

Enriching Lives

KIRLOSKAR PNEUMATIC CO. LTD.

36TH ANNUAL REPORT 2010 - 2011



Solving complex engineering problems -
as simple as turning a page

EXPERTISE TO GIVE SIMPLE SOLUTIONS TO GREAT ENGINEERING CHALLENGES

It is our simple solutions to complex engineering problems that adhere us to our clients. Solutions that are borne on the strength of our expertise, skills and engineering ability. To explore more and more simple options. To take our clients, where no one else has been before. This journey has taken us to a INR 7,600 crore (US\$1.6 billion) engineering conglomerate today; with sincere belief in meeting the toughest of challenges with the best of our solutions. To deliver cost effective solutions that bring prosperity and smiles across the world.

What drives us today is not just world class products, but our commitment to meet bigger and tougher challenges. To make sure that our clients get their solutions in the quickest of times in the toughest of environments. Continuous improvements, proactive planning and strategic measures make us one of the greatest engineering solution providers of all times.

Innovative Solutions

Kirloskar Pneumatic Company Ltd. (KPCL), part of the Kirloskar Group is a synonym for providing high end integrated solutions using Compression & Transmission Technologies. Our diversified solutions portfolio caters to the needs of industries like Petrochemicals, Power, Steel, Cement, Food & Beverage and many more. We constantly work on providing solutions which are energy efficient and environment friendly, using the latest technologies available.

Be it the 16,000 kW propylene based refrigeration system for a coal gasification plant in Orissa or a high pressure CNG package for gas filling station in Tripura or a 1 MW gear box for a wind turbine in Tamil Nadu or a refrigeration compressor for fisheries in Kerala or high pressure compressors for cryogenic air separation plants in Gujarat, our engineers work diligently with customers and project consultants to design, develop and deliver innovative products in a timely manner.

NOTICE OF 36TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 36th Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Tuesday, the 28th day of June, 2011 at 11.00 a.m. at Pudumjee Hall, Maharashtra Chamber of Commerce, Industries & Agriculture, Tilak Road, Pune - 411 002 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 Auditors' and Directors' Report thereon.
2. To declare dividend on equity shares for the financial year ended on 31st March, 2011.
3. To appoint a Director in place of Mr. Rahul C. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Vikram S. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. A. C. Mukherji, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**.

“RESOLVED that M/s. P. G. Bhagwat, Chartered Accountants, Pune, (Firm Registration No. 101118W), in respect of whom the Company has received a Special Notice pursuant to Section 190 and 225 of the Companies Act, 1956 be and are hereby appointed as Statutory Auditors of the Company to hold office as such from the conclusion of this Meeting until conclusion of the next Annual General Meeting AND THAT the Board of Directors of the Company be and is hereby authorised to fix their remuneration for the said period.”

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**.

“RESOLVED that pursuant to all applicable provisions of the Companies Act, 1956 consent of the members be and is hereby accorded to the re-designation of Mr. Aditya Kowshik as Managing Director of the Company with effect from April 27, 2011.

RESOLVED FURTHER that all the terms and conditions of his appointment as approved by the members in its meeting held on July 18, 2009 remain unchanged and as per the said resolution the Board of Directors be and are hereby authorised to alter and vary the said terms and conditions of his appointment including remuneration not exceeding the limits specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto, as may be agreed between the Board of Directors and Mr. Aditya Kowshik.”

8. To consider and if thought fit to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**.

“RESOLVED that Mr Sunil Shah Singh who was appointed as an Additional Director of the Company by the Board of Directors with effect from January 19, 2011 in the terms of Section 260 of the Companies Act, 1956 and Article 88 of the Articles of Association of the Company and in respect of whom the Company having received notice in writing under Section 257 of the Act from a member proposing his candidature, be and is hereby appointed as Director of the Company and the period of his office shall be liable to determination by retirement of directors by rotation.”

9. To consider and if thought fit, to pass with or without modification(s) the following resolution as a **SPECIAL RESOLUTION**.

“RESOLVED that pursuant to the provisions of Section 198, 309, 310, 349, 350 and other applicable provisions, if any of the Companies Act, 1956 (“the Act”), the Company may pay to a Director, who is neither in the whole time employment of the Company nor a Managing Director, further remuneration by way of commission (to be divided

amongst them in such manner as the Board of Directors may from time to time determine and in default of such determination equally) upto a period of 5 years commencing from the financial year 2011-12, provided that the remuneration so paid to such a Director, or when there is more than one such Director to all of them together, shall not exceed 1% of the net profits of the Company, computed in the manner laid down in Sections 349 and 350 of the Act.”

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 THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
- 2 The Proxy Form duly executed and stamped should reach the Company's Registered Office 48 hours before the time of the Meeting.
- 3 The Register of Members and the Share Transfer Books of the Company will remain closed from Monday, the 20th day of June, 2011 to Tuesday, the 28th day of June, 2011 (both days inclusive).
- 4 The dividend as recommended by the Board, if declared at the meeting, will be paid after July 5, 2011 to those members whose names appear on the Company's Register of Members on June 20, 2011. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) as on June 20, 2011 for this purpose.
- 5 Members to note that Link Intime India Pvt. Ltd. (LI IPL) will be mandatorily printing shareholder's bank account details on the dividend warrants as advised by the Securities and Exchange Board of India. Those Members who have not furnished their bank account details may furnish the same to LI IPL on or before June 10, 2011. Members holding shares in dematerialized form must therefore give instructions regarding their Bank account details to their Depository Participants.
- 6 Members are requested to sign at the place provided on the attendance slip and handover the same at the entrance of the Meeting.
- 7 Queries on Accounts of the Company, if any, may please be sent to the Company Secretary at the Registered Office of the Company seven (7) days in advance of the Meeting so that the answers may be made available at the Meeting.
- 8 Members are requested to bring their personal copy of the Annual Report to the Meeting.
- 9 Re-appointment of Directors at the Annual General Meeting :
Mr. Rahul C. Kirloskar, Mr. Vikram S. Kirloskar and Mr A. C. Mukherji retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49(IV)(G)(i) of the Listing Agreement relating to the Code of Corporate Governance, the particulars of the aforesaid Directors are given below :

Profile of Directors retiring by rotation :

- A. Mr Rahul C. Kirloskar is a top notch technocrat associated with Kirloskar Group of Companies for more than twenty one years at senior levels in different capacities. Participated in an intensive course of top management professionals of major international companies on Total Quality Management (TQM) in Japan, conducted by Japanese Union of Scientists and Engineers(JUSE), has given a lot of thrust for reducing overheads and is taking all possible steps to reduce the overhead cost and thereby further improve the profitability of the Company and make the products more competitive.

The Directorship in other companies is as follows:

Name of the Company	Board position held
Ansal Properties & Infrastructure Ltd.	Director
GreenTek Systems (India) Ltd.	Director
Kirloskar Brothers Ltd.	Director
Kirloskar Oil Engines Ltd. (Formerly Kirloskar Engines India Ltd.)	Director
Kirloskar Proprietary Limited	Director
Alpak Investments Pvt. Ltd.	Chairman
Asara Sales & Investments Pvt. Ltd	Director
Pratibha Communications Pvt. Ltd.	Chairman

Mr. Rahul C. Kirloskar and Mr. Sanjay C Kirloskar, Directors of the company, being the brothers, are related to each other.

Mr. Rahul C. Kirloskar holds 8,71,485 equity shares in the Company.

- B. Mr. Vikram S. Kirloskar, graduate from Massachusetts Institute of Technology, USA with a Bachelor of Science in Mechanical Engineering and has been trained in various Companies in India and abroad in different capacities. He is responsible for setting up successful joint venture companies like Kirloskar Toyoda Textile Machinery Pvt. Ltd., Toyota Kirloskar Motor Pvt. Ltd. and Toyota Kirloskar Auto Parts Pvt. Ltd.

The Directorship/Committee membership in other companies is as follows:

Name of the Company	Board position held	Committee Membership*
Kirloskar Brothers Ltd.	Director	—
Kirloskar Industries Ltd. (formerly Kirloskar Oil Engines Ltd.)	Director	—
Kirloskar Proprietary Ltd.	Director	—
Kirloskar Systems Ltd.	Chairman & Managing Director	Audit Committee
Quadrant Communications Ltd.	Director	—
Asara Sales & Investments Pvt. Ltd.	Director	—
Denso Kirloskar Industries Pvt. Ltd.	Director	Audit Committee
Kirloskar Technologies Pvt. Ltd.	Director	—
Kirloskar Toyoda Textile Machinery Pvt. Ltd.	Director	Audit Committee
Toyota Kirloskar Auto Parts Pvt. Ltd.	Vice Chairman	Audit Committee
Toyota Kirloskar Motor Pvt. Ltd.	Vice Chairman	Audit Committee
Takshashila Healthcare and Research Service Pvt. Ltd.	Director	—
Toyota Tsusho Insurance Broker India Pvt. Ltd.	Director	—
Vikram Geet Investments & Holdings Pvt. Ltd.	Director	—

*Only two committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

Mr. Vikram S. Kirloskar does not hold any shares in the company.

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

- C. Mr. A. C. Mukherji has a long and varied experience in Finance, Insurance and other Corporate subjects, having held important position as Chairman and Managing Director of The New India Assurance Company Limited. The Company would be able to draw upon his long and varied experience.

The Directorship/Committee membership in other companies is as follows:

Name of the Company	Board position held	Committee Membership
Digjam Ltd.	Director	Audit Committee Investor's Grievance Committee
Sahara India Life Insurance Co. Ltd.	Director	Audit Committee
Asiatic Oxygen Ltd.	Director	Audit Committee
Ludlow Jute & Specialties Ltd.	Director	Audit Committee
UT Limited	Director	Audit Committee Investor's Grievance Committee
NPR Finance Ltd.	Director	Audit Committee
VXL Technologies Ltd.	Director	Audit Committee

*Only two committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

Mr. A. C. Mukherji does not hold any shares in the Company.

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

By Order of the Board of Directors

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013
Date : May 17, 2011



Jitendra R Shah
Company Secretary

ANNEXURE TO THE NOTICE

Explanatory statement as required under Section 173(2) of the Companies Act, 1956.

ITEM NO. 6 OF THE NOTICE

The Statutory Audit of the accounts of the Company is currently carried out by M/s. Dalal & Shah, Chartered Accounts, Mumbai, Firm Registration No. 102021W.

Pursuant to the provisions of Section 190 and 225 of the Companies Act, 1956, the Company had received a Special Notice from a Member of the Company signifying its intention to propose the name of M/s. P. G. Bhagwat, Chartered Accountants, Pune, Firm Registration Number 101118W, as Statutory Auditors of the Company along with a deposit of Rs. 500/- as required under the said Act.

Accordingly, the Board of Directors of the Company, pursuant to the recommendation of the Audit Committee, proposes the appointment of M/s. P. G. Bhagwat, Chartered Accountants, Pune, Firm Registration Number 101118W, as the Statutory Auditors of the Company, who will hold office as such from the conclusion of this Meeting until the conclusion of the next Annual General Meeting.

M/s. P. G. Bhagwat, Chartered Accountants, Pune, Firm Registration Number 101118W, have expressed their willingness to act as the Statutory Auditors of the Company and have further confirmed that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

Accordingly approval of the members is being sought to the appointment of M/s. P. G. Bhagwat, Chartered Accountants, Firm Registration Number 101118W, Pune, as the Statutory Auditors of the Company to hold office as such from the conclusion of this Meeting until the conclusion of the next Annual General Meeting on a remuneration to be decided by the Board of Directors of the Company.

ITEM NO. 7 OF THE NOTICE

The Members at their Annual General Meeting held on July 18, 2009 had approved the appointment of Mr. Aditya Kowshik as Executive Director for a period of 5 years w.e.f. October 24, 2008 and had also authorised the Board of Directors to alter and vary the terms of his appointment.

The Board of Directors of the Company at their meeting held on April 27, 2011 re-designated Mr Aditya Kowshik, Executive Director as Managing Director with effect from April 27, 2011 subject to approval of members.

The terms & conditions of his appointment including remuneration remain unchanged.

In this respect company has already circulated Abstract under Section 302 of the Companies Act, 1956 on May 9, 2011.

The Board of Directors of your Company recommends the resolutions as set out at Item No. 7 of the Notice for your approval.

No other Director of the Company is concerned or interested except Mr. Aditya Kowshik is so far as it relate to him.

ITEM NO. 8 OF THE NOTICE

Mr. Sunil Shah Singh joined the Board the Company as an Independent Non Executive Director on January 19, 2011 as per Section 260 of the Companies Act, 1956 read with Article 88 of the Articles of Association of the Company. Mr. Sunil Shah Singh holds office only till the date of the forthcoming Annual General Meeting.

A Notice has been received from a member along with Deposit of Rs. 500/- as required under section 257 of the Companies Act, 1956 proposing Mr. Sunil Shah Singh candidature for the office of Director.

Mr. Sunil Shah Singh did his post graduation B.Tech from Indian Institute of Technology, Delhi.

He has experience in varied fields such as purchase, materials management, manufacturing and overall business operations, having held important position of Corporate Advisor/Managing Director of ITD Cementation India Ltd, President of Tetra Pak Processing & Kirloskar Pneumatic Co Ltd, Country Head of Energy Work India & member on Board of Mather & Platt India Ltd. & is also member of Construction Federation of India, Construction Industry Development Council, National Institute of Construction Management and Research.

The Directorship in other companies is as follows:

Name of the Company	Board position held
ITD Cementation Projects India Limited	Director
Accra Investments Private Limited	Director

Except Mr. Sunil Shah Singh no other Director is concerned or interested in this Resolution.

Mr. Sunil Shah Singh do not hold any shares in the company. Mr. Sunil Shah Singh is not related to any director on the Board of the Company as per Section 6 of the Companies Act, 1956.

ITEM NO. 9 OF THE NOTICE

In view of increasing business operations of the Company and as a token of recognition of the onerous responsibilities cast on the Directors of the Company under the various laws in achieving the desired objectives, it is proposed to pay additional remuneration by way of commission to the Directors who are neither in the whole time employment of the Company nor the Managing Director of the Company (Non Executive Directors). The remuneration committee and the Board of Directors, at their respective meetings held on April 27, 2011 accorded their approval for payment of additional remuneration by way of commission to such Directors of the Company in pursuance to the provisions of Section 198, 309, 310, 349, 350 and other applicable provisions, if any, of the Companies Act, 1956, and subject to the necessary approvals of the members of the Company.

All the Directors of the Company, except Mr. Aditya Kowshik, Managing Director of the Company may be deemed to be interested / concerned in this resolution to the extent of additional remuneration by way of commission payable to them.

By Order of the Board of Directors



Jitendra R Shah
Company Secretary

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013
Date : May 17, 2011

DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting their Report along with the Audited Accounts for the year ended March 31, 2011.

FINANCIAL RESULTS

The Financial results for the year ended March 31, 2011 are summarised below:

	<u>2010-11</u>	<u>2009-10</u>
Gross Profit	764,290,093	755,788,674
Less:		
Depreciation	113,345,266	73,507,753
Provision for Taxation	215,902,416	206,572,078
Profit after tax	435,042,411	475,708,843
Balance of Profit from previous year	167,131,142	168,404,348
Add / (Less)		
Tax adjustments for earlier years	4,085,141	3,403,713
Expenses in respect of Previous Year	-	(66,670)
Transferred to General Reserve	250,000,000	300,000,000
Proposed Dividend	154,132,056	154,132,056
Tax on Proposed Dividend	25,004,073	26,187,036
Surplus carried to Balance Sheet	177,122,565	167,131,142

OPERATIONS

During the year under review the net revenue of your company was Rs. 4,917 million as against Rs. 4,533 million last year showing a growth of 9%.

The revenue of the Transmission Division dropped from Rs. 629 million to Rs. 565 million Your Company has taken appropriate action to revamp the Transmission Division and this is expected to be in place in the coming year.

In the year under review your Company laid emphasis on improving operating efficiency, cost containment and working capital management. These have resulted in improvement in the performance of the company and the Company was not required to avail any working capital funds through out the year.

ENERGY CONSERVATION

"The Institution of Engineers" awarded your company the First Prize for "Outstanding Contribution in Energy Sector". This is a state level award.

Your Company also bagged the "Best Innovative Project for 1 MW Wind Turbine Gear Box Testing".

DIVIDEND

The Board of Directors have recommended a dividend of Rs. 12/- (120%) per equity share for the year ended March 31, 2011 as against Rs. 12/- (120%) per equity share paid last year.

FIXED DEPOSIT

As on March 31, 2011 there are no fixed deposits either outstanding or unclaimed.

PROSPECTS

The Indian economy has maintained its high growth rate. This is expected to continue during the current year also.

In the traditional fields your Company operates in i.e. Air, Refrigeration & Transmission, growth will be in line with the economic growth of the Country. Consequently a sustainable growth is envisaged during the coming years in these segments.

Investment in the Oil & Gas Sector has helped your company grow. The company has made inroads into new areas in this field.

Your Company was contracted to supply API 617 based refrigeration system for the first ever coal gasification plant being set up in India and this plant will be commissioned during the coming year.

The revamp of the Transmission Division which the Company undertook last year under review has resulted in the company focusing on Railways, Marine and Wind Power. This is expected to show significant improvement in the performance of the Division during the coming financial year.

Your Company has entered into an agreement with Indian Railway on March 16, 2011 for haulage of Road Railer trains, including its pilot project between Delhi & Chennai. Your Company is expecting to commission its plant for manufacture of these RoadRailers during the current year.

The RoadRailer is a biomodal transport system which will carry white goods from one destination to other by road as well as rail using the same vehicle. For this purpose your Company has already obtained & developed necessary technology.

DIRECTORS

Mr. Rahul C. Kirloskar, Mr. Vikram S. Kirloskar & Mr. A. C. Mukherji retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The Board of Directors at their meeting held on January 19, 2011 appointed Mr. Sunil Shah Singh as an Additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. Sunil Shah Singh ceases to be a Director at the ensuing Annual General Meeting. The Company has received notice in writing proposing his candidature for the office of Director. The necessary resolutions for their appointment are being placed before you.

CORPORATE GOVERNANCE

Your Company conforms to the norms of Corporate Governance as envisaged in the Listing Agreement with the Bombay Stock Exchange Ltd. A separate report on Corporate Governance, along with Statutory Auditors' Certificate on the Compliance, Management Discussions and Analysis, is attached and forms part of the Annual Report.

STATUTORY DISCLOSURES

1. Conservation of Energy, Technology Absorption and Foreign Exchange

The information required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, pertaining to Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo, is given in the Annexure I to this Report and forms part of this Report.

2. Particulars of Employees

There were no employees of the category indicated under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

3. Directors' Responsibility Statement

The Directors confirm that :

- i. In preparation of Annual Accounts, the applicable accounting standards have been followed.
- ii. The Directors have selected such accounting policies and applied them consistently in order to show true and fair view of the state of affairs.

- iii. The Directors have taken proper care in maintaining accounting records as per the provisions of the Companies Act, 1956, for safeguarding your Company's Fixed Assets for preventing and detecting fraud and other irregularities.
- iv. The Annual Accounts are prepared on the principle of going concern.

4. Cash Flow

A Cash Flow statement for the year ended March 31, 2011 is attached to the Balance Sheet.

AUDITORS

The Company had received a Special Notice from a Member of the Company signifying its intention to propose the name of M/s. P. G. Bhagwat, Chartered Accountants, Pune, Firm Registration Number 101118W, as Statutory Auditors of the Company instead of M/s. Dalal & Shah, Chartered Accountants, Mumbai who are retiring at the ensuing Annual General Meeting.

Accordingly, the Board of Directors of the Company, pursuant to the recommendation of the Audit Committee, proposes the appointment of M/s. P. G. Bhagwat, Chartered Accountants, Pune as the Statutory Auditors of the Company.

M/s. P. G. Bhagwat has furnished a Certificate under Section 224(1B) of the Companies Act, 1956 that their proposed appointment, if made, will be in accordance with the said provision of the Companies Act, 1956. The Members of the Company may appoint the Statutory Auditors as per Annual General Meeting Notice attached separately.

EMPLOYEES

Your Company follows unique methods towards human resource retention and development. The human skills development part is taken care of through competency mapping and identifying training needs. Training programs are designed in such a way that it addresses knowledge and skill enhancement. Empowerment and rewarding good performances ensures motivation and healthy working environment.

Industrial relations continued to be cordial during the year. Your Company has 985 permanent employees on its roll as on March 31, 2011.

ACKNOWLEDGEMENT

The Directors wish to convey their appreciation to all your Company's employees for their enormous personal efforts as well as their collective contribution to your Company's performance. The Directors would also like to thank the employees, shareholders, customers, dealers, suppliers, bankers and all the other stakeholders for their continuous support and their confidence in its management.

For and on behalf of the Board of Directors



RAHUL C. KIRLOSKAR

Chairman

Place : Pune

Date : May 17, 2011

ANNEXURE I TO THE DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956.

A. Conservation of Energy :

Energy Conservation

a) Energy Conservation measures taken:

- Switch 'OFF' Power and Lighting Transformer to reduce losses.
- Maintain Unity Power Factor and avail the 7% incentive benefit from MSEDCL on Electricity Consumption.
- Maximum demand control through remote control operation.
- Installation of Electro pneumatic compressed air control valve to main header.
- Rigorous Maintenance of Air Compressed Grid and Reduced Air Leakage.
- Removed the Open Air Cleaning Pipes and Installation of Energy Efficient Air Guns.
- Installation of Gas-O-Max for Liquid Petroleum Gas (LPG) saving.
- Installation of Energy Efficient three star label split Air Conditioners.
- Energy saving through Temperature control for Package Air Conditioner in R & E Dept.
- Saving in oil purchases by using Centrifuge unit for oil separation from Hobbing machine chips.
- Replacement of 250 watt mercury vapor lamps by 150 watt metal halide lamps.
- Insulation and heat repellent painting of heat treatment furnaces.
- Replacement of copper ballast by Electronic ballast.
- 1MW Gear Box Testing.
- Heat Treatment Process Control through Process Timer and indicating the visual and audio alarm after process completion 160 KW furnaces for waste elimination.
- Installation of 4 x 14 tube lights instead of 40 x 2 watt fitting in TRM Assembly.
- Installation of 4 x 54 T5 tube lights instead of 250-Watt mercury lamp in new shed.
- Installation of 4 x 14 tube lights instead of 40 x 2 watt fitting in ISD Building & ACD conference.
- Installation of translucent sheets in non ferrous foundry for improved illumination level during the day.

b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy.

Proposals :

- Underground compressed air piping replacement with overhead T welded air piping in foundry.
- Energy efficient split Air Conditioners.
- Insulation and heat repellent painting of heat treatment furnaces.
- Air System pressure reduction from 7 bars to 6.5 bar.
- Replace 90KW reciprocating compressor in Foundry & TRM with 55KW screw compressor with VFD.
- 40 watt LED street lighting instead of 72 watt (20 Nos).
- Machine Shop & Assembly illumination level improvement up to 250 lux with 4 X 54 T5 fitting replacing 250W mercury lamps.
- Gas geyser in canteen for cooking purpose.
- Renovation of Materials building elevator with VFD drive.

Investment :

Estimated additional investment for above proposals is about Rs. 4.45 Million

c) **Impact of the measures at (a) & (b) for reduction of energy consumption and consequent impact on the cost of production of goods.**

Estimated saving from activities mentioned in (a) and (b) above is about Rs. 14.46 Million per year.

d) **Total Energy consumption and energy consumptions per unit of production as per prescribed Form-A.**

Not given, as the Company is not covered under the list of specified industries.

B. Technology Absorption :**Research and Development (R & D) :****1. Specific areas in which R & D is carried out by the Company :**

- Technology transfer for dry screw for further models & centrifugal compressors.
- Introduction of new model of portable compressor KDP185.
- Design and development of centrifugal compressor.
- Development of Refrigeration Compressor (Air Cooled Series).
- Development of Engineered Compressor Drive Set (KC/KCX).
- Indigenous CNG Compressor prototype developed and tested.
- Design & Development of Light Weight Marine Gearbox.

2. Benefits derived as a result of above R & D :

- Cost competitiveness in dry screw and centrifugal compressors.
- Penetration in the market for industrial segment and general engineering with the help of oil injected screw compressors.
- Introduction of new model of Diesel Portable Compressor in international market.
- Increasing of KC Compressor share in export market.
- Business growth in Marine Refrigeration & Air - Conditioning (HVAC solutions) market.
- Business growth in Planetary Wind Turbine Gearboxes.

3. Future plan of Action :

- Implementation of the indigenization of centrifugal and dry screw technology to penetrate the market and to make a strong presence in the growing market.
- Integrated packages of electrical oil injected screw compressors.
- Design & Development of new Refrigeration Compressor.
- Manufacture of CNG Compressors.
- Design of refrigeration system with Centrifugal Compressor (compliant to API 617).
- Development of High Power Wind Turbine Gearboxes for various customers.
- Prototype development of Light Weight Marine Gearbox.

4. Expenditure on R & D

(Rs. in Million)

a) Capital	NIL
b) Recurring	39.52
c) Total	39.52
d) Total R & D Expenditure as a Percentage of total turnover	0.080%

5. Technology Absorption, Adaptation & Innovation :**1. Efforts in brief, made towards Technology Absorption, Adaptation & Innovation:**

- Absorption of Planetary Technology.
- Building expertise for the application and product in the area of special products.

2. Benefits derived as a result of the above efforts :

- Increase in market share through addition of new range of products.
- Products with latest technology available to customer.
- Minimise breakdown of equipments, resulting into customer satisfaction.

3. Information regarding Imported Technology during last 5 years

Technology Imported and fully absorbed	Year of Import
Development of Centrifugal Compressor	2010
Dry Screw Compressors	2008
Development of NOPV MG-88/CW Marine Gearbox	2007

C. Foreign Exchange Earnings and Outgo :

Foreign exchange outgo	Rs. 664 million
Foreign exchange earned	Rs. 130 million

For and on behalf of the Board of Directors



RAHUL C. KIRLOS KAR
Chairman

Place : Pune
Date : May 17, 2011

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company as a part of Kirloskar Group, is committed to maintain high standards of Corporate Governance. To us, Corporate Governance means conduct of business with transparency, accountability and business prosperity with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of all other stakeholders as well.

2. BOARD OF DIRECTORS

i. Composition and Category of Directors :

The Board of Directors of the Company represents an optimum mix of professionalism, knowledge and experience, comprises of Executive, Non-Executive and Independent Directors. The Chairman is a Non-Executive Director. In all, there are 10 Directors including 6 Non-Executive & Independent Directors, 3 Non-Executive Directors and 1 Executive Director. As on March 31, 2011, the composition of the Board of Directors of the Company meets the stipulated requirements of clause 49 of the Listing Agreement of the Stock Exchange.

ii. Number of Meetings :

During the year ended on March 31, 2011 five Board Meetings were held on April 28, 2010, July 26, 2010, October 27, 2010, January 19, 2011 and February 26, 2011. The Annual General Meeting of the Company was held on July 26, 2010.

iii. Director's attendance record and Directorships held :

The details of attendance of the Directors at the various Board Meetings, Annual General Meeting and also the number of other Directorships and Committee Memberships / Chairmanships are as follows :

Name of the Director & Position	No. of Board Meetings attended	Directorships in other companies as disclosed			
		Public	Private	Committee Membership*	Committee Chairmanship
Non - Executive Directors					
Mr. Rahul C. Kirloskar Chairman	5	5	3	–	–
Mr. Sanjay C. Kirloskar	3	6	2	1	–
Mr. Vikram S. Kirloskar	1	5	9	1	–
Independent & Non - Executive Directors					
Mr. A. C. Mukherji	5	7	–	9	4
Mr. J. Y. Tekawade	5	–	1	–	–
Mr. P. S. Jawadekar	5	2	1	1	–
Mr. G. Krishna Rao	5	–	–	–	–
Mr. D. R. Swar	5	4	–	–	–
Mr. Sunil Shah Singh@	2	1	1	–	–
Executive Director					
Mr. Aditya Kowshik (Managing Director w.e.f. April 27, 2011)	5	–	1	–	–

* Only two Committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

@ Mr. Sunil Shah Singh was appointed as an additional Director on January 19, 2011.

All Directors as on that date attended the Annual General Meeting held on July 26, 2010.

3. AUDIT COMMITTEE

i. Composition

The Audit Committee consists of Mr. A. C. Mukherji, Mr. G. Krishna Rao, and Mr. J. Y. Tekawade. Mr. A. C. Mukherji, Independent Director is the Chairman of the Audit Committee.

Chairman, Executive Director, Vice President & Finance Controller attend the Audit Committee Meetings. The representatives of the Statutory Auditors, Internal Auditors and Operational Heads are invited to the Meetings. The Internal Auditors submit their report to the Audit Committee. Company Secretary acts as Secretary to the Audit Committee.

ii. Terms of Reference

The role and terms of reference of the Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. These include oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; reviewing annual and quarterly financial statements with management before submission to the Board; reviewing the adequacy of internal control systems and performance of external and internal auditors with management.

iii. Meetings & attendance of the Audit Committee

The Audit Committee met four times during the year i.e. on April 28, 2010, July 26, 2010, October 27, 2010 and January 19, 2011 which was attended by all the members.

4. REMUNERATION COMMITTEE

i. Composition

The Remuneration Committee comprises of 3 Directors consisting of Mr. P. S. Jawadekar, who is the Chairman of the Committee, Mr. G. Krishna Rao and Mr. J. Y. Tekawade. Company Secretary acts as Secretary to the Committee.

ii. Terms of Reference

The functioning and terms of reference of the Remuneration Committee are as prescribed under Clause 49 of the Listing Agreement. It determines the Company's policy on all elements of remuneration packages of all the Directors including salary, benefits, bonus, stock options, pension rights and compensation payment etc.

iii. Meetings & attendance of the Remuneration Committee

During the year, two Remuneration Committee Meetings were held on April 28, 2010 and October 27, 2010, and both were attended by all the members.

iv. Remuneration Policy

The Board determines the remuneration payable to the Executive Directors taking into account their qualification, expertise and contribution and based on recommendations of the Remuneration Committee.

Non-Executive Directors are paid sitting fees for attending Board / Committee Meetings as decided by the Board within the limits prescribed under the Companies Act, 1956.

Commission payable to Non-Executive Directors is limited to a fixed amount per year as determined and approved by the Board based on their attendance and contribution at the Board and Committee Meetings based on recommendations of the Remuneration Committee. The total amount of commission to Non-Executive Directors is within the limit of 1% of the net profits of the Company for the year, calculated as per the provisions of the Companies Act, 1956, subject to necessary approvals, as applicable, if any.

v. Details of remuneration paid / payable to Directors during the year 2010-11:

A. Non Executive Directors

Name of Director	Sitting Fees Paid (Rs.)	*Commission on Net profit (Rs.)	Salary & Perquisites (Rs.)	Total (Rs.)	No. of shares held
Mr. Rahul C. Kirloskar	80,000	2,00,000	-	2,80,000	8,71,485
Mr. Sanjay C. Kirloskar	20,000	1,20,000	-	1,40,000	125
Mr. Vikram S. Kirloskar	5,000	40,000	-	45,000	-
Mr. A. C. Mukherji	45,000	6,00,000	-	6,45,000	-
Mr. J. Y. Tekawade	65,000	6,00,000	-	6,65,000	104
Mr. P. S. Jawadekar	35,000	2,00,000	-	2,35,000	-
Mr. G. Krishna Rao	65,000	6,00,000	-	6,65,000	-
Mr. D. R. Swar	70,000	2,00,000	-	2,70,000	-
Mr. Sunil Shah Singh	10,000	80,000	-	90,000	-

* Payable only on adoption of accounts in the ensuing Annual General Meeting.

B. Remuneration paid / payable to Mr. Aditya Kowshik, Executive Director (Managing Director w.e.f. April 27, 2011)

Amount in Rupees

Particulars	From April 1, 2010 to March 31, 2011
Salary	2,960,000
House Rent Allowance	296,000
Contribution to :	
Provident Fund	355,200
Superannuation Fund	444,000
Gratuity Fund	350,000
Other perquisites	469,534
Commission*	8,000,000
TOTAL	12,874,734
No. of shares held	NIL

* Payable only on adoption of accounts in the ensuing Annual General Meeting

5. INVESTORS' GRIEVANCE COMMITTEE

The Committee functions under the Chairmanship of Mr. G. Krishna Rao, a Independent Non-Executive Director, Mr. Rahul C. Kirloskar, Non-Executive Director & Mr. J. Y. Tekawade, Independent Non-Executive Director as its members. Company Secretary is the Compliance Officer.

During the year, two Investors' Grievance Committee meetings were held on October 27, 2010 and February 26, 2011 and both were attended by all the members.

The Company has received 5 complaints during the year and all of them were resolved. There were no complaints pending as on March 31, 2011.

6. GENERAL BODY MEETINGS

i. The details of the last three Annual General Meetings are as follows :

Date	Time	Location
July 26, 2010	11.30 am	Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002
July 18, 2009	2.30 pm	Kirloskar Kisan Compound, Karve Road, Kothrud, Pune 411 038
July 19, 2008	11.30 am	Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002

ii. Special Resolutions passed in last 3 AGM's :

The shareholders of the Company have passed the following (1) one special resolution at the following Annual General Meeting.

July 19, 2008

Approval to Employee Stock Option Scheme for permanent employees including all the Directors of the Company.

iii. Postal Ballot

No Resolution was passed through postal ballot last year.

7. DISCLOSURES

- i. During the year 2010-2011, the Company had no materially significant related party transaction that has potential conflict of interest with the interest of Company at large.
- ii. There was no non-compliance by the Company, penalties or strictures imposed on the Company by Stock Exchange or SEBI or any Statutory Authority on any matter related to Capital Markets, during the last three years.
- iii. The Company does not have a formal Whistle Blower Policy. However, no personnel has been denied access to the Audit Committee.
- iv. The Company has complied with all mandatory requirements of clause 49 of the listing agreement. Company has not adopted any non-mandatory requirements of clause 49 except that it has formed the Remuneration Committee.

8. MEANS OF COMMUNICATION

The quarterly, half yearly, nine monthly and yearly financial results are published in the leading news papers viz. all editions of Business Standard (English) and Loksatta (Marathi). The Company updates its results on the website www.kirloskarkpcl.com & its group companies website at www.kirloskar.com.

9. GENERAL SHAREHOLDER INFORMATION

i. Annual General Meeting :

Date : June 28, 2011
Day : Tuesday
Time : 11.00 am
Venue : Pudumjee Hall
Maharatta Chamber of Commerce,
Industries and Agriculture,
Tilak Road, Pune 411 002

ii. Financial Year : 1st April to 31st March

iii. Book Closure : Monday, June 20, 2011 to
Tuesday, June 28, 2011
(both days inclusive)

iv. Dividend Payment Date : on or after July 5, 2011

v. Listing on : Bombay Stock Exchange Limited

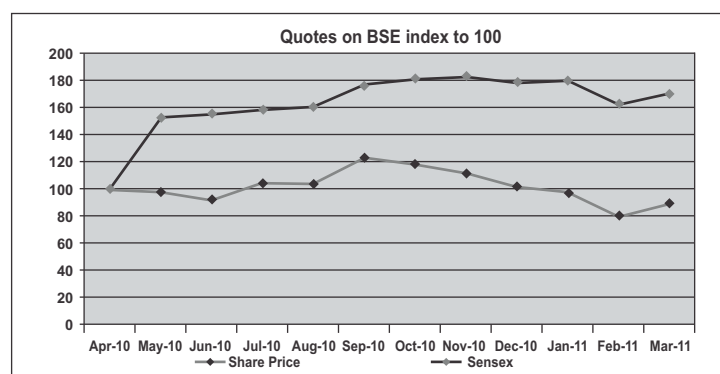
vi. Stock Code : 505283

vii Depositories : National Securities Depository Ltd.
Central Depository Services (I) Ltd.
ISIN No. - INE811A01012

viii. Market Price Data :

Market Price Data as per Bombay Stock Exchange Ltd., i.e. High-Low and close for each month during this financial year

Year	High (Rs.)	Low (Rs.)	Close (Rs.)
April 2010	539.75	409.20	512.95
May 2010	528.00	422.00	470.25
June 2010	497.90	430.05	464.70
July 2010	563.00	457.00	510.90
August 2010	560.00	500.55	507.85
September 2010	665.00	501.00	624.35
October 2010	639.00	555.00	569.80
November 2010	603.00	526.50	547.70
December 2010	550.00	484.00	516.85
January 2011	525.85	409.50	416.85
February 2011	436.35	376.45	402.15
March 2011	482.00	375.10	401.10

ix. Stock Performance in comparison to BSE Sensex :**x. Registrar & Transfer Agent :**

M/s. Link Intime (India) Private Limited is the Registrar & Transfer Agents for shares in physical form as well as electronic mode.

xi. Share Transfer System :

Share Transfers are registered and returned within a period of 15 days from the date of receipt, provided the documents are correct and valid in all respects.

xii Distribution of Shareholding as on March 31, 2011

HOLDING		No. of Members	Percentage (%)	No. of Shares of Rs. 10/- each	Percentage (%) to Capital
UPTO	500	19,285	96.92	8,24,203	6.42
501	1000	329	1.66	2,68,162	2.09
1001	2000	122	0.61	1,86,440	1.45
2001	3000	43	0.22	1,06,145	0.83
3001	4000	24	0.12	87,370	0.68
4001	5000	20	0.10	93,138	0.73
5001	10000	18	0.09	1,27,988	0.99
10001	ANDABOVE	56	0.28	1,11,50,892	86.81
TOTAL		19,897	100.00	1,28,44,338	100.00

xiii. Shareholding Pattern as on March 31, 2011

	Category	No. of Shares of Rs. 10/- each	Percentage of shareholding
A.	Promoters	71,73,983	55.85
B.	Mutual Funds & UTI	28,52,979	22.21
C.	Banks, Financial Institutions & Insurance Companies	72,010	0.56
D.	Other Corporate Bodies	6,96,152	5.42
E.	General Public	20,05,312	15.62
F.	NRIs	43,902	0.34
	Grand Total	1,28,44,338	100.00

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

xiv. Dematerialisation of Shares & liquidity :

The name of the Company appears in the compulsory Trading List and 96.05% of Share Capital is in Electronic Form as on March 31, 2011.

xv Company has not issued GDRs / ADRs / Warrants or any convertible instruments.

xvi Plant Locations & Address for Correspondence :

Registered Office of the Company

Secretarial Department
Kirloskar Pneumatic Co. Ltd.
Hadapsar Industrial Estate,
Pune 411 013

Phone No. 020 - 26727000

Fax No. 020 - 26870297 / 634

Email : sec@kpcl.net

Website : www.kirloskarkpcl.com

Plant Locations :**PUNE**

Hadapsar Industrial Estate,
Pune 411 013

Saswad

Saswad,
Tal.: Purandar
Dist. Pune

Registrar & Transfer Agent :**Link Intime (India) Private Limited****Pune Office :**

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

Phone Nos.: 020-26053503/51629/50084

Fax No. 020 - 26053503

Email : pune@linkintime.co.in

Mumbai Office :

C-13, Pannalal Silk Mills Compound,
LBS Marg, Bhandup West,
Mumbai 400 078

Phone No. : 022-25963838

Fax No. 022-25946969

Email : mumbai@linkintime.co.in

DECLARATION FOR COMPLIANCE WITH THE CODE OF CONDUCT

Pursuant to Clause 49 I (D)(ii) of the Listing Agreement I, hereby declare that all Board Members & Senior Management personnel have affirmed compliance with the Code of Conduct made effective from April 1, 2005.

Kirloskar Pneumatic Company Limited



Aditya Kowshik
Managing Director

Pune : April 27, 2011

Auditors' Certificate regarding compliance of conditions of Corporate Governance

To the Members of Kirloskar Pneumatic Company Limited

We have examined the compliance of conditions of Corporate Governance by Kirloskar Pneumatic Company Limited, for the year ended 31st March, 2011, as stipulated in Clause 49 of the Listing Agreement(s) of the said Company with stock exchange(s) in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement) issued by the Institute of Chartered Accountants of India and 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 expression of opinion on the financial statements of the Company.

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 the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

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

Place : Mumbai
Date : April 27, 2011

Anish Amin
Partner
Membership Number: 40451

MANAGEMENT DISCUSSIONS AND ANALYSIS

INDUSTRY STRUCTURE AND DEVELOPMENT

With an improving macro economic environment in 2010-11 and its strong position in its major business lines your Company has been able to achieve growth in sales. Your Company is also poised to achieve significant growth during the current year.

BUSINESS SEGMENTS (SEGMENT-WISE PERFORMANCE)

The Company has two major business segments viz. Compression Systems and Transmission Products.

Compression Systems

The Compression Systems are set-up at Hadapsar and Saswad, both at Pune, manufacturing a wide variety of compressors, and also undertaking design, packaging of conventional and high-tech air, gas and refrigeration systems serving various industries such as Power Generation, Air Separation, Textile, Iron and Steel, Oil & Gas, Cement, Sugar, Defence, Railways, Construction & Mining, Fertilizers, Pharmaceuticals, Dairy, Brewery, Fish & Meat Processing, Cold Storage, Ice Plant etc. The plant at Saswad also packages Gas Compression systems for CNG Stations and for the Upstream, Downstream and Distribution sectors.

Transmission Products

Transmission Products are manufactured at Hadapsar, Pune. Addressed markets are for Railways, Wind Power, Marine and industrial gearboxes.

PERFORMANCE

During the year, the turnover of Compression Systems Segment, was Rs. 4,352 million, (previous year Rs. 3,904 million)

The turnover of Transmission Products Segment was Rs. 565 million, (previous year Rs. 629 million).

OUTLOOK

Your Company is focused on

- 1) Oil & Gas
- 2) Food
- 3) Power
- 4) Railways
- 5) Marine

The current year too will see considerable investment in all these areas and our product lines have been geared up to meet these demands.

In the current year, the manufacturing of the Road Railer will commence at our Plant in Nasik.

OPPORTUNITIES, THREATS AND CONCERNS

Compression Systems Segment

The Compression System Segment in the General Engineering Industry is growing along with the economy. Investment in major Power and Gas Projects will be advantageous for the compression segment.

The Company continues to design and develop various new models of reciprocating compressors for air and gas applications. The Company has also developed and introduced new and improved screw compression packages. Your Company has the ability to produce cost effective state of the art packages and effective after sales & service will enable it to retain its market share. Our growing business in the export market for KC Compressors and our dominance in the Indian Market is attracting more multinationals companies into India.

The technology foundations laid by your company in the previous years has resulted in your Company operating in the API segments of 617, 618 & 619 as envisaged. Your Company has achieved a Leadership Position in the City Gas Distribution (CNG) segments.

The Compression Industry is slated for a major growth, though the competition is getting tougher as more multinational companies are entering into India.

Raw material cost pressures and availability of skilled manpower have become a major concern over the past couple of years.

Transmission Products Segment

Rail Traction Sector

The Indian Railways continues to invest and upgrade their Rolling Stock thereby leading to continuous business growth in traction gearing for your Company.

Industrial Sector

With the successful productionisation of the 1MW gearbox your Company continues to be one the leaders in the wind power segment in India.

Your Company continues to be a major supplier of the traditional 250 – 350 KW wind power segment.

With opening up of markets, lowering of custom duties, international acquisitions, competition from overseas has intensified. Focused cost reduction projects, new vendor development activities and manufacturing and technology up gradation projects have been taken up to counter these issues.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has adequate internal control systems to ensure maintenance of proper accounting records, their accuracy and Accounting Standards, safeguarding of Company's assets and assessing its risk for insurance coverage.

Our Company has appointed Internal Auditors for review of Internal Control Systems. The detailed reports of Internal Auditors are presented to the Audit Committee. The compliances of observations of Internal Auditors are monitored by the management.

SAFETY, HEALTH AND ENVIRONMENT

The Company is ISO 9001, ISO 14001 and OHSAS 18001 certified and is giving due importance to safety, health and environment related issues. The employees are educated and trained to improve awareness and skills in their respective areas of operations. The Company is fulfilling all statutory & regulatory requirements, conformance as per the Safety and Environmental requirements as per ISO 14001 & OHSAS 18001 respectively.

During the year the Company is planning to go for Integrated Management System (IMS) i.e. QMS, EMS & OHSAS

Besides effluent treatment of waste products, lot of attention has been given to improve greenery all around the manufacturing plants, through tree plantation programmes.

Sand Recovery Plant has been commissioned to reduce waste in the Foundry which will help in environment sustenance as well as cost reduction.

The Company has a well-equipped Occupational Health Centre that delivers qualitative preventive health services not only to the employees but also to their families and to the society at large. First aid preparedness in Factories is ensured round the clock. Medical surveillance that includes pre-employment, periodic medical examinations and

occupational rehabilitation is ensured so that employee health and well being are maintained. Hospitalized employees are given meaningful help and reassurance. Annual Wellness Planner ensures that all employees are covered under preventive health checks and health promotion programmes.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company aspires to be an excellent, society oriented and ethical company. Corporate social responsibility is an important component of the Company Mission Statement. CSR includes creating healthy and safe working conditions that protect people as well as the environment. All efforts are made to ensure that the processes and the products of the Company are eco-friendly. The Company has evolved CSR Initiatives for the surrounding community that focuses on education, health and environment. Some of the examples of CSR Initiatives are self development program for socio-economically challenged students, support to meritorious, socially and physically challenged students, Kirloskar Eco Clubs in schools, blood donation camps, community health camps, eye care for school children, teachers training, health awareness and health checks, HIV / AIDS Workplace Intervention in collaboration with Avert Society etc. The Company actively encourages employee volunteering in all it's CSR initiatives.

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

To meet the Company's long term vision and various emerging challenges, the Company has put together a number of initiatives, e.g. significant strides have been made in organizational renewal programme, with focus on enhancing organizational efficiencies, employee competencies and commitment, keeping in mind the flexibility required to meet changing market requirements and to use manpower gainfully and enhance their productivity.

Upgrading skills and competencies across all levels and functions especially to meet the technological challenges will gather momentum. The Company plans to continue to build on people and processes.

The Company's Future Leaders Programme seeks to identify, leverage and appropriately deploy talent within the Company keeping in view the long-term objectives of the Company.

The Company is also focusing beyond the workplace with programmes such as training to its employees and engaging and recognizing employees in social activities.

The relations with the employees at all levels continue to be cordial. As on March 31, 2011, the total strength was 985 employees.

AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR PNEUMATIC COMPANY LIMITED

1. We have audited the attached Balance Sheet of Kirloskar Pneumatic Company Limited (the "Company") as at 31st March 2011, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements base on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies(Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the "Order") issued by the Central Government of India in terms of sub-section(4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - (e) On the basis of written representations received from the directors, as on 31st March 2011 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act, and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (i) In the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2011;
 - (ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For Dalal & Shah

Firm Registration Number: 102021W

Chartered Accountants

Anish Amin

Partner

Membership Number 40451

Mumbai
April 27, 2011

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of Kirloskar Pneumatic Company Limited on the financial statements for the year ended 31st March 2011

1. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of five years which, in our opinion, is reasonable having regard to the size of the Company and the 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 material discrepancies between the book records and the physical inventory have been noticed.
(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. (a) The inventory (excluding stocks with third parties) has been physically verified by the Management during the year. 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) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Act.
(b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, no major weakness have been noticed or reported.
5. (a) Our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five Lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Company has made a representation to the Central Government stating that provisions under Section 209(1)(d) of the Companies Act, 1956, are not applicable to the Company as the products manufactured by the Company are not covered under the said section and the rules made there under viz: Cost Accounting records (Engineering Industries) Rules, 1984, Consequently, the cost records have not been made and maintained.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax,

service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty and cess as at 31st March 2011 which have not been deposited on account of a dispute are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	Non production of C Forms	83,000	A Y 1992-93	Commissioner Appeal
	Appeal against incorrect Assessment order	599,000	A Y 2004-05 & 2005-06	Commissioner Appeal
	Demand under Works Contract Tax	188,000	A Y 1985-86	Tribunal
	Demand under Works Contract Tax	287,000	A Y 1985-86, 1986-87 & 1987-88	High Court
Income Tax	Disallowance of certain expenditure	712,247	A Y 1960-70 to A Y 1978-79	High Court
Service Tax	Additional Demand for Payment of service tax gross value of Invoice	1,706,145	P Y 2004-05 to P Y 2007-08	Commissioner Appeal
	Demand for Payment of service tax on gross value of Invoice	420,557	P Y 2003-04 to P Y 2005-06	Tribunal
Excise	Demands received	1,844,000	P Y 2002-03, 2005-07.	Tribunal

10. The Company has no accumulated losses as at 31st March 2011 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or banks or debenture holders as at the balance sheet date.
12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
14. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
15. In our opinion, and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
16. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long term investment.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.

18. The Company has not raised any money by public issues during the year.
19. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the Management.
20. The other clauses, iii (b), (c), (d),(f) and (g), xiii and xiv of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report)(Amendment) Order 2004, are not applicable in the case of the Company for the year, since in our opinion there is no matter which arises to be reported in the aforesaid Order.

For Dalal & Shah

Firm Registration Number: 102021W

Chartered Accountants

Anish Amin

Partner

Membership Number 40451

Mumbai

April 27, 2011

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule	Rs.	As at 31 st March 11 Rs.	As at 31 st March 10 Rs.
I. SOURCES OF FUNDS :				
1 Shareholders' Funds :				
(a) Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	<u>1,739,122,980</u>		<u>1,479,668,379</u>
			1,867,566,360	1,608,111,759
2 Loan Funds :				
(a) Secured loans	3	184,882,500		299,040,000
(b) Unsecured loans	4	<u>—</u>		<u>1,480,765</u>
			184,882,500	300,520,765
3 Deferred Tax Adjustments (See Note 16) Deferred Tax Liability (Net)			15,703,178	20,600,762
	Total		<u>2,068,152,038</u>	<u>1,929,233,286</u>
II. APPLICATION OF FUNDS :				
1 Fixed Assets				
(a) Gross Block		1,534,305,928		1,444,015,830
(b) Less: Depreciation		<u>803,561,760</u>		<u>719,919,022</u>
(c) Net Block	5	730,744,168		724,096,808
(d) Capital work in progress, expenditure to date		<u>43,914,863</u>		<u>39,762,112</u>
			774,659,031	763,858,920
2 Technical Know-how	6		117,076,139	28,617,974
3 Investments	7		608,606,859	272,186,899
4 Current Assets Loans and Advances :				
(a) Inventories	8	824,221,277		741,598,572
(b) Sundry Debtors	9	1,465,847,063		1,395,659,766
(c) Cash & Bank Balances	10	274,224,067		259,790,224
(d) Loans and Advances	11	<u>508,561,153</u>		<u>476,500,189</u>
		3,072,853,560		2,873,548,751
Less: Current Liabilities and provisions :				
(a) Liabilities	12	2,054,577,663		1,582,343,166
(b) Provisions	13	<u>450,465,888</u>		<u>426,636,092</u>
		2,505,043,551		2,008,979,258
Net Current Assets			567,810,009	864,569,493
	Total		<u>2,068,152,038</u>	<u>1,929,233,286</u>
Notes forming part of the Financial Statements	20			

As per our attached report of even date

For and on behalf of Board of Directors

For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

Aditya Kowshik
Managing Director

Rahul C. Kirloskar
Chairman

Anish Amin
Partner
Membership No. 40451
Mumbai, April 27, 2011

Jitendra Shah
Company Secretary

Suhas S. Kolhatkar
Vice President & Finance Controller
Pune, April 27, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2011

	Schedule	Rs.	Current Year Rs.	Previous Year Rs.
INCOME :				
Sales (Gross)	14		5,274,701,251	4,742,350,335
Less: Excise Duty			357,386,036	209,554,268
Net Sales			4,917,315,215	4,532,796,067
Other Income	15		96,134,171	116,534,010
			5,013,449,386	4,649,330,077
EXPENDITURE :				
Materials Consumed & Manufacturing Expenses	16	3,077,355,607		2,836,426,299
Employees' Emoluments	17	612,174,338		531,876,521
Sundry Expenses	18	540,952,622		506,641,574
Interest & Other Finance Charges	19	18,676,726		18,597,009
Depreciation		113,345,266		73,507,753
			4,362,504,559	3,967,049,156
Profit before Taxation			650,944,827	682,280,921
Taxation :				
Current Tax (Including Wealth Tax Rs.800,000/- Previous Year Rs.600,000/-)			220,800,000	200,600,000
Deferred Tax (See Note 16)			(4,897,584)	5,972,078
Profit after Taxation			435,042,411	475,708,843
As per last Account			167,131,142	168,404,348
Add / (Less) Tax Adjustments in respect of earlier years (Net)			4,085,141	3,403,713
			606,258,694	647,516,904
Expenses in respect of previous years			-	(66,670)
			606,258,694	647,450,234
Less:				
Transferred to General Reserve			250,000,000	300,000,000
Proposed Dividend			154,132,056	154,132,056
Tax on Proposed Dividend			25,004,073	26,187,036
			429,136,129	480,319,092
Balance carried to Balance Sheet			177,122,565	167,131,142
Earning per Share :				
Net Profit after Tax (After prior period adjustments)			439,127,552	479,045,886
Weighted average number of Shares			12,844,338	12,844,338
Basic and Diluted Earning Per Share (Rs.) of the face value of Rs.10/-			34.19	37.29
Notes forming part of the Financial Statements	20			

As per our attached report of even date

For and on behalf of Board of Directors

For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

Aditya Kowshik
Managing Director

Rahul C. Kirloskar
Chairman

Anish Amin
Partner
Membership No. 40451
Mumbai, April 27, 2011

Jitendra Shah
Company Secretary

Suhas S. Kolhatkar
Vice President & Finance Controller
Pune, April 27, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

PARTICULARS	Rs.	2010-2011 Rs.	2009-2010 Rs.
(I) OPERATING ACTIVITIES			
(A) PROFIT BEFORE TAXATION		650,944,827	682,280,921
(B) ADJUSTMENTS :			
Add :			
(i) Depreciation	113,345,266		73,507,753
(ii) Amount written off against Tech. Knowhow	4,166,665		4,166,667
(iii) Bad Debts	5,307,930		8,565,959
(iv) Loss on Assets sold	706,638		375,505
(v) Interest on Secured / Unsecured Loans	18,676,726		18,597,009
(vi) Tax Adjustments in respect of earlier years	4,085,141		3,403,713
		<u>146,288,366</u>	<u>108,616,606</u>
		797,233,193	790,897,527
Less :			
(i) Investment Income included above :			
(a) Dividend	24,166,617		12,394,699
(b) Interest Received	4,270,030		3,474,854
		<u>28,436,647</u>	<u>15,869,553</u>
(ii) Surplus on Sale of Assets	11,573,262		209,515
(iii) Profit on Sale of Investment	3,430		42,952,605
(iv) Provision no longer required	2,560,348		3,549,839
(v) Sundry Credit Balances appropriated	1,940,909		143,802
(vi) Expenses in respect of previous year	-		66,670
(vii) Income Tax & Wealth Tax paid	202,519,679		200,262,353
		<u>247,034,275</u>	<u>263,054,337</u>
		550,198,918	527,843,190
CASH FROM OPERATIONS			
(C) (INCREASE) / DECREASE IN CURRENT ASSETS			
(i) Inventories	(82,622,705)		282,629,998
(ii) Sundry Debtors	(75,495,227)		(65,720,321)
(iii) Other Current Assets, Loans & Advances	(30,141,284)		(26,295,824)
		<u>(188,259,216)</u>	<u>190,613,853</u>
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		442,405,197	(293,630,294)
		<u>254,145,981</u>	<u>(103,016,441)</u>
NET CASH FROM OPERATIONS		804,344,899	424,826,749

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011 (Contd.)

PARTICULARS	Rs.	2010-2011 Rs.	2009-2010 Rs.
(II) INVESTMENT ACTIVITIES			
(i) Investments, net.	(336,416,531)		(22,036,088)
(ii) Capital Expenditure	(127,884,274)		(249,300,956)
(iii) Technical Know-how	(55,288,522)		(5,000,000)
(iv) Sale proceeds of Assets	<u>12,171,199</u>		<u>1,599,850</u>
		(507,418,128)	(274,737,194)
(v) Investment Income :			
(a) Dividend	24,166,617		12,394,699
(b) Interest Received	<u>4,270,030</u>		<u>3,960,166</u>
		28,436,647	16,354,865
NET CASH FROM INVESTING ACTIVITIES		(478,981,481)	(258,382,329)
(III) FINANCING ACTIVITIES			
(i) Increase / (Decrease) in Secured Loans	(112,260,000)		(41,328,083)
(ii) Interest on Secured / Unsecured Loans	(19,233,209)		(23,036,730)
(iii) Increase / (Decrease) in Unsecured Loans	(1,480,765)		(2,761,005)
(iv) Dividend & Dividend Tax paid	<u>(177,955,601)</u>		<u>(148,293,940)</u>
NET CASH FROM FINANCING ACTIVITY		(310,929,575)	(215,419,758)
NET CHANGE IN CASH + CASH EQUIVALENTS (I + II + III)		14,433,843	(48,975,338)
Cash & Cash Equivalents as at 1-4-2010 (Opening Balance)		259,790,224	308,765,562
Cash & Cash Equivalents as at 31-3-2011 (Closing Balance)		274,224,067	<u>259,790,224</u>

As per our attached report of even date

For and on behalf of Board of Directors

For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

Aditya Kowshik
Managing Director

Rahul C. Kirloskar
Chairman

Anish Amin
Partner
Membership No. 40451
Mumbai, April 27, 2011

Jitendra Shah
Company Secretary

Suhas S. Kolhatkar
Vice President & Finance Controller
Pune, April 27, 2011

SCHEDULES

Schedule Nos. 1-20 annexed to and forming part of the Financial Statements for the year ended 31st March, 2011

	Rs.	As at 31 st March, 2011 Rs.	As at 31 st March, 2010 Rs.
SCHEDULE 1 : SHARE CAPITAL :			
AUTHORISED :			
15,000,000 Equity Shares of Rs. 10/- each		150,000,000	150,000,000
		<u>150,000,000</u>	<u>150,000,000</u>
ISSUED AND SUBSCRIBED :			
12,844,338 Equity Shares of Rs. 10/- each		128,443,380	128,443,380
		<u>128,443,380</u>	<u>128,443,380</u>
PAID UP :			
12,844,338 Equity Shares of Rs. 10/- each fully paid		128,443,380	128,443,380
Total		<u>128,443,380</u>	<u>128,443,380</u>

Notes :

- i. 1,495,100 Equity Shares of Rs 10/- each were allotted as fully paid up Bonus Shares by capitalization of General Reserve.
- ii. 592,000 Equity Shares of Rs. 10/- each were allotted as fully paid up as per Delhi High Court Amalgamation order without payment being received in cash.
- iii. 2,590,138 Equity Shares of Rs. 10/- each were allotted to Equity Shareholders of erstwhile Kirloskar Pneumatic Co. Ltd. on Amalgamation as per scheme approved by the High Court of judicature at Mumbai.

SCHEDULE 2 : RESERVES AND SURPLUS :

Capital Reserve :			
As per last Account		27,965	27,965
*Revaluation Reserve:			
As per last Account	10,691,349		10,691,349
Less: Adjustment on Disposal of Machinery	<u>536,822</u>		<u>—</u>
		10,154,527	10,691,349
Securities Premium (Share Premium) Account:			
As per last Account		51,817,923	51,817,923
General Reserve			
As per last Account	1,250,000,000		950,000,000
Add: Set aside this year	<u>250,000,000</u>		<u>300,000,000</u>
		1,500,000,000	1,250,000,000
Surplus as per annexed Profit & Loss Account		177,122,565	167,131,142
Total		<u>1,739,122,980</u>	<u>1,479,668,379</u>

* On Revaluation of certain Plant & Machinery in 1984.

	As at 31 st March, 2011 Rs.	As at 31 st March, 2010 Rs.
SCHEDULE 3 : SECURED LOANS :		
Rupee Term Loan from ICICI Bank Ltd.	-	50,000,000
Bank of India -External Commercial Borrowing (For Security See note (a) below)	184,882,500	249,040,000
Total	184,882,500	299,040,000

(a) ECB of US\$ 4,125,000 (US\$ 5,500,000) from Bank of India, UK, secured by hypothecation of Plant and Machinery amounting to Rs.402,854,000/- purchased out of the said loan.

SCHEDULE 4 : UNSECURED LOANS :

Sales Tax Interest Free Loan from The State Industrial and Investment Corporation of Maharashtra Ltd.	-	1,480,765
Total	-	1,480,765

SCHEDULE 5 : FIXED ASSETS

PARTICULARS	TANGIBLE ASSETS									INTANGIBLE ASSETS	TOTAL 31/3/2011 RS.	ASAT 31/3/2010 RS.
	LAND RS.	BUILDINGS RS.	WATER TANK AND PIPELINES RS.	PLANT & MACHINERY (INCLUDING EQUIPMENTS) RS.	ELECTRICAL INSTALLATION RS.	FURNITURE & FIXTURE RS.	VEHICLE RS.	LEASED ASSET PLANT & MACHINERY RS.	SOFTWARE RS.			
GROSS BLOCK AT COST: As at 01/04/2010	2,164,553	146,087,760	1,942,215	1,112,649,200	20,522,162	56,473,260	44,447,427	49,037,904	-	1,433,324,481	1,117,602,282	
Increase due to Revaluation on 30/06/84	-	-	-	10,691,349	-	-	-	-	-	10,691,349	10,691,349	
Additions	-	3,712,312	-	76,117,981	-	9,137,428	20,366,302	-	12,500,000	121,834,023	320,416,273	
Deduction in revaluation during the year	-	-	-	536,822	-	-	-	-	-	536,822	-	
Deductions and adjustments	-	-	-	24,267,187	-	940,595	5,799,321	-	-	31,007,103	4,694,074	
Apportioned Cost As at 31/03/2011	2,164,553	149,800,072	1,942,215	1,174,654,521	20,522,162	64,670,093	59,014,408	49,037,904	12,500,000	1,534,305,928	1,444,015,830	
DEPRECIATION: Up to 31/03/2010	-	51,615,392	1,942,215	549,555,067	14,043,267	33,249,927	20,475,250	49,037,904	-	719,919,022	649,339,504	
For the year	-	4,322,710	-	78,207,758	466,391	3,479,636	18,535,438	-	8,333,333	113,345,266	73,507,753	
Deductions and Adjustments	-	-	-	24,054,073	-	233,957	5,414,498	-	-	29,702,528	2,928,235	
Total Depreciation up to 31/03/2011	-	55,938,102	1,942,215	603,708,752	14,509,658	36,495,606	33,596,190	49,037,904	8,333,333	803,561,760	719,919,022	
NET BLOCK As at 31/03/2011	2,164,553	93,861,970	-	570,945,769	6,012,504	28,174,487	25,418,218	-	4,166,667	730,744,168	724,096,808	
As at 31/03/2010	2,164,553	94,472,368	-	573,785,482	6,478,895	23,223,333	23,972,177	-	-	724,096,808		

a) Includes premises on Ownership basis in Co-operative Societies Rs.844,900/- (Previous year Rs.844,900/-)

b) Additions include Interest capitalised Nil (Previous year Rs. 3,366,422/-)

c) Additions include (Gain)/ Losses on fluctuations of foreign exchange rates in respect of foreign currency borrowing consequent to amendment to AS 11 aggregating to Rs.(1,897,500/-), (Previous year Rs. (14,584,521/-)).

d) Depreciation for the year, in respect of Vehicles, is higher by Rs. 11,227,306/- as a result of a change in the estimate of the useful life to 5 years as against earlier life of 10 years.

	Rs.	As at 31 st March, 2011 Rs.	As at 31 st March, 2010 Rs.
SCHEDULE 6 : TECHNICAL KNOWHOW :			
As per last Account		28,617,974	32,784,641
Acquired during the year		92,624,830	—
		<u>121,242,804</u>	<u>32,784,641</u>
Less : Written off during the year		4,166,665	4,166,667
		<u>117,076,139</u>	<u>28,617,974</u>
Total		117,076,139	28,617,974

SCHEDULE 7 : INVESTMENTS AT COST :

LONG TERM INVESTMENTS :

Government and Trust Securities

Quoted :

Unit Trust of India :

201.988 units of Rs. 10/- each in UTI Balanced fund (Growth)	8,063	8,063
4,811.812 (4,524.825) units of Rs. 10/- each in UTI Balanced fund (Dividend Plan-Re-investment)	<u>78,635</u>	<u>71,848</u>
	86,698	79,911
3300 Master Shares of Rs. 10/- each	<u>8,244</u>	<u>8,244</u>
	94,942	88,155

Fully paid Equity Shares :

Trade, Unquoted :

1 Share of Rs. 100/- each in Kirloskar Proprietary Ltd.	100	100
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Other, Quoted :

100,000 Shares of Rs. 10/- each in The Mysore Kirloskar Ltd.	<u>2,400,000</u>	<u>2,400,000</u>
Less: Provision for diminution in value	<u>(2,399,999)</u>	<u>(2,399,999)</u>
	1	1
-(50,000) Shares of Rs. 10/- each in Kirloskar Ghatge Patil Auto Ltd.	—	500,000
Less: Provision for diminution in value	—	<u>(499,999)</u>
	—	1
46,990 Shares of Rs. 2/- each (9,398 Shares of Rs. 10/- each) in Housing Development Finance Corporation Ltd.	<u>117,475</u>	<u>117,475</u>
375,000 Shares of Rs. 10/- each in Kirloskar Investment and Finance Ltd.	<u>5,000,000</u>	<u>5,000,000</u>
Less: Provision for diminution in value	<u>(3,863,750)</u>	<u>(3,863,750)</u>
	1,136,250	1,136,250
Carried Over (1) Rs.	<u>1,253,726</u>	<u>1,253,727</u>
Carried Over (2) Rs.	95042	

SCHEDULE 7 : INVESTMENTS AT COST (Contd.)

	Rs.	As at 31 st March, 2011 Rs.	As at 31 st March, 2010 Rs.
Brought Over (1) Rs.	1,253,726		1,253,727
Brought Over (2) Rs.		95042	
10,059 shares of Rs. 10/- each in ICICI Bank Ltd.	206,101		206,101
2,000,000 Shares of Rs.5/- each in Kirloskar Ferrous Industries Ltd.	20,000,000		20,000,000
500 Equity Shares of Rs. 10/- each in HDFC Bank Ltd.	5,000		5,000
1,400 Equity shares of Rs. 10/- each in Punjab National Bank	43,400		43,400
		21,508,227	21,508,228
Unquoted :			
- (2,45,000) Equity Shares of Rs. 10/- each in Khosla Indair Limited	-		2,450,000
Less: Provision for diminution in value	-		(2,449,755)
	-		245
1,272 Shares of Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.	833,984		833,984
56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.	1,120,932		1,120,932
1 share of Rs. 100/- fully paid in The Nasik Merchants' Co-operative Bank Ltd.	100		100
490,000 Equity Shares of Rs. 10/- each fully paid in Kirloskar Chillers Pvt. Ltd.	4,900,000		4,900,000
62,500 Shares of Rs.20/- each fully paid in The Cosmos Co-operative Bank Ltd.	1,250,000		1,250,000
		8,105,016	8,105,261
In Debentures and Bonds :			
Quoted :			
\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs. 100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs.44/- per Debenture - matured on 01.06.1998 awaiting realisation	1,100,000		1,100,000
Less: Provision for diminution in value	(1,099,999)		(1,099,999)
		1	1
Carried Over Rs.		29,708,286	29,701,745

SCHEDULE 7 : INVESTMENTS AT COST: (Contd.)

	As at 31 st March, 2011 Rs.	As at 31 st March, 2010 Rs.
Brought Over Rs.	29,708,286	29,701,745
CURRENT INVESTMENTS		
Unquoted :		
Mutual Funds		
- (5,605,960.74) units of Rs. 10/- each of Reliance Medium Term Fund- Daily Dividend Plan	-	95,836,701
- (2,364,143.901) units of Rs. 10/- each of Fidelity Ultra Short Term Debt Fund Institutional Daily Dividend	-	23,650,423
- (2,574,867.81) units of Rs. 10/- each of ICICI Pru Short Term Plan - DR - Fortnightly	-	30,902,276
- (4,994,323.22) units of Rs. 10/- each of IDFC Money Manager Fund Investment Plan - Inst Plan B Daily Dividend	-	50,018,147
- (20,65,570.92) units of Rs. 10/- each of HDFC Cash Management Fund Treasury Advantage Plan Wholesale Daily Dividend	-	20,720,774
- (2,132,095.380) units of Rs. 10/- each of HDFC Cash Management Fund Treasury Advantage Plan Wholesale Weekly Dividend	-	21,356,833
1,999,415.408(-) units of Rs. 10/- each of Reliance Monthly Interval Fund - Series II Inst. Div. Plan	20,002,152	-
5,119,118.507 (-) units of Rs. 10/- each of IDFC Fixed Maturity Yearly Series 35 Dividend	51,191,185	-
3,000,000.00 (-) units of Rs. 10/- each of IDFC Fixed Maturity Quarterly Series 63 Dividend	30,000,000	-
3,000,000.00 (-) units of Rs. 10/- each of Sundaram Interval Fund Qtly Plan E - Inst. Div.	30,000,000	-
2,000,000.00 (-) units of Rs. 10/- each of DSP BlackRock FMP 3M Series 30 Div.	20,000,000	-
3,999,689.912 (-) units of Rs. 10/- each of Kotak Quarterly Interval Plan -Series 9 Div.	40,000,000	-
Carried Over (1) Rs.	191,193,337	242,485,154
Carried Over (2) Rs.	29,708,286	

SCHEDULE 7 : INVESTMENTS AT COST (Contd.)

	Rs.	As at 31 st March, 2011 Rs.	As at 31 st March, 2010 Rs.
Brought Over (1) Rs.	191,193,337		242,485,154
Brought Over (2) Rs.		29,708,286	
2,000,000.00 (-) units of Rs. 10/- each of Kotak FMP 6 M -Series 10 Dividend	20,000,000		-
2,000,000.00 (-) units of Rs. 10/- each of Religare Fixed Maturity Plan-Series -V Plan F 91 Days	20,000,000		-
3,000,000.00 (-) units of Rs. 10/- each of DWS Fixed Term Fund Series 76 Div.	<u>30,000,000</u>		-
		261,193,337	<u>242,485,154</u>
Quoted :			
5,000,000 (-) units of Rs. 10/- each of Reliance Fixed Horizon Fund XV Series - 7 Div. Plan	50,000,000		-
5,117,649.67 (-) units of Rs. 10/- each of Reliance Fixed Horizon Fund XVII Series - 6 Div. Plan	51,176,497		-
5,152,873.914 (-) units of Rs. 10/- each of Birla Sunlife Fixed Term Plan Series CM Dividend	51,528,739		-
3,000,000.00 (-) units of Rs. 10/- each of Sundaram Fixed Term Plan AN 367 Days Div.	30,000,000		-
2,000,000.00 (-) units of Rs. 10/- each of Sundaram Fixed Term Plan AN 367 Days Div.	20,000,000		-
2,000,000.00 (-) units of Rs. 10/- each of Sundaram Fixed Term Plan AP 367 Days Div.	20,000,000		-
3,000,000.00 (-) units of Rs. 10/- each of Kotak FMP Series 34 Dividend	30,000,000		-
4,500,000.00 (-) units of Rs. 10/- each of Tata Fixed Maturity Plan Series 30 Scheme A Div.	45,000,000		-
2,000,000.00 (-) units of Rs. 10/- each of SBI Debt Fund Series 370 Days Div.	<u>20,000,000</u>		-
		317,705,236	-
Total		<u>608,606,859</u>	<u>272,186,899</u>

SCHEDULE 7 : INVESTMENTS AT COST (Contd.)

	Book Value as at		Market Value as at	
	31st March, 2011 Rs.	31st March, 2010 Rs.	31st March, 2011 Rs.	31st March, 2010 Rs.
Quoted	<u>339,308,406</u>	<u>21,596,383</u>	<u>416,083,458</u>	<u>105,781,114</u>
Unquoted	<u>269,298,453</u>	<u>250,590,516</u>		
Total Rs.	<u><u>608,606,859</u></u>	<u><u>272,186,899</u></u>		

\$ Included in market value at face value / paid up value, whichever is lower, as the quotations are not available.

Note : Investments made by the Company being of long term nature, diminution in the value of Quoted investments are generally not considered to be a permanent nature. However, provision for such diminution as considered necessary by the Management has been made in the Financial statements.

Following investments are purchased and sold during the year

Name	No.of units	Face value Rs.	Purchase cost Rs.
Birla Sun Life Dynamic Bond Fund - Retail Plan Qtly. Dividend	4,478,160.014	11.165	50,000,000
Sundaram BNP Paribas Money Fund Super Inst. Daily Dividend	4,952,799.000	10.095	50,000,000
Sundaram BNP Paribas Flexible Fund Daily Dividend	4,974,637.290	10.052	50,004,557
Reliance Liquid Fund -Treasury Plan Daily Dividend	3,270,667.347	15.287	50,000,000
Reliance Short Term Fund	4,696,063.924	10.648	50,005,097
IDFC Cash Fund - Super Inst. Plan Daily Dividend	299,250.187	10.003	30,000,000
IDFC Saving Advantage Fund Daily Dividend	29,996.807	1,000.210	30,003,106
Reliance Liquid Fund Treasury Plan - Daily Dividend	1,308,266.939	15.287	20,000,000
Fidelity Fixed Maturity Plan Series - 2 Dividend	300,000.000	10.000	30,000,000
Reliance Liquid Fund Treasury Plan - Dividend payout	3,270,667.347	15.287	50,000,000
Sundaram BNP Paribas Money Fund Super Inst. Daily Dividend	4,980,856.610	10.095	50,283,242
ICICI Prudential Liquid Fund	2,609,385.232	12.009	31,336,890
IDFC Ultra Short Term Fund	5,050,631.934	10.453	50,735,113
Reliance Fixed Horizon Fund XV Series 2	4,717,825.683	10.000	47,178,257
IDFC Fixed Maturity Qty Series 9 Dividend	330,728.218	10.017	30,307,243
Religare Fixed Maturity Plan Series IV Plan C 3 months Dividend	200,000.000	10.000	20,000,000
DSP Black Rock Fixed Maturity Plan 3M Series 19 Dividend Payout	200,000.000	10.000	20,000,000

	Rs.	As at 31 st March, 2011 Rs.	As at 31 st March, 2010 Rs.
SCHEDULE 8 : INVENTORIES :			
General Stores & Spares :			
Stores, Spares, Jigs & Fixtures, etc., at cost, (except Jigs and Patterns which are at cost, less amounts written-off)		20,653,376	26,534,417
Stock-in-Trade :			
Raw Materials, at cost		368,495,669	328,622,626
Work-in-progress :			
Work-in-Progress expenditure to date at cost (including factory made components Rs. 95,530,576 /- Previous year Rs. 117,001,527/-)		407,301,243	360,248,071
Finished Goods, at cost or net realisable value whichever is lower As Certified by the Executive Director		20,499,714	5,138,017
Goods in Bonded Warehouse, cost to date		816,950,002	720,543,131
		7,271,275	21,055,441
Total		824,221,277	741,598,572

SCHEDULE 9 : SUNDRY DEBTORS, UNSECURED :

Sundry Debtors, Good :			
(a) Outstanding over six months	230,690,124		268,940,334
(b) Other	1,235,156,939		1,126,719,432
		1,465,847,063	1,395,659,766
Total		1,465,847,063	1,395,659,766

SCHEDULE 10 : CASH AND BANK BALANCES :

Cash on hand		731,282	656,186
Bank Balances :			
With Scheduled Bank :			
In Current and Cash Credit Accounts		273,492,785	259,134,038
Total		274,224,067	259,790,224

	Rs.	As at 31 st March, 2011 Rs.	As at 31 st March, 2010 Rs.
SCHEDULE 11 : LOANS AND ADVANCES :			
UNSECURED , GOOD (Unless otherwise stated)			
Advances recoverable in cash or in kind or for value to be received		277,370,096	247,953,775
Advances to Suppliers of Capital Goods		2,866,269	2,230,183
Dues from other companies promoted by the Company		38,605	534,981
Sundry Deposits		23,526,490	22,208,372
Balances with Central Excise		5,510,855	6,243,719
Income Tax paid in advance		199,248,838	197,329,159
Total		508,561,153	476,500,189

SCHEDULE 12 : LIABILITIES :

Acceptances		53,494,477	9,687,924
Sundry Creditors :			
(i) Due to Micro, Small and Medium Enterprises (See Note 10)	-	-	-
(ii) Other Creditors	959,456,539		730,386,998
		959,456,539	730,386,998
Other Liabilities		385,766,866	373,733,157
Advances Received		647,712,756	462,195,070
Unclaimed Dividend		6,499,933	4,136,442
Interest accrued but not due on loans		1,647,092	2,203,575
Total		2,054,577,663	1,582,343,166

SCHEDULE 13 : PROVISIONS :

Provision for Taxation			
Income Tax		220,000,000	200,000,000
Wealth Tax		800,000	600,000
Provision for Long Term Employee Benefits (See Note No. 12)		50,529,759	45,717,000
Proposed Dividend		154,132,056	154,132,056
Provision for Tax on Dividend		25,004,073	26,187,036
Total		450,465,888	426,636,092

SCHEDULE 14 : SALES :

	Current Year Rs.	Previous Year Rs.
Sales	5,140,666,367	4,651,665,618
Works Contract	44,750,000	-
Errection, Job work, Operation & Maintenance Charges	89,284,884	90,684,717
Total	5,274,701,251	4,742,350,335

	Rs.	Current Year Rs.	Previous Year Rs.
SCHEDULE 15 : OTHER INCOME :			
Dividend * (Includes foreign dividend Rs. 394,885/- Previous Year Rs. Nil, Withholding tax Rs.39,488/- Previous Year Rs. Nil)		24,166,617	12,394,699
Interest Received (Gross) (Tax deducted Rs 356,028/-, Previous Year Rs.266,002/-)		4,270,030	3,474,854
Insurance Claim Received		305,074	117,088
Miscellaneous Receipts		49,673,353	51,592,805
Profit on Sale of Investments		3,430	42,952,605
Surplus on Sale of Assets		11,573,262	209,515
Sundry Credit Balances appropriated		1,940,909	143,802
Bad Debts / Liquidated Damages Recovered		1,641,148	2,098,803
Provisions no longer required Written Back		2,560,348	3,549,839
Total		96,134,171	116,534,010

* Includes income from Long Term Investment Rs. 2,784,230/- (Previous Year Rs. 3,138,992/-)

SCHEDULE 16 : MATERIALS CONSUMED AND MANUFACTURING EXPENSES :

(a) Raw Materials (including components) consumed :			
Stocks at commencement	328,622,626		337,253,294
Add : Purchases	2,814,183,429		2,391,277,148
	3,142,806,055		2,728,530,442
Less : Stocks at close	368,495,669		328,622,626
		2,774,310,386	2,399,907,816
(b) Excise Duty on Increase / (Decrease) in stocks of Finished Goods			
		2,017,713	(1,247,439)
(c) Manufacturing Expenses :			
Stores and Spares Consumed (including amounts written off against Jigs and Patterns)	102,893,984		78,680,169
Manufacturing Expenses	132,025,524		98,507,725
Power, Fuel and Water	55,964,426		48,511,981
Building Repairs	41,826,440		21,721,734
Machinery Repairs	21,459,389		14,164,967
		354,169,763	261,586,576
(d) Freight and Octroi			
		9,272,614	7,962,789
(e) (Increase) / Decrease in Stocks :			
Stocks at close :			
Work-in-Progress	407,301,243		360,248,071
Finished Goods	20,499,714		5,138,017
	427,800,957		365,386,088
Less : Stocks at commencement :			
Work-in-Progress	360,248,071		513,140,207
Finished Goods	5,138,017		20,462,438
	365,386,088		533,602,645
		(62,414,869)	168,216,557
Total		3,077,355,607	2,836,426,299

	Current Year Rs.	Previous Year Rs
SCHEDULE 17 : EMPLOYEES' EMOLUMENTS :		
Salaries, Wages, Bonus, etc.	480,568,844	415,892,965
Incentive	18,116,793	10,967,843
Contribution to Provident and Other Funds, etc.	48,579,727	52,227,310
Welfare Expenses	64,908,974	52,788,403
Total	612,174,338	531,876,521

SCHEDULE 18. : SUNDRY EXPENSES :

Rent	4,090,196	4,147,910
Rates and Taxes	4,245,804	10,232,514
Insurance	6,208,731	3,361,258
Sundry Repairs	16,081,143	7,860,265
Commission and Discount	101,404,827	68,511,657
Royalty	13,861,252	17,604,663
Travelling Expenses	66,001,700	62,658,352
Excise Duty, net	3,304,157	4,943,603
Sales Tax	12,427,188	16,788,831
Postage, Telephones, Telex Expenses	15,096,283	15,233,946
Bank Charges	41,701,171	35,530,221
Freight Outward	24,132,505	36,320,128
Vehicle Expenses	15,081,433	14,307,468
Printing and Stationery	7,254,840	5,645,611
Legal and Professional Charges	37,586,010	34,824,510
Advertisement and Publicity Expenses	11,482,228	8,076,638
Donations	10,100,000	8,250,000
Miscellaneous Expenses	68,181,276	50,244,332
Auditors' Remuneration	1,741,938	1,758,553
Directors' Fees and Travelling Expenses	3,274,448	2,836,083
Director's Remuneration :		
Salary	11,256,000	10,476,533
Loss on Assets sold, discarded, demolished or scrapped	706,638	375,505
Technical Service charges	306,400	992,346
Amount written off against technical know-how	4,166,665	4,166,667
Bad Debts and Sundry Debit Balances written off	5,307,930	8,565,959
Liquidated Damages	55,951,859	72,928,021
Total	540,952,622	506,641,574

SCHEDULE 19 : INTEREST AND OTHER FINANCE CHARGES :

Interest :		
On Fixed Loans	14,901,102	14,016,241
Other	3,775,624	4,580,768
Total	18,676,726	18,597,009

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS :

	As at 31 st March, 2011 Rs.	As at 31 st March, 2010 Rs.
1	Significant Accounting Policies followed by the Company are as stated in the statement annexed to the Schedule. (Annexure A)	
2. A	Contingent Liabilities not provided for in respect of :	
(a)	Claims against the Company not acknowledged as Debts, estimated at	
	278,648,095	71,486,111
(b)	Income Tax Matters under Dispute	
	712,247	712,247
(c)	Disputed Central Excise Matters	
	3,970,702	10,270,425
(d)	Disputed Sales Tax Demands	
	1,157,000	1,310,000
(e)	Guarantees given by Company to Customers for the contracts undertaken in usual course of business	
	2,458,566	2,575,082
B.	Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable.	
3	Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	
	32,582,774	17,706,996
4	Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31st March 2011.	
	1,152,742,851	1,085,481,546
5	Payment to Auditors (Net of Service Tax):	
(a)	As Auditors	
	1,500,000	1,500,000
(b)	In Other Capacity	
	For Tax Audit	
	200,000	200,000
	For Certificates	
	20,000	32,500
	1,720,000	1,732,500
(c)	For Expenses	
	21,938	26,053
	1,741,938	1,758,553

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS: (Contd.)

	2010-11 Rs.	2009-10 Rs.
6 C.I.F. Value of Imports, Expenditure and Earnings in Foreign Currencies :		
(a) C.I.F. Value of Imports :		
Raw Materials (including components and spares)	485,799,142	486,137,327
Capital Goods	41,069,844	82,435,724
(b) Expenditure in Foreign Currencies :		
(i) Commission on Exports	4,150,840	3,916,003
(ii) Royalty	2,164,580	1,917,805
(iii) Technical Knowhow	92,624,830	–
(iv) Interest	7,957,820	10,385,553
(v) Professional Fees	2,852,442	11,627,483
(vi) Other matters	27,454,174	14,767,802
(c) Earnings in Foreign Currencies :		
(i) F.O.B. Value of Exports	129,268,176	172,851,189
(ii) Dividend Received	394,885	–

7 Details of Raw Materials Consumption :

(a) Raw Materials (including Components) consumed :

	Unit	CURRENT YEAR		PREVIOUS YEAR	
		2010-11		2009-10	
		Quantity	Rs.	Quantity	Rs.
Steel Bars and Plates	M.T.	53,489	3,208,528	48,797	3,196,219
Pipes	Mtrs.	44,000	8,701,224	31,604	7,780,606
Castings	Nos.	55,802	41,803,868	44,770	58,229,837
Forgings	Nos.	16,323	223,203,069	17,388	224,261,148
Foundry Raw material	Ton	947	29,451,789	837	22,066,244
Components	Nos.	3,973,941	2,347,222,279	3,274,879	1,842,305,213
Others			120,719,629		242,068,549
			<u>2,774,310,386</u>		<u>2,399,907,816</u>

(b) Imported and Indigenous Raw Materials Consumption (including Components) :

	2010-2011		2009-2010	
	Rs.	Percentage	Rs.	Percentage
Imported	526,373,730	18.97	484,885,198	20.20
Indigenous	2,247,936,656	81.03	1,915,022,618	79.80
	<u>2,774,310,386</u>	<u>100.00</u>	<u>2,399,907,816</u>	<u>100.00</u>

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS: (Contd.)

8 Details of Licensed and Installed Capacity, Production, Stocks and Turnover :

(A) Licensed and Installed Capacity and Production

Class of Goods	(a) Licensed Capacity		Installed Capacity*		Production	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
	Nos.	Nos.	Nos.	Nos.	Nos.	Nos.
Compressors	9,846	9,846	5,854	5,501	2,514	1,969
Transmission Equipment and Gear Boxes	4,300	4,300	210	142	210	142

(a) Annual capacity on maximum utilisation basis.

* Note : Installed Capacity

Most of the Plant & Machinery being common for different products manufactured by the Company and installed capacity being dependent on Product Mix, which in turn is decided by the actual demand for various products from time to time and also on availing of subcontracting facilities , it is not ascertainable for the Company to indicate the exact installed capacity . The Company has, however, indicated the installed capacity on the basis of year 's Products Mix as certified by the Executive Director of company and being a technical matter , accepted by the Auditors as correct.

(B) Stocks and Turnover :

Class of Goods	Stocks at Commencement				Stocks at Close				Turnover (including Works Contracts)				Sundry (a)	
	2010-11		2009-10		2010-11		2009-10		2010-11		2009-10		2010-11	2009-10
	Nos.	Rs.	Nos.	Rs.	Nos.	Rs.	Nos.	Rs.	Nos.	Rs.	Nos.	Rs.	Nos.	Nos.
Compressors	13	1,936,254	49	17,336,257	26	13,064,181	13	1,936,254	2,501	1,221,466,969	1,996	1,127,626,484	-	9
Transmission Equipment and Gear Boxes	2	2,609,752	1	584,239	-	-	2	2,609,752	211	189,260,000	141	173,969,439	1	-
Others		592,011		2,541,941		7,435,533		592,011		3,506,588,246		3,231,200,144		
Total		5,138,017		20,462,437		20,499,714		5,138,017		4,917,315,215		4,532,796,067		

(a) Includes units scrapped, dismantled, used as spares, capitalised, captive, given as free replacements.

9 Managerial Remuneration :

a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Director as under :

	2010-11		2009-10	
	* Executive Director	Managing Director	Executive Director	Managing Director Part of the Year
	Rs.	Rs.	Rs.	Rs.
Salary	2,960,000	-	1,800,000	875,333
House Rent Allowance	296,000	-	180,000	121,200
Commission	8,000,000	-	6,000,000	1,500,000
Contribution to :				
Provident Fund	355,200	-	216,000	105,040
Superannuation Fund	444,000	-	270,000	131,300
Gratuity Fund (Refer Note 1)	350,000	-	150,000	68,492
Other perquisites	469,534	-	246,740	2,261,281
Gross Remuneration	12,874,734	-	8,862,740	5,062,646

Note :

- As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in the above figures for the purpose of computation of net profit in terms of Section 349 of Companies Act, 1956, as per rules of the company.

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

2. As the employee wise breakup of liability of leave entitlement, based on Actuarial valuation, is not ascertainable, the same has not been included in the above figures, for the purpose of computation of Net Profit in terms of Sec 349 of the Companies Act

b) Computation of net profit under section 349 of the Companies Act, 1956.

* Redesignated as Managing Director with effect from April 27, 2011

	2010-11	2009-10
	Rs.	Rs.
1 Net Profit as per Profit & Loss Account	650,944,827	682,280,921
2 ADD		
Directors Remuneration	15,514,734	15,965,386
Loss on sale of Assets	706,638	375,505
	667,166,199	698,621,812
3 LESS		
Expenditure in respect of previous year	-	66,670
Profit on sale of Assets & Investments	11,576,692	43,162,120
	11,576,692	43,228,790
Net Profit U/S 349	655,589,507	655,393,022
Maximum permissible Remuneration payable to Managing Director & Executive Director	32,779,475	65,539,302
Restricted to	12,874,734	13,925,386
Commission to Non Executive Directors	6,555,895	6,553,930
Restricted to	2,640,000	2,040,000

10. The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Accordingly there are no Micro, Small and Medium Enterprises Medium Enterprises identified to whom the company owes dues., which are outstanding for more than 45 days as at 31st March, 2011.

11. Foreign Exchange Derivatives & Exposures not hedged at close of the year

(A) Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31.03.2011	31.03.2010
Forward Contracts	USD	Purchase	-	776,100
Currency Swap	USD	Purchase	4,125,000	4,812,500

All derivatives stated above are for the purpose of hedging the underlying foreign currency exposures.

(B) Exposure not hedged

Nature of Instrument	Currency	31.03.2011	31.03.2010
Receivable	GBP	4,720	15,025
	USD	410,115	253,031
	EURO	75,550	-
Payable	GBP	734,388	402,216
	USD	882,770	984,666
	EURO	421,481	204,693
	JPY	4,250,000	8,390,000
	SEK	30,000	6,500

(C) Exchange Differences on account of settlement/ revaluation of foreign currency transactions in current account are included in Miscellaneous Expenses (Rs. 6,368,018/- Previous year Rs. Nil) if such differences are in the nature of expenses & in Miscellaneous Receipts (Rs. Nil, Previous year Rs. 16,827,643/-) if such differences are in the nature of gain.

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS: (Contd.)

12 Disclosure pursuant to Accounting Standard - 15 (Revised) "Employee Benefits":

a. Defined Contribution Plans:

Amount of Rs. 36,602,648 /- (Previous Year Rs. 33,956,061/-) is recognised as expense and included in "Employee Emoluments" in Schedule 17 in the Profit and Loss Account.

b. Defined Benefit Plans:

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

	2010-11 Rupees	2009-10 Rupees
	Gratuity	
a. Present value of Defined Benefit Obligation at the beginning of the year	138,599,297	126,094,913
b. Interest cost	11,087,944	10,087,593
c. Current service cost	7,617,643	6,552,453
d. Actuarial Losses / (Gains)	5,773,468	14,045,773
e. Benefits paid	17,596,756	18,181,435
f. Present value of Defined Benefit Obligation at the close of the year	145,481,596	138,599,297

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

	Gratuity	
a. Fair value of Plan Assets at the beginning of the year	139,219,463	133,986,328
b. Add :Expected return on Plan Assets	12,501,976	12,414,570
c. Add / (Less) : Actuarial Losses / (Gains)	-	-
d. Add : Contributions	10,000,000	11,000,000
e. Less: Benefits Paid	17,596,756	18,181,435
f. Fair value of Plan Assets at the close of the year (includes Rs.47.83 Lacs with trust, previous year Rs.32 Lacs)	144,124,683	139,219,463

iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the Balance Sheet:

	Gratuity	
a. Present value of Defined Benefit obligation	145,481,596	138,599,297
b. Less: Fair value of Plan Assets - with LIC	139,341,683	136,019,463
c. Less: Fair value of Plan Assets - with Trust	4,783,000	3,200,000
d. Total Fair Value of Plan Assets	144,124,683	139,219,463
e. Net Liability / (Asset) recognised in the Balance Sheet	1,356,913	(620,166)

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS: (Contd.)

	2010-11 Rupees	2009-10 Rupees
	Gratuity	
iv. Amount recognised in the Profit and Loss Account are as follows :		
a. Current Service Cost	7,617,643	6,552,453
b. Interest Cost	11,087,944	10,087,593
c. Expected return on Plan Assets	12,501,976	12,414,570
d. Actuarial Losses / (Gains)	5,773,468	14,045,773
e. Past service costs	-	-
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	11,977,079	18,271,249

- v. Broad Categories of plan assets as a percentage of total assets as at 31.03. 2011
The plan assets are with Life Insurance Corporation of India and the Trust's Investments are in State Government Securities.

- vi Actuarial Assumptions at the Balance Sheet date:

	Gratuity	
a. Discount Rate	8%	8%
b. Expected rate of return on Plan Assets	9.40%	9.40%
c. Salary Escalation rate	6%	5%

Particulars	For the year ended March 31, 2011 Rupees	For the year ended March 31, 2010 Rupees	For the year ended March 31, 2009 Rupees	For the year ended March 31, 2008 Rupees
Defined Benefit Obligation	145,481,596	138,599,297	126,094,913	117,115,264
Plan Assets	144,124,683	139,219,463	133,986,328	115,441,194
(Surplus) / Deficit	1,356,913	(620,166)	(7,891,415)	1,674,070
Experience Adjustment on plan liabilities (gain)/ loss	-	-	-	-
Experience Adjustment on plan assets (gain)/ loss	5,773,468	14,045,773	7,910,470	13,691,942

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

- vii General Descriptions of significant Defined plans:

Gratuity Plan:

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

- viii The company has valued the compensated absences, as specified in AS 15 (Revised) on actuarial basis. Further para 132 of AS 15 (Revised 2005) does not require any specific disclosure except where the expense resulting from compensated absences is of such size, nature or incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS: (Contd.)**13 Details of Segment Reporting**

A. Information about Business Segment - Primary (See Note below)	2010-11			2009-10		
	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
Sr. Particulars No.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1 Segment Revenue						
Sales	4,352,638,776	564,676,439	4,917,315,215	3,903,681,990	629,114,077	4,532,796,067
Less: Inter Segment Revenue	-	-	-	-	-	-
Net Revenue from Operations	4,352,638,776	564,676,439	4,917,315,215	3,903,681,990	629,114,077	4,532,796,067
2 Result						
Segment Result	952,596,681	(85,340,267)	867,256,414	843,209,250	2,970,869	846,180,119
Less: Unallocable Corporate Expenses (Net of Income)			197,634,861			145,302,189
Operating Profit before Interest			669,621,553			700,877,930
Less: Interest			18,676,726			18,597,009
Profit before Tax			650,944,827			682,280,921
3 Other Information						
Segment Assets	2,539,480,988	883,616,437	3,423,097,425	2,140,545,601	1,011,405,963	3,151,951,564
Add: Unallocable common assets			1,150,098,164			786,260,980
Total Assets			4,573,195,589			3,938,212,544
Segment Liabilities	1,794,016,911	293,950,579	2,087,967,490	1,310,719,634	307,800,532	1,618,520,166
Add: Unallocable common liabilities			417,076,061			390,459,092
Total Liabilities			2,505,043,551			2,008,979,258
4 Capital Expenditure During the year	63,047,498	58,786,525	121,834,023	120,490,828	199,925,445	320,416,273
5 Depreciation	63,415,095	49,733,251	113,148,346	41,590,132	31,720,701	73,310,833
Add: Unallocable Depreciation			196,920			196,920
			113,345,266			73,507,753
6 Technical Know How written off	4,166,665	-	4,166,665	4,166,667	-	4,166,667
B. Secondary Segment - Geographical by Customers						
1 Segment Revenue						
In India			4,788,047,039			4,359,944,878
Outside India			129,268,176			172,851,189
Total			4,917,315,215			4,532,796,067

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

C Other Disclosures

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

Name of the Segment :	Comprises of :
a) Compression Systems	Air & Gas Compressors, Air conditioning & Refrigeration Compressors and Systems etc.
b) Transmission Equipments	Power Transmission Equipments (Torque Converter), Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.
- 4 The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- 5 The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 1 of Schedule 20 to the Accounts.

14 Disclosure of Transactions with Related Parties as required by the AS -18

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

Names of Related parties

1) Subsidiary Company	NIL	
2) Associate Company	Kirloskar Chillers Pvt. Ltd.	
3) Key Management Personnel	Mr. Aditya Kowshik	
4) Relatives of		
Key Management Personnel	Mrs. Kavita Kowshik	Wife
	Mr. Karn Kowshik	Son
	Ms. Meera Kowshik	Daughter
	Ms. Laxmi Chalapathi	Mother
	Ms. Sarayu	Sister of Mr. Aditya Kowshik

Note : Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)**(B) Related Party Transactions**

Nature of Transaction	Year	Associate Company	Key Management	Relatives of Key Management Personnel	Total Rs.
Purchase of Goods	2010-11	7,654,602	-	-	7,654,602
	2009-10	7,717,437	-	-	7,717,437
Sale of Goods / Assets	2010-11	420,906	-	-	420,906
	2009-10	-	-	-	-
Services Rendered	2010-11	463,260	-	-	463,260
	2009-10	470,520	-	-	470,520
Dividend Received	2010-11	245,000	-	-	245,000
	2009-10	1,500,000	-	-	1,500,000
Dividend Paid	2010-11	-	-	-	-
	2009-10	-	126,030	10,990	137,020
Remuneration paid**	2010-11	-	12,874,734	-	12,874,734
	2009-10	-	13,925,386	-	13,925,386
Balance Outstanding Receivable	2010-11	38,605	-	-	38,605
	2009-10	534,981	-	-	534,981
Payable	2010-11	-	8,000,000	-	8,000,000
	2009-10	-	7,500,000	-	7,500,000
Investment	2010-11	4,900,000	-	-	4,900,000
	2009-10	4,900,245	-	-	4,900,245

** The amount of Gratuity is included as per the rules of the Company

- 15 The Company has entered into agreements in the nature of Lease / Leave and Licence agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and Licence and disclosure required as per accounting standard 19 with regard to the above is as under.
- Payment under Lease / Leave and License for period :
 - Not later than 1 year Rs. 2,105,660/-
 - Later than 1 year but not later than 5 years Rs. 1,666,366/-
 - There are no transaction in the nature of Sub Lease.
 - Payments recognised in the Profit and Loss Account for the year ended 31st March, 2011 Rs. 4,090,196 /-
 - Period of Agreement is generally for Eleven Months and renewable at the option of Lessee.
- 16 As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs. 4,897,584/- in the Profit and Loss Account, The details of which are as under.

SCHEDULE 20 : NOTES FORMING PART OF THE FINANCIAL STATEMENTS: (Contd.)

Particulars	Rupees		
	Balance as at 1st April 2010	Arising During the Year	Balance as at 31st March 2011
I. Deferred Tax Liabilities a. Depreciation	46,353,620	(5,512,411)	40,841,209
II. Deferred Tax Assets Disallowances under section 43b of the Income Tax Act	25,752,858	(614,827)	25,138,031
Net Deferred Tax Liability	20,600,762	(4,897,584)	15,703,178

- 17 In accordance with the Accounting Standard 26, "Intangible Assets" expenditure on Technical Know-how on Project under implementation will be amortized on commencement of commercial production. Expenditure of Rs. 12,500,000/- on Technical Know-how, in respect of which commercial production has been started, is being amortised over a period of three years.
- 18 The company, in terms of Notification issued by Ministry of Corporate Affairs on 31st March, 2009, had exercised the option of implementing the provisions of newly inserted Paragraph 46 of Accounting Standard 11, 'Accounting for the Effects of Changes in Foreign Exchange Rates', prescribed by Companies (Accounting Standards) Amendment Rules, 2009. The Company has outstanding long term foreign currency loan which is categorized as Long Term Foreign Currency Monetary Item as referred in the said notification. Accordingly Rs. 1,897,500/- being gain for the year (Previous year gain Rs 14,584,521/-) has been adjusted against the cost of Fixed Assets.
- 19 Previous years figures have been regrouped wherever necessary to make them comparable with those of the current year.

As per our attached report of even date

For and on behalf of Board of Directors

For **DALAL & SHAH**
Firm Registration No. 102021W
Chartered Accountants

Aditya Kowshik
Managing Director

Rahul C. Kirloskar
Chairman

Anish Amin
Partner
Membership No. 40451
Mumbai, April 27, 2011

Jitendra Shah
Company Secretary

Suhas S. Kolhatkar
Vice President & Finance Controller
Pune, April 27, 2011

ANNEXURE "A" REFERRED TO IN NOTE NO.1 IN SCHEDULE NO.20 TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2011

Statement of Significant Accounting Policies :

1 System of Accounting :

- (i) The Company, except under significant and uncertain circumstances, follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
- (ii) The Financial Statements are based on historical costs.
- (iii) Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.
- (iv) Estimates and assumptions used in the preparation of the Financial Statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements, which may differ from the actual results at a subsequent date.

2 Fixed Assets and Depreciation :

A. Fixed Assets :

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

B. Depreciation on Assets (other than Freehold Land) :

(a) On Plant and Machinery given on Lease :

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

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

(b) Depreciation on Assets :

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

**ANNEXURE “A” REFERRED TO IN NOTE NO.1 IN SCHEDULE NO.20 TO
THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2011**

- (iv) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as required by Schedule XIV to Companies Act, 1956.
- (v) Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year.
- (vi) Depreciation on Additions to Vehicle is being provided on pro-rata basis from the month of acquisition over its useful life of asset estimated as five years. (see Note No. 'd ' in Schedule 5)
- (vii) Depreciation on Additions, on account of increase in rupee value due to Foreign Exchange fluctuations, is being provided at the rates of depreciation over the future life of said assets.
- (viii) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such Assets are sold, discarded or demolished.
- (ix) No Depreciation is being charged on Revaluation amount of the Fixed Assets.

3 Technical Know-how Fees :

Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. (Also see note no. 17)

4 Investments :

- a) Long Term Investments are valued at Cost of acquisition less estimated diminution in value determined to be of permanent nature.
- b) Current investments are mainly comprising of investments in mutual funds and are stated at lower of cost or fair value.

5 Inventories :

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

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

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

6 Foreign Currency Conversion :

a) Initial Recognition

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

**ANNEXURE "A" REFERRED TO IN NOTE NO.1 IN SCHEDULE NO.20 TO
THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2011**

- b) Conversion
Current assets and current liabilities, Secured Loans designated in foreign currencies are revaloured at the rate prevailing on the date of Balance Sheet.
- c) Exchange Differences
Exchange differences arising on the settlement and conversion on foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31 March 2009, eligible exchange difference on foreign currency loans is adjusted in the cost of the asset to be depreciated over the balance life of the asset. (For change and effect see Note no.18)
- 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 reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.
In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate prevailing on the date of forward contract (i.e. forward premium / discount) is amortised as income or expense over the life of the contract, except in respect of the liabilities for the acquisition of qualifying assets, where such amortization is adjusted in the cost of the corresponding asset.

7 Borrowing Cost :

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

8 Sales :

- (i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.
- (ii) Export Sales are accounted for on the basis of dates of Bills of Lading.
- (iii) Construction Contract Sales :
In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.

9 Income Tax

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

Deferred Tax resulting from timing difference 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 crystallise, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.

10 Employee Benefits

(A) Short term Employee Benefits :

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

**ANNEXURE “A” REFERRED TO IN NOTE NO.1 IN SCHEDULE NO.20 TO
THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2011**

(B) Post Employment Benefits :

(i) Defined Contribution Plans :

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

(ii) Defined Benefits Plans:

The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected unit Credit Method, as at the date of the Balance Sheet.

(iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.

(iv) Termination benefits are recognised as an expense as and when incurred.

11 Provisions :

Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and which can be reliably estimated.

PART - IV
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details		
Registration No.	:	110307
State Code	:	11
Balance Sheet Date	:	31-03-2011
		(Amount in Rs. Thousand)
II. Capital raised during the year		
Public Issue	:	—
Rights Issue	:	—
Bonus Issue	:	—
Private Placement	:	—
Re-issue of Forfeited Shares	:	—
III. Position of Mobilisation and Deployment of Funds		
Total Liabilities	:	4,573,196
Total Assets	:	4,573,196
Source of Funds		
Paid-up Capital	:	128,443
Reserves and Surplus	:	1,739,123
Secured Loans	:	184,883
Unsecured Loans	:	—
Deferred Tax Liability	:	15,703
	Total	2,068,152
Application of Funds		
Net Fixed Assets	:	774,659
Investments	:	608,607
Net Current Assets	:	567,810
Misc. Expenditure (including Technical Know-how)	:	117,076
	Total	2,068,152
IV. Performance of Company		
Turnover	:	5,013,449
Total Expenditure	:	4,362,505
Profit / Loss before Tax	:	650,945
Profit / Loss after Tax	:	439,128
Earning Per Share in Rs.	:	34.19
Dividend rate %	:	120
V. Generic Names of Principal Products / Services of the Company		
i) Item Code No. (ITC Code)	:	356501000
Product Description	:	Air & Gas Compressor
ii) Item Code No. (ITC Code)	:	375308000
Product Description	:	Marine Gear Boxes
iii) Item Code No. (ITC Code)	:	356106000
Product Description	:	Industrial Air-conditioning & Refrigeration Equipment

KIRLOSKAR PNEUMATIC COMPANY LIMITED

REGISTERED OFFICE : HADAPSAR INDUSTRIAL ESTATE, PUNE 411 013

ATTENDANCE SLIP

PLEASE BRING THIS ATTENDANCE SLIP AND HAND IT OVER AT THE VENUE OF THE MEETING AT PUDUMJEE HALL, MAHRATTA CHAMBER OF COMMERCE, INDUSTRIES AND AGRICULTURE, PUNE.

NAME & ADDRESS OF THE MEMBER

FOLIO NO.

DP ID*

CLIENT ID *

I/We hereby record my/our presence at the Annual General Meeting of the Company at the Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002 on Tuesday, the 28th June 2011 at 11.00 a.m.

SIGNATURE OF THE MEMBER OR PROXY

SHARE(S) HELD

*Applicable to members holding shares in Electronic Form

KIRLOSKAR PNEUMATIC COMPANY LIMITED

REGISTERED OFFICE : HADAPSAR INDUSTRIAL ESTATE, PUNE 411 013

PROXY FORM

I / We.....of
.....of.....in the
district of.....be ing a member(s) of the above named Company
hereby appoint.....of.....in the district
of.....or failing him / her
.....of.....in the district of
.....asmy / our Proxy to vote for me / us on my / our behalf at the Annual
General Meeting of the Company to be held on Tuesday, the 28th June 2011 at 11.00 a.m. and at any adjournment thereof.

Signed this.....day of.....2011.

FOLIO NO.		SHARES HELD	
*DP ID		*CLIENT ID	

Affix
Revenue
Stamp

*Applicable to members holding shares in Electronic Form

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



KIRLOSKAR PNEUMATIC COMPANY LIMITED

Enriching Lives

Dear Shareholder,

Subject : Green Initiative - Registration of E-mail address

This is to inform you that as a part of "Green Initiative in the Corporate Governance", the Ministry of Corporate Affairs vide its circular Nos.17/2011 and 18/2011 dated 21.04.2011 and 29.04.2011, respectively; has permitted the Companies to serve the documents viz. Notice of General Meeting, Balance Sheet, Profit & Loss Account, Auditors' Report, Directors' Report etc. to the members through e-mail.

In order to support this "Green Initiative", we are pleased to serve the above referred documents to you through e-mail.

We expect your absolute participation in the initiatives and therefore, request you to register your e-mail address and / or changes therein from time to time with the company at sec@kpcl.net or with the concerned depository. While forwarding such request to the Company, to register your email address, kindly forward your folio No. with detailed name and address; duly signed as per specimen recorded with the company. This is required for verification purpose before registration of your email.

Kindly note that the full text of these documents will also be available on the Company's website : www.kirloskarkpcl.com and at the Registered Office of the Company.

In case your e-mail address has not been registered for receiving the Balance Sheet etc. through e-mail, the Balance Sheet etc. will be sent to you in physical form, as has been done this time.

In any case, on your specific request, physical copies of above documents will be sent to you, free of cost.

This time for your convenience, the Annual Report 2010-11 of the company has been sent to you alongwith this appeal, in physical form. However, efforts have also been made to forward these documents by e-mail to certain shareholders, whose e-mail addresses are available with the concerned depositories.

We expect your whole-hearted support to this "Green Initiative" and participation in the movement by providing your email address immediately either to the company at sec@kpcl.net or to the concerned depository, for its successful implementation.

Thanking you and assuring you of our best attention at all times.

Yours faithfully,

For Kirloskar Pneumatic Company Limited

Jitendra R. Shah
Company Secretary

Pune : May 17, 2011



To
The Company Secretary
Kirloskar Pneumatic Co. Ltd.
Hadapsar Industrial Estate,
Pune 411 013

Dear Sir,
Re.: Registration of E-mail Address

Please refer your letter dated May 17, 2011 on the above referred subject.

As desired by you, I am submitting the required information for registering my e-mail address for future communication including sending documents i.e. Notice of General Meeting, Balance Sheet, Profit & Loss Account, Auditors Report, Directors Report etc., as per the details given below

- 1 Name /s : _____
- 2 Address : 1. _____

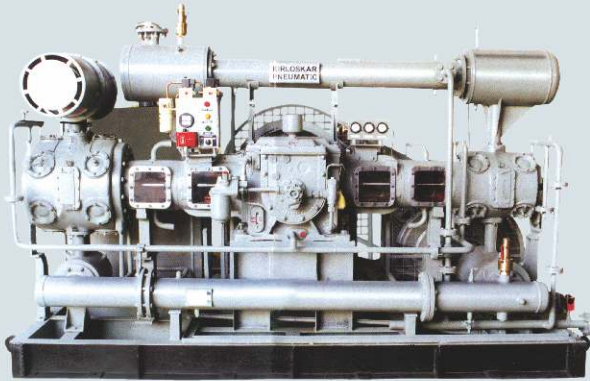
2. _____

3. _____

- 3 i. Folio No. : _____
ii. DPID : _____
iii. Client ID : _____
- 4 No. of Shares : _____
- 5 E-mail address : _____
(to be registered with the Company)

Signature of the Member/(s)

Horizontal Balanced Opposed
Piston Reciprocating Air Compressor



LP Gas Compressor Package
for ONGC (MHN) offshore platform



Gears during Heat treatment





Enriching Lives

KIRLOSKAR PNEUMATIC CO. LTD.

Regd. Office: Hadapsar Industrial Estate, Pune 411 013, INDIA.

Tel.: +91 (20) 2672 7000. Fax: +91 (20) 2687 0297 / 2681 2822

E-mail: sec@kpcl.net | Website: www.kirloskarkpcl.com www.kirloskar.com