



KALYANI FORGE LIMITED

BOARD OF DIRECTORS

NEELKANTH A. KALYANI
(Chairman)

MRS. R. G. KALYANI
(Vice Chairperson and
Managing Director)

G. N. KALYANI

UMESH R. LAHOTI

C. H. NANIWADEKAR

PRADIP P. NADKARNI

A. R. JAMENIS

S. RAVINDRAN

CHIEF EXECUTIVE OFFICER

K. R. MURALI

BANKERS:

State Bank of India,
Bank of Maharashtra,
DBS Bank Ltd.
Citi Bank NA,
HDFC Bank

SOLICITORS & ADVOCATES :

Karnik & Karnik
Pune

AUDITORS :

Dalal and Shah
Chartered Accountants,
Mumbai.

REGISTERED OFFICE:

Shangrila Gardens,
'C' Wing, 1st Floor,
Opp. Bund Garden,
Pune-411 001.
Website: www.kalyaniforge.co.in

WORKS:

1. Hot Forging Division (HFD)
Metal Forms Division (MFD)
Koregaon Bhima,
Tal. : Shirur,
District: Pune 412 207.
2. Precision Autocomp Division (PAD)
Gat No. 914/1 & 2, Sanaswadi
Tal. : Shirur,
District: Pune 412 208.



KALYANI FORGE LIMITED
Regd. Office : Shangrila Gardens, "C" Wing,
1st floor, Opposite Bund Garden, Pune 411 001

NOTICE

NOTICE is hereby given that the Thirty-first Annual General Meeting of the Members of KALYANI FORGE LIMITED will be held at Poona Club Ltd., 6, Bund Garden Road, Pune-411 001 on Saturday, the 17th day of July, 2010 at 11.00 a.m., to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2010, Profit & Loss Account for the year ended 31st March, 2010 and reports of the Directors Auditors thereon;
2. To declare dividend on equity shares;
3. To appoint a Director in place of Mr. U.R.Lahoti, who retires by rotation and being eligible, offers himself for re-appointment;
4. To appoint a Director in place of Mr. Pradip Nadkarni, who retires by rotation and being eligible, offers himself for re-appointment;

SPECIAL BUSINESS:

1. 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 of Pune (Firm Registration No.-101118W), be and are appointed as Statutory Auditors of the Company, in place of M/s Dalal & Shah, Chartered Accountants, to hold the office of Auditors from the date of this Meeting to the conclusion of the next Annual General Meeting of the Company on such remuneration and out of pocket expenses as may be decided by the Board."

2. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198,269,309,311 and all other applicable provisions, if any, read with Schedule XIII to the Companies Act, 1956, the Company hereby approves the re-appointment of Mrs. R.G. Kalyani as Managing Director, designated as Vice-Chairperson and Managing Director of the Company, for a further period of five years commencing from 29th January, 2010 on the terms conditions including payment to her by way of remuneration and commission as set out in the Explanatory Statement to the Notice convening this meeting with liberty to the Directors to alter or vary the terms and conditions of re-appointment in such manner as may be agreed to between the Directors and Mrs. R.G. Kalyani in the best interest of the Company;

RESOLVED FURTHER THAT in case of loss or inadequacy of profit in any financial year, Mrs. R.G.Kalyani be paid remuneration in accordance with applicable provisions of Part II of Schedule XIII to the Companies Act, 1956, or any amendment thereof or modification thereto;

RESOLVED FURTHER THAT the draft Agreement to be executed between the Company and Mrs. R.G. Kalyani recording her re-appointment as Managing Director and payment of remuneration and commission to her as set out in the Explanatory Statement to the Notice Convening this meeting, be and is hereby approved;

RESOVLED FURTHER THAT the Company Secretary be and is hereby authorized to take all such steps and do all acts as may be necessary, proper or expedient to give effect to this Resolution."

By Order of the Board of Directors
For Kalyani Forge Ltd.,

Pune
26th May, 2010

Shweta Naik
Company Secretary

**NOTES:**

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Proxies, in order to be effective, must be deposited with the Company at its Registered office not less than 48 hours before the time fixed for holding the Annual General Meeting.
3. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item No. 5 & 6 being special business is annexed hereto.
4. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, the 10th day of July, 2010, to Saturday, the 17th day of July, 2010, both days inclusive.
5. Members are requested to :
 - a) intimate any change in their address to the Company's Registrar and Share Transfer agents, Link Intime India Pvt. Ltd, Block No.202, Second Floor, Akshay Complex, Off.Dhole Patil Road, Near Ganesh Mandir, Pune - 411 001.
 - b) Quote client ID and DP ID numbers in respect of shares held in dematerialization form and ledger folio number in respect of shares in physical form in all correspondence.
6. Members/ Proxies are requested to bring Annual Report and attendance slip duly filled in.
7. Corporate members intending to send their authorized representative to attend meeting are requested to send a certified true copy of Board Resolution authorizing their representatives to attend and vote on their behalf at the Annual General Meeting.
8. Members holding equity shares in multiple folios in the identical order of names are requested to consolidate their holding into one folio.
9. Members desirous of getting any information concerning the accounts or operation of the Company, are requested to address their queries to the Company Secretary at least ten days in advance of the Annual General Meeting so that the information required can be made available at the meeting to the extent possible.
10. The dividend, as recommended by the Board, if declared at the Annual General Meeting will be paid on or after 17th July, 2010 to those persons or their mandate:
 - a) Whose names appear as Beneficial Owners as at the end of the business hours on Saturday, 10th July, 2010 in the list of Beneficial Owners to be furnished by NSDL and CDSL in respect of the shares held in electronic form; and
 - b) Whose names appear as members in the register of members of the Company after giving effect to valid share transfers in physical form lodged with the Company /Registrar and Share Transfer Agents on or before Saturday, 17th July, 2010.
11. Members holding shares in dematerialized form are requested to intimate any change in their address/name, bank details, ECS Mandates, nominations, power of attorney, etc. to their respective DPs only.
12. Members holding shares in physical form are requested to intimate any change in address, bank details, etc. to the Company's Registrar and Share Transfer Agents :

Link Intime India Pvt. Ltd,
Block No.202, Second Floor,
Akshay Complex
Off.Dhole Patil Road,
Near Ganesh Mandir,
Pune - 411 001.

Telephone - 9520 2605 1629 Fax - 9520 2605 3503

E-mail :pune@linkintime.co.in



13. Equity Shareholders who have not dematerialized are advised to dematerialize their shareholding, to avoid inconvenience in future and to reap benefits of de-materialization.
14. In order to provide better service to the Shareholders, the Company has introduced, in the year 2005, Electronic Clearing Service (ECS) for payments of dividend. Shareholders desirous of availing ECS facility may provide the required information to our Registrar and Transfer Agents.
15. Documents referred to in any of the items of the Notice are available for inspection at the factory address of the Company on any working day, up to the 17th July, 2010, during business hours of the Company.

16. Unclaimed Dividends:

The details of dividend paid by the Company and their respective due dates of the proposed transfer to such Fund of the Central Government if they remain unencashed are as under:

Dividend for the year	Date of declaration of Dividened	Dividend Rs. Per share	Due date of the proposed transfer to the Central Government
2002-03	24-Nov-2003	1.5	23-Nov-2010
2003-04	22-Sep-2004	2	21-Sep-2011
2004-05	21-Sep-2005	2	20-Sep-2012
2005-06	12-Sep-2006	2.2	11-Nov-2013
2006-07	22-Sep-2007	2.2	21-Sep-2014
2007-08	20-Sep-2008	2.2	19-Sep-2015
2008-09	18-Jul-2009	1.2	17-Jul-2016

It may please be noted that no claim will lie from a member once the transfer is made to the credit of Investor Education and Protection Fund of the Central Government, under the amended provisions of Section 205(C) of the Companies Act, 1956.

In view of the regulation, the shareholders are advised to send the entire unencashed dividend warrants to the Registered Office of the Company for revalidation and encash them before the due date for transfer to the Central Government.

By Order of the Board of Directors
For Kalyani Forge Ltd.,

Pune
26th May, 2010

Shweta Naik
Company Secretary



ANNEXURE TO THE NOTICE

Explanatory Statement as required by Section 173(2) of the Companies Act, 1956.

Item No.5:

The Company has received letter from Messrs. Dalal and Shah, Chartered Accountants expressing their unwillingness to continue to act as Auditors of the Company.

It is proposed to appoint Messrs. P.G Bhagwat, Chartered Accountants of Pune as Statutory Auditors, in place of the retiring auditors, from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting. Messrs. P.G Bhagwat, Chartered Accountants, have consented to act as Statutory Auditors of the Company, if appointed and have intimated that their appointment would be within the limits of Section 224(IB) of the Companies Act, 1956. The Directors commend the Resolution at Item 5 for the approval of the Members.

No Director is concerned or interested in this item of business.

Item No.6:

Members are aware that at the 26th Annual General Meeting of the Company held on 21st September, 2005 Mrs. R.G. Kalyani was appointed as Managing Director of the Company as per the provisions of Section 269 read with Schedule XIII to the Companies Act, 1956, for a period of five years commencing from 29th January, 2005 to 28th January, 2010 on the terms, inter-alia, as to remuneration including perquisites, benefits and amenities as set out in the agreement dated 29th January, 2005 entered into between the Company and Mrs. R.G. Kalyani.

In view of the growth in overall business operations of the Company, profitability and considering the responsibilities shouldered by Mrs. R.G. Kalyani, Vice-Chairperson and Managing Director, the Remuneration Committee had subject to approval of the Board, proposed that with effect from 29th January, 2010, Mrs. R.G. Kalyani be re-appointed as Managing Director, designated as Vice-Chairperson and Managing Director for a further period of five years with effect from 29th January, 2010 till 28th January, 2015 and recommended remuneration payment of commission as per provision of the Companies Act, 1956 and Schedule XIII to the Act.

The Board of Directors at their meeting held on 22nd January, 2010 accepted the recommendation of the Remuneration Committee as to remuneration and commission as detailed hereafter:

- (I) **SALARY** : Rs. 113,400 (Rupees One Lac thirteen Four Hundred only) per month.
- (II) **COMMISSION** : Commission not exceeding 5% of the net profits of the Company in a particular year, computed at the end of the financial year in accordance with Section 349 and other applicable provisions of the Companies Act, 1956, which put together with salary and perquisites shall be subject to the overall ceiling laid down in sections 198, 309 and Schedule XIII to the Companies Act, 1956.
- (III) **PERQUISITES** : In addition to salary Mrs. R.G. Kalyani shall also be entitled to following perquisites classified in three categories as under :

CATEGORY 'A'

1. RESIDENTIAL ACCOMMODATION:

- (A) The expenditure by the company on hiring furnished accommodation for the Managing Director will be subject to ceiling of 40% of the salary.
- (B) The Company will provide rent-free furnished accommodation.
- (C) In case no accommodation is provided by the company, the Managing Director shall be entitled to House Rent Allowance subject to the ceiling laid down in Residential Accommodation (A).

2. MEDICAL REIMBURSEMENT:

Expenses incurred for the Managing Director and the family subject to a ceiling of 15 days Salary in a year or 45 days Salary over a period of three years.

**3. ANNUAL LEAVE TRAVEL CONCESSION:**

For self and family once in a year incurred in accordance with the rules of the Company, subject to the limit of one month salary in a year or 90 days salary over a period of three years.

EXPLANATION :For the purpose of Category 'A' "family" means the spouse, the dependent children and dependent parents of the Managing Director.

4. CLUB FEES:

Fees of clubs up to Rs. 25,000 per annum, subject to a maximum of two clubs, excluding admission and life membership fees.

CATEGORY 'B'

- a) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent that these either singly or put together are not taxable under the Income Tax Act, 1961.
- b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.
- c) Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

CATEGORY 'C'

Free use of Company's car with driver including maintenance of car for use on Company's business and telephone at residence.

The provision for use car for official duties and telephone facility at residence shall not be included in computation of perquisites for the purpose of calculating the said ceiling.

However, personal long distance calls on telephone and use of car for private purposes shall be billed by the Company to the Managing Director.

MINIMUM REMUNERATION:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of the Managing Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites as specified in Schedule II of Part II of Schedule XIII to the Companies Act, 1956, as may be amended from time to time.

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

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
2. Gratuity at the rate not exceeding half a months salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

SITTING FEES:

The Managing Director shall not be paid any sitting fees for attending the meetings of the Board of Directors or committee thereof.

The terms and conditions of the appointment and /or agreement may be altered and varied from time to time by the Board as it may, in its discretion deem fit, within the maximum amount payable to the Managing Director in accordance with Schedule XIII to the Companies Act, 1956, as may amended from time to time.

The remuneration including commission payable to Mrs. R.G. Kalyani, Managing Director is in accordance with Schedule XIII to the Companies Act, 1956 and will be calculated on annual net profits of the Company determined in accordance with Section 349 of the Act is subject to the provisions of Section 198, 309, 310 and 311 and all applicable provisions of the Act.

The appointment and payment of remuneration to Managing Director are subject to the approval of the members at the ensuing annual general meeting of the Company.

The Board commends passing of the Ordinary Resolution as set out at Item No.6 of accompanying Notice.

**Memorandum of Interest:**

Mrs. R.G.Kalyani is concerned and interested being her own appointment.

Mr. N. A.Kalyani and Mr. G.N. Kalyani, Directors of the Company being related to Mrs. R.G. Kalyani may be deemed to be concerned and interested in the resolution under Item No. 6.

Save as aforesaid, none of the other Directors of the Company is any way concerned or interested in the said resolution.

The agreement between the Company and Mrs. R.G. Kalyani is available for inspection on any working day of the Company between 11.00 a.m. and 2.00 p.m. only at the registered office of the Company.

The relevant abstract, as required under Section 302 of the Companies, 1956 had already been sent to the shareholders of the Company at the time of approval of the Board.

For those who have not received the same may treat above as an abstract under Section 302 of the Companies Act, 1956.

By Order of the Board of Directors
For Kalyani Forge Ltd.,

Pune
26th May, 2010

Shweta Naik
Company Secretary

**DIRECTORS' REPORT****For the year ended 31st March, 2010**

To
The Members,

The Directors have pleasure in presenting their 31st Annual Report on the business and operations of the Company together with audited statement of accounts for the year ended 31st March, 2010.

1. FINANCIAL RESULTS:

Particulars	(Rs.Millions)	
	Financial Year	
	2009-10	2008-09
Total Income	1826.10	1857.92
Gross Profit before Depreciation,	164.50	111.00
Profit after Depreciation	59.36	20.20
Profit for the year	39.13	8.40
Add/Less : Prior Period Adjustment	-6.03	1.00
Add : Balance of Profit from Previous Year	544.20	542.40
Profit available for appropriation	577.30	551.80
Less : Transfer to General Reserve	6.00	2.50
Less : Proposed Dividend on Equity Capital	6.55	4.40
Less : Tax on above dividend	1.11	0.70
Surplus retained in Profit and Loss A/C	563.64	544.20

2. DIVIDEND:

Your Directors recommend dividend of Rs.1.80 per equity share of Rs.10 each(18%) for year ended 31st March,2010.

3. PERFORMANCE REVIEW:

Net sales from operations increased marginally from Rs. 1611.6 Million to Rs. 1620.4 Million. The year saw first 6 months hit by economic adversities, while the last 6 months experienced a steady growth due to rigorous controls over costs necessitated by recessionary pressure resulted in increase in Profit Before Tax as a percentage of sales to 3.8% from 1.25% in the previous year. This was also impacted by reduced input material cost (51.65% against 54.8% in 2008-09). During the year the product sales mix was modified so as to exclude dies with high material consumption.

During the financial year we continued with new product development initiatives which will translate into business in the times to come.

However we could not stop increase in Net working capital to Rs. 506.7 Million (31.3% of Net Sales) as compared to Rs. 441.4 Million (27.4% of Net Sales). This was mainly due to sudden increase in the requirement of the market and in our sales schedules during Second Half of the financial year.

4. DIRECTORS:

During the year under review, there is no change in the composition of the Board of Directors of the Company.



Pursuant to Section 256 of the Companies Act, 1956 read with articles 160,161 of Articles of Association of the Company, Mr. U.R.Lahoti and Mr.Pradip Nadkarni, Directors retire by rotation and are eligible for re-appointment at the ensuing Annual General Meeting.

The brief profile of the Directors seeking re-appointment, as required to be disclosed under Clause 49 of the Listing Agreement, form part of the Corporate Governance Report.

5. FIXED DEPOSITS:

The Company has not accepted any fixed deposits from the public within the meaning of Section 58A of the Companies Act, 1956.

6. TRANSFER TO GENERAL RESERVE:

During the year a sum of Rs. 6 millions has been transferred to the General Reserve Account.

7. AUDITORS:

The existing Statutory Auditors of your Company M/S Dalal & Shah , Chartered Accountants, Mumbai have communicated to the Company their unwillingness to be re-appointed as Statutory Auditors of the Company and hence are not offering themselves for re-appointment in the ensuing Annual General Meeting.

It is proposed to appoint M/S P.G. Bhagwat, Chartered Accountants, Pune as Statutory Auditors, in place of retiring auditors, from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting on a remuneration as may be decided by the Board of Directors.

8. AUDITORS' REPORT:

The observations made in the Auditors' Report, read together with the relevant notes thereon, are self explanatory and hence does not call for any comments under Section 217(3) of the Companies Act, 1956.

9. DIRECTORS' RESPONSIBILITY STATEMENT:

To the best of their knowledge and belief and according to the information and explanation obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956:

- i) that in the preparation of the annual accounts for the Financial Year ended 31st March, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) that the Directors have selected such accounting policies and applied them consistently and judgments and estimates have been made that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on 31st March,2010, and of the profit of the Company for the year ended on that date;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities and
- iv) that the annual accounts have been prepared on a going concern basis.

10. CORPORATE GOVERNANCE:

As per Clause 49 of the Listing Agreement with the Stock exchanges, a separate section on corporate governance practice followed by the Company, together with a certificate from the Company's Auditors confirming compliance, is set out in the annexure forming part of this report.

11. PARTICULARS OF EMPLOYEES:

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees is given in Annexure I to the Directors' Report.

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

The particulars of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 are given in Annexure II to the Directors' Report.

13. APPRECIATION:

Your Directors would like to thank to the Bankers, Central and State Government, Investors and Employees of the Company and wish to acknowledge and place on record their sincere appreciation for the continuous excellent support given by them to the Company and their confidence in its management. Industrial relations continued to be cordial and peaceful.

For and on behalf of the Board

Pune
26th May, 2010

Neelkanth A. Kalyani
Chairman



ANNEXURE – I TO THE DIRECTORS' REPORT:

Information as per Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended and forming part of the Directors' Report for the year ended on 31st March, 2010

1. Name of the employees employed throughout the year and who were in receipt of remuneration for the year which, in the aggregate, was not less than Rs. 2,400,000 in terms of Section 217(2A)(a)(i)

Name of the Employee, Qualification, Designation & Nature of duties.	(Age) Experience.	Gross Remuneration, Date of commencement of employment.	Particulars of last employment held, Designation, Organisation
Mr. K. R. Murali, B. E. (Mechanical), Chief Executive Officer	(46) 23 years	Rs. 32,00,000 22.02.2009	Executive Director, Flow Serve Sanmar Ltd.

Notes : 1. Designation denotes the nature of duties also.

2. Gross remuneration includes Salary, Company's Contribution to Provident Fund and Superannuation Fund, Allowances, Perquisites, Privilege Leave, Leave Encashment etc.

For and on behalf of the Board

Pune
26th May, 2010

Neelkanth A. Kalyani
Chairman

ANNEXURE - II TO THE DIRECTORS' REPORT:

Information as per Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, and forming part of the Directors' Report for the year ended 31st March, 2010 :

A) CONSERVATION OF ENERGY:

- a. Energy conservation measures taken:

Preventive measures to reduce the consumption per unit of production have been taken.

- b. Total energy consumption and energy consumption per unit of production as per Form-A of the Annexure to the Rules in respect of Industries specified in the schedule thereto:

Sr No	Description	Current Year 2009-10	Last Year 2008-09
1)	Power and Fuel Consumption		
i)	Electricity		
	a) Purchased Units (KWH)	21,573,453	20,897,430
	Total amount (Rs)	109,052,009	95,779,207
	Rate/Unit (Rs)	5.05	4.60
	b) Own Generation		
	i) Through Diesel Generator (KWH)	241,211	190,894
	ii) Through Steam Turbine / Generator	-	-
ii)	Coal	-	-
iii)	Fuel Oil :		
	Quantity (Litres)	1,297,140	933,000
	Total Amount (Rs)	47,710,930	35,593,613
	Avg. Rate / Litre (Rs)	36.78	38.15



Sr No	Description	Current Year 2009-10	Last Year 2008-09
2)	Consumption per unit of Production :		
	Product: High Quality Close Tolerance Die Forgings		
	Unit: M.T.	12,803	11,913
	Electricity (KWH)	1,665	1,754
	Fuel Oil (KL/Ton)	0.101	0.078
	Coal	NIL	NIL

B) TECHNOLOGY ABSORPTION :

Efforts made in technology absorption as per Form B of the Annexure to the Rules:

A. Specific areas in which R&D was carried out by the Company :

- During the year Kalyani Forge's Engineering team developed variety of parts to customers' specific requirements. These developments involved new raw material selection, die development and try out. Some of these include components going into Railway Brakes, Engine, Suspension and the Transmission.
- R&D was also carried out to improve die life, die down time and reduction in the raw material utilization.
- In the area of cold forging, R&D efforts were focused on conversion of hot forgings, warm forgings and gravity die casting into cold forged parts.

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

- Improved business from existing and new customers as a result of new product development.
- Cost reduction to customers using more expensive manufacturing process.
- Reduction in in-house operation cost related to tools and dies.

C. Future plan of action

- Automation of Presses.
- Further development in cold forging area with potential technology partner.
- Development of new manufacturing processes in Machine Shop to address new customer needs.

D. Expenditure on R&D :

	(Rs. in Million)
i) Capital	NIL
ii) Recurring	2.301
iii) Total	2.301
iv) Total R&D Expenditure as a percentage of total turnover	0.14%

E. Technology Absorption, Adaptation and Innovation :

In Kalyani Forge, Technology Absorption, Adaptation and Innovation is a continuous process to support business growth and customer satisfaction. This helps the Company to broad based product offerings to customers so that customers could procure a variety of forgings, machined and un-machined under one roof.

For and on behalf of the Board

Pune
26th May, 2010

Neelkanth A. Kalyani
Chairman



MANAGEMENT DISCUSSION AND ANALYSIS

A) Economic Scenario and Industry Structure :

Coming out of the Global Recession during 2008-09, Indian economy showed strong growth especially in the second half of 2009-10. GDP grew over 6.5% in 2009-10. Significant part of this growth is the contribution of industrial growth at 4.8% compared to 1.6% in 2008-09.

While the automotive industry growth was stagnant during 2008-09, the industry growth was over 25% in 2009-10, thanks to easier availability of loan, lower interest rate and reduction in excise duty on vehicles. The leading segment of the growth was the commercial vehicle segment with a growth of overall 36%. The following table indicates segment-wise growth of automotive industry over last 3 years. Along with this growth, the commodity prices (steel and oil) hardened during the second half of the financial year putting significant pressure on the cost of manufacturing across the automotive and automotive component industry.

Segment	2007-08	2008-09	2009-10
Passenger Car	1,777,583	1,838,697	2,351,240
Commercial Vehicle	549,006	417,126	566,608
3-Wheeler	500,660	501,030	619,093
2-Wheeler	8,026,681	8,418,626	10,512,889
Total	10,853,930	11,175,479	14,049,830

Source: SIAM Report

B) Opportunities & Threats:

During the year 2008-09 and most part of 2009-10, Kalyani Forge Ltd had systematically identified and executed cost control measures. These measures are expected to pay rich dividends during 2010-11 as the Company grows on a much leaner cost structure.

Indian auto industry growth is expected to continue during 2010-11. Early but strong signs of revival in Kalyani Forge's export market are seen during the last quarter of 2009-10 and are expected to continue through 2010-11.

With the above 2 positive indicators, KFL's growth opportunities are encouraging.

The major threats, however, lay in spiraling input cost which would affect the bottom-line, ability to attract and retain talent at all levels of the Organization and possibility of export growth being hesitant.

C) Segment :

Your Company operates only in one segment i.e. Forging.

D) Outlook :

All macro economic indicators show a positive outlook for the year 2010-11. The economy is expected to grow over 8% and industrial output is estimated to be growing at 9% in 2010-11. Automotive Industry, which is the main stay of your business, is also expected to grow over 12%.

In the light of the above, Kalyani Forge's growth in top-line is expected to be 15%. With leaner cost structure established during last year, bottom-line growth is expected to be significantly higher than the top-line growth.

E) New Business Development :

Traditionally, Automotive Industries grow with launch of new vehicles periodically and Tier I Companies growth is critically dependent on the ability to develop and launch new products on time to the OEMs. Over the last 3 decades, Kalyani Forge has developed and sustained this capability. In the year 2010-11, revenue on account of new products will be more than 20% of total revenue. Organizationally, Kalyani Forge has recently aligned itself to ensure that enhanced focus is given to both business development and new product launches.

**F) Risks and Concerns:**

One of the key risks we are facing is related to attraction and retention of talent, both at working level and at managerial level. Being a Technology Company, hiring and retaining top-notch talent is a key to continued success of your Organization.

With export opportunities opening up again after recession, your Company's revenues through exports would be close to 25% in the year 2010-11. Exposure to export market has its own set of risks in terms of business continuity and maintaining highest product quality.

G) Internal Controls and Adequacy:

Through the year 2009-10 both with external help and internal controls, the SAP utilization has improved significantly ensuring timely and accurate data for decision making. We are continuing to invest in training of people in using SAP. We are also integrating as many control processes as possible in SAP to ensure adequate internal controls in place.

H) Financial and Operational performance :

During the year 2009-10 the Company produced 12803 MT of forgings as against 11913 MT produced during 2008-09. More significantly, the utilization of assets in Machine Shop improved leading to supply of value added forgings to customers. Between April, 2009 and March, 2010, the sale of value added forgings increased from Rs. 10 million to Rs. 50 million a month. More components were added in the warm and cold forging division with the output improving by 22% in 2009-10 compared to 2008-09.

In terms of cost control, several initiatives like raw material yield improvement, power consumption, oil consumption, stores and die steel consumption were deployed leading to overall control in cost of manufacturing.

I) Manpower Development in HR and Industrial relations:

As the economy improved during 2009-10, the Company started rehiring employees to support the growth in the second half of the year. Many of the employee benefits which were curtailed during the recession were reinstated. Industrial relations continued to be cordial during the Financial Year.

J) Wage Agreement :

The union agreement is in the advance stage of finalization and is expected to be concluded in the 1st Quarter of 2010-11.

K) Corporate Social Responsibility :

As a part of its corporate responsibility to the society, your Company has been supporting and providing assistance to nearby villages by providing books and other stationery, providing clean drinking water facility, sharing knowledge and experience with students by the Company employees, giving donations to NGOs for upliftment of unprivileged communities.

L) Cautionary Statements:

Statements in the management discussions and analysis section describing company's projections, estimations, expectation and predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from the expressed or implied. Important factors that would make a difference to the company's operations include demand supply conditions, raw material prices, changes in government regulations, tax regimes, competition, economic developments within and outside the country, etc.



REPORT ON CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement, a report on Corporate Governance is given below:

MANDATORY REQUIREMENTS

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Kalyani Forge Limited is committed and continues to focus on good Corporate Governance by being transparent and by maintaining a high level of integrity, accountability and social responsibility. The Company has set its corporate governance philosophy to enhance the long-term value of Company's stakeholders.

In our endeavor to adopt the best Corporate Governance and disclosure practices, the Company complies with all the requirements of the Clause 49 of the Listing Agreement(s), entered with National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

2. BOARD OF DIRECTORS:

a) Size and Composition of Board:

- The present strength of your Company's Board is eight Directors comprising of Non-Executive Chairman of the Board, Mr. Neelkanth A. Kalyani who is a Promoter, four are Non- Executive and Independent Directors viz. Mr. C. H. Naniwadekar, Mr. Pradip P. Nadkarni, Mr. A.R. Jamenis and Mr. S. Ravindran. More than fifty percent of the Board comprises of independent Directors. The Composition of Board is in conformity with Clause 49 of the Listing Agreement entered into with Stock Exchanges.

The day to day management of the Company is conducted by the Vice Chairperson & Managing Director subject to the supervision and control of the Board of Directors.

None of the Directors on the Board is a member on more than ten committees and Chairman of more than five committees across all the Companies in which they are Directors. None of the Non-Executive Directors has any pecuniary relationship or transaction with the Company. The necessary disclosures regarding committee positions in other public companies as on 31st March, 2010 have been made by the Directors.

During the financial year 2009-10 Four Board Meetings were held on 30th May, 2009, 18th July 2009, 30th October, 2009 and 22nd January, 2010,

The attendance at the Board meeting held during the financial year 2009-10 and at last annual general meeting, the number of other directorships and committee memberships/chairmanships of Directors as on 31st March, 2010, are as follows:

Name	Category	Number of Board Meetings held during the year 2009-10		Whether attended last AGM	No. of Directorship in other Public Ltd. Companies	Committee positions held in other Public Limited Companies	
		Held	Attended			Member	Chairman
Dr. N.A. Kalyani	Promoter and Chairman, Non Executive	4	3	Yes	1	--	--
Mrs. R.G. Kalyani	Vice Chairperson & Managing Director Executive Director	4	4	Yes	-	--	--
Mr. G. N. Kalyani	Non Executive Director	4	4	Yes	-	--	--



Name	Category	Number of Board Meetings held during the year 2009-10		Whether attended last AGM	No. of Directorship in other Public Ltd. Companies	*Committee positions held in other Public Limited Companies	
		Held	Attended			Member	Chairman
Mr. U.R.Lahoti	Non Executive & Independent Director	4	-	No	6	2	--
Mr.C.H. Naniwadekar	Non Executive & Independent Director	4	4	Yes	1	--	--
Mr. Pradip Nadkarni	Non Executive & Independent Director	4	4	Yes	--	--	--
Mr. A.R.Jamenis	Non Executive & Independent Director	4	4	Yes	1	2	--
Mr.S.Ravindran	Non Executive & Independent Director	4	4	Yes	--	--	--

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

b) Code of Conduct

The Board of Kalyani Forge Limited has laid down a Code of Conduct for all Board Members and Senior Management personnel of the Company. The Code of Conduct is available on the website of the Company, www.kalyaniforge.co.in. All Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct and the Managing Director has confirmed the same.

c) Details of Directors retiring by rotation and seeking re-appointment at the forthcoming Annual General Meeting are given below:

Name of the Director	Mr. U.R. Lahoti	Mr. Pradip Nadkarni
Date of Birth	11/02/1965	14/09/1948
Date of Appointment	26/03/1996	28/07/2007
Qualification	B.Com	B.Tech(Mech)
Expertise in specific functional area	Yarn export	Engineering
List of outside Directorships held	1. Lahoti Overseas Ltd 2. Hind Commerce Ltd 3. Lahoti Terra Knitfab Ltd 4. G. Varadan Ltd 5. Lahoti Spintex Ltd 6. Kirti Stockbrokers Pvt Ltd 7. Madhya Pradesh Stock Exchange Ltd	Nil



Chairman/Member of the Committees of the Board of Directors of the Company	Nil	Nil
Chairman/Member of the Committees of Director of other Companies in which he is a Director	3	Nil
Shareholding in KFL as on 31st March, 2010	Nil	100

3. AUDIT COMMITTEE:

The Audit Committee of the Company has been constituted in line with the provisions of clause 49 of the Listing Agreement read with section 292A of the Companies Act, 1956.

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures, transparency, integrity and quality of financial reporting.

The Audit Committee comprises of four members all of which are Non-Executive Independent Directors.

Mr. C.H. Naniwadekar is the Chairman of the Audit Committee.

Mrs. Shweta Naik, Company Secretary is the Secretary to the committee.

Terms of reference to Audit Committee cover the matters specified under clause 49 of the Listing Agreement with the Stock Exchanges read with provisions of section 292(A) of the Companies Act, 1956.

a) Composition and attendance at Audit Committee meeting:

During the year under review four Audit Committee meetings were held on 30th May, 2009, 18th July 2009, 30th October, 2009 and 22nd January, 2010.

The composition of the Audit Committee as on 31st March, 2010 and attendance of members in the meetings held during the financial year 2009-10 are as under:

Name of the Member	Category	No. of meetings attended
Mr. C.H. Naniwadekar (Chairman)	Non Executive & Independent Director	4
Mr. Pradip Nadkarni	Non Executive & Independent Director	4
Mr. A. R. Jamenis	Non Executive & Independent Director	4
Mr. S. Ravindran	Non Executive & Independent Director	4

4. REMUNERATION COMMITTEE:

The purpose of the Remuneration Committee of the Board is to discharge the Board's responsibilities relating to compensation of the Company's Executive Directors and Senior Management. The committee has overall responsibility for approving and evaluating the Executive Director and Senior Management compensation plans, policies and programmes.

The Committee consists of three Non-Executive Independent Directors.

Mr. S. Ravindran is the Chairman of the Remuneration Committee.

a) Composition and attendance at the Remuneration Committee:

Name of the Director	Category	No. of meetings attended
Mr. S. Ravindran (Chairman)	Non Executive & Independent Director	1
Mr. A. R. Jamenis	Non Executive & Independent Director	1
Mr. C.H. Naniwadekar	Non Executive & Independent Director	1



b) Meetings of Remuneration Committee :

During the financial year 2009-10, the meeting of remuneration committee was held on 22nd January, 2010.

c) Remuneration Policy :

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice.

d) Remuneration to Directors :

The Company pays remuneration by way of salary, perquisites, allowances and commission to its Vice Chairperson and Managing Director. The Commission to the Vice Chairperson and Managing Director is decided by the Remuneration Committee on determination of the profits for the financial year and is also approved by the Board of Directors.

The details of remuneration paid to Directors of the Company during the financial year 2009-10 are as under:

(Amount in Rupees)

Name of the Director	Sitting fees including fees for Committee Meetings	Salaries & Perks	Commission proposed & payable after approval of Accounts by shareholders in AGM	Total Amount
Dr. N. A. Kalyani	12,000	-	75,000	87,000
Mrs. R.G. Kalyani	-	2,885,767	128,988	3,014,755
Mr. G. N. Kalyani	11,000	-	100,000	111,000
Mr. U. R. Lahoti	-	-	-	-
Mr.C.H.Naniwadekar	23,500	-	100,000	123,500
Mr. Pradip Nadkarni	22,500	-	100,000	122,500
Mr. A. R. Jamenis	23,500	-	100,000	123,500
Mr.S.Ravindran	25,500	-	100,000	125,500

The remuneration to the Vice Chairperson and Managing Director is within the ceiling prescribed under the provision of the Companies Act, 1956.

All Non-Executive Directors of the Company receive sitting fees for each meeting of Board and Committee thereof attended by them. The net profits of the Company, not exceeding 1% are distributable as commission, amongst the Non-Executive Directors considering the special services and efforts rendered by them. Other than sitting fees and commission on the net profits of the Company, no other remuneration is paid to the Non-Executive Directors during the financial year.

Your Company presently does not have performance linked incentives for its Directors. No severance fee is payable.

5. SHAREHOLDERS'/ INVESTORS' GRIEVANCE COMMITTEE:

Shareholders'/ Investors' Grievance Committee was constituted to look into redressal of Shareholders and Investors' Complaint and matters such as non-receipt of annual report, non-receipt of dividend and to look into matters that can facilitate better services and relations.

The committee is consisting of three Non-Executive Independent Directors.

Mr. A.R.Jamenis is the Chairman of the committee.



a) Composition and attendance at the Shareholders'/ Investors' Grievance Committee:

Name of the Director	Category
Mr. A.R.Jamenis (Chairman)	Non Executive & Independent Director
Mr. Pradip Nadkarni	Non Executive & Independent Director
Mr. C.H.Naniwadekar	Non Executive & Independent Director

Mrs. Shweta Naik, Company Secretary is the Secretary to the committee.

b) Meetings of Shareholders'/ Investors' Grievance Committee :

During the financial year 2009-10, there were no meeting of Shareholders'/ Investors' Grievance Committee.

The Company received 39 Complaints during the year and all of them were resolved. There were no pending share transfer and complaints as on 31st March, 2010.

6. DETAILS OF THE ANNUAL GENERAL MEETINGS:

The details of previous three Annual General Meetings of the Company are as follows:

Financial Year	Date and Time	Venue	Special Resolutions passed
2006-07	22nd September,2007 at 11.30 a.m.	Poona Club Ltd., Camp Pune- 411 001	2
2007-08	20th September,2008 at 11.30 a.m.	Poona Club Ltd., Camp Pune- 411 001	1
2008-09	18th July, 2009 at 11.30 a.m.	Poona Club Ltd., Camp Pune- 411 001	-

During the financial year under review, no resolutions have been passed by postal ballot.

7. DISCLOSURES :

a) Materially Significant Related Party Transactions :

All related party transactions form part of the notes to the Balance Sheet. Saving those, there were no materially significant related party transactions with Company's promoters, directors or its management, their subsidiaries or relatives, etc. that had a potential conflict with the interest of the Company. The register of contracts containing transactions, in which Directors are interested, is placed before the Board regularly.

b) Accounting Treatment

No treatment different from that prescribed in Accounting Standards has been followed by the Company.

c) Statutory Compliance, Strictures and Penalties

The Company has complied with rules and regulations prescribed by the Stock Exchanges, Securities and Exchange Board of India and any other statutory authority relating to capital market.

No penalties and/or strictures have been imposed on the Company by any Stock Exchange or SEBI or any statutory authority during the last three years.

8. MEANS OF COMMUNICATION :

Quarterly and Half-yearly results are published in one of the renowned English and Marathi dailies, published from Pune. The results are also prominently updated in Company's website, www.kalyaniforge.co.in. There are hardly any official news required to be released on website or even in Press.

**9. GENERAL SHAREHOLDER INFORMATION**

a) AGM Information and Financial Year :

Day, Date and Time of AGM	:	Saturday, 17th July 2010 at 11.00 a.m.
Venue	:	Poona Club Ltd., Camp, Pune-411 001
Financial Year	:	1st April 2009 to 31st March 2010
Date of Book Closure	:	10th July, 2010 to 17th July, 2010 (both days inclusive)
Dividend Payment Date	:	On and after 17th July, 2010

b) Listing on Stock Exchanges and Scrip Code :

The Company's shares have been listed on the following exchanges:

- I. National Stock Exchange of India Limited (NSE), Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai-400 051
- II. Bombay Stock Exchange Limited (BSE), Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001

Annual listing fees have been paid for the financial year 2010-11.

Scrip Code BSE Code: 513509

NSE Code: KALYANIFRG

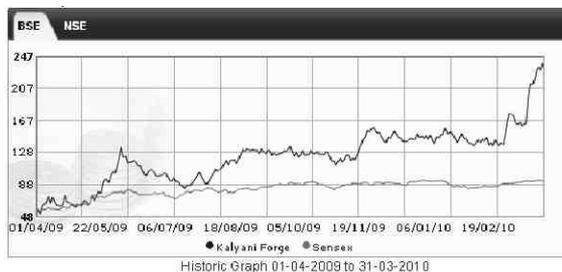
c) Market Price Data :

The monthly high and low quotations and volume of shares traded on BSE and NSE from 1st April, 2009 upto 31st March, 2010 are as follows:

Month	BSE		NSE	
	High(Rs)	Low(Rs)	High(Rs)	Low(Rs)
April-2009	77.5	50	84	53
May-2009	101.95	56	98.50	60
June-2009	134.3	95.2	128.70	91.05
July-2009	114	82.6	109.65	82.15
August-2009	136.95	92.9	130.20	95.55
September-2009	134.8	120.5	138.5	116.05
October-2009	135	116	135	115.5
November-2009	164	112	165	111
December-2009	163.7	136.05	160	135
January-2010	168.5	136.05	170	135
February-2010	159	130.1	156	130.05
March-2010	244.95	134.6	245	135.30

d) Performance in comparison to the Board-based Indices

Performance in comparison to BSE Sensex





Performance in comparison to NSE Nifty



e) Registrar & Share Transfer Agent and Share Transfer System :

Link Intime India Private Limited is the Registrar & Share Transfer Agent (RTA) of the Company in respect of the equity capital in demat and physical mode. They process share transfer and transmission on fortnightly basis. Their address is as follows:

Link Intime India Pvt. Ltd,
Block No.202, Second Floor,
Akshay Complex, Off.Dhole Patil Road,
Near Ganesh Mandir, Pune - 411 001.
Telephone - 9520 2605 1629 Fax - 9520 2605 3503
E-mail:pune@linkintime.co.in

f) Share Transfer System:

Transfer in physical form has to be lodged with Registrar and Share Transfer Agents. All shares received for transfer were registered and dispatched within thirty days of receipts, if the documents were correct and valid in all respects. The time taken to process dematerialisation of shares is ten days upon receipt of documents from Depository Participant.

g) Shareholding pattern as on 31st March, 2010:

Category	Number of Shares	Percentage (%)
Promoter and Promoter Group	21,30,646	58.57
Non Resident Indians	3,535	0.10
Bodies Corporate	7,95,540	21.86
Resident Indians	6,97,656	19.17
Nationalized Banks & Trust	600	0.02
Clearing Member	10,023	0.28

h) Distribution of Shareholding as on 31st March,2010 :

Shareholding Class(Rs.)	No. of Shareholders	Total Holding in Rupees	Percentage of Total Holders (%)	Percentage of Total Capital (%)
Up to 5000	3236	32,97,420	96.54	9.06
5001-10000	48	3,61,960	1.43	1.00
10001-20000	19	2,95,970	0.57	0.81
20001-30000	7	1,73,400	0.21	0.48
30001-40000	4	1,46,660	0.12	0.40
40001-50000	2	86,040	0.06	0.24
50001-100000	2	1,46,400	0.06	0.40
100001& above	34	318,72,150	1.01	87.61
Total	3352	3,638,000	100.00	100.00



i) Dematerialization of shares and liquidity:

Company's equity shares are being dealt with in dematerialized form and the ISIN is INE314G01014.

As on 31st March, 2010, 2,199(65.60%) Shareholders hold 7,20,422 (19.80%) in demat form.

j) Outstanding GDR/Warrants or convertible bonds, conservation dates and likely impact on liquidity :

The Company has not issued any GDRs/ ADRs/ Warrants or other instruments, which are pending for conversion.

k) Plant Location:

Hot Forging Division (HFD) and Metal Forms Division (MFD)
Koregaon Bhima,
Tal: Shirur, Dist. Pune.
Pin - 412 207.

Precision Autocomp Division (PAD)
Gat No. 914/1 & 2, Sanaswadi,
Tal : Shirur, Dist: Pune,
Pin - 412 208

l) Address for Correspondence

Registered Office :-

Kalyani Forge Limited
Shangrila Gardens, 'C' Wing, 1st Floor,
Opp. Bund Garden, Pune - 411 001

Factory:-

Kalyani Forge Limited
Koregaon Bhima, Tal: Shirur
Dist.- Pune, Pin - 412 216
Phone : 02137-252335, 252755, 252757
Fax : 02137-252344, 252756

For effective and efficient Investor Grievance Management, the Company has dedicated E-mail Id investors@kforge.com.

All communications related to non-receipt of Annual Report, Dividend Warrants, Share Certificates after transfer, etc. may be sent to the above-mentioned e-mail address, as well as to the e-mail address of our Registrar and Share Transfer Agents, M/s. Link Intime India Pvt. Ltd, Pune, i.e., pune@linkintime.co.in

**VC&MD & CFO CERTIFICATION**

To,

The Board of Directors,

As required by sub clause V of the Clause 49 of the Listing Agreement entered with the stock exchanges, this is to certify that:

- A. We have reviewed Financial Statements and Cash Flow Statement for year ended 31st March, 2010 and that to the best of our knowledge and belief:
 - I. These statements do not contain any material untrue statement of fact or omit to state any material fact or contain any statement that that might be misleading;
 - II. These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct;
- C. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or proposed to take to rectify these deficiencies;
- D. We have indicated to the auditors and the Audit Committee-
 - I. Significant changes in internal controls during the period;
 - II. Significant changes in accounting policies during the period and that the same have been disclosed; and
 - III. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

For Kalyani Forge Limited,

R.G. Kalyani
Vice Chairperson & Managing Director

Mangesh Annachhatre
Chief Finance Officer

As provided under clause 49 of the Listing Agreement entered with the stock exchanges, the board members and the senior management personnel have confirmed compliance with the Code of Conduct and Ethics for the financial year ended 31st March 2010.

For Kalyani Forge Ltd.,

Pune
26th May, 2010

R.G. Kalyani
Vice Chairperson & Managing Director



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

To

THE MEMBERS OF
KALYANI FORGE LIMITED

We have examined the compliance of conditions of Corporate Governance by Kalyani Forge Limited, for the year ended 31st March, 2010, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the 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.

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

Anish Amin
Partner
Membership Number:40451

Mumbai
26th May, 2010

**REPORT OF THE AUDITORS**

TO
THE MEMBERS OF
KALYANI FORGE LIMITED

1. We have audited the attached Balance Sheet of Kalyani Forge Limited, as at 31st March, 2010, 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 based 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, 2010 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2010 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 2010;
 - (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

Mumbai
26th May, 2010

Anish Amin
Partner
Membership Number:40451

**ANNEXURE TO AUDITORS' REPORT**

Referred to in paragraph 3 of the Auditors' Report of even date to the members of KALYANI FORGE LIMITED on the financial statements for the year ended 31st March, 2010

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 three 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 has been physically verified by the management during the year. In respect of inventory lying with third parties, these have been substantially 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 and the results of the internal audit, there are internal control systems 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. However, the same are required to be strengthened in view of increasing complexities in the operating environment.**
5. (a) In 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 public in terms of Sections 58A and 58AA of the Act and the rules framed there under.
7. On the basis of the Internal audit reports broadly reviewed by us, we are of the opinion that, the Company has an adequate internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
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, 2010 which have not been deposited on account of a dispute, are as follows -

Name of the statute	Nature of dues	Amount under dispute not deposited (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Sales Tax	Demand received for various cases.	-	-	-
Income Tax	Demand received for various cases.	695,976	1991-92	High Court
Wealth Tax	Demand received for various cases.	-	-	-
Service Tax	Demand received for various cases.	425,113	2008-09	Supreme Court
Customs Duty	Demand received for various cases.	-	-	-
Excise Duty	Demand received for various cases.	-	-	-

10. The Company has no accumulated losses as at 31st March 2010 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 bank 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 has maintained proper records of transactions and contracts relating to dealing or trading in shares, securities, debentures and other investments during the year and timely entries have been made therein. All the investments are held by the Company in its own name except to the extent of the exemption granted under Sec.49 of the Act.
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 issued any Secured Debentures which were outstanding during the year.
19. The Company has not raised any money by public issues during the year.
20. 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.
21. Considering the nature of the business, clause (xiii) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid clause of the order.

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

Anish Amin
Partner
Membership Number:40451

Mumbai
26th May, 2010

**BALANCE SHEET AS AT 31ST MARCH 2010**

	Schedule No.	Rs.	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
I SOURCES OF FUNDS:				
1. Shareholders' Funds				
a) Capital	1	36,390,000		36,390,000
b) Reserves and Surplus	2	697,107,277		671,675,664
			733,497,277	708,065,664
2. Loan Funds				
a) Secured Loans	3	471,634,634		490,352,650
b) Unsecured Loans	4	115,172,516		118,721,907
			586,807,150	609,074,557
3. Deferred Tax Adjustments (See Note 17)				
a) Deferred Tax Liabilities		68,651,998		60,655,610
b) Less: Deferred Tax Assets		8,436,098		7,139,973
			60,215,900	53,515,637
	TOTAL		1,380,520,327	1,370,655,858
II APPLICATION OF FUNDS:				
1. Fixed Assets :				
a) Gross Block		1,562,638,620		1,370,417,127
b) Less : Depreciation		748,534,623		646,187,299
c) Net Block	5	814,103,997		724,229,828
d) Capital Work-in-Progress (See Note 19)		55,706,986		205,003,241
			869,810,983	929,233,069
2. Investments				
	6		50,000	50,000
3. Current Assets, Loans & Advances:				
a) Inventories		273,146,649		241,005,717
b) Sundry Debtors		455,140,359		428,181,270
c) Cash and Bank Balances		44,820,994		22,700,395
d) Other Current Assets		20,629,905		14,285,474
e) Loans and Advances		145,661,122		153,592,743
		939,399,029		859,765,599
Less : Current Liabilities and Provisions :	8			
a) Liabilities		409,496,037		400,719,130
b) Provisions		19,243,648		17,673,680
		428,739,685		418,392,810
Net Current Assets			510,659,344	441,372,789
	TOTAL		1,380,520,327	1,370,655,858

Notes forming part of the Financial Statements 14

As per our attached report of even date
For Dalal & Shah
Firm Registration No. 102021W
Chartered Accountants

On behalf of the Board of Directors

Neelkanth A. Kalyani
Chairman

Anish Amin
Partner
Membership No. 40451
Mumbai : 26th May, 2010

Shweta Naik
Company Secretary
Pune :26th May, 2010

R. G. Kalyani
Vice Chairperson and
Managing Director
Pune :26th May, 2010

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

	Schedule No.	Rs.	2009-10 Rs.	2008-09 Rs.
INCOME:				
Sales , Gross	9(a)	1,753,305,151		1,797,172,097
Less : Excise Duty		<u>132,868,361</u>		<u>185,539,329</u>
Net Sales		1,620,436,790		1,611,632,768
Sales of Shares, Units of Mutual Funds		<u>14,100,083</u>		<u>10,750,415</u>
		1,634,536,873		1,622,383,183
Operating Income	9(b)	<u>17,825,527</u>		<u>17,087,816</u>
			1,652,362,400	1,639,470,999
Other Income	9(c)		<u>41,746,669</u>	<u>32,909,978</u>
			<u>1,694,109,069</u>	<u>1,672,380,977</u>
EXPENDITURE:				
Materials Consumed, Purchase of Shares, Units of Mutual Funds and Manufacturing Expenses	10	1,187,569,325		1,246,073,217
Employees' Remuneration and Benefits	11	187,477,841		167,588,396
Other Expenses	12	105,763,460		95,659,805
Interest and Finance Charges	13	48,817,085		51,976,398
Depreciation		<u>105,116,307</u>		<u>90,862,165</u>
			1,634,744,018	1,652,159,981
PROFIT BEFORE TAXATION			<u>59,365,051</u>	<u>20,220,996</u>
Provision for Taxation				
Current Tax -				
Income Tax / MAT			13,500,000	2,231,000
Wealth Tax			33,100	47,600
Fringe Benefit Tax			-	1,250,000
Deferred Tax (See Note No 17)			<u>6,700,263</u>	<u>8,311,384</u>
			<u>20,233,363</u>	<u>11,839,984</u>
PROFIT AFTER TAXATION			39,131,688	8,381,012
ADJUSTMENTS IN RESPECT OF EARLIER YEARS:				
Taxation, net			<u>(6,038,775)</u>	<u>955,928</u>
Profit After Taxation and Prior Period Adjustments			<u>33,092,913</u>	<u>9,336,940</u>
Balance brought forward from previous year			<u>544,195,505</u>	<u>542,466,099</u>
PROFIT AVAILABLE FOR APPROPRIATION			<u>577,288,418</u>	<u>551,803,039</u>
Transferred to General Reserve			6,000,000	2,500,000
Proposed Dividend		6,548,400		4,365,600
Tax on above Dividend		<u>1,112,900</u>		<u>741,934</u>
			<u>7,661,300</u>	<u>5,107,534</u>
BALANCE CARRIED TO BALANCE SHEET			<u>563,627,118</u>	<u>544,195,505</u>
EARNINGS PER SHARE OF RS 10/- EACH :				
<u>Net profit (After tax and adjustments in respect of earlier years)</u>			<u>33,092,913</u>	<u>9,336,940</u>
Number of shares issued and subscribed			<u>3,638,000</u>	<u>3,638,000</u>
Basic and diluted Earnings per Share			<u>9.10</u>	<u>2.57</u>

Notes forming part of the Financial Statements 14

As per our attached report of even date
For Dalal & Shah
Firm Registration No. 102021W
Chartered Accountants

On behalf of the Board of Directors

Neelkanth A. Kalyani
Chairman

Anish Amin
Partner
Membership No. 40451
Mumbai : 26th May, 2010

Shweta Naik
Company Secretary
Pune :26th May, 2010

R. G. Kalyani
Vice Chairperson and
Managing Director
Pune :26th May, 2010

**CASH FLOW STATEMENT FOR THE FINANCIAL YEAR 2009-2010**

Particulars	Rs.	Year Ended	Year Ended
		31st March, 2010	31st March, 2009
		Rs.	Rs.
A. CASH FROM OPERATING ACTIVITIES			
Profit before Taxation		59,365,051	20,220,996
Add: Depreciation	105,116,307		90,862,165
Loss on Assets Sold, discarded, Scrapped	355,045		-
Debit balances written off	504,272		2,059,981
Provision for Doubtful Debts	2,525,253		1,990,859
Taxation in respect of earlier years	-		955,928
Interest & Finance Charges	48,817,085		51,976,398
		157,317,962	147,845,331
		216,683,013	168,066,327
Less : Dividend	10,400		7,500
Surplus on Sale of Assets during the year	91,997		212,664
Sundry Credit Balances Appropriated	-		7,043,862
Provision no Longer required	22,551,374		8,199,715
Taxation in respect of earlier years	6,038,775		-
Less : Income Tax Paid	1,942,232		22,857,725
		30,634,778	38,321,466
CASH FROM OPERATING ACTIVITIES		186,048,235	129,744,861
(Increase)/Decrease in Current Assets :			
Inventories	(32,140,932)		83,510,951
Sundry Debtors	(29,988,614)		117,375,706
Other Current Assets and Loans and Advances	(10,003,679)		(15,533,508)
Increase/(Decrease) in Current Liabilities	35,923,139		(14,709,062)
		(36,210,086)	170,644,087
NET CASH FROM OPERATING ACTIVITIES		149,838,149	300,388,948
INVESTING ACTIVITIES			
Addition to Fixed Assets	(46,342,603)		(224,263,420)
Sale Proceeds of Assets	385,334		267,790
Dividend Received	10,400		7,500
NET CASH FROM INVESTING ACTIVITIES		(45,946,869)	(223,988,130)
		103,891,280	76,400,818
FINANCING ACTIVITIES			
Increase / (Decrease) in Cash Credit & PCFC from Banks	84,111,447		109,686,070
Increase / (Decrease) in Other Secured Loans	(102,829,463)		(249,880,032)
Increase / (Decrease) in Unsecured Loans	(3,549,391)		(2,733,670)
Interest & Finance Charges paid	(54,380,492)		(45,045,147)
Dividend Paid	(5,122,782)		(9,335,430)
Exchange (Gain)/ Loss adjusted to Carrying cost of asset			(12,773,780)
Accounting Standard (AS 15)	-		-
NET CASH FROM FINANCING ACTIVITIES		(81,770,681)	(210,081,989)
NET INCREASE / (USE) OF CASH AND CASH EQUIVALANTS		22,120,599	(133,681,171)
Opening Balances of Cash and Cash equivalents as at 01/04/2009		22,700,395	156,381,566
Closing Balances of Cash and Cash equivalents as at 31/03/2010		44,820,994	22,700,395

As per our attached report of even date
For Dalal & Shah
Firm Registration No. 102021W
Chartered Accountants

On behalf of the Board of Directors

Neelkanth A. Kalyani
Chairman

Anish Amin
Partner
Membership No. 40451
Mumbai : 26th May, 2010

Shweta Naik
Company Secretary
Pune : 26th May, 2010

R. G. Kalyani
Vice Chairperson and
Managing Director
Pune : 26th May, 2010



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2010

	Rs.	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
SCHEDULE '1' SHARE CAPITAL :			
Authorised :			
7,500,000 Equity Shares of Rs.10/- each		75,000,000	75,000,000
5,000,000 Cumulative Redeemable Preference Shares of Rs. 10/- each		50,000,000	50,000,000
2,500,000 Unclassified Shares of Rs.10/- each		25,000,000	25,000,000
		150,000,000	150,000,000
Issued :			
3,640,000 Equity Shares of Rs.10/- each		36,400,000	36,400,000
Subscribed and Paid up :			
*3,638,000 Equity Shares of Rs.10/- each fully Paid up		36,380,000	36,380,000
Total subscribed and fully paid up		36,380,000	36,380,000
2,000 Add : Forfeited Equity Shares (Amount Paid Up)		10,000	10,000
TOTAL		36,390,000	36,390,000
Note : * Of the above Shares 630,000 Equity Shares of Rs.10/- each were issued as fully paid Bonus Shares by way of Capitalisation of General Reserve.			
SCHEDULE '2' RESERVES AND SURPLUS :			
Securities Premium Account, as per Last Account		69,162,500	69,162,500
Capital Redemption Reserve Account, as per Last Account		1,000,000	1,000,000
Capital Reserve, as per Last Account		2,500,000	2,500,000
General Reserve			
As per last Account	54,817,659		64,172,646
Less : Adjustment on Account of Exercise of Option on Amendment of Accounting Standard (AS 11) "The effects of changes in Foreign Exchange Rates" (See Note 20)		-	11,854,987
	54,817,659		52,317,659
Add : Set aside this year		6,000,000	2,500,000
		60,817,659	54,817,659
Surplus as per Annexed Account		563,627,118	544,195,505
TOTAL		697,107,277	671,675,664



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2010

	Rs.	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
SCHEDULE '3' SECURED LOANS :			
Term Loan :			
Foreign Currency Term Loan			
DBS Bank Ltd.		174,991,793	249,988,275
(For Security See Note 6 (a))			
Rupee Term Loan			
State Bank of India		-	27,832,981
(For Security See Note 6 (b))			
From Banks, against hypothecation of Stocks and Book Debts (For Security See Note 6 (c))			
Packing Credit in Foreign Currency		-	87,050,093
Cash Credit		296,642,841	125,481,301
TOTAL		<u>471,634,634</u>	<u>490,352,650</u>

SCHEDULE '4' UNSECURED LOANS :

Sales Tax Deferral Liability under Package Scheme of Incentives, 1979, 1988 and 1993.		112,986,373	116,535,764
From a Company (Including Interest accrued and due Rs.1,256,143/- ; previous year Rs.1,256,143/-)		2,186,143	2,186,143
TOTAL		<u>115,172,516</u>	<u>118,721,907</u>



Schedule Nos."1" to "14" annexed to and forming part of the Financial Statements for the year ended 31st March, 2010
SCHEDULE - 5 - FIXED ASSETS :

PARTICULARS	GROSS BLOCK (AT COST)			DEPRECIATION			NET BLOCK			
	As At 01.04.2009 Rs.	Additions Rs.	Deductions/ Adjustments Rs.	As At 31.03.2010 Rs.	Upto 01.04.2009 Rs.	Deductions & Adjustments Rs.	For the Year Rs.	Upto 31.03.2010 Rs.	As on 31.03.2010 Rs.	As on 31.03.2009 Rs.
Freehold Land	21,304,497	-	-	21,304,497	-	-	-	-	21,304,497	21,304,497
Buildings	177,875,820	4,490,173	-	182,365,993	37,369,181	-	6,016,911	43,386,092	138,979,901	140,506,639
Roads	11,790,898	28,931	-	11,819,829	713,719	-	192,489	906,208	10,913,621	11,077,179
Borewell	127,295	-	-	127,295	37,139	-	2,075	39,214	88,081	90,156
Plant & Machinery	960,627,657	181,794,019	2,468,788	1,139,952,888	516,899,412	2,468,785	81,839,672	596,270,299	543,682,589	443,728,245
Electrical Installation	79,860,340	1,027,053	-	80,887,393	35,457,829	-	6,936,191	42,394,020	38,493,373	44,402,511
Factory Equipment	58,069,590	5,702,971	5,025	63,767,536	24,368,523	5,025	5,157,439	29,520,937	34,246,599	33,701,067
Laboratory Equipments	10,749,424	-	-	10,749,424	3,586,596	-	1,068,581	4,655,177	6,094,247	7,162,828
Furnitures & Fixtures	8,925,487	208,346	-	9,133,833	5,063,709	-	420,533	5,484,242	3,649,591	3,861,778
Office Equipment	4,346,657	126,968	-	4,473,625	1,600,433	-	192,935	1,793,368	2,680,257	2,746,224
Data Processing Equipment	19,246,993	1,021,503	-	20,268,496	12,351,701	-	1,957,747	14,309,448	5,959,048	6,895,292
Vehicles	13,491,998	-	943,552	12,548,446	6,032,027	295,173	959,900	6,696,754	5,851,692	7,459,971
Power Line (b)	4,000,471	1,238,894	-	5,239,365	2,707,030	-	371,834	3,078,864(e)	2,160,501	1,293,441
Total	1,370,417,127	195,638,858	3,417,365	1,562,638,620	646,187,299	2,768,983	105,116,307	748,534,623	814,103,997	724,229,828
Previous Years Total	1,223,708,935	146,905,378	197,186	1,370,417,127	555,467,195	142,061	90,862,165	646,187,299	724,229,828	-

- (a) Buildings include premises on ownership basis in co-operative society Rs. 577,952/- The documents for the said premises at Antariksha Bhavan at New Delhi are still under execution.
- (b) Cost incurred by the Company. Ownership vests with Maharashtra State Electricity Board.
- (c) See Note No. 1 in schedule 14 to the financial statements for Accounting Policy.
- (d) Additions include interest capitalised aggregating Rs. Nil (Previous year Rs. 3,690,924/-)
- (e) Accumulated depreciation on Powerline represents amount amortised up to 31st March, 2010.
- (f) Additions include (gain) / losses on fluctuations of foreign exchange rates in respect of foreign currency borrowings consequent to amendment to AS-11 aggregating Rs.24,595,193/- (Previous year Rs. 10,714,285/-).



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2010

	Rs.	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
SCHEDULE '6' INVESTMENTS ; at cost :			
Long Term :			
Other Than Trade :			
In Fully Paid Equity Shares ; Unquoted :			
2000 Equity Shares of Rs.25/- each in The Shamrao Vithal Co-operative Bank Ltd		50,000	50,000
TOTAL		<u>50,000</u>	<u>50,000</u>

SCHEDULE '7' CURRENT ASSETS, LOANS AND ADVANCES :

(a) Inventories, as valued and certified by Vice Chairperson and Managing Director :			
Stores, spares, etc. at cost	22,297,456		17,478,036
Loose Tools	14,335,124		12,632,282
Raw materials, at cost	114,874,775		79,532,860
Work-in-Process, at cost	89,475,591		82,648,014
Finished Goods at Lower of cost or Market Value	15,118,180		-
Scrap at estimated realisable value	4,026,958		16,070,081
Die Room Inventory :			
Dies at cost	631,309		1,202,868
Die Blocks, Die Steel and Dies under fabrication, at cost	10,497,620		19,217,791
	<u>271,257,013</u>		<u>228,781,932</u>
Stock of Shares, Units of Mutual Funds at lower of cost or market value	1,889,636		12,223,785
		273,146,649	<u>241,005,717</u>
(b) Sundry Debtors, unsecured, Good :			
(i) Outstanding for a period over six months			
Good	32,175,113		42,782,663
Doubtful	13,597,209		11,071,956
Less : Provision	<u>13,597,209</u>		<u>11,071,956</u>
	32,175,113		42,782,663
(ii) Others	422,965,246		385,398,607
		455,140,359	428,181,270
(c) Cash and Bank Balances :			
Cash on hand	332,196		46,426
Bank Balances			
With Scheduled Banks :			
In Current and Cash Credit Accounts	31,633,908		13,574,859
In Fixed Deposits	8,345		8,345
In Margin Money Deposit pledged as security with Banks	12,754,315		9,000,404
Carried Forward.....	<u>44,728,764</u>		<u>22,630,034</u>



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2010

	Rs.	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
SCHEDULE '7' CURRENT ASSETS, LOANS AND ADVANCES : (Contd.)			
Brought Forward.....	44,728,764		22,630,034
With Other Banks :			
In Current and Cash Credit Accounts			
DBS Bank, Mumbai	92,230		70,361
(Maximum balance outstanding during the year Rs.50,442,437/- Previous year Rs. 94,528,953/-)	_____	44,820,994	_____
(d) Other Current Assets :			
Interest Receivable	381,124		229,644
Export Incentive Receivable	20,248,781		14,055,830
		20,629,905	_____
(e) Loans and Advances, unsecured, good : (Unless otherwise stated)			
Advances, recoverable in Cash or in kind or for value to be received	65,132,619		65,161,962
Balances with Customs and Central Excise Departments	40,346,645		36,727,847
Sundry Deposits	3,510,124		3,440,331
Tax Paid in Advance	169,898,393		218,141,452
Less : Provision for Taxation, Per Contra	133,226,659		169,878,849
	36,671,734		48,262,603
		145,661,122	_____
		939,399,029	153,592,743
TOTAL		_____	_____
		939,399,029	859,765,599



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2010

	Rs.	As at 31st March 2010 Rs.	As at 31st March 2009 Rs.
SCHEDULE '8' CURRENT LIABILITIES AND PROVISIONS :			
(a) LIABILITIES :			
Sales Bill Discounted	40,279,168		3,517,701
Sundry Creditors			
Due to Micro and Small Enterprises (See Note 8)	1,987,155		2,207,846
Other	<u>364,616,389</u>		<u>386,801,602</u>
	366,603,544		389,009,448
Unclaimed Dividend	637,116		652,364
Interest Accrued but Not Due On Loans	<u>1,976,209</u>		<u>7,539,617</u>
		409,496,037	400,719,130
(b) PROVISIONS :			
Provision for Taxation	133,226,659		169,978,849
Less : Tax Paid in advance per Contra	<u>133,226,659</u>		<u>169,978,849</u>
For Long Term Employee Benefits (See Note 7)	11,582,348		12,566,146
For Proposed Dividend	6,548,400		4,365,600
For Corporate Dividend Tax on Proposed Dividend	<u>1,112,900</u>		<u>741,934</u>
		19,243,648	17,673,680
TOTAL		<u>428,739,685</u>	<u>418,392,810</u>
		2009-10	2008-09
	Rs.	Rs.	Rs.
SCHEDULE '9' SALES, OPERATING AND OTHER INCOME :			
(a) SALES :			
Sales, Gross (including excise, net of returns, rebates etc.)	1,612,349,441		1,658,235,558
Sale of Manufacturing Scrap	<u>140,955,710</u>		<u>138,936,539</u>
		1,753,305,151	1,797,172,097
(b) OPERATING INCOME :			
Die Development Charges	5,557,823		4,139,460
Job Work Receipt	374,509		-
Export Incentives	11,882,382		12,452,543
Gain on Foreign Exchange Fluctuation , net	-		370,500
Dividend on Shares and Units of Mutual Funds	<u>10,813</u>		<u>125,313</u>
		17,825,527	17,087,816
(c) OTHER INCOME :			
Dividend on investments	10,400		7,500
Discount received	6,704,965		6,066,905
Interest (Gross : tax deducted Rs. 43,955/- Previous Year Rs 86,226/-)	1,671,953		2,221,141
Miscellaneous Income	10,715,980		9,158,191
Surplus on Sale of Asset	91,997		212,664
Sundry Credit Balances Appropriated	-		7,043,862
Provisions no longer required (See Note 21)	<u>22,551,374</u>		<u>8,199,715</u>
		41,746,669	32,909,978
TOTAL		<u>1,812,877,347</u>	<u>1,847,169,891</u>



		2009-10	2008-09
		Rs.	Rs.
SCHEDULE '10' MATERIALS CONSUMED, PURCHASE OF SHARES, UNITS OF MUTUAL FUNDS AND MANUFACTURING EXPENSES :			
(1) Materials, etc. :			
(a) Raw Materials consumed :			
Stocks at commencement :	79,532,860		120,066,612
Add : Purchases	<u>887,829,846</u>		<u>843,096,316</u>
	967,362,706		963,162,928
Less : Sale of Raw Materials	368,550		-
Less : Stocks at Close	<u>114,874,775</u>		<u>79,532,860</u>
		852,119,381	883,630,068
(b) Increase/(Decrease) in Excise Duty on Stocks :			
Excise Duty On Opening Inventories	1,223,369		2,993,299
Excise Duty On Year End Inventories	<u>376,045</u>		<u>1,223,369</u>
		(847,324)	(1,769,930)
(c) Purchase of Shares, Units of Mutual Funds		-	9,249,657
(d) (Increase)/Decrease in Stocks :			
Stocks at Close :			
Finished Goods	15,118,180		-
Work in Process	89,475,591		82,648,014
Scrap	<u>4,026,958</u>		<u>16,070,081</u>
	108,620,729		98,718,095
Less : Stocks at Commencement:			
Finished Goods	-		-
Work in Process	82,648,014		98,280,670
Scrap	<u>16,070,081</u>		<u>23,751,270</u>
	98,718,095		122,031,940
(Increase)/Decrease in Stocks		(9,902,634)	23,313,845
Stock at Close of Shares, Units of Mutual Funds	1,889,636		12,223,785
Less : Stocks at commencement of Shares, Units of Mutual Funds	<u>12,223,785</u>		<u>13,619,622</u>
		10,334,151	1,395,837
(e) Dies Consumed :			
Stocks at commencement :			
Dies	1,202,868		1,989,025
Die Blocks, Die Steel and Dies under fabrication	<u>19,217,791</u>		<u>32,781,290</u>
	20,420,659		34,770,315
Add : Purchases and Processing Charges	<u>7,895,776</u>		<u>20,913,953</u>
	28,316,435		55,684,268
Less : Stocks at Close :			
Dies	631,309		1,202,868
Die Blocks, Die Steel and Dies under fabrication	<u>10,497,620</u>		<u>19,217,791</u>
	11,128,929		20,420,659
		17,187,506	35,263,609
(2) Manufacturing and other Expenses :			
Stores, Spares and Tools consumed	86,307,953		94,047,307
Processing Charges	37,911,179		36,978,983
Power, Fuel and Water	164,491,779		136,582,897
Building Repairs	2,508,810		1,909,841
Machinery Repairs	27,430,831		25,417,632
Octroi Duty	<u>27,693</u>		<u>53,471</u>
		318,678,245	294,990,131
TOTAL		<u>1,187,569,325</u>	<u>1,246,073,217</u>



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2010

	Rs.	2009-10 Rs.	2008-09 Rs.
SCHEDULE '11' EMPLOYEES' REMUNERATION AND BENEFITS :			
Salaries,Wages,Bonus,Allowances,			
Incentives and other payments		159,813,651	144,125,942
Contributions to Provident and other Funds		15,312,350	13,234,696
Voluntary Retirement Scheme		1,871,000	2,384,000
Welfare Expenses		10,480,840	7,843,758
TOTAL		<u>187,477,841</u>	<u>167,588,396</u>

SCHEDULE '12' OTHER EXPENSES :

Rent		-	15,000
Rates and Taxes		1,280,129	1,951,460
Insurance (Including Keyman insurance)		5,863,458	4,858,819
Other Repairs		1,370,492	1,656,932
Traveling and Conveyance		4,031,497	7,300,929
Vehicle Expenses (including on hired vehicles)		14,841,840	14,225,988
Professional and Consultancy fees		6,822,219	7,982,969
Audit fees and Expenses		750,000	605,000
Directors' Fees Expenses		121,000	180,057
Managing Directors Commission		128,988	-
Non Executive Directors' Commission		575,000	216,000
Miscellaneous Expenses		23,504,837	27,562,184
Donation		45,000	-
Loss on Foreign Exchange Fluctuation, net		13,034,293	-
Freight, Forwarding Charges etc		28,470,894	24,328,466
Commission on Sales		1,539,243	725,161
Bad Debts,Irrecoverable advances written off		-	1,781,220
Sundry debit balances written off		504,272	278,761
Provision for Doubtful Debts		2,525,253	1,990,859
Loss on Assets sold/ discarded		355,045	-
TOTAL		<u>105,763,460</u>	<u>95,659,805</u>

	Rs.	2009-10 Rs.	2008-09 Rs.
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SCHEDULE '13' : INTEREST AND FINANCE CHARGES :

Interest on :			
Fixed Loans *		22,763,482	27,719,891
Others		26,053,603	24,256,507
TOTAL		<u>48,817,085</u>	<u>51,976,398</u>

* Net, capitalised Rs. Nil (Previous year Rs. 8,823,456/-)



Schedule Nos. '1' to '14' annexed to and forming part of the Financial Statements for the year ended 31st March, 2010

SCHEDULE "14" : NOTES FORMING PART OF THE FINANCIAL STATEMENTS

1 Significant Accounting Policies followed by the Company are stated in the Statement Annexed to this Schedule.

2 Contingent Liability not provided for in respect of :

- i. Sales Bills discounted
- ii. Claims against the Company, not acknowledged as debts
- iii. Disputed Income Tax demand, matter under appeal
- iv. Disputed Excise demand, matter under appeal

As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
16,190,400	3,806,876
14,662,500	20,350,000
21,094,377	24,059,941
5,201,003	5,097,547

3 The Company has imported capital goods under the Export Promotion Capital Goods Scheme of the Govt. of India at concessional rate of duty against an undertaking to fulfil quantified exports (after considering enhancement in Export Obligation amount and cancellations of Licences) aggregating USD 10.85 Millions (Equivalent to Rs. 496,128,768 at 1 USD = Rs.45.71) over a period of next seven years, while maintaining average exports of USD 5.7 Millions (Equivalent to Rs. 262,912,000). Non fulfilment of the balance obligations, in the due manner entails options/rights to the Government to confiscate Capital Goods Imported under the said Licences and other penalties under the above referred scheme.

4 Estimated Amount of contracts remaining to be executed on Capital Account and Not provided for (net of advances)

As at 31st March, 2010 Rs.	As at 31st March, 2009 Rs.
35,610,705	54,899,917

5 Payments to Auditors

- i. As Auditors
- ii. In Other Capacity :
For certification
For Expenses

2009-10 Rs.	2008-09 Rs.
600,000	500,000
135,000	105,000
15,000	-
750,000	605,000

Total

- 6 a) Foreign Currency Term Loan (External Commercial Borrowing) from DBS Bank is secured by first pari passu Equitable mortgage on the immovable Assets of the Company. It is also secured by collateral security in the form of first charge on the residual fixed assets (present and future) of the Company. The First charge is in the form of Equitable Mortgage by deposit of title deeds of the land together with construction thereon. It is also secured by second charge on the current assets of the Company. The Company has already executed modification of Equitable Mortgage with term lenders, DBS Bank. Amount repayable for financial year 2010-11 is Rs. 174,991,793/-
- b) The rupee term loan from State Bank of India is repaid during the year and charge created for this loan has been satisfied.
- c) Working capital loans are secured by first charge by way of hypothecation and /or pledge of the current assets, viz stocks of Raw Materials, semi finished and finished goods, stores and spares not relating to Plant & machinery (Consumables stores and spares), bills receivable, book debts and all other movables and also by mortgage and charge in favour of the banks ranking after the charges created in favour of the term lenders on immovable & movable properties (other than current assets) both present and future in a form and manner acceptable to the banks.
- d) Guarantees given by the Company's Bankers on behalf of the Company, against sanctioned guarantee limits aggregating to Rs.30,000,000/- (Previous year Rs.30,000,000/-) for contracts undertaken by the Company and other matters are secured by extension of charge by way of joint hypothecation of stock in trade, stores and spares etc., book debts subject to prior charge in their favour. Amount outstanding as on 31st March, 2010 is Rs. 22,419,898/- (Previous year Rs. 22,959,398/-).



- e) The non-fund based facilities have been sanctioned amounting to Rs. 164,000,000/- with a charge of hypothecation on stock, book debts and other current assets on pari-passu among the consortium members and second charge over fixed assets of company. Amount outstanding as on 31st March 2010 is Rs. 52,144,840/- (Previous year -Rs. 25,862,005/-).

7 Disclosure pursuant to Accounting Standard (AS 15) - Revised 2005 "Employee Benefits" prescribed by Companies (Accounting Standards) Amendment Rules, 2006

Details of Long Term Employees benefits determined by an appointed Actuary are as follows :

a) Funded Scheme - Gratuity

Particulars	31st Mar. 2010	31st Mar. 2009
	Gratuity	Gratuity
(i) Amounts to be recognised in Balance Sheet		
a. Present Value of Defined Benefit Obligations		
(i) Funded	20,899,215	19,287,031
b. Fair Value of Plan Assets	17,202,273	15,461,858
c. Net Liability/(Asset) recognised in the Balance Sheet	3,696,942	3,825,173
(ii) Amount to be recognised in Statement of Profit & Loss Account		
a. Current Service Cost	1,733,884	3,248,096
b. Interest on defined benefit obligations	1,542,962	2,843,498
c. Expected return on plan assets	(1,457,183)	(1,360,748)
d. Net Actuarial Losses/(Gain) Recognised in year	320,161	(19,624,696)
Total, included in "Employee Benefits"	2,139,824	(14,893,850)
(iii) Change in Defined Benefit obligation and reconciliation thereof		
a. Present value of Defined Benefit obligation at the beginning of the year	19,287,031	35,543,721
b. Interest Cost	1,542,962	2,843,498
c. Current Service Cost	1,733,884	3,248,096
d. Actuarial Losses/ (Gains)	320,161	(19,624,696)
e. Benefits Paid	(1,984,823)	(2,723,588)
f. Present value of Defined Benefit obligation at the close of the year	20,899,215	19,287,031
(iv) Change in the fair value of Plan Assets and the reconciliation thereof		
a. Fair value of Plan Assets at the beginning of the Year	15,461,858	12,568,358
b. Add : Expected return on Plan Assets	1,425,941	1,360,748
c. Add/ (Less) : Actuarial Losses/ (Gains)	-	-
d. Add : Contributions by employer	2,299,297	4,256,340
e. Less -Benefits Paid	(1,984,823)	2,723,588
f. Fair value of Plan Assets at the closed of the year	17,202,273	15,461,858
(v) Broad Categories of plan assets as a percentage of total assets as at 31st March, 2010		
a. Insurer Managed Funds	100%	100%
TOTAL	100%	100%
(vi) Summary of the Actuarial Assumptions		
Discount Rate	8%	8%
Expected Rate of Return on Assets	9.25%	9.25%
Salary Escalation Rate	5%	5%

b) Unfunded scheme- Compensated Absences

Particulars	31st Mar. 2010	31st Mar. 2009
Present Value of Unfunded Obligations	7,885,406	8,740,973
Discount Rate	8.10%	7.20%
Salary Escalation Rate %	5%	5%



- 8 The Company has amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) as at 31st March, 2010. The disclosure pursuant to the said Act is as under:

Particulars	As at 31-03-2010	As at 31-03-2009
Principal Amount due to suppliers under MSMED Act , 2006, beyond the appointed day	29,806	830,286
Interest accrued and due to suppliers under MSMED Act , on the above amount	39,857	33,306
Payment made to suppliers (other than interest) beyond the appointed day , during the year	2,994,645	3,576,531
Interest paid to suppliers under MSMED Act (Other than section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable to suppliers under MSMED Act , for the payments already made	97,523	109,561
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act,2006	137,380	142,867

Note: The information has been given in respect of such vendors to the extent they could be identified as "Micro and Small" enterprises on the basis of information available with the Company.

- 9 Details of Raw Materials consumption

- (i) Raw Materials (including components consumed)

Unit	2009-10		2008-09	
	Qty.	Rs.	Qty.	Rs.
Carbon and Alloy Steel	M.T. 19,683	839,779,552	15,656	869,099,335
Seamless Tubes	Mtrs 15,984	12,339,829	17,715	14,530,733
		852,119,381		883,630,068

- (ii) Imported and Indigenous Material Consumption
(including components consumed)

	2009-10		2008-09	
	Rs.	Percentage	Rs.	Percentage
(a) Imported (Including customs duty & other related charges)	4,738,776	0.56	-	-
(b) Indigenous	847,380,605	99.44	883,630,068	100.00
	852,119,381	100.00	883,630,068	100.00

- (iii) Purchase of Shares and Units of Mutual Funds

	2009-10		2008-09	
	Qty	Rs.	Qty	Rs.
Units of Mutual funds	-	-	722,773	9,249,657
	-	-	722,773	9,249,657



10 CIF Value of Imports and Expenditure in Foreign Currencies

Particulars	2009-10 Rs.	2008-09 Rs.
(a) CIF Value of Imports		
Capital Goods	16,899,567	91,630,640
Spare Parts/ Lubricants	2,672,828	1,796,537
Raw Material	9,734,678	-
(b) Expenditure in Foreign Currencies		
Travelling	1,432,229	2,824,175
Interest	-	16,371,719
Export Sales Commission	1,194,342	725,161
Professional fees	1,543,157	796,234
Bank Charges	-	7,575
11 Earnings in Foreign Currencies		
FOB Value of Exports	213,276,884	241,756,644
Deemed Export	75,588,184	26,971,296
Insurance and freight on exports	12,585,860	12,036,725

12 Exchange Differences on account of fluctuation in Foreign Currency rates.

	2009-10 Rs.	2008-09 Rs.
a) Exchange Differences on account of fluctuations in Foreign Currency Rates		
i) Other Foreign Exchange Gains / (Losses) recognised on settlement of current assets, liabilities and borrowings		-
a) Adjusted to the Cost of Assets / CWIP	-	49,403,485
b) Recognised in the Profit and Loss Account		
i) On settlement / revalorisation of borrowings	-	(10,952,188)
ii) On settlement / revalorisation of Current Assets & Current Liabilities	13,034,293	11,322,688

b) Foreign Exchange Derivatives not hedged at close of the year

i) Exposures not hedged at the close of the year

	Currency	2009-10	2008-09
Receivables	USD	1,947,074	904,254
	EURO	1,093,723	1,182,872
	GBP	9,006	6,574
Payables	SGD	-	3,900
	USD	1,368	3,738
	EURO	85,986	84,558



13 Licensed & Installed Capacities, Production, Turnover and Stock of Shares and Units of Mutual Funds

A. Licensed & Installed Capacity and Production:

Class of Goods	Unit	Licenced Capacity (Maximum Utilisation Basis)		(*) Installed Capacity (Maximum Utilisation Basis)		Production	
		(i)		(ii)		(iii)	
		2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
1.High Quality Close-Tolerance Die Forgings (M.Tons)	(b) M.T.	29,965	29,965	29,965	29,965	12,803 (c)	11,913(c)
2. Rear Axle Tube Assemblies (Nos)	(a) Nos.	200,000	200,000	113,960	113,960	69,200(c)	74,112 (c)
3. Finished Machined Components (Nos)	(a) Nos.	3,000,000	3,000,000	1,433,400	1,164,000	977,636(c)	1,260,878(c)

(a) These products are exempt from Licensing requirements under new Industrial Policy in term of Notification No. 477(E) dated 25th July, 1991

(b) Production quantity includes forging for captive consumption in production of

(i) Rear Axle Tube Assemblies	M.T.	80	130
(ii) Finished Machined Components	M.T.	1,491	1,306

(c) Actual production at press shop stage / Machining Stage

(*) Since the Company's Installed capacity is dependent on the product mix, which in turn is decided on the basis of the actual demand for various products from time to time, it is not feasible for the Company to give the exact installed capacity. The Company has, however, indicated the installed capacity on the basis of the year's product mix as certified by the Chief Executive Officer and being technical matter, is accepted by the auditors as correct

B. Turnover:

Unit	2009-10		2008-09		
	Qty	Rs.	Qty	Rs.	
1 High Quality Close Tolerance die forging	M.T.	9,137	1,126,490,152	9,289	1,303,032,140
2 Rear Axle Tube Assemblies	NOS.	37,107	48,257,240	37,060	57,637,467
3 Finsihed Machined Components	NOS.	1,268,521	437,602,049	606,726	297,565,951
4 Sale of Manufacturing scrap	M.T.	6,105	140,955,710	5,838	138,936,539
Sub Total			1,753,305,151		1,797,172,097
5 Sale of shares , Units of Mutual funds	NOS.	736,870	14,100,083	266,193	10,750,415
6 Others			17,825,527		17,087,816
Total			1,785,230,761		1,825,010,328

C. Stock

	2009-10		2008-09	
	Nos.	Rs.	Nos.	Rs.
Finished Machined Components	42,918	15,118,180	-	-

D. Stock of Shares and Units of Mutual Funds:

	2009-10		2008-09	
	Nos.	Rs.	Nos.	Rs.
Opening stock	940,314	12,223,785	483,734	13,619,622
Closing stock	203,444	1,889,636	940,314	12,223,785



14 Managerial Remuneration

(A) Computation of Net Profit in accordance with Section 198(1) and Section 349 of the Companies Act, 1956

	Rs.	2009-10 Rs.	2008-09 Rs.
Profit after tax as per Profit & Loss Account		39,131,688	8,381,012
Add:			
Managing Director's remuneration	3,014,755		1,770,800
Non Executive Directors' Commission	575,000		216,000
Provision for taxation	20,233,363		11,839,984
Loss on Sale of Asset	355,045		-
		24,178,163	13,826,784
Profit on which commission is payable		63,309,851	22,207,796
a) Managing Director Mrs R.G.Kalyani :			
Maximum Remuneration payable			
Profit on which commission is payable	63,309,851		22,207,796
Remuneration @ 5% on above	3,165,493		1,110,390
Less - Remuneration (excluding commission) already paid	2,885,767		*1,770,800
Balance payable as commission - Restricted to	279,726	128,988	NIL
b) Commission to Non Executive Directors @1% profit on which commission is payable	63,309,851		22,207,796
Commission @1% for the year	633,099		222,078
Restricted to		575,000	216,000

* Although the profits are inadequate to support the remuneration payable to Managing Director under section 198 of the Companies Act, 1956, the remuneration so paid is below the maximum remuneration payable under schedule XIII of the Companies Act, 1956, under such circumstances.

(B) Details of Payments and provisions on account of remuneration to Managing Director included in Profit and Loss Account as under :

Particulars	2009-10 Rs.	2008-09 Rs.
Salary	1,178,580	1,140,000
House Rent Allowance	471,432	323,000
Leave Encashment	468,493	-
L T A	91,782	
Contribution to :		
Provident Fund	141,429	136,800
Superannuation fund	171,000	171,000
Medical Reimbursement	88,311	-
Gratuity	274,740	-
Commission on profit	128,988	-
TOTAL	3,014,755	1,770,800

The tenure of contract between Company and Managing Director was completed on 28th January, 2010 and accordingly, managing Director was reappointed by the Board in its meeting held on 22nd January, 2010 for further period of five years. This reappointment and remuneration are subject to approval by members at ensuing General Meeting.



- 15 Total Expenditure on Research & Development (including allocable overheads) during the year is Rs.2,301,808/-(Previous year Rs.2,369,047/-)
- 16 (a) The Company has a single Product, viz : "Forgings". Consequently, there are no Reportable Segments of the Company as per the Accounting Standard (AS-17) "Segment Reporting" prescribed by Companies (Accounting Standards)Amendment Rules, 2006.
- (b) Disclosures of transactions with Related Parties as required by Accounting Standard - 18 "Related Party Disclosures" is given below. Related parties as defined under clause 3 of the Accounting Standard have been identified on the basis of representations made by the Key Managerial Personnel, information available with the company and taken on record by the Board.

Sr. No.	Nature of relationship Name of related party	Nature of Transaction	2009-10		2008-09	
			Transaction Value (Rs.)	Outstanding Amounts carried in the Balance Sheet (Rs.)	Transaction Value (Rs.)	Outstanding Amounts carried in the Balance Sheet (Rs.)
1	Key Managerial personnel Dr N. A. Kalyani (Non-Executive Chairman)	Commission	75,000	75,000	40,000	40,000
		Total	75,000	75,000	40,000	40,000
2	Mrs. R. G. Kalyani (Vice-chairperson and Managing Director)	Remuneration	2,885,767	1,009,331	1,770,800	133,000
		Commission	128,988	128,988	-	-
3	Mr. G.N. Kalyani (Director)	Total	3,014,755	1,138,319	1,770,800	133,000
		Commission	100,000	100,000	40,000	40,000
		Total	100,000	100,000	40,000	40,000

- 17 The Company has recognised Deferred Taxes, which result from the timing difference between the Book Profits and Tax Profits as under -

Particulars	Balance carried as at 31st March, 2009	Arising during the year (Rs) Considered in Profit & Loss Account	Balance carried as at 31st March, 2010
Deferred Tax Liabilities :			
Depreciation & Amortisation	60,655,610	7,996,388	68,651,998
	60,655,610	7,996,388	68,651,998
Deferred Tax Assets :			
Privilege Leave and Gratuity Provision	2,409,029	96,870	2,505,899
Provision for Doubtful Debts	3,763,358	858,335	4,621,693
Voluntary Retirement Scheme	638,740	340,920	979,660
Others	328,846	-	328,846
	7,139,973	1,296,125	8,436,098
Net Deferred Tax Liabilities	53,515,637	6,700,263	60,215,900

- 18 The Company has sent balance confirmation letters to Sundry Debtors, Creditors and Other Parties and the balances are under reconciliation in those cases where confirmations were received. Pending final reconciliation, the balances in respect of Debtors, Creditors and third parties are as per books of account only. Adjustments having an impact of revenue nature, if any, will be made in the year in which the same are



confirmed / reconciled.

- 19 Capital Work in Progress includes advances for supply of capital goods aggregating Rs. 13,748,427/- (Previous year Rs.25,789,529/-) relating to Project under implementation.
- 20 The Accounting Standard (AS 11) " The effects of Changes in Foreign Exchange Rates " prescribed by Companies (Accounting Standards) Rules, 2006 was amended on 31st March, 2009, vide notification dated 31st March, 2009, by the Ministry of Corporate Affairs. The said amendment offered an option to Companies to recognize Foreign Exchange gains and losses arising on translation of all long term monetary assets and liabilities acquired up to 31st March, 2009, retrospectively from accounting periods commencing after 7th December, 2006 (i.e. 1st April, 2007 for the company) up to 31st March, 2011, as capital cost of acquisition of assets where they relate to acquisition of assets . The amount so recognized as capital cost of assets is to be depreciated over the balance life of relevant assets. The Company has chosen to exercise this option in preparation of its financial statements for the year ended 31st March, 2010. Accordingly, Foreign Exchange Differences adjusted against the cost of assets / CWIP for the year ended March 31, 2010 is Rs. NIL (Previous year Rs. 36,629,705).
- 21 Provision no longer required written back includes Rs.20,317,054/- on account of Royalty written back during the year.
- 22 Information required in terms of Part IV of Schedule VI to the Companies Act, 1956, as compiled by the Company is attached.
- 23 Previous Year's 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 Dalal & Shah
Firm Registration No. 102021W
Chartered Accountants

On behalf of the Board of Directors

Neelkanth A. Kalyani
Chairman

Anish Amin
Partner
Membership No. 40451
Mumbai : 26th May, 2010

Shweta Naik
Company Secretary
Pune :26th May, 2010

R. G. Kalyani
Vice Chairperson and
Managing Director
Pune :26th May, 2010



**Annexure referred to in Note 1 in Schedule 14 of the Financial Statements for the year ended
31st March, 2010**

Statement on Significant Accounting Policies

1. System of Accounting:

- i) The Company, generally, follows the mercantile system of accounting and recognizes income and expenditure on an accrual basis except those with significant uncertainties.
- ii) Financial statements are based on historical cost. These costs are not adjusted to reflect the impact of the changing value in the purchasing power of money.
- iii) Estimates and Assumptions used in the preparation of the financial statements are based upon management's evaluation of the relevant facts and circumstances as on the date of Financial Statements, which may differ from the actual results at a subsequent date.

2. Fixed Assets and depreciation:

- A) Fixed Assets are stated at their original cost of acquisition including incidental expenses related to acquisition and installation of the concerned assets (including cost of specific borrowings). The fixed assets manufactured by the Company are stated at manufacturing cost. Fixed Assets are shown net of accumulated depreciation, except free hold land, which is at cost.

- B) Expenditure on New Projects and Expenditure during Construction etc.:

In case of new projects and in case of substantial modernization or expansion at the existing units of the Company, expenditure incurred including interest on borrowings and financing cost of specific loan, prior to the commencement of commercial production is being capitalised to cost of assets. Trial Run Expenditure is also capitalised.

- C) 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 rates specified in Schedule XIV to the Companies Act, 1956, whichever is higher, on pro-rata basis.

Asset	Rate on straight line method	
	over the primary period of lease	as specified in Schedule XIV
Plant and Machinery		
Cinematograph film	20%	7.07%

- D) Depreciation on Assets (other than Freehold Land) :

- i) The Company provides depreciation on all its assets on the "Straight Line Method" in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956.
- ii) Depreciation on all assets acquired upto 31st October, 1987 is being provided at the rates of depreciation prevalent at the time of acquisition of the asset, pursuant to Circular 1/1/86 CLB No. 14(50)84 CL-VI dated 21st May, 1986 issued by the Department of Company Affairs.
- iii) Depreciation on addition to fixed assets from 1st April, 1990 onwards is charged at the rates specified in and in accordance with, Schedule XIV of the Companies Act, 1956.
- iv) 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 balance life of the said asset.
- v) Depreciation on assets sold, discarded and scrapped is being provided at their rates on pro-rata basis up to the date on which such assets are sold, discarded and scrapped.
- vi) Cost of Powerline is being amortised over a period of seven years when put to use.

3. Inventories:

Cost of Inventories has been computed to include all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

- i) Raw materials are valued at cost. The costs are ascertained on weighted average basis.
- ii) Stores, Spares etc. and tools are valued on weighted average basis.
- iii) Work-in-process, Dies under fabrication and Finished Goods are valued at the lower of cost or realisable value.



- iv) Scrap and Non-moving semi-finished goods, slow-moving and obsolete items, are valued at estimated realisable value.
- v) Stock of Trial Product is valued at cost.
- vi) Dies are valued at cost.
- vii) Die Block and Die Steel are valued at material cost.
- viii) Goods in transit are stated at actual cost up to the date of Balance Sheet.
- ix) Shares, Units of Mutual Funds shown as stock in trade are valued at cost or market value whichever is lower.

4. Research & Development expenditure:

Research and Development expenditure is charged to Profit & Loss Account under the respective heads of account in the year in which it is incurred. However expenditure incurred at development phase, where it is reasonably certain that the outcome of research will be commercially exploited to yield economic benefit to the Company, is considered as an intangible asset. Fixed Assets purchased for Research and Development are treated in the same way as any other Fixed Asset.

5. Deferred Revenue Expenditure is written off over a period of ten years from the date of commencement of Commercial Production.
6. Share Issue expenses are written off over a period of ten years.
7. Technical Know how Fees are written off over a period of six years.

8. Employee Benefits:

- a) Provident Fund -
Benefits in the form of Provident Fund and Pension Scheme whether in pursuance of law or otherwise which are defined contributions is accounted on accrual basis and charged to Profit and Loss Account of the year.
- b) Gratuity –
Payment for present liability of future payment of gratuity is being made to approved gratuity funds which fully cover the same under cash accumulation policy of the Life Insurance Corporation of India. The employees' gratuity, a defined benefit plan, is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet and shortfall in the fair value of the Planned Asset is recognized as obligation.
- c) Superannuation -
Defined Contributions to Life Insurance Corporation of India for employees covered under Superannuation Scheme are accounted at the rate of 15% of such employees' annual salary.
- d) Privilege Leave Benefits -
Privilege leave benefits or compensated absences is considered as long term unfunded benefit and is recognized on the basis of a actuarial valuation using the Projected Unit Credit Method determined by an appointed Actuary.
- e) Termination Benefits –
Termination benefits such as compensation under voluntary retirement scheme are recognized as liability in the year of termination.

9. Foreign Currency Transactions :

- a) Initial recognition –
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of transaction.
- b) Conversion –
Current Assets and Current Liabilities, Secured Loans designated in foreign currencies are revalored at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate contracted rate.
Foreign Currency Exposure in respect of Long Term Foreign Currency Monetary Items, for financing



fixed assets, outstanding at the close of the financial year are revalued at the contracted rate or appropriate exchange rates at the close of the year.

- c) Exchange Differences –
The gain or loss due to decrease / increase in Rupee liability due to fluctuation in rate of exchange is recognized in the Profit and Loss Account.
- d) Though the accounting policy detailed in (a) to (c) above have been consistently followed in terms with Accounting Standard 11, the policy followed in the current year retrospectively w.e.f. 1st April 2007, has been overridden by an amendment to the aforementioned Accounting Standard for limited period of time as stated in Note No. 20 in schedule 14 to the Financial Statements.
- e) Option Contracts –
Company uses foreign exchange option contracts to hedge its exposures against movements in foreign exchange rates. Foreign exchange option contracts are not used for trading or speculation purpose. Outstanding foreign exchange option contracts on the date of Balance Sheet are “Marked to Market”.

10. Investments:

Long Term investments are valued at cost of acquisition less diminution in the value, if determined to be of permanent nature.

11. Sales:

- a) i) Domestic sales are accounted for when dispatched from the point of sale, consequent to property in goods being transferred.
ii) Export sales are accounted on the basis of the dates of Bill of Lading.
- b) Benefit on account of entitlement to import goods free of duty under the “Duty Entitlement Pass Book “ under Duty Exemption Scheme is accounted in the year of export.
- c) Export incentives: Export incentives are accounted for on export of goods if the entitlement can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.
- d) Dividend is accrued in the year in which it is declared, whereby right to receive is established.

12. Borrowing Costs:

Borrowing costs are recognised in the Profit and Loss Account except interest incurred on borrowings, specifically raised for projects, are capitalised to the cost of the assets until such time that the asset is ready to be put to use for its intended purpose.

13. Taxation:

Provision for Taxation is made on the basis of the taxable profits computed for the current accounting period in accordance with the Income Tax Act, 1961. Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for at the applicable rate of tax to the extent the 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 realized.

14. Impairment of Assets:

The Management assesses for any impairment of assets or cash generating units, if indicators, external or internal, suggest possibilities of reduction in net realisable value of assets or value in use of cash generating units below their carrying costs. Impairments, if any, will be recognised in the Profit and Loss Account.

15. Provisions:

Necessary provisions are made for present obligations that arise out of past events prior to the Balance Sheet date, entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.



**STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

I	Registration Details		
	Registration No.		20959
	State Code		11
	Balance Sheet Date		31/03/2010
II	Capital Raised during the year		(Amount in Rs. Thousands)
	Public Issue		NIL
	Rights Issue		NIL
	Bonus Issue		NIL
	Private Placement		NIL
	Others		NIL
III	Position of Mobilisation and Deployment of Funds		(Amount in Rs. Thousands)
	Total Liabilities		1,380,520
	Total Assets		1,380,520
	Sources of Funds		
	Paid-up Capital		36,390
	Reserves & Surplus		697,107
	Deferred Tax Adjustments		60,216
	Secured Loans		471,635
	Unsecured Loans		115,173
	Application of Funds		
	Net Fixed Assets		869,811
	Investments		50
	Net Current Assets		510,659
	Misc Expenditure : --		
	(i) Misc. Expenditure		NIL
	(ii) Tech. Knowhow Fees		NIL
	Accumulated Losses		NIL
IV	Performance of the Company		(Amount in Rs. Thousands)
	Turnover		1,694,109
	Total Expenditure		1,634,744
	Profit Before Taxes		59,365
	Profit After Tax		39,132
	Adjustments in respect of earlier years		-6,039
	Net Profit		33,093
	Earnings Per Share (Rs.)		9.10
	Dividend Rate (%)		18%
V	Generic Names of Three Principal Products / Services of Company (as per monetary terms)		
	Product Description		Items Code No
			(ITC Code)
	High Quality Close Tolerance Die Forgings		732690
	Rear Axle Support Tube Assembly		87085000
	Finished Machined Connecting Rods etc.		87089900

On behalf of the Board of Directors

Neelkanth A. Kalyani
Chairman

R. G. Kalyani
Vice Chairperson and
Managing Director
Pune :26th May, 2010

Shweta Naik
Company Secretary
Pune :26th May, 2010

Mumbai : 26th May, 2010

KALYANI FORGE LIMITED

Regd. Office: Shangrila Gardens, 'C' Wing, 1st Floor,
Opposite Bund Garden, Bund Garden Road, Pune-411 001.

PROXY

I/We, _____
of _____
being a Member/Members of KALYANI FORGE LIMITED, Pune, hereby appoint _____
_____ of _____
failing him _____
of _____ to vote for me/us
on my/our behalf, at the THIRTYFIRST Annual General Meeting of the Company, to be held on
Saturday, the 17th July, 2010, at 11.00 a.m., and at any adjournment thereof.

Signed this _____ day of _____ 2010.
No. of shares held : _____ Folio No. _____
D.P.ID.** _____ Client ID** _____

Please Affix
Rs. 1
Revenue
Stamp here

**Applicable for Members holding shares
in Dematerialised Form

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

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

KALYANI FORGE LIMITED

Regd. Office: Shangrila Gardens, 'C' Wing, 1st Floor,
Opposite Bund Garden, Bund Garden Road, Pune-411 001.

ATTENDANCE SLIP

Please complete this attendance slip and hand it over at the entrance of the Meeting Hall.

L.F. No. (s)

NAME OF THE SHAREHOLDER / PROXY* _____
ADDRESS _____
No. of shares held : _____ Folio No. _____
D.P.ID.** _____ Client ID** _____

I/We hereby record my / our presence at the THIRTYFIRST Annual General Meeting of the Company,
being held on Saturday, the 17th July, 2010, at Poona Club Ltd., 6, Bund Garden Road,, Pune-411 001.

SIGNATURE OF THE SHAREHOLDER / PROXY* _____

*strike our whichever is not applicable;

** Applicable for Members holding shares in Dematerialised Form

