts on the date of Balance Sheet are marked to market

(MTM). MTM losses or gains, if any, are recognized in the Profit and Loss account subject to (c) above. However, in respect of instruments to hedge highly probable forecast transactions which serve as effective hedges as determined under the Accounting Standard (AS-30), the gains and losses are accumulated in the Hedge reserve until the underlying transaction occurs upon which the respective accumulated balances are recognized in the profit and loss account.

1.8 Employee Benefits

a. Short Term Employee Benefits:

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

b. Post-Employment Benefits:

i. Defined Contribution Plans:

The Company's approved superannuation schemes, state government provident fund scheme, employee state insurance scheme are defined contribution plans. The contribution paid / payable under the schemes is recognised during the period in which the employee renders the related service. The Company also makes specified monthly contributions towards employee provident fund to a Trust administered by the company.

The minimum interest payable by the trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate, which is recognized as a cost as and when determined.

ii. Defined Benefit Plans:

The employee's gratuity fund scheme, long term compensated absences, pension, post-retirement medical and long term service award benefit schemes are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on the net basis. (See Note 32.9)

In the case of Funded Gratuity liability, amount due to the fund within 12 months is treated as current liability. In the case of pension, post-retirement medical benefit and Long term service award benefit scheme the amount expected to be paid / expected to settle within next 12 months is treated as current and balance amount is treated as non-current. In the case of Long Term Compensated absence the determination of current and noncurrent liability is based on unconditional right to defer its settlement in next 12 months from the reporting date and other factors such as Attrition rate, retirement in next 12 months.

iii. Termination Benefits:

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

1.9 Warranty

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

1.10 Research and Development

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

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

1.11 Revenue Recognition

a. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with their delivery to the buyer. Sales are stated net of discounts, rebates and returns.

b. Export sales are accounted on the basis of the dates of "Shipped on Board", Bill of Lading and other delivery documents as per contract.

c. Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

d. Income from services is recognized on completion of services as per the terms of specific contracts.

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

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

1.12 Government Grant

Grants and subsidies from the government are recognized if the following conditions are satisfied,

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

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

1.13 Borrowing Cost

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

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

1.14 Income Tax

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

Deferred Tax resulting from timing differences between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystalize, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with reasonable certainty that there would be adequate future taxable income against which deferred tax assets can be realised. However, Deferred Tax Asset arising on account of unabsorbed depreciation and business losses are recognised only if, there is virtual certainty supported by convincing evidence that there would be adequate future taxable income against which the same can be realised/ set off.

1.15 Earning Per Share

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

1.16 Cash Flow Statement

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

1.17 Segment Reporting

a. **Identification of Segments**

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

b. **Intersegment Transfers**

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

c. **Allocation of common costs**

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

d. **Unallocated items**

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

1.18 Impairment of Assets

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

1.19 Provisions and Contingencies

Necessary provisions are made for the present obligations that arise out of past events prior to the Balance

Sheet date entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

However a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

			₹ in Crs.
		As at 31-Mar-12	**As at 31-Mar-11**
2 (A)	Contingent Liabilities not provided for		
	(a) Disputed Central Excise demands	1.04	0.98
	(b) Disputed Sales Tax & Octroi Demands	6.09	7.09
	(c) Disputed Customs Duty demands	1.08	1.08
	(d) Disputed Income-Tax Liability - matter under appeal	13.06	17.22
	(e) Claims against Company not acknowledged as debts	82.18	79.06
	(f) Guarantees given on behalf of third parties	14.38	48.89
		117.82	**154.32**
2 (B)	The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which, remaining future obligations aggregates USD 64.20 million (previous year USD 110.09 million). Non fulfillment of the balance of such future obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the company under the said scheme, by March 31, 2012 - has been fulfilled.		
3	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	17.57	23.16
4	Other Commitments Purchase of Bearings from KSPG Automotive India Pvt Limited on a non-exclusive basis	118.00	-
5	Charge of Hypothecation referred to in Note No 7 for working capital facilities extends to letters of credit issued and gurantees given by the Company's Bankers		
	Aggregate value of such letters of credit outstanding	47.81	16.86
	Aggregate value of such gurantees outstanding	151.68	75.32

3. **Payment to Auditors (Net of Service tax)**

₹ in Crs.

Sr.No.	Particulars	2011-12	2010-11
(A)	**Statutory Auditors**		
	a) As Auditors	0.26	0.26
	b) In other capacity:		
	For Audit of Interim Financial Statements	-	0.15
	For Tax Audit	0.04	0.04
	For Certification and Other services	0.02	0.00
	For Reimbursement of Expenses	0.01	0.01
	Total	**0.33**	**0.46**
(B)	**Cost Auditors**		
	a) As Auditors	0.06	0.06
	b) In other capacity:		
	For Certification and Other services	0.00	0.00
	For Reimbursement of Expenses	-	0.01
	Total	**0.06**	**0.07**
	GRAND TOTAL(A+B)	**0.39**	**0.53**

4. **C. I. F. Value of Imports, expenditure and earnings in foreign currencies:**

₹ in Crs.

	Particulars	2011-12	2010-11
(A)	**C.I.F. Value of imports :**		
(i)	Raw materials (including components, material in transit, material in bonded warehouse)	69.94	102.78
(ii)	Capital goods	32.52	27.98
	Total	**102.46**	**130.76**
(B)	**Expenditure in foreign currencies :**		
(i)	Interest	3.00	3.75
(ii)	Travelling	1.56	2.03
(iii)	Commission on exports	6.91	5.53
(iv)	Advertisement & Publicity	2.16	2.02
(v)	Legal & Professional fees	0.49	0.29
(vi)	At Foreign Branch	0.28	0.33
(vii)	Others	4.58	1.47
	Total	**18.98**	**15.42**
(C)	**Earnings in foregn currencies :**		
(i)	F.O. B. value of exports	162.30	146.17
(ii)	Other Matters	-	0.14
	Total	**162.30**	**146.31**
(D)	**Exchange (gains) / losses on account of fluctuations in** Foreign Currency rates recognised in the Profit & Loss account including in.		
	a) Interest	11.48	14.96
	b) Miscellaneous Expenses	6.10	6.11
	Total	**17.58**	**21.07**
(E)	**Prior Period (Income)/Expenses (Net)**	**0.01**	**-**

5. **Foreign Exchange Derivatives and Exposures not hedged as at 31 Mar 2012**

A. **Foreign Exchange Derivatives** **Amounts in Foreign Currencies in 000's**

Nature of Instrument	Currency	Sale / Purchase	31 Mar 2012	31 Mar 2011
Forward Contracts	USD	Purchase	184	1,124
	EUR	Purchase	1,339	797
Option Contracts	USD	Purchase	24,100	43,520
	USD	Sale	9,000	22,000
	JPY	Purchase	2,582,000	4,598,899

All derivative contracts stated above are for the purpose of hedging the underlying foreign currency exposure.

B. **Foreign Exchange Derivatives** **Amounts in Foreign Currencies In 000's**

Nature of Exposure	Currency	31 Mar 2012	31 Mar 2011
Receivable	EUR	19	302
	GBP	-	1
Payable	USD	880	1,338
	EUR	-	764
	GBP	-	69
Loan	USD	7,418	5,580
	JPY	5,470	27,001

6. **The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development. Act 2006 (MSMED Act) as at 31 Mar 2012.The disclosure pursuant to the said Act is as under.**

₹ in Crs.

Particulars	2011-12	2010-11
Total outstanding to MSME suppliers	8.16	8.88
Principal Amount due to suppliers under MSMED Act, 2006, beyond the appointed day, since paid.	-	-
Interest accrued and due to suppliers under MSMED Act, on the above amount		
Payment made to suppliers (other than interest) beyond the appointed day, during the year	2.28	0.71
Interest paid to suppliers under MSMED Act (Other than section 16) -		
Interest paid to suppliers under MSMED Act (Section 16) -		
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.01	0.00
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.08	0.09

The Information has been given in respect of such vendors on the basis of information available with the company.

7. Research and Development Expenditure eligible for weighted deduction under section 35(2AB) of Income Tax Act, 1961:

₹ in Crs.

No.	Particulars	2011-12	2010-11
A	**Revenue Expenditure**		
	Manufacturing Expenses :		
	Raw Material, Store, Spares & Tools Consumed	2.96	3.98
	Machinery Repairs	0.28	0.32
	Payments to & Provision for Employees :		
	Salaries, Wages, Bonus, Allowances, etc.	4.88	3.85
	Contribution to Provident & Other Funds & Schemes	0.30	0.22
	Other Benefits	0.01	0.01
	Other Expenses :		
	Legal & Professional charges	0.66	0.63
	Membership Fees	-	0.01
	EDP Expenses	0.90	0.83
	Power Charges	0.76	0.46
	Travelling & Conveyance Expenses	0.20	0.46
	Other Expense	0.90	2.61
	Repairs	0.18	0.31
	Total	**12.02**	**13.70**
B	**Capital Expenditure**	**7.20**	**28.00**
	Total Eligible Research & Development Expenditure (A+B)	**19.22**	**41.70**

Approval for weighted deduction on expenditure of eligible R&D unit for the Financial Year 2011-12 is awaited.

8. The company, as per Ministry of Corporate Affairs notification dated 31 March 2009 as amended vide G.S.R. 378(E) dated 11 May 2011, had exercised the option of implementing the provisions of paragraph 46 of Accounting Standard (AS 11) “The effects of changes in Foreign Exchange Rates” prescribed by Companies (Accounting Standards) Amendment Rules, 2006. The Company has outstanding long term foreign currency loans which are categorized as long-term foreign currency monetary items utilized for the acquisitions of assets as referred in the said notification. Accordingly company has capitalised exchange difference loss of ₹ 13.68 Crs. [P.Y. loss ₹ 14.27 Crs.] is pertaining to the current financial year in respect of its foreign currency loans.

9. Disclosure pursuant to Accounting Standard (AS 15) – Revised 2005 “Employee Benefits” prescribed by Companies (Accounting Standards) Amendment Rules, 2006

a. **Defined Contribution Plans:**

Amount of ₹ 9.27 Crs. (P.Y. ₹ 8.26 Crs.) is recognised as expenses and included in Schedule No. 27 "Employee benefits Expense"

b. **Defined Benefit Plans:**

i. **Amount Recognised in the Balance sheet :**

₹ in Crs.

Particulars	2011-12			2010-11		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Present value of Defined Benefit obligation	36.51	-	-	39.24	-	-
b. Less: Fair value of Plan Assets	(36.80)	-	-	(35.26)	-	-
c. Present value of unfunded obligation	-	24.64	7.26	2.31	36.65	9.18
d. Net Liability / (Asset) recognised in the Balance Sheet	**(0.29)**	**24.64**	**7.26**	**6.29**	**36.65**	**9.18**

ii. **Amount recognised in the Profit and Loss Account are as follows :**

₹ in Crs.

Particulars	2011-12			2010-11		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Current Service Cost	2.41	2.21	0.67	2.56	3.09	1.15
b. Interest Cost	2.89	2.24	0.63	2.64	2.40	0.68
c. Expected return on Plan Assets	(2.76)	-	-	(2.76)	-	-
d. Settlement Cost / (Credit)	-	-	-	-	-	-
e. Actuarial Losses / (Gains)	3.55	3.46	(1.23)	6.61	4.46	(0.49)
f. Past Service Cost	-	-	-	0.77	-	(0.52)
Total included in "Employee Cost"	**6.09**	**7.91**	**0.07**	**9.82**	**9.95**	**0.82**

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

₹ in Crs.

Particulars	2011-12			2010-11		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Present value of Defined Benefit obligation at the beginning of the year	41.55	36.65	9.18	32.59	29.81	9.26
b. Interest cost	2.89	2.24	0.63	2.64	2.40	0.69
c. Current service cost	2.41	2.21	0.67	2.56	3.09	1.15
d. Settlement Cost / (Credit)	(10.03)	(6.28)	(0.62)	-	-	-
e. Actuarial Losses / (Gains)	3.88	3.46	(1.23)	5.99	4.46	(0.49)
f. Past Service Cost	-	-	-	0.77	-	(0.52)
g. Benefits paid	(4.19)	(13.64)	(1.37)	(3.00)	(3.11)	(0.91)
h. Present value of Defined Benefit obligation at the close of the year	**36.51**	**24.64**	**7.26**	**41.55**	**36.65**	**9.18**

iv. Changes in the fair value of Plan Assets and the reconciliation thereof:

₹ in Crs.

Particulars	2011-12			2010-11		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Fair value of Plan Assets at the beginning of the year	35.26	-	-	35.98	-	-
b Add :Expected return on Plan Assets	2.76	-	-	2.76	-	-
c. Add / (Less) : Actuarial (Losses) / Gains	0.34	-	-	(0.62)	-	-
d. Add : Contributions by employer	2.60	13.64	1.37	0.06	3.11	0.90
e. Less: Benefits Paid	(4.16)	(13.64)	(1.37)	(2.92)	(3.11)	(0.90)
f. Fair value of Plan Assets at the close of the year	**36.80**	**-**	**-**	**35.26**	**-**	**-**

v. **Broad Categories of plan assets as a percentage of total assets as at 31 March 2012**

Particulars	2011-12			2010-11		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Government of India Securities	0%	-	-	2%	-	-
b. Corporate Bonds	0%	-	-	1%	-	-
c. Special Deposit Scheme	0%	-	-	24%	-	-
d. Insured Managed Funds	100%	-	-	68%	-	-
e. Others	0%	-	-	5%	-	-
G. Total	**100%**	**-**	**-**	**100%**	**-**	**-**

vi. **Actuarial Assumptions as at 31 March 2012**

Particulars	2011-12			2010-11		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Discount Rate	8.50%	8.50%	-	8.40%	8.40%	-
b. Expected rate of return on Plan Assets	8.00%	-	-	8.00%	-	-
c. Salary Escalation rate- Management Staff	7.50%	7.50%	-	7.50%	7.50%	-

vii. Experience Adjustments on plan assets (Loss) /Gain ₹ 0.34 Crs. (P.Y. ₹ (0.62) Crs.)

viii. General Description of the plans

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

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

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

A)

i) Name of the Related party and nature of relationship where control exists:

Sr. No.	Related Party Category	Company
1	Companies controlled by KOEL (KOEL controlling > 50% of voting power)	None
2	Holding Company	Kirloskar Brothers Investments Limited (w.e.f 24 May 2011)
3	Fellow Subsidiaries Company	Kirloskar Pneumatic Company Limited Nasik Silk Industries Limited
4	Associate Company	None
5	Joint Venture Company	None
6	Companies controlled by Key Management Personnel	Achyut & Neeta Holdings & Finance Private Limited Alpak Investments Private Limited Cees Investments & Consultants Private Limited Green Tek Systems (India) Limited Kirloskar Chillers Private Limited Kirloskar Consultants Limited (Up to 23 Dec 2011) Kirloskar Intergrated Technologies Limited Navsai Investments Private Limited
7	Companies controlled by Relatives of Key Management Personnel	Binaza Travels Private Limited Cees Investments & Consultants Private Limited

ii) Key Management Personnel and their relatives:

Key Management Personnel		Name of Relatives as per (AS-18)	Relationship
Sr. No.	Name		
a	Atul C. Kirloskar	Arti A. Kirloskar	Wife
	Executive Chairman *	Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
b	Gautam A. Kulkarni	Jyotsna G. Kulkarni	Wife
	Executive Vice Chairman **	Ambar G. Kulkarni	Son
		Neeta A. Kulkarni	Mother
c	Rahul C. Kirloskar	Alpana R. Kirloskar	Wife
	Whole time Director ***	Aman R. Kirloskar	Son
		Alika R. Kirloskar	Daughter
		Atul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
d	Nihal G. Kulkarni ****	Shruti N. Kulkarni	Wife
	Managing Director	Gargi N. Kulkarni	Daughter
		Ambar G. Kulkarni	Brother
		Jyotsna G. Kulkarni	Mother
e	Rajendra R. Deshpande	Veena R. Deshpande	Wife
	Whole time Director	Kaustubh R. Deshpande	Son
		Sourabh R. Deshpande	Son

* Chairman & Managing Director up to close of working hours of 25 January 2012 and appointed as the Executive Chairman with effect from 26 January 2012

** Joint Managing Director upto close of working hours of 25 January 2012 and appointed as the Executive Vice Chairman with effect from 26 January 2012

*** Whole Time Director upto close of working hours of 21 January 2012 and continues as Non Executive Director

**** Managing Director with effect from 26 January 2012

(B) Related party Transaction for the period 1 April 2011 to 31March 2012:

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Sales**				
	Associate Company	-	-	1,010.40	-
	Kirloskar Integrated Technologies Limited	-	-	-	1,010.40
	Companies controlled by Key Management Personnel	0.31	-	-	-
	Kirloskar Integrated Technologies Limited	-	0.31	-	-
	Fellow Subsidiaries	0.38	-	-	-
	Kirloskar Pneumatic Company Limited	-	0.38	-	-
	Total	**0.69**	**0.69**	**1,010.40**	**1,010.40**
2	**Sales Return**				
	Associate Company	-	-	8.98	-
	Kirloskar Integrated Technologies Limited	-	-	-	8.98
	Companies controlled by Key Management Personnel	8.43	-	-	-
	Kirloskar Integrated Technologies Limited	-	8.43	-	-
	Total	**8.43**	**8.43**	**8.98**	**8.98**
3	**Purchases**				
	Companies controlled by Key Management Personnel	0.01	-	-	-
	Kirloskar Integrated Technologies Limited	-	0.01	-	-
	Total	**0.01**	**0.01**	**-**	**-**
4	**Purchase of Fixed Assets**				
	Companies controlled by Key Management Personnel	0.69	-	-	-
	Kirloskar Integrated Technologies Limited	-	0.69	-	-
	Total	**0.69**	**0.69**	**-**	**-**
5	**Sales of Fixed Assets**				
	Fellow Subsidiaries	0.09	-	-	-
	Kirloskar Pneumatic Company Limited	-	0.09	-	-
	Total	**0.09**	**0.09**	**-**	**-**
6	**Rendering of Services from**				
	Key Management Personnel	14.32	-	12.37	-
	Atul C .Kirloskar	-	4.03	-	3.38
	Gautam A. Kulkarni	-	4.10	-	3.39
	Rajendra R. Deshpande	-	2.34	-	2.21
	Rahul C. Kirloskar	-	3.29	-	3.39
	Nihal G. Kulkarni	-	0.56	-	-
	Companies controlled by Key Management Personnel	0.11	-	-	-
	Kirloskar Consultants Limited	-	0.11	-	-
	Total	**14.43**	**14.43**	**12.37**	**12.37**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount from major parties	Amount	Amount from major parties
7	**Rendering of Services to**				
	Associate Company	-	-	0.11	-
	Kirloskar Integrated Technologies Limited	-	-	-	0.11
	Companies controlled by Key Management Personnel	0.11	-	-	-
	Kirloskar Integrated Technologies Limited	-	0.11	-	-
	Fellow Subsidiaries	0.02	-	-	-
	Kirloskar Pneumatic Company Limited	-	0.02	-	-
	Total	**0.13**	**0.13**	**0.11**	**0.11**
8	**Expenses paid to**				
	Associate Company	-	-	4.88	-
	Kirloskar Integrated Technologies Limited	-	-	-	4.88
	Companies controlled by Key Management Personnel	2.20	-	0.06	-
	Kirloskar Integrated Technologies Limited	-	2.20	-	-
	Kirloskar Consultants Limited	-	-	-	0.06
	Total	**2.20**	**2.20**	**4.94**	**4.94**
9	**Reimbursement of Expenses to**				
	Companies controlled by Key Management Personnel	0.01	-	-	-
	Kirloskar Integrated Technologies Limited	-	0.01	-	-
	Total	**0.01**	**0.01**	**-**	**-**
10	**Rent Paid**				
	Relative of Key Management Personnel	0.51	-	0.54	-
	Arti A.Kirloskar	-	0.18	-	0.18
	Jyotsna G. Kulkarni	-	0.18	-	0.18
	Suman C. Kirloskar	-	0.15	-	0.18
	Total	**0.51**	**0.51**	**0.54**	**0.54**
11	**Dividend Paid**				
	Key Management Personnel	2.35	-	4.54	-
	Atul C .Kirloskar	-	0.81	-	1.54
	Gautam A. Kulkarni	-	0.77	-	1.50
	Rajendra R. Deshpande	-	0.00	-	0.00
	Rahul C. Kirloskar	-	0.77	-	1.50
	Relative of Key Management Personnel	4.44	-	4.44	-
	Alpana R. Kirloskar	-	1.44	-	1.44
	Arti A.Kirloskar	-	1.44	-	1.44
	Jyotsna G. Kulkarni	-	1.54	-	1.54
	Neeta A. Kulkarni	-	0.00	-	0.00
	Suman C. Kirloskar	-	0.02	-	0.02
	Holding Company	24.37	-	-	-
	Kirloskar Brothers Investments Limited	-	24.37	-	-
	Total	**31.16**	**31.16**	**8.98**	**8.98**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount from major parties	Amount	Amount from major parties
	Outstanding as on 31 March 2012				
1	**Accounts Payable**				
	Key Management Personnel				
	Commission	8.86	-	9.00	-
	Gautam A. Kulkarni	-	2.50	-	2.50
	Rahul C. Kirloskar	-	2.01	-	2.50
	Rajendra R. Deshpande	-	1.50	-	1.50
	Atul C. Kirloskar	-	2.50	-	2.50
	Nihal G. Kulkarni	-	0.35	-	-
	Superannuation	0.31	-	0.19	-
	Gautam A. Kulkarni	-	0.09	-	0.05
	Rahul C. Kirloskar	-	0.06	-	0.05
	Rajendra R. Deshpande	-	0.05	-	0.04
	Atul C. Kirloskar	-	0.09	-	0.05
	Nihal G. Kulkarni	-	0.02	-	-
	Total	**9.17**	**9.17**	**9.19**	**9.19**
2	**Accounts Receivable**				
	Associate Company	-	-	125.66	-
	Kirloskar Integrated Technologies Limited	-	-	-	125.66
	Companies controlled by Key Management Personnel	10.42	-	-	-
	Kirloskar Integrated Technologies Limited	-	10.42	-	-
	Fellow Subsidiaries	0.15	-	-	-
	Kirloskar Pneumatic Company Limited	-	0.15	-	-
	Total	**10.57**	**10.57**	**125.66**	**125.66**
3	**Security Deposit- Receivable**				
	Relative of Key Management Personnel	2.00	-	3.00	-
	Arti A. Kirloskar	-	1.00	-	1.00
	Jyotsna G. Kulkarni	-	1.00	-	1.00
	Suman C. Kirloskar	-	-	-	1.00
	Total	**2.00**	**2.00**	**3.00**	**3.00**
4	**Security Deposit- Payable**				
	Fellow Subsidiaries	0.01	-	-	-
	Kirloskar Pneumatic Company Limited	-	0.01	-	-
	Total	**0.01**	**0.01**	**-**	**-**

Note - The above figures do not include provision for leave encashment and gratuity, as actuarial valuation of such provision for the Key Management Personal is included in the total provision for gratuity & Leave encashment.

12. The disclosure required by Accounting Standard (AS-29) "Provisions, Contingent Liabilities, Contingent Assets" prescribed by Companies (Accounting Standards) Amendment Rules, 2006 are as follows:

₹ in Crs.

Class of provision	Opening Balance on 1 April 2011	Provisions made / Increase / (Decrease) in Provision	Amounts used during the year	Amounts reversed during the year	Closing amount as on 31 March 2012
Warranty	30.24	28.46	26.16	6.82	25.72

i. Nature of Obligation

Warranty is given to customers at the time of sale of engines and generating sets manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts / engines and after sales services during warranty period which varies from 1 year to 4 years.

ii. Expected Timing of resulting Outflow

Majority of warranty cost will be incurred in the next financial year and balance will be incurred in the following years.

13. Earnings per Share (Basic and Diluted)

₹ in Crs.

Particulars	2011-12	2010-11
Profit for the year after taxation	191.80	173.73
Total number of equity shares at the end of the year	145,629,750	145,629,750
Basic and Diluted Earning Per Share	13.17	11.93

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

14. Pursuant to the approval of shareholders, obtained through postal ballot results of which were announced on 31 March 2011 and consent of the lenders, the Company has completed the hive off of Bearings Business Division (BBD) on 30 September 2011.

The information regarding comparison of sales, profitability and assets of the BBD against corresponding figures of the Company in respect of the year ended 31 March 2012 is given in the table below. Considering the insignificant scale of operations of the BBD compared to the Company's total operations, the hive off of the BBD does not have a material impact on the Company's financials. Hence, the management of the Company is of the view that the disclosure requirements under Accounting Standard (AS-24) relating to Discontinuing Operations will not apply.

₹ in Crs.

Sr. No.	Criteria	Kirloskar Oil Engines Limited (KOEL) (Including the BBD)	Bearings Business Division (BBD)	BBD as % to KOEL
1	Sales	2,275.55	62.19	2.7%
2	Profit before tax	280.98	(0.68)	-0.2%
3	Assets	1,837.63	69.94	3.8%

15. Disclosure required as per clause 32 of the Listing Agreement is as follows:

A. Holding Company

Kirloskar Brothers Investments Limited.

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

There are no Investments in the firms/companies in which Directors are interested.

16. Previous year's figures have been re-grouped wherever considered necessary to make them comparable with those of the current year.

Signatures to the Notes 32.1 to 32.16, forming part of the Financial Statement.

As per our attached report of even date.

For and on behalf of the Board of Directors.

FOR M/S P. G. BHAGWAT
Firm Registration Number : 101118W
Chartered Accountants

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Executive Director

NACHIKET DEO
Partner
Membership Number : 117695

SANJAY D. PARANDE
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 26 April 2012

Pune : 26 April 2012

KIRLOSKAR OIL ENGINES LIMITED

Annexure referred to in Note No. 32.10 of Notes forming part of the Financial Statements

Segment reporting as required by Accounting standard 17:

₹ in Crs.

	Particulars	Year Ended Audited 31 March 2012	Audited 31 March 2011
1	**Segment Revenue**		
	a Engines	2,253.68	2,288.02
	b Others	80.51	150.56
	Total	**2,334.19**	**2,438.58**
	Less: Inter segment revenue	8.16	15.56
	Net Sales / Income from Operations	**2,326.03**	**2,423.02**
2	**Segment Results**		
	Profit (+) / Loss (-) before tax and interest from each segment		
	a Engines	232.40	249.75
	b Others	(0.66)	13.69
	Total	**231.74**	**263.44**
	Less:		
	i Interest	15.96	19.85
	ii Other Unallocable expenditure net off unallocable income	(65.20)	(0.14)
	Total Profit Before Tax	**280.98**	**243.73**
3	**Total carrying amount of segment assets**		
	a Engines	1,151.56	1,275.43
	b Others	616.13	457.88
	Total Segment assets	**1,767.69**	**1,733.31**
4	**Total amount of segment liabilities**		
	a Engines	442.48	448.39
	b Others	85.58	114.19
	Total segment liabilities	**528.06**	**562.58**
5	**Total cost incurred during the year to acquire segment assets that are expected to be used during more than one period**		
	a Engines	81.73	100.74
	b Others	17.78	4.79
	Total assets acquired	**99.51**	**105.53**
6	**Depreciation & Amortisation**		
	a Engines	87.14	76.56
	b Others	4.15	0.58
	Total Depreciation & Amortisation	**91.29**	**77.14**

	Reconciliation of liabilities		
	Total Segment liabilities	**528.06**	**562.58**
	Segment liabilities excludes	**206.98**	**281.32**
	Long-term borrowings	78.20	168.87
	Deferred tax liabilities (net)	38.02	32.33
	Short-term borrowings	8.39	-
	Current maturities of long-term debts	82.37	80.12
	Total Non Current + Current liabilities as per Balance sheet	**735.04**	**843.90**

TEAR HERE

KIRLOSKAR OIL ENGINES LIMITED

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

ATTENDANCE SLIP

Annual General Meeting on 19 July, 2012 at 11.00 A.M.

Ledger Folio No. / DP ID and Client ID. ....
Full name of the shareholder (in capital) ....
....

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

I hereby record my presence at the Annual General Meeting of the Company at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, on Thursday, 19 July 2012 at 11.00 A.M.

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

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

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

--TEAR HERE--

KIRLOSKAR OIL ENGINES LIMITED

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

PROXY FORM

I/We ....

Ledger Folio No. / DP ID and Client ID. .... of ....

being member/members of Kirloskar Oil Engines Limited with do hereby appoint ....

....of...

or failing him/her .... of .... as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, on Thursday, 19 July 2012 at 11.00 A.M. and at any adjournment/(s) thereof.

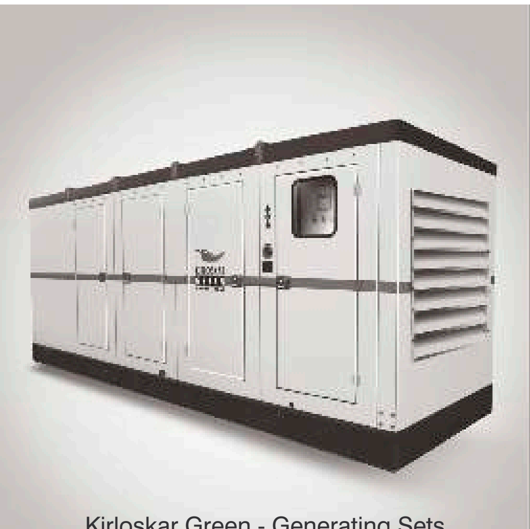
In witness whereof, I/we have set my/our hand/(s) on this .... day of .... 2012.

(Signature of the member across the stamp)

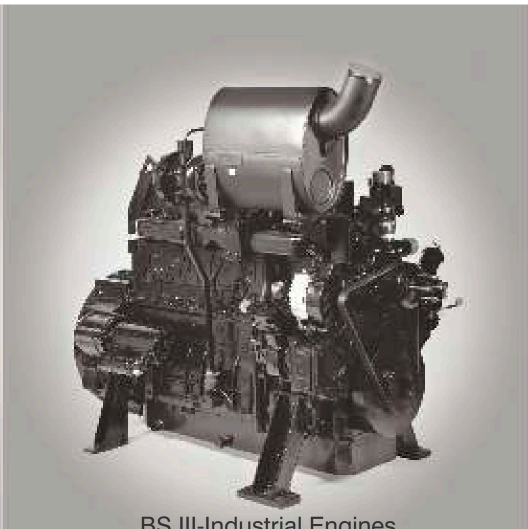
Please affix 15 Paise Revenue Stamp

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

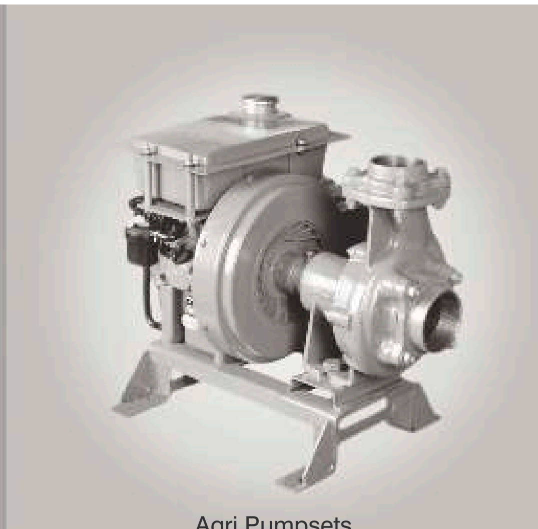
This page is intentionally left blank



Kirloskar Green - Generating Sets



BS III-Industrial Engines



Agri Pumpsets

Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune - 411 003, INDIA.

Tel.:+91 (20) 2581 0341. Fax:+91 (20) 2581 3208, 2581 0209.

E-mail: investors@kirloskar.com | Website: www.koel.co.in