

BF INVESTMENT LIMITED



KALYANI
DRIVING INNOVATION

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**BOARD OF
DIRECTORS**

B. N. KALYANI
Chairman

A. B. KALYANI

B. B. HATTARKI

M. U. TAKALE

BANKERS

AXIS Bank Limited

HDFC Bank Limited

AUDITORS

Prashant V. Deo, Chartered Accountants

REGISTERED OFFICE

BF Investment Limited
Mundhwa, Pune Cantonment,
Pune 411 036, Maharashtra, India.
Phone : (020) 26822552 / 26702777
Fax : (020) 26823061
E-mail : bfinvestment@vsnl.net

Members who wish to obtain all the Notices, Annual Reports and other communications from the Company on email, are requested to update their email ID's in their Depository Account. Shareholders holding shares in Physical form, and wish to avail the above information on email, can send their request to the Company, with the details of their email ID's.



BF INVESTMENT LIMITED

Registered Office : Mundhwa, Pune Cantonment, Pune 411 036.

NOTICE

NOTICE is hereby given that the Second Annual General Meeting of the Members of BF Investment Limited will be held at Kalyani Steels Ltd compound, at Mundhwa, Pune 411 036 on Friday, 12th Day of August, 2011 at 3.30 p.m. (IST) to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2011 and the Profit and Loss Account for the year ended 31st March, 2011 and the Report of the Directors' and the Auditors' thereon.
2. To appoint a Director in place of Mr. B. N. KALYANI, who retires by rotation but being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. B. KALYANI, who retires by rotation but being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an ORDINARY RESOLUTION :

"RESOLVED THAT THE COMPANY'S AUDITOR, PRASHANT V. DEO, CHARTERED ACCOUNTANT, (REGISTRATION NO.041609) BE AND IS HEREBY RE-APPOINTED AS AUDITOR OF THE COMPANY TO HOLD OFFICE FROM THE CONCLUSION OF THIS MEETING UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY AND THAT THE BOARD OF DIRECTORS BE AND IS HEREBY AUTHORISED TO FIX AUDITORS' REMUNERATION FOR THE PERIOD."

Mundhwa,
Pune Cantonment,
Pune 411 036.
25th May, 2011

By Order of the Board of Directors
For BF Investment Limited

S. R. Kshirsagar
Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. Members who hold shares in dematerialised form are requested to bring their CLIENT ID AND DP ID numbers for easy identification of attendance at the meeting.
3. Members holding shares in dematerialised form are requested to intimate any change in their address, bank details etc. to their respective DPs and those holding shares in physical form are to intimate the above said changes to the Registrar & Share Transfer Agent of the Company.
4. The Share Transfer Books and the Register of Members of the Company will remain closed on Friday, 12th August, 2011.
5. Members who wish to obtain all the Notices, Annual Reports and other communications from the Company on email, are requested to update their email id's in their Depository Account. Shareholders holding shares in Physical form, and wish to avail the above information on email, can send their request to the Company, with the details of their email id's.

Management Discussion And Analysis

The Board takes pleasure in presenting your company's second Annual Report for the year 2010-11 along with the compliance report on corporate governance. This Chapter on Management Discussion and Analysis forms a part of the compliance report on Corporate Governance.

Overview of the international Economic and Industry Scenario

The world economic recovery continues, more or less as predicted. It is expected that the world economy would grow at about 4½ percent a year in both 2011 and 2012, but with advanced economies growing at only 2½ percent while emerging and developing economies grow at a much higher 6½ percent. The recovery, however, remains unbalanced. In most advanced economies, output is still far below potential. Unemployment is high, and low growth implies that it will remain so for many years to come. The source of low growth can be traced to both pre crisis excesses and crisis wounds.

The crisis itself has led to a dramatic deterioration in fiscal positions, forcing a shift to fiscal consolidation while not eliminating market worries about fiscal sustainability. And in many countries banks are struggling to achieve higher capital ratios in the face of increasing nonperforming loans. In emerging market economies, by contrast, the crisis left no lasting wounds. Their initial fiscal and financial positions were typically stronger, and the adverse effects of the crisis were more muted. High underlying growth and low interest rates are making fiscal adjustment much easier. Exports have largely recovered, and whatever shortfall in external demand they experienced, has typically been made up through increases in domestic demand. Capital outflows have turned into capital inflows, due to both better growth prospects and higher interest rates than in the advanced economies.

The challenge for most emerging market economies is thus quite different from that of the advanced economies - namely, how to avoid overheating in the face of closing output gaps and higher capital flows. Their response could be two fold first, to rely on a combination of fiscal consolidation and higher interest rates to maintain output at potential and, second, to use macro prudential tools - including, where needed, capital controls - to avoid increases in systemic risk stemming from inflows.

Overview of the Regional Scenario

Broad based recovery is continuing in most Asian economies, supported by strong export performance, buoyant private domestic demand, and in some cases rapid credit growth. Even though growth has moderated from cyclical highs to more sustainable rates, Asia continues to outpace other regions. Output gaps in much of the region have closed or are quickly closing, inflation is on the rise, and overheating is becoming a concern. Signs of overheating are starting to materialize in a number of Asian economies. Credit growth is accelerating in some economies, like Hong Kong SAR, India, Indonesia, and it remains high in China. Most of the increase in headline inflation in recent months has been due to a spike in food prices, but core inflation has also been increasing in a number of economies, most notably India. Furthermore, real estate prices have been rising at double - digit rates in a number of economies. Concerns that inflation pressures may induce authorities to tighten the policy stance more rapidly than previously planned may have contributed to recent declines in equity and bond markets. Against this backdrop, Asia is projected to continue expanding rapidly this year and next.

Overview of the Domestic Scenario

Growth in India is expected to moderate but remain above trend, with GDP growth projected at 8¼ percent in 2011 and 7¾ percent in 2012. Infrastructure will remain a key contributor to growth, and corporate investment is expected to accelerate as capacity constraints start to bind and funding conditions remain supportive.

The Indian economy and capital market is fast integrating with the world economy and capital markets. India can not remain isolated from the international threats and opportunities. The Company is well poised to take up the challenges and opportunities opened by this integration.

Business Overview

The Company continues to hold various investments in Kalyani Group companies and expects to earn reasonable returns on the same

Internal Control and Internal Audit System.

The Company has adequate internal audit and control system commensurate with its size and nature of business. The Audit and controls are as per the prevailing Laws and Company Policies. The Audit Committee appointed by the Board selectively reviews its adequacy, addresses the significant findings, and follow up needs on such issues, are given top priority and implemented suitably.

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE

The Securities and Exchange Board of India (SEBI) has prescribed a set of standards on corporate governance for the listed companies. The Company has signed Listing Agreements with National Stock Exchange of India Ltd, Bombay Stock Exchange Ltd. and Pune Stock Exchange Ltd. and received final approval for listing from all of these Stock Exchanges and the trading in Company's Equity Shares has started from 14th January, 2011

The Company has included a compliance report on Corporate Governance in its Annual Report in the spirit of transparency in management and best board practices. This Chapter of the report, plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitute such a compliance report on corporate governance during 2010-2011.

1. BOARD LEVEL ISSUES :

- **Composition of the Board**

The Board of Directors of Company comprises the Chairman, who is promoter non-executive director and three non-executive directors of whom two are independent. Details are given in Table 1.

- **Number of Board Meetings**

During the period, five Board Meetings were held on 18th June, 2010, 8th September, 2010, 14th December, 2010, 27th January, 2011 and 12th February, 2011.

- **Directors' Attendance Record and Directorships**

Table 1 gives the composition of the Board, the category of the Directors, their attendance record and the number of directorships.

Table 1 - Details about Board of Directors of the Company

Name of Director	Category	Number of meetings held	Number of meetings attended	Number of directorships of public limited companies	Materially significant pecuniary or business relationship with the Company
B. N. KALYANI (Chairman)	Promoter, Non- executive	5	5	15	None
A. B. KALYANI	Non- executive	5	5	13	None
B. B. HATTARKI	Non- executive Independent	5	5	9	None
M. U. TAKALE	Non- executive Independent *	5	5	5	None

* *Independent Director means a director who apart from receiving director's remuneration does not have any other pecuniary relationship or transactions with the company, its promoters, its management or its subsidiaries, which in the judgement of the board may affect independence of judgement of director.*

Note :

None of Directors is a member of more than ten Board-level committees of public companies in which they are Directors, or a chairman of more than five such committees, as included for the purposes corporate governance laid down by SEBI and Listing Agreement.

- **Information placed before the Board**

1. Annual operating plans and budgets, capital budgets, updates.
2. Quarterly results of the company.
3. Minutes of meetings of committees.
4. Compliance of any regulatory, statutory nature or listing requirements and shareholder services.

The Board is presented with detailed notes along with the agenda papers.

- **Directors with materially pecuniary or business relationship with the Company**

There has been no materially relevant pecuniary transaction or relationship between the Company and its non-executive and/or independent Directors for the period under report.

- **Remuneration of Directors**

None of the Directors of the Company is in receipt of any kind of remuneration. The Company does not have a Remuneration Committee. None of the Directors are related to each other except Mr. A.B. Kalyani, son of Mr. B.N. Kalyani, Chairman of the Company and none of the employees are related to any of the Directors of the Company.

- **Audit Committee**

The Audit Committee performs the following functions :

1. Reviewing of the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;
2. Reviewing with management the annual financial statement before submission to the Board;
3. Reviewing with the management, external auditors and internal audit department, the adequacy of internal control systems;
4. Discussing with internal audit department any significant finding and follow up on such issues;
5. Discussing with the external auditors before the audit commences on the nature and scope of audit, as well as having post audit discussion to ascertain any area of concern;
6. Reviewing any changes in accounting policies or practices as compared to last completed financial year and commenting on any deviation from accounting standards;
7. Reviewing details of related party transactions exceeding 1% of last year's turnover;
8. Reviewing the company's financial and risk management policies;

The Audit Committee consists of qualified and non-executive directors. It comprises of Mr. B. B. Hattarki, Mr. A. B. Kalyani and Mr. M. U. Takale. The Company has constituted internal audit department.. The committee met five times during the course of the year on 18th June, 2010, 8th September, 2010, 14th December, 2010, 27th January, 2011 and 12th February, 2011. Table 2 gives attendance record. The Chairman of the Board is invited to attend the meetings of the Audit Committee as a permanent invitee. The committee has access to all records of the Company

Table 2 - Attendance record of Audit Committee members for 2010-11

Name of the Director	No. of meetings	Meetings attended
Mr. B. B. Hattarki	5	5
Mr. A. B. Kalyani	5	5
Mr. M. U. Takale	5	5

2. MANAGEMENT :

- **Management Discussion and Analysis**

This annual report has a detailed chapter on management discussion and analysis.

- **Disclosures by Management to the Board**

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

3. SHAREHOLDERS :

- **Disclosures regarding Appointment or Re-Appointment of Directors**

Two Directors - Mr. B. N. Kalyani and Mr. A. B. Kalyani - are retiring by rotation and being eligible offer themselves for re-appointment. Their details are given below :

- Mr. B. N. Kalyani is Chairman and Managing Director of Bharat Forge Limited Born on 7th January, 1949. Mr. Kalyani is a Mechanical Engineer from the Birla Institute of Technology, Pilani. He also has an M. S. from the Massachusetts Institute of Technology, USA. Mr. Kalyani also serves on the Boards of BF Utilities Limited, Hikal Limited, Nandi Infrastructure Corridor Enterprises Limited, Kalyani Hayes Lemmerz Limited, Kalyani Steels Limited, Automotive Axles Limited, Merritor HVS (India) Limited, etc.

- Mr. Amit Kalyani Born on 26th July 1975, Mr. Amit Kalyani has received his Bachelor's in Mechanical Engineering from Bucknell University, Pennsylvania, USA, in 1998.

He initially worked with Kalyani Steels Ltd, followed by other companies within the group. He then joined Bharat Forge in 1999 as Vice President and Chief Technology Officer, where he played a critical role responsible for implementing Unified MIS System SAP R3.

He later took charge of investor relations & fund raising such as GDR, FCCB, Rights Issue & ECB's, to the tune of \$ 400 million over a period of 3 years. He was also instrumental in strategizing and execution of the several acquisitions that the group had in Germany.

Mr. Kalyani is currently an Executive Director on the board of Bharat Forge Limited, the flagship company of the US \$ 2.4 billion Kalyani Group. While he is involved in the company's strategic planning & global business development initiatives, Mr Kalyani also takes care of the overall group strategy and is responsible for the expansion of its steel business and driving the infrastructure business foray of the group.

Mr. Amit Kalyani also serves on the Boards of Kalyani Infotech Solutions Limited, Nandi Economic Corridor Enterprises Limited, Epicenter Technologies Private Limited, Kalyani Steels Limited, Nandi Infrastructure Corridor Enterprises Limited, BF Utilities Limited.

- **Communication to shareholders**

The quarterly results of the Company's performance are published in leading newspapers such as Financial Express, all India edition (English) and Loksatta, Pune edition (Marathi).

- **Investor Grievances**

The Company has constituted the "Shareholders'/Investors' Grievance Committee" for redressing shareholders'/investors' complaints. The Committee comprises of Mr. B. B. Hattarki, Mr. A. B. Kalyani and Mr. M.U. Takale, all non-executive Directors. The status on complaints is also reported to the Board of Directors, as an agenda item. Mr. S. R. Kshirsagar, Company Secretary, is the compliance officer.

- **Share Transfer**

The Company has constituted the "Directors Executive Committee". The Committee comprises of Mr. B. B. Hattarki, Mr. A. B. Kalyani and Mr. M. U. Takale, all non-executive Directors. The committee meets at a regular interval to consider and approve the transfer, transmission, consolidation, sub-division, issue of duplicate certificates and requests of dematerialisation of Company's shares. There are no legal proceedings against the Company on any share transfer matter.

- **Details of Non-Compliance**

There have been no instances of non-compliance on any matter relating to the capital market during the period under report.

- **General Body Meetings**

Financial Year	Date	Time	Venue
2009-10	22 nd November, 2010	10.30 A.M.	Mundhwa, Pune 411036

SHAREHOLDER INFORMATION

➤ Annual General Meeting

Date :- Friday, 12th August, 2011, 3.30 p.m.

Venue :- Kalyani Steels Ltd. compound, Mundhwa, Pune - 411 036, Maharashtra, India

➤ Financial Calendar

1st April to 31st March

➤ Book Closure

The books will be closed on 12th August, 2011 as annual closure for the AGM

➤ Dividend Date

The Board has not recommended any dividend on Equity Shares

➤ Listing

National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd and Pune Stock Exchange Ltd.

➤ **Stock Codes**

NSE : BFINVEST

BSE : 533303

➤ **Stock Data**

Table 1 below gives the monthly high and low prices and volumes of the Company's Equity Shares at Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd., for the year 2010-11, (from 14th January, 2011, the date of Listing).

Table 1: High and Low Prices & Trading Volumes at BSE and NSE

Month	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume	High (Rs.)	Low (Rs.)	Volume
Jan-11	338.55	83.60	485521	294.55	81.00	353830
Feb-11	134.00	77.50	8897063	133.90	68.45	10556151
Mar-11	87.30	77.00	749235	88.00	76.10	858192

➤ **Share Transfer Agents and Share Transfer System**

M/s. Link Intime India Private Limited 202, Akshay Complex, Near Ganesh Mandir, Dhole Patil Road, Pune 411 001 are the Registrar and Transfer Agents of the Company. They carry out the transfer, transmission, consolidation, sub-division, issue of duplicate certificates and requests of dematerialisation of Company's shares on behalf of the Company. The complaints received from shareholders, investors etc., are redressed promptly. During the year under report, two complaints were received from the shareholders, all of which were resolved.

➤ **Group**

As required under Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from the applicability of the provisions of Regulations 10 to 12 of the aforesaid SEBI Regulations are as follows :-

Ajinkya Investment & Trading Company, KSL Holdings Pvt. Ltd., Kalyani Investment Co.Ltd., Sundaram Trading & Investment Pvt. Ltd., PIH Finvest Co.Ltd., Kalyani Steels Limited, Bharat Forge Ltd. BF Utilities Ltd., Ajinkyatara Trading Co. Ltd., Gulbakshi Realty Pvt. Ltd., Lohagaon Trading Co.Pvt.Ltd., Mrs. Sunita Babasaheb Kalyani, Mr.B.N.Kalyani, Mr. Amit B. Kalyani, Mrs. Deeksha Amit Kalyani, Sundaram Enterprises.

➤ **Shareholding pattern**

The following tables 2 & 3 give the Pattern of Shareholding as on 31st March, 2011.

Table 2 : Pattern of shareholding by ownership as on 31 March, 2011

Company	No. of shares held	Shareholding %
Promoters	24905792	66.12
Financial Institutions / Bank	3427	0.01
Mutual Funds	27856	0.07
Insurance Companies	160127	0.43
Foreign Institutional Investors	3605904	9.57
Bodies Corporate	3639068	9.66
Indian Public	5100789	13.54
Non Resident Indians	224665	0.60
TOTAL	37667628	100.00

Table 3 : Pattern of shareholding by share class as on 31 March, 2011

Shareholding class	No. of shareholders	No. of shares held	Shareholding %
Up to 5000	30305	2874648	7.63
5001 to 10000	503	720717	1.91
10001 to 20000	240	666587	1.77
20001 to 30000	79	389479	1.03
30001 to 40000	36	247401	0.66
40001 to 50000	29	272792	0.72
50001 to 100000	39	528420	1.40
100001 and above	60	31967584	84.87
TOTAL	31291	37667628	100

➤ **Dematerialisation**

As on 31st March, 2011, dematerialised shares accounted for 34.34% of the total equity.

➤ **Investors Correspondence Address**

1. Secretarial Department
BF Investment Ltd.,
Mundhwa, Pune Cantonment, Pune - 411 036 Maharashtra, India.
Phone No. 020 - 26702618, 26822552, Fax No.26823061,
E-mail : bfinvestment@vsnl.net
Website : www.kalyanigroup.com/BFI.asp
2. Link Intime India Private Limited
Registrar & Transfer Agents
202, Akshay Complex, Off Dhole Patil Road,
Near Ganesh Mandir, Pune 411 001.
Phone No.: 020-26051629 Fax No.020-26053503
Email : pune@linkintime.co.in

REPORT OF THE AUDITORS ON CORPORATE GOVERNANCE TO THE MEMBERS

I have examined the compliance of conditions of Corporate Governance by BF INVESTMENT LIMITED (the Company) for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges.

The compliances of conditions of corporate governance is the responsibility of the management. My examination was limited to review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of an opinion on the financial statements of the company.

In my opinion and to the best of my information and according to the explanations given to me and the representations made by the management I certify that, the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement,

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

Place: Pune
Date : 25th May, 2011

Prashant V. Deo
Chartered Accountant
Membership Number. 041609

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH, 2011

To,

The Members,

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

1. FINANCIAL HIGHLIGHTS :

	(Rs. in Million)	
	Year ended	Period ended
	31 st March, 2011	31 st March, 2010
Income from Operations	418.30	711.89
Profit before Interest and Depreciation	228.73	591.90
Less : Interest	11.68	-
Depreciation	2.51	0.20
Profit before tax	214.54	591.70
Provision for Taxation	81.93	93.03
Net Profit/(Loss) for the year / period	132.61	498.67
Less : Transfer to Reserve Fund	26.52	99.74
Profit for the year after taxation and appropriation	106.09	398.93
Add: Transferred from BF Utilities Ltd.		2035.46
Other adjustment		.22
As per last account	2434.61	-
Balance carried to Balance Sheet	2540.70	2434.61

2. DIVIDEND :

Your Directors do not recommend any dividend on the equity shares for the year ended 31st March, 2011.

3. OPERATIONS :

During the year ended 31st March, 2011, your Company earned a total income of Rs. 418.30 Million (previous period Rs.711.89 Million) and earned a profit of Rs.132.61 Million (previous period Rs.498.67 Million).

4. SUBSIDIARIES :

The Company does not have any subsidiary Company.

5. PARTICULARS OF EMPLOYEES :

During the year under report, no employee, throughout the year or part of the year was in receipt of remuneration upto or in excess of the sums prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

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

The additional information required under the provisions of Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, and forming part of the Report is reproduced hereunder :

I. CONSERVATION OF ENERGY : Not Applicable.

II. TECHNOLOGY ABSORPTION :

1. Research and Development (R & D) :
Not Applicable.

2. Technology Absorption, Adaptation and Innovation :

The Company has not imported any technology.

III. FOREIGN EXCHANGE EARNINGS AND OUTGO :

Total Foreign Exchange Used and Earned :

Used : Nil

Earned : Nil

7. DIRECTORS :

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

8. DIRECTORS' RESPONSIBILITY STATEMENT :

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

(i) That in the preparation of the accounts for the financial year ended 31st March, 2011, the applicable accounting standards have been

followed along with proper explanation relating to material departures ;

- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review ;
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
- (iv) That the Directors have prepared the annual accounts for the financial year ended 31st March, 2011 on a 'going concern' basis.

12. AUDITORS :

You are requested to re-appoint Auditors for the current year to hold the office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

Your directors wish to place on record their appreciation for the positive co-operation received from the Central Government, Government of Maharashtra, and the Bankers. The directors also wish to place on record their appreciation of the unstinted efforts and contributions made by the Management Team and the employees of the Company at all levels.

The Directors express their special thanks to Mr. B. N. Kalyani, Chairman for his untiring efforts for the progress of the Company.

For and on behalf of
the Board of Directors

PUNE
Dated : 25th May, 2011

B.N. KALYANI
Chairman

AUDITORS' REPORT

To

The Members of

BF Investment Limited

I have audited the attached Balance Sheet of **BF Investment Limited** as at 31st March, 2011 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my Audit.

1. I conducted my audit in accordance with auditing standards generally accepted in India. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.
2. As required by the Companies (Auditors' Report) Order, 2003, read with the Companies (Auditor's Report) (Amendment) Order, 2004, both issued by the Central Government in terms of section 227 (4-A) of the Companies Act, 1956, I enclose in the Annexure, a statement on the matters specified in the said order.
3. Further to my comments in the Annexure referred to in paragraph '2' above :
 - (a) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
 - (b) In my opinion, proper books of account, as required by law have been kept by the Company so far as appears from my examination of the books.
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement, dealt with by this report are in agreement with the books of account.
 - (d) In my opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement, dealt with by this report, comply with the accounting standards referred to in subsection (3C) of section 211 of the Companies Act, 1956.
 - (e) On the basis of the written representations received from the Directors as at 31st March, 2011 and taken on record by the Board of Directors, I report that none of the Directors of the Company, was disqualified as at 31st March, 2011, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
 - (f) As explained to me by the Management, the Company could not pay the cess payable under section 441A of the Companies Act, 1956, for want of notification of the rate and effective date by the Central Government.
 - (g) In my opinion and to the best of my knowledge and belief and according to the explanations given to me, the accounts read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In so far as it relates to the Balance Sheet of the state of the Company's affairs as at 31st March, 2011,
 - (ii) In so far as it relates to the Profit and Loss Account, of the profit of the Company for the financial year ended on that date, and
 - (iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the financial year ended on that date.

Place : Pune

Date : 25th May, 2011.

P. V. Deo
Chartered Accountant
Membership No. 41609

ANNEXURE TO AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH '2' OF THE AUDITOR'S REPORT ON THE ACCOUNTS OF BF INVESTMENT LIMITED FOR THE YEAR ENDED 31ST MARCH, 2011.

On the basis of such checks as were considered appropriate and in accordance with the information and explanations given to me, I report as under:

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to me, the fixed assets have been physically verified by the Management at reasonable intervals, during the financial year. According to the information and explanations given to me, no discrepancies were noticed on physical verification of the fixed assets.
- (c) The Company has not disposed off any fixed assets during the year.
- (ii) (a) The inventory comprising land and shares was physically verified during the year by the management. In my opinion, the frequency of verification was reasonable.
- (b) In my opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate having regard to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of the stocks above-referred. As explained to me, no discrepancies were noticed by the management on physical verification of stocks.
- (iii) The Company has not granted or taken any loans to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence, the provisions of Clause No. 4(iii) of the Order do not apply to the Company.
- (iv) In my opinion and according to the information and explanations given to me, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for purchases of inventories and fixed assets. The Company is a Core Investment Company and does not sell any other goods or services. During the course of my audit I have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) The Company has not carried out any transactions in pursuance of contracts or arrangements required to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted deposits from the public within the meaning of Sections 58A or 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed, thereunder.
- (vii) In my opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- (viii) The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for the business in which the Company is engaged.
- (ix) (a) According to the records of the Company, the Company is regular in depositing with appropriate authorities, undisputed statutory dues including Income Tax, Wealth Tax, other taxes, cess and statutory dues applicable to it. As explained to me by the Management, the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and the Employees' State Insurance Act, 1948 do not apply to the Company. According to the information and explanations given to me, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty, cess were outstanding as at 31st March, 2011 for a period of more than six months from the date those became payable.
- (b) According to the records of the Company, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, cess which have not been deposited on account of any dispute.
- (x) The Company does not have any accumulated losses as at 31st March, 2011 and has not incurred any cash loss in the year.
- (xi) The Company has neither borrowed any moneys from any financial institution or bank; nor issued any debentures. Hence, the provisions of Clause No. 4(x) of the Order do not apply to the Company.
- (xii) According to the information and explanations given to me, the Company has not given any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- (xiii) The Company is not a chit fund, nidhi or mutual benefit fund/society. Therefore, the provisions of Clause No. 4(xiii) of the Order do not apply to the Company.
- (xiv) The Company has maintained proper records in which timely entries are recorded in respect of the shares dealt in. In a Composite Scheme of Arrangement approved by the High Court of judicature at Bombay as per Order dated 5th February, 2010, the inventory of shares vested in the Company as part of the Investment Business Undertaking of BF Utilities Limited which was transferred to and vested in the Company, on going concern basis, with retrospective effect from the Appointed Date, being 1st April, 2009. While, most of the

shares and securities have since been transferred in the name of the Company, the Company is still in the process of completing the required legal processes for transferring a few of the said shares and securities in its name.

- (xv) The terms and conditions of the guarantee given by the Company in respect of the loans borrowed by others from banks are not found prima facie prejudicial to the interests of the Company.
- (xvi) Since the Company has not raised any term loans, the provisions of Clause No. 4 (xvi) of the Order do not apply to the Company.
- (xvii) According to the information and explanations given to me and on an overall examination of the balance sheet of the Company, I report that no long term funds have been used to finance short term assets. Similarly, no funds raised on short term basis have been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares, within the meaning of Section 81(1A) of the Companies Act, 1956, to parties and companies covered in the register maintained under Section 301 of the said Act.
- (xix) Since the Company has not issued any secured debentures, during the year covered by this report, the clause (xix) of the Order does not apply to the Company.
- (xx) Since the Company has not raised any money by public issues during the year, clause (xx) of the Order, does not apply to the Company.
- (xxi) Based upon the audit procedures performed and the information and explanations given by the Management, I report that no fraud on or by the Company has been noticed or reported during the course of my audit.

Place : Pune
Date : 25th May, 2011.

P. V. Deo
Chartered Accountant
Membership No. 41609

Balance Sheet as at 31st March, 2011

	Schedule	Amount Rupees	Amount Rupees	As at 31st March, 2010 Amount Rupees
I. SOURCES OF FUNDS :				
1. Shareholders' Funds :				
a) Capital	1	188,338,140		188,338,140
b) Reserves and Surplus	2	5,558,072,358		5,425,459,572
			<u>5,746,410,498</u>	<u>5,613,797,712</u>
TOTAL :			<u>5,746,410,498</u>	<u>5,613,797,712</u>
II. APPLICATION OF FUNDS :				
1. Fixed Assets :				
a) Gross Block		16,909,678		7,712,151
b) Depreciation		4,431,994		1,914,952
c) Net Block	3	12,477,684		5,797,199
d) Capital Work in Progress, expenditure till date		-		2,569,741
			12,477,684	8,366,940
2. Investments :	4		3,721,264,954	3,419,212,647
3. Deferred Tax Asset (Net) :	5		-	176,231
4. Current Assets, Loans and Advances :				
a) Inventories	6	102,931,893		102,943,493
b) Cash and Bank Balances	7	7,382,689		183,408,333
c) Other Current Assets	8	175,400,793		245,601,201
d) Loans and Advances	9	1,789,245,532		1,734,195,279
		<u>2,074,960,907</u>		<u>2,266,148,306</u>
Less : Current Liabilities and Provisions				
a) Current Liabilities	10	2,139,495		593,725
b) Provisions	11	60,153,552		79,512,687
		<u>62,293,047</u>		<u>80,106,412</u>
Net Current Assets :			<u>2,012,667,860</u>	<u>2,186,041,894</u>
TOTAL :			<u>5,746,410,498</u>	<u>5,613,797,712</u>
Notes forming part of the Accounts :	14			
The schedules referred to above, including the notes on the accounts form an integral part of the Balance Sheet				

As per my attached report of even date,

On behalf of the Board of Directors,

P. V. Deo
Chartered Accountant

S. R. Kshirsagar
Company Secretary

A. B. Kalyani
Director

B. B. Hattarki
Director

Place : Pune
Date : 25th May, 2011.

Place : Pune
Date : 25th May, 2011.

Profit And Loss Account for the Year Ended 31st March, 2011

	Schedule	Amount Rupees	Amount Rupees	Previous Year Amount Rupees
INCOME :				
Income from Operations :				
Sale of Land	12 (a)	-		150,000,000
Other Operating Income	12 (b)	<u>418,297,012</u>		<u>561,884,254</u>
			418,297,012	711,884,254
Other Income	12 (c)		219	5,351
TOTAL :			<u><u>418,297,231</u></u>	<u><u>711,889,605</u></u>
EXPENDITURE :				
Establishment and Other Expenses	13		32,701,602	71,808,034
Depreciation	3		2,517,042	205,108
TOTAL :			<u><u>35,218,644</u></u>	<u><u>72,013,142</u></u>
Profit for the year before taxation and extra-ordinary items			383,078,587	639,876,463
Less: Extra-ordinary items				
Provision for doubtful advances			(19,149,300)	(2,538,256)
Provision for diminution in the value of investments (Net)			<u>(149,384,476)</u>	<u>(45,628,304)</u>
Profit for the year before taxation			214,544,811	591,709,903
Tax (Expense)/Saving :				
Current Tax, including Wealth Tax		(80,966,000)		(92,500,000)
Taxation for earlier years		(789,794)		-
Deferred Tax		<u>(176,231)</u>		<u>(535,093)</u>
			<u>(81,932,025)</u>	<u>(93,035,093)</u>
Profit for the year after taxation			132,612,786	498,674,810
Less: Appropriation				
Transfer to Reserve Fund			26,523,000	99,735,000
Profit for the year after taxation and appropriation			106,089,786	398,939,810
As per last account			2,434,612,518	-
Add: Transferred from BF Utilities Limited				
Adjustment on account of Net Plan Assets for Employees' Gratuity at the beginning			-	2,035,461,230
			-	211,478
Balance carried to Balance Sheet :			<u><u>2,540,702,304</u></u>	<u><u>2,434,612,518</u></u>
Profit for the year after taxation, as above			132,612,786	498,674,810
Weighted average number of equity shares outstanding during the year <i>(Refer Note No. B-10)</i>			37,667,628	37,667,628
Basic and diluted Earnings per Share in rupees :			3.52	13.24
Notes forming part of the Accounts : 14				
The schedules referred to above, including the notes on the accounts form an integral part of the Profit and Loss Account				

As per my attached report of even date,

On behalf of the Board of Directors,

P. V. Deo
Chartered Accountant

S. R. Kshirsagar
Company Secretary

A. B. Kalyani
Director

B. B. Hattarki
Director

Place : Pune
Date : 25th May, 2011.

Place : Pune
Date : 25th May, 2011.

Cash Flow Statement for the Year Ended 31st March, 2011

	Schedule	Amount Rupees	Amount Rupees
A. Cash flow from operating activities :			
Net Profit after tax and extra-ordinary items			132,612,786
Adjusted for :			
Tax expense		81,932,025	
Depreciation		2,517,042	
			84,449,067
Operating Profit before working capital changes :			217,061,853
Changes in :			
Trade and other receivables		15,150,155	
Inventories		11,600	
Trade payables		1,871,680	
			17,033,435
Cash generations from operations :			234,095,288
Direct Taxes paid			(101,440,839)
Cash flow before exceptional/extra-ordinary items :			132,654,449
Exceptional/Extra-ordinary items			149,384,476
NET CASH FROM OPERATING ACTIVITIES :			282,038,925
B. Cash flow from investing activities :			
(Purchase) / Sale of Fixed Asset (Net)			(6,627,786)
(Purchase) / Sale of Investments (Net)			(451,436,783)
NET CASH USED IN INVESTING ACTIVITIES :			(458,064,569)
C. Cash flow from financing activities :			
NET CASH USED IN FINANCING ACTIVITIES :			-
NET CHANGES IN CASH & CASH EQUIVALENTS (A+B+C) :			(176,025,644)
CASH & CASH EQUIVALENTS - OPENING BALANCE :			183,408,333
CASH & CASH EQUIVALENTS - CLOSING BALANCE :			7,382,689
Notes forming part of the Accounts :	14		
The schedule referred to above form an integral part of the Cash Flow Statement			

As per my attached report of even date,

On behalf of the Board of Directors,

P. V. Deo
Chartered Accountant

S. R. Kshirsagar
Company Secretary

A. B. Kalyani
Director

B. B. Hattarki
Director

Place : Pune
Date : 25th May, 2011.

Place : Pune
Date : 25th May, 2011.

Schedule "1" to "14" annexed to and forming part of the Balance Sheet as at and the Profit and Loss Account and the Cash Flow Statement for the year ended 31st March, 2011.

	Amount Rupees	Amount Rupees	As at 31 st March, 2010 Amount Rupees
SCHEDULE '1' : SHARE CAPITAL			
Authorised :			
40,000,000 (40,000,000) Equity Shares of ₹ 5/- each.		200,000,000	200,000,000
TOTAL :		<u>200,000,000</u>	<u>200,000,000</u>
Issued, Subscribed and Paid up :			
37,667,628 (37,667,628) Equity Shares of ₹ 5/- each, fully paid up#		188,338,140	188,338,140
# These shares have been allotted to the shareholders of BF Utilities Limited, on 15th March, 2010, in terms of the Composite Scheme of Arrangement sanctioned by the High Court of judicature at Bombay on 5th February, 2010.			
TOTAL :		<u>188,338,140</u>	<u>188,338,140</u>
SCHEDULE '2' : RESERVES AND SURPLUS			
Capital Reserve :			
As per last account	2,367,523,376	-	-
Transferred from BF Utilities Limited	-	-	1,912,510,473
Add : Excess of assets over liabilities in terms of the Composite Scheme of Arrangement sanctioned by the High Court of judicature at Bombay.	-	-	643,351,043
	<u>2,367,523,376</u>		<u>2,555,861,516</u>
Less : Utilised for issue of 37,667,628 Equity Shares of ₹ 5/- each fully paid up to the shareholders of BF Utilities Limited, in terms of the Composite Scheme of Arrangement	-	-	188,338,140
		<u>2,367,523,376</u>	<u>2,367,523,376</u>
Capital Redemption Reserve :			
As per last account	1,340	-	-
Transferred from BF Utilities Limited	-	-	1,340
		<u>1,340</u>	<u>1,340</u>
Reserve Fund [Under Sec. 45IC(1) of the Reserve Bank of India Act, 1934] :			
As per last account	622,452,338	-	-
Transferred from BF Utilities Limited	-	-	522,717,338
Add : Set aside this financial year	26,523,000	-	99,735,000
		<u>648,975,338</u>	<u>622,452,338</u>
General Reserve :			
As per last account	870,000	-	-
Transferred from BF Utilities Limited	-	-	870,000
		<u>870,000</u>	<u>870,000</u>
Profit and Loss Account :			
As per annexed account		2,540,702,304	2,434,612,518
TOTAL :		<u>5,558,072,358</u>	<u>5,425,459,572</u>

SCHEDULE - "3" FIXED ASSETS

	Buildings Rupees	Plant and Machinery Rupees	Vehicles Rupees	Total Rupees	As at 31st March, 2010. Rupees
GROSS BLOCK, AT COST :					
As at 31st March, 2010.	7,664,341	47,810	-	7,712,151	-
Additions	-	-	9,197,527	9,197,527	-
Transfer of assets from BF Utilities Ltd.	-	-	-	-	12,306,254
Deductions and adjustments	-	-	-	-	(4,594,103)
As at 31st March, 2011.	7,664,341	47,810	9,197,527	16,909,678	7,712,151
DEPRECIATION :					
As at 31st March, 2010.	1,895,567	19,385	-	1,914,952	-
On assets transferred from BF Utilities Ltd.	-	-	-	-	6,157,039
For the year	124,432	11,370	2,381,240	2,517,042	205,108
Deductions and adjustments	-	-	-	-	(4,447,195)
As at 31st March, 2011.	2,019,999	30,755	2,381,240	4,431,994	1,914,952
NET BLOCK :					
As at 31st March, 2010.	5,768,774	28,425	-	5,797,199	-
As at 31st March, 2011.	5,644,342	17,055	6,816,287	12,477,684	1,914,952

	Rupees	Rupees	As at 31st March, 2010 Rupees
SCHEDULE '4' : INVESTMENTS, AT COST			
Long Term :			
<i>(Refer Note No. B-4)</i>			
(i) In fully paid shares :			
Quoted :			
Equity Shares :			
5,807,338 (5,807,338) Equity Shares of ₹ 2/- each fully paid in Bharat Forge Ltd.	1,255,705,873		1,255,705,873
17,052,371 (17,052,371) Equity Shares of ₹ 10/- each, fully paid in Kalyani Steels Ltd. <i>(Refer Note No. C-10)</i>	309,573,731		648,457,753
1,705,237 (NIL) Equity Shares of ₹ 10/- each fully paid in Kalyani Investment Company Limited <i>Refer Note No. C-10)</i>	338,884,022		-
5,367,806 (5,367,806) Equity Shares of ₹ 10/- each fully paid in Automotive Axles Ltd.	260,686,926		260,686,926
436,450 (436,450) Equity Shares of ₹ 10/- each fully paid in Hikal Ltd.	15,868,800		15,868,800
569,600 (569,600) Equity Shares of ₹ 10/- each fully paid in Kalyani Forge Ltd.	11,268,279		11,268,279
300 (300) Equity Shares of ₹ 10/- each fully paid in Ahmednagar Forgings Ltd.	875		875
400 (400) Equity Shares of ₹ 10/- each fully paid in MM Forgings Ltd.	6,005		6,005
84 (84) Equity Shares of ₹ 10/- each fully paid in Finolex Industries Ltd.	1,940		1,940
100 (100) Equity Shares of ₹ 10/- each fully paid in EL Forge Ltd.	875		875
		2,191,997,326	2,191,997,326
Unquoted :			
Preference Shares :			
3,000,000 (3,000,000) 6 % Non-cumulative Redeemable Preference Shares of ₹ 10/- each, fully paid in Kalyani Financial Services Ltd.		30,000,000	30,000,000
Equity Shares :			
52,000,000 (52,000,000) Equity Shares of ₹ 10/- each fully paid in Khed Economic Infrastructure Pvt. Ltd.	520,000,000		520,000,000
32,999,000 (32,999,000) Equity Shares of ₹ 10/- each fully paid in KSL Holdings Ltd.	329,990,000		329,990,000
1,190,694 (1,190,694) Equity Shares of ₹ 10/- each fully paid in Meritor HVS India Ltd.	11,906,930		11,906,930
13,805,936 (13,805,936) Equity Shares of ₹ 10/- each fully paid in Epicenter Technologies Pvt. Ltd.	159,459,491		159,459,491
Less : Provision for diminution in value	(143,513,542)		-
	15,945,949		159,459,491
579,000 (579,000) Equity Shares of ₹ 10/- each fully paid in Kalyani Agro Corporation Ltd.	2		2
500 (500) Equity Shares of ₹ 10/- each fully paid in Kalyani Carpenter Special Steels Ltd.	11,800		11,800
3,195,398 (3,195,398) Equity Shares of ₹ 10/- each fully paid in Kalyani Carpenter Metal Centre Ltd.	31,953,980		31,953,980
Less : Provision for diminution in value	(28,758,980)		(28,758,980)
	3,195,000		3,195,000
2,399,998 (2,399,998) Equity Shares of ₹ 10/- each fully paid in Kalyani Lemmerz Ltd.	23,999,980		23,999,980
2,940,000 (2,940,000) Equity Shares of ₹ 10/- each fully paid in Kalyani Financial Services Ltd.	47,883,609		47,883,609
608,824 (608,824) Equity Shares of ₹ 10/- each fully paid in Moksha Yug Access (India) Pvt. Ltd.	10,008,000		10,008,000
Less : Provision for diminution in value	(8,078,028)		-
	1,929,972		10,008,000
Carried over }	954,863,242		1,106,454,812
		2,221,997,326	2,221,997,326

	Rupees	Rupees	As at 31st March, 2010. Rupees
SCHEDULE '5' : DEFERRED TAX ASSET (NET)			
Deferred Tax Asset			
Timing Differences for Disallowances		-	230,589
Less : Deferred Tax Liability			
Timing Differences for Depreciation	-		2,178
Net Plan Asset for Gratuity	-		52,180
			<u>54,358</u>
TOTAL :		<u>-</u>	<u>176,231</u>
SCHEDULE '6' : INVENTORIES (As taken, valued and certified by the Directors) (Refer Note No.s B-5 and C-5)			
Shares of Companies		2,561,690	2,573,290
Land		100,370,203	100,370,203
TOTAL :		<u>102,931,893</u>	<u>102,943,493</u>
SCHEDULE '7' : CASH AND BANK BALANCES			
Cash on hand		11,902	76,942
Balances with scheduled banks :			
In Current Accounts	2,370,787		7,947,472
In Fixed Deposits	5,000,000		175,383,919
		<u>7,370,787</u>	<u>183,331,391</u>
TOTAL :		<u>7,382,689</u>	<u>183,408,333</u>
SCHEDULE '8' : OTHER CURRENT ASSETS			
Income Receivable		175,400,793	245,601,201
TOTAL :		<u>175,400,793</u>	<u>245,601,201</u>
SCHEDULE '9' : LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)			
Intercompany Loans			
Good	1,770,891,794		1,717,726,772
Doubtful	978,000		978,000
Less : Provision	(978,000)		(978,000)
	-		-
		1,770,891,794	1,717,726,772
Advances recoverable in cash, or in kind or for value to be received			
Good	18,353,738		16,468,507
Doubtful	20,690,470		1,560,254
Less : Provision	(20,690,470)		(1,560,254)
	-		-
		<u>18,353,738</u>	<u>16,468,507</u>
TOTAL :		<u>1,789,245,532</u>	<u>1,734,195,279</u>
SCHEDULE '10' : CURRENT LIABILITIES			
Sundry Creditors			
Total outstanding dues to micro enterprises and small enterprises	-		-
Others	1,936,014		573,455
		1,936,014	573,455
Other Current Liabilities		203,481	20,270
TOTAL :		<u>2,139,495</u>	<u>593,725</u>
SCHEDULE '11' : PROVISIONS			
Provision for Taxation (Net of taxes paid)		59,401,269	79,086,314
Provision for Employees' Leave Encashment (Refer Note No. C-3)		467,167	426,373
Provision for Employees' Gratuity (Refer Note No. C-3)		285,116	-
TOTAL :		<u>60,153,552</u>	<u>79,512,687</u>

	Rupees	Rupees	Previous Year Rupees
SCHEDULE '12' : SALE AND OTHER INCOME			
a) Sale of Land :		-	150,000,000
b) Other Operating Income :			
Dividend received on long term investments	172,583,110		186,062,245
Dividend received on short term investments	128,347		5,388,232
Interest received on loans (T.D.S. ₹ 23,811,811/- Previous Year : ₹ 12,640,954)	238,118,116		125,002,364
Interest received on Bank Deposits (T.D.S. ₹ 606,803/- Previous Year : ₹ 772,732)	6,054,176		7,721,971
Other Interest received	-		510,024
Profit on sale of long term investments (Net)	-		205,652,186
Profit on sale of short term investments (Net)	1,413,263		31,547,232
		418,297,012	561,884,254
c) Other Income :			
Miscellaneous Income		219	5,351
TOTAL :		418,297,231	711,889,605
SCHEDULE '13' : ESTABLISHMENT AND OTHER EXPENSES			
Payments to and Provisions for Employees :			
Salaries, Allowances, Bonus	1,645,464		1,636,569
Contributions to Provident and Other Funds	632,644		371,702
Welfare Expenses	12,600		12,600
		2,290,708	2,020,871
Other Expenses :			
Rates and Taxes	152,940		401,043
Repairs and Maintenance (Buildings)	266,356		258,958
Repairs and Maintenance (Others)	18,926		-
Professional Fees	12,701,498		19,379,147
Donations	-		3,500,000
Loss on Sale of Long Term Investments	3,444,472		-
Share issue expenses written off	-		2,006,875
Preliminary expenses written off	-		263,940
Impairment Losses	-		146,908
Audit Fees	209,570		319,870
(Ref Note No. C-2)			
Sundry Expenses	1,877,417		1,310,641
Interest - Other	11,679,206		-
Bank Charges	48,909		7,316
		30,399,294	27,594,698
Add/(Less) : Decrease/(Increase) in Inventory			
Stock at commencement			
Shares of Companies	2,573,290		5,294,682
Land	100,370,203		139,841,276
	102,943,493		145,135,958
Less : Stock at close			
Shares of Companies	2,561,690		2,573,290
Land	100,370,203		100,370,203
	102,931,893		102,943,493
TOTAL :		11,600	42,192,465
		32,701,602	71,808,034

SCHEDULE "14" NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011.

A. Company Overview :

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

B. Statement of Significant Accounting Policies :

1. Method of Accounting :

- a) The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.
- b) Financial statements are prepared on historical cost convention. These costs are not adjusted to reflect the impact of the changes in the purchasing power of money.

2. Use of Estimates :

The preparation of the financial statements in conformity with the GAAP requires that the Management makes estimates and assumptions, which affect the reported amounts of assets and liabilities, disclosure of contingent liabilities, as at the date of the financial statements, and the reported amounts of revenue and expenses during the year under report. Contingencies are recorded, when it is probable that a liability will be incurred and the amount can be reasonably estimated. Actual results could differ from those estimates.

3. Fixed Assets and Depreciation :

a) Fixed Assets :

Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets. Fixed Assets are shown net of accumulated depreciation, wherever applicable and amortization.

b) Depreciation and Amortisation :

- i) Depreciation on fixed assets other than buildings is being provided for under the 'Written Down Value Method', on pro-rata basis, in consonance with the provisions of Section 205(2)(a) of the Companies Act, 1956, by adopting the rates specified in Schedule XIV, thereto.
- ii) Depreciation on buildings is being provided for under the 'Straight Line Method' on pro-rata basis, in consonance with the provisions of Section 205(2)(a) of the Companies Act, 1956, by adopting the rates specified in Schedule XIV, thereto.

4. Investments :

- a) Long Term Investments are carried at cost. Provision for diminution is made to recognize a decline other than temporary, in value of investments.
- b) Short Term Investments are carried at lower of cost and fair value.

5. Inventory Valuation :

Inventories comprising shares of companies and land are valued at lower of cost and net realizable price.

6. Revenue Recognition :

- a) The Company recognises income on accrual basis. However, revenue recognition is postponed in respect of specific items of income, where the ultimate collection, thereof is uncertain.
- b) Interest income is accrued over the period of the loan / investment.
- c) Dividend is accrued in the year in which it is declared whereby a right to receive is established.
- d) Profit / loss on sale of investments is recognised on the contract date.

7. Employee Benefits :

a) Post-employment benefits plan :

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

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

SCHEDULE "14" NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011, (CONTD.) :

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

b) Short term employee benefits :

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

c) Long term employee benefits :

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

8. Taxation :

- a) Provision for income tax is made on the basis of taxable income for the current accounting year, in accordance with the provisions of the Income Tax Act, 1961.
- b) Deferred Tax resulting from timing differences between Book Profits and Tax Profits is accounted for at the applicable rate of Tax to the extent the timing differences are expected to crystallize, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which Deferred Tax Assets can be realized.

9. Impairment :

The management has a policy to review at each balance sheet date, the carrying amounts of its assets to determine whether there is any indication that those assets were impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risk specific to the asset. Reversal of impairment loss is recognized immediately as income in the profit and loss account.

10. Earnings per share :

In determining earnings per share, the Company considers the net profit after tax and includes the post tax effect of any extra-ordinary / exceptional item, if any. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

11. Provisions, Contingent Liabilities and Contingent Assets :

Provisions are made for present obligations arising out of past events, which are likely to result in an outflow of resources embodying economic benefits at an amount, which can be reliably estimated.

Items not classified as provisions as envisaged above are treated as contingent liabilities, which are disclosed by way of a note and are not provided for in the books of accounts.

Contingent assets are neither recognized nor disclosed.

C. NOTES :

	Rupees	Previous Year Rupees
1. Contingent liabilities not provided for in respect of :		
Liability on account of conveyance deed of the ownership premises of the Company at Antariksha Bhawan, New Delhi has not been executed as yet.	Unascertainable	Unascertainable
Corporate Guarantee given on behalf of other company	90,000,000	90,000,000
Estimated amount of contracts remaining to be executed on capital account and not provided for	-	5,988,000
2. Payment to Auditor, inclusive of Service Tax		
a) As Auditor	154,420	153,317
b) For Tax Audit	27,575	27,575
c) For Certification	27,575	138,978
TOTAL :	209,570	319,870

SCHEDULE "14" NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011, (CONTD.) :

3. Disclosure pursuant to Accounting Standard - 15 (Revised) on "Employee Benefits"

a) Defined contribution plans :

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

The Company recognized ₹ 177,420/- (Previous Year : ₹ 169,619/-) for the provident and superannuation fund contributions in the profit and loss account. The contributions payable to this plan by the Company are at the rates specified in respective legislations.

b) Defined benefits plans :

The Company makes annual contributions to the Employees' Group Gratuity cum Life Insurance Scheme of the Life Insurance Corporation of India, a funded defined benefit plan for the qualified employees. The Scheme provides for lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days' salary payable for each completed year of service or part thereof, in excess of six months, for continuous service upto 15 years and equivalent to one month's salary payable for each completed year of service or part thereof, in excess of six months, for continuous service of more than 15 years. Vesting occurs upon completion of five years of service.

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

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

Sr. Particulars No.	Rupees	Previous Year Rupees
I Change in benefit obligations :		
Projected benefit obligation, at the beginning of the year	628,823	-
Effect of Demerger	-	363,428
Interest cost	49,830	27,257
Past service cost	35,574	242,185
Current service cost	61,292	28,662
Benefits paid	-	-
Actuarial (gain) / loss	311,980	(32,709)
Present benefit obligation, at the end of the year	1,087,499	628,823
II Fair value of plan assets :		
Fair value of plan assets, at the beginning of the year	797,692	-
Effect of Demerger	-	683,800
Expected return on plan assets	59,827	54,103
Employer's contributions	-	75,155
Benefits paid	-	-
Actuarial gain / (loss)	(55,136)	(15,366)
Fair value of plan assets, at the end of the year	802,383	797,692
III Amount recognized in the balance sheet :		
Present benefit obligation, at the end of the year	1,087,499	628,823
Fair value of plan assets, at the end of the year	802,383	797,692
Funded status	(285,116)	168,869
Unrecognized actuarial gain / loss	-	-
Net asset / (liability) recognized in the balance sheet	(285,116)	168,869
IV Amounts recognized in the profit and loss account :		
Current service cost	61,292	28,662
Past service cost	35,574	242,185
Interest cost	49,830	27,257
Expected return on plan assets	(59,827)	(54,103)
Net actuarial (gain) / loss recognized	367,116	(17,343)
Expenses recognized in the profit and loss account	453,985	226,658
V Actuarial assumptions :		
Discount rate	7.70%	7.50%
Salary escalation rate	7.50%	5.00%
Expected rate of return on plan assets	7.50%	7.50%
Expected average remaining working lives of employees (years)	5.02	5.39

SCHEDULE "14" NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011, (CONTD.) :

c) Other Long Term Employee Benefits :

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

Sr. Particulars No.	Rupees	Previous Year Rupees
1 Present Value of Obligation	467,167	426,373
2 Fair Value of Plan Assets	-	-
3 Net asset/(liability) recognized in the Balance Sheet	(467,167)	(426,373)

4. Segment Reporting :

Segment information as required by Accounting Standard 17 on "Segment Reporting" is as under.

	Rupees	Previous Year Rupees
1 Segment Revenue :		
Investment	418,297,012	561,379,581
Real Estate	-	150,000,000
Unallocated Revenue	219	510,024
Total Income :	418,297,231	711,889,605
2 Segment Results :		
Profit/(Loss) (before tax and interest from each segment)		
Investment	234,422,493	491,263,148
Real Estate	-	110,233,927
Total	234,422,493	601,497,075
Interest	(11,679,206)	(-)
Unallocated Expenditure- Net of unallocated income	(8,198,476)	(9,787,173)
Profit before Taxation	214,544,811	591,709,902
Tax (Expense)/Saving	(81,932,025)	(93,035,093)
Profit for the year after taxation	132,612,786	498,674,809
3 Capital Employed :		
(Segment Assets-Segment Liabilities)		
Investment	5,679,643,805	5,584,990,750
Real Estate	116,582,056	100,370,203
Total Capital Employed in Segments	5,796,225,861	5,685,360,953
Unallocated Corporate Assets Less Liabilities	(49,815,363)	(71,563,241)
Total Capital Employed	5,746,410,498	5,613,797,712

5. Information pursuant to the provisions of paragraph No.s 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.

a) Land under development :

	31 st March, 2011.		31 st March, 2010.	
	Area in Sq. Meters	Amount Rupees	Area in Sq. Meters	Amount Rupees
Sale	-	-	20,000	150,000,000
Closing Stock	50,858	100,370,203	50,858	100,370,203

SCHEDULE "14" NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011, (CONTD.) :

b) Closing Stock of Shares of Companies :

	Name of the Company	31 st March, 2011.		31 st March, 2010.	
		No. of Shares	Value Rupees	No. of Shares	Value Rupees
A	Quoted				
1	Hindalco Industries Ltd.	140	22,575	140	22,575
2	NIIT Ltd.	112	6,580	112	18,180
3	ITC Ltd.	3,600	595,026	3,600	595,026
	Subtotal(A)	3,852	624,181	3,852	635,781
B	Unquoted				
1	Beta Naphthol Ltd.	100	-	100	-
2	Elque Polyesters Ltd.	243,700	1	243,700	1
3	Gujarat Rodrel Engineering Products Ltd.	42,000	1	42,000	1
4	Madhavnagar Cotton Mills Ltd.	10,000	1	10,000	1
5	SKH Metals Ltd (formerly Mark Auto Ltd.)	25,000	1,937,500	25,000	1,937,500
6	Metalco Ltd.	250,000	1	250,000	1
7	Modi Champion Ltd.	700	1	700	1
8	Namtech Systems Ltd.	50,000	1	50,000	1
9	OMC Computers Ltd.	144,300	1	144,300	1
10	Photon Biotech Ltd.	50,000	1	50,000	1
11	Topline Shoes Ltd.	99,600	1	99,600	1
	Subtotal(B)	915,400	1,937,509	915,400	1,937,509
	Total (A + B) :	919,252	2,561,690	919,252	2,573,290

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

7. Related Party Disclosures :

A. Related Parties and their Relationship

1	Associates	a) Kalyani Steels Limited b) Kalyani Financial Services Limited c) Kalyani Investment Company Limited
2	Joint Venture	a) Meritor HVS India Limited b) M/s Sundaram Enterprises

B. Transactions with Related Parties:

Particulars	Associates Rupees	Joint Venture Rupees	Total Rupees
Dividend Received	21,315,527 (-)	95,255,520 (164,315,772)	116,571,047 (164,315,772)
Unsecured Loan given	270,300,000 (778,906,500)	- (-)	270,300,000 (778,906,500)
Unsecured Loan refund received	645,825,293 (320,000,000)	- (-)	645,825,293 (320,000,000)
Interest Received	61,324,997 (14,683,062)	- (-)	61,324,997 (14,683,062)
Investment in Fully Convertible Debentures	500,000,000 (-)	- (-)	500,000,000 (-)
Capital Contribution	- (-)	30,000 (-)	30,000 (-)

(Figures in bracket indicate previous year)

SCHEDULE "14" NOTES FORMING PART OF THE BALANCE SHEET AS AT AND THE PROFIT AND LOSS ACCOUNT AND THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011, (CONTD.) :

C. Balances with Related Parties:

Particulars	Associates Rupees	Joint Venture Rupees	Total Rupees
Investment / Capital	1,226,341,362 (726,341,362)	11,936,930 (11,906,930)	1,238,278,292 (738,248,292)
Unsecured Loan given	83,381,207 (458,906,500)	- (-)	83,381,207 (458,906,500)
Interest on Loan receivable	68,407,254 (13,214,557)	- (-)	68,407,254 (13,214,557)

(Figures in bracket indicate previous year)

8. Legal title to all the assets vested and transferred to the Company in pursuance of the Composite Scheme of Arrangement approved by the High Court of judicature at Bombay, as per Order dated 5th February, 2010 as already reported could not necessarily be transferred in the name of the Company as at 31st March, 2011. The Company is in the process of completing the required legal processes.

9. Investment in Capital of Partnership Firm :

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

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

10. In pursuance of the Composite Scheme of Arrangement, sanctioned by the High Court of the judicature at Bombay, vide Order dated 12th March, 2010, the Company has received allotment of 1,705,237 Equity Shares of ₹ 10/- each, fully paid, in Kalyani Investment Company Limited, in the ratio of one such share for every ten shares of Kalyani Steels Limited, held by the Company on the record date being 23rd April, 2010. The cost of acquisition of shares of Kalyani Steels Limited has accordingly been adjusted in the books of the Company.

11. Each of the 5,000,000 8% Fully Convertible Debentures of ₹ 100/- each fully paid of Kalyani Financial Services Limited are compulsorily convertible into Equity Shares of ₹ 10/- each fully paid up at a premium of ₹ 20/- per share on or before 31st March, 2021.

12. In the absence of any notification by the Central Government, as to the rate and effective date for payment of cess under section 441A of the Companies Act, 1956, no provision, for the same, has been made in these accounts.

13. Since the statement of cash flows has been drawn up for the first time by the Company, corresponding figures for the previous year have not been given therein.

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

15. Balance Sheet Abstract and the Company's General Business Profile is attached, herewith.

As per my attached report of even date,

On behalf of the Board of Directors,

P. V. Deo
Chartered Accountant

S. R. Kshirsagar A. B. Kalyani B. B. Hattarki
Company Secretary Director Director

Place : Pune
Date : 25th May, 2011.

Place : Pune
Date : 25th May, 2011.

Additional Information as required under Part IV of Schedule VI to the Companies Act, 1956.
Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. : U65993PN2009PLC134021 State Code : 11 (Refer Code List)
Balance Sheet Date : 31/03/2011

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

Public Issue : Nil Rights Issue : Nil
Bonus Issue : Nil Private Olacement # : Nil

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

Total Liabilities : 5,746,410 Total Assets : 5,746,410

Sources of Funds :

Paid-up Capital : 188,338 Reserves & Surpluses : 5,558,072
Secured Loans : Nil Unsecured Loans : Nil

Application of Funds :

Net Fixed Assets : 12,478 Investments : 3,721,265
Deferred Tax Assets : Nil Net Current Assets : 2,012,667
Misc. Expenditure : Nil

IV. Performance of Company (Amount in ₹ Thousands)

Turnover : 418,297 Total Expenditure : 203,752
Profit/(Loss) before tax : 214,545 Profit/(Loss) after tax : 132,613
Earning per Share in ₹ : 3.52 Dividend rate % : Nil

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

- Item Code. No. (ITC Code) : N.A.
Product Description : INVESTMENT ACTIVITY
- Item Code. No. (ITC Code) : N.A.
Product Description :
- Item Code. No. (ITC Code) : N.A.
Product Description :

On behalf of the Board of Directors

Place : Pune
Date 25th May, 2011

S. R. KSHIRSAGAR
Company Secretary

A. B. KALYANI
Director

B. B. HATTARKI
Director

BF INVESTMENT LIMITED

Registered Office : Mundhwa, Pune Cantonment, Pune 411 036

NAME OF MEMBER/PROXY *

DP. ID.**

Folio No.

Client Id.**

No. of Shares held

I hereby record my presence at the Second Annual General Meeting held at the Kalyani Steels Limited Compound, at Mundhwa, Pune 411 036 on Friday, 12th Day of August, 2011 at 3.30 P.M.

SIGNATURE OF THE SHAREHOLDER/PROXY *

* Strike out whichever is not applicable

** Applicable for Members holding shares in Dematerialised form

Note : Please handover this slip at the entrance of the Meeting venue.

PROXY

BF INVESTMENT LIMITED

Registered Office : Mundhwa, Pune Cantonment, Pune 411 036

I/We of

being a Member(s) of BF INVESTMENT LIMITED, Pune, hereby appoint

of

or failing him/her of

.....as my/our proxy to attend and vote for me/us on my/our behalf at the Second Annual General Meeting of the Company to be held on Friday, 12th Day of August, 2011 at 3.30 P.M.

Signed atthis day of 2011.

DP. ID.**

Folio No.

Client Id.**

No. of Shares held

Please affix
Revenue
Stamp of
proper value

** Applicable for Members holding shares in Dematerialised form.

Signature(s) of Member(s)
across the stamp.

Note : The Proxy must be deposited with the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.

BOOK-POST



KALYANI
DRIVING INNOVATION

BF INVESTMENT LIMITED

MUNDHWA, PUNE CANTONMENT, PUNE 411 036
MAHARASHTRA, INDIA.

website : www.kalyanigroup.com/BFI.asp