

KALYANI INVESTMENT COMPANY LIMITED



KALYANI

DRIVING INNOVATION

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1ST ANNUAL GENERAL MEETING

Day : Wednesday
Date : 24th November, 2010
Time : 11.00 a.m. (I.S.T.)
Place : Registered Office,
Kalyani Investment Company Limited,
Mundhwa, Pune - 411 036

**KALYANI**

1st Annual Report 2009-2010

CORPORATE GOVERNANCE

The Company's philosophy of Corporate Governance aims at establishing and practicing a system of good Corporate Governance, which will assist the management in managing the Company's business in an efficient and transparent manner towards fulfilling the corporate objectives.

This chapter of the report, plus the information given under 'Management Discussion and Analysis' and 'Shareholder Information' constitutes the compliance report of the Company on Corporate Governance during the year 2009-10.

1. BOARD LEVEL ISSUES

COMPOSITION OF THE BOARD :

As on 31st March, 2010, the Board of Directors of Kalyani Investment comprised four directors. The Board consists of Non-Executive Chairman, who is a Relative of Promoter and three Non-Executive Independent Directors. Details are given in Table 1.

NUMBER OF BOARD MEETINGS :

During the year 2009-10, the Board of the Company met seven times on 30th June, 2009, 3rd August, 2009, 16th September, 2009, 3rd November, 2009, 18th December, 2009, 23rd February, 2010 and 31st March, 2010. All the meetings were held in such manner that the gap between two consecutive meetings was not more than four months.

DIRECTORS' ATTENDANCE RECORD AND DIRECTORSHIPS :

Table 1: The composition of the Board, the category of Directors, their attendance record and the number of directorships :

Table - 1 - Details about Board of Directors of the Company							
Name of the Director	Category	Particulars of Attendance			Number of Directorships and Committee Memberships / Chairmanships in Public Limited Companies		
		Number of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships
		Held	Attended				
Mr.Amit B. Kalyani Chairman	Relative of Promoter Non-Executive	5	5	N.A.	12	4	—
Mr.S.S. Vaidya	Non-Executive	1	1	N.A.	10	5	5
Mr.B.B. Hattarki	Non-Executive	7	7	N.A.	9	2	4
Mr.C.G. Patankar	Non-Executive	5	5	N.A.	10	4	—
Mr.M.V. Kandharkar*	Non-Executive	3	3	N.A.	—	—	—
Mrs.D.R. Puranik*	Non-Executive	3	3	N.A.	1	1	—

* Ceased to be Director w.e.f. 16th September, 2009

As detailed in the table above, none of the Directors is a member of more than ten Board level Committees of public limited companies in which they are Directors or a Chairman of more than five such Committees.

BOARD PROCEDURE :

Information Supplied to the Board

Among others, information supplied to the Board includes :

- Annual operating plans and budgets and any updates thereof
- Quarterly results for the Company
- Minutes of meetings of committees
- Scheme of Arrangement
- Non-Compliance of any regulatory, statutory nature or listing requirements etc. if any
- Materially important show cause, demand notices if any

The Board of the Company is presented with all the relevant information on various vital matters affecting the working of the Company as well as those matters, which require deliberation at the highest level. Board Members are given appropriate documents / detailed notes and information in advance of each Board and Committee Meeting.

DIRECTORS WITH MATERIALLY PECUNIARY OR BUSINESS RELATIONSHIP WITH THE COMPANY :

There has been no materially relevant pecuniary transactions or relationship between the Company and its non-executive and / or independent Directors for the year 2009-10.

AUDIT COMMITTEE :

Audit Committee of Kalyani Investment was formed on 31st March, 2010, comprising of three members, of which all are Independent Directors. All the members have accounting and finance management expertise. The Chairman of the Audit Committee is Mr.B.B. Hattarki. Mr.S.S. Vaidya and Mr.C.G. Patankar are the other members of the Committee. No meeting of the Audit Committee was held during the year 2009-10.

The functions of the Audit Committee of the Company include of the following :

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing, with the management, the annual / quarterly financial statements before submission to the board for approval.
- Reviewing, with the management, performance of statutory / internal auditors, adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any.
- Discussions with statutory auditors before audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- To look into the reasons for substantial defaults, if any, in the payment to the shareholders (in case of non payment of declared dividends) and creditors.
- Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews :

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters / letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the chief internal auditors.

REMUNERATION OF DIRECTORS :

No remuneration was paid to any Directors during the year 2009-10. The Company does not have any stock option scheme.

SHAREHOLDING OF DIRECTORS :

Name of the Director	Relationship with other Directors	No. of Shares held
Mr.Amit B. Kalyani, Chairman	None	3,169
Mr.S.S. Vaidya	None	—
Mr.B.B. Hattarki	None	—
Mr.C.G. Patankar	None	477

CODE OF CONDUCT :

The Board of Kalyani Investment has laid down a Code of Conduct for all the Board Members. All the Board Members have affirmed compliance with the Code of Conduct.

**2. MANAGEMENT****MANAGEMENT DISCUSSION AND ANALYSIS :****STRUCTURE OF THE COMPANY AND THRUST OF THE BUSINESS :**

Kalyani Investment was incorporated as an Investment Company with the purpose of transfer and vesting of 'Investment Division' of Kalyani Steels Limited and amalgamation of three wholly owned investment subsidiaries of Kalyani Steels Limited, as a going concern, in terms of the Composite Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its Order dated 12th March, 2010.

Kalyani Investment is a Core Investment Company holding more than 90% of its assets in investments in shares of or debts in Group Companies. The thrust of business is to hold and continue to hold securities in Kalyani Group Companies.

RISKS AND CONCERNS :

Kalyani Investment's income is mainly from the dividends that may be receivable on investments held by it / may be held in future. Any adverse impact on the industries of which securities are held by Kalyani Investment, also have a bearing on the performance of Kalyani Investment. Any slowdown in the growth of Indian economy or future volatility in global financial market, could also adversely affect the business.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY :

The Company has in place an effective system of internal controls to ensure operational efficiency, accuracy in financial reporting and compliance of applicable laws and regulations.

DISCLOSURES BY MANAGEMENT TO THE BOARD :

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

Cautionary Statement

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

3. SHAREHOLDERS**DISCLOSURES REGARDING APPOINTMENT OF DIRECTORS :**

Mr.B.B. Hattarki, First Director of the Company, appointed by virtue of the provisions of the Articles of Association, holds office till the conclusion of the ensuing Annual General Meeting. Mr.Amit B. Kalyani, Mr.C.G. Patankar and Mr.S.S. Vaidya, were appointed as Additional Directors during the year and hold office till the conclusion of the ensuing Annual General Meeting.

Notices in writing have been received from the members of the Company under Section 257 of the Companies Act, 1956, signifying their intention to propose Mr.B.B. Hattarki, Mr.Amit B. Kalyani, Mr.C.G. Patankar and Mr. S.S. Vaidya, as candidates for the office of Director. Details of these directors to be appointed, are given below :

Mr.B.B. Hattarki born on 10th October, 1941, is a Metallurgy and Mechanical Engineer. He also serves on the Board of BF Utilities, Automotive Axles, Kalyani International, Kalyani Mukand, Kalyani Steels, Hospet Steels, BF Investment and Khed Developers. Mr.Hattarki is retiring at the ensuing Annual General Meeting and being eligible, offers himself for appointment.

Mr.Amit B. Kalyani, born on 26th July, 1975, is an Executive Director of Bharat Forge Limited. Mr.Amit B. Kalyani, after having his initial education in Pune, graduated in Mechanical Engineering from Bucknell University, U.S.A. He was in U.S.A. for a number of years and besides obtaining degree in engineering, has had considerable exposure to technological advancements in various fields and especially in Information Technology. He also has work experience in Speciality Steel Manufacturing Industry in U.S.A. Mr.Amit B. Kalyani serves on the Board of Kalyani Steels, BF Utilities, Kalyani Infotech Solutions, Nandi Economic Corridor Enterprises, Nandi Infrastructure Corridor Enterprises, KPIT Cummins Infosystems, Khed Developers, BF-NTPC Energy Systems, BF Investment and Kalyani Alstom Power.

Mr.C.G. Patankar, born on 6th June, 1956, is an Executive Director of Kalyani Steels Limited. Mr.Patankar holds a Bachelors Degree in Science and he is a Chartered Accountant, having a rich experience of more than 30 years. Mr.Patankar also serves on the Board of Kalyani Carpenter Special Steels, Kalyani Carpenter Metal Centres, Kalyani Thermal, Kalyani Mukand, Kalyani International, Hospet Steels, Bharat NRE Coke and Spice Islands Apparels.

Mr.S.S. Vaidya born on 9th August, 1955 is a Chartered Accountant. He is a partner of M/s Kunte & Vaidya, Chartered Accountants, Pune. He has been in practice for over 29 years and has vast experience in Corporate & Legal field, Tax Laws, Company Law, Foreign Exchange Laws etc. Mr.Vaidya also serves on the Boards of Bosch Chassis Systems India, Nandi Infrastructure Corridor Enterprises, Sahyadri Hospitals, BF Utilities, Nandi Economic Corridor Enterprises, Sharp India, BF Systems, Nandi Highway Developers and Kalyani Steels.

COMMUNICATION TO SHAREHOLDERS :

Individual letters were sent by Kalyani Investment to its shareholders intimating them about demat credit of equity shares or forwarding them share certificates, in respect of shares allotted to them pursuant to Scheme of Arrangement.

Letters / e-mails received from shareholders are replied promptly.

INVESTOR GRIEVANCES :

The Company has in place Shareholders' / Investors' Grievance Committee for redressing Shareholders' / Investors' complaints. The Committee comprises of Mr.B.B. Hattarki (Chairman) and Mr.C.G. Patankar, Director. No meeting of the Shareholders' / Investors' Grievance Committee was held during the year 2009-10.

During the year 2009-10 no complaints were received by the Company. Mr.Tushar Meher, Company Secretary, is the Compliance Officer.

The Company has already provided separate E-mail ID for registering complaints by investors (kicl@kalyanisteels.com).

SHARE TRANSFER :

In terms of 'In-principle' approvals obtained under Clause 24(f) of the Listing Agreement for the Scheme of Arrangement, the equity shares allotted pursuant to Scheme shall remain frozen in the depositories systems till listing / trading permission is given by the designated stock exchanges and there shall not be any change in the shareholding pattern between the Record Date and the Listing Date. As a result the equity shares are not transferable till the Listing Date.

DETAILS OF NON-COMPLIANCE :

Kalyani Investment has complied with all the requirements of regulatory authorities. No penalties were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter relating to the capital market during the period under report.

GENERAL BODY MEETINGS :

Particulars of General Body Meetings held, since incorporation are given below :

Date	Time	Type of Meeting	Venue	Special Resolution Passed
29th August, 2009	10.30 a.m.	Extraordinary General General	Registered Office of the Company at Mundhwa, Pune - 411 036	1*
18th January, 2010	10.30 a.m.	Extraordinary General Meeting	Registered Office of the Company at Mundhwa, Pune - 411 036	1**

* Special Resolution was passed, under Section 31 of the Companies Act, 1956, for Amendment in Articles of Association for Increase in Authorised Capital.

**Special Resolution was passed, under Section 100 of the Companies Act, 1956 for Reduction of Capital i.e. for cancellation of 50,000 Equity Shares of ₹10/- each pursuant to Scheme of Arrangement.

No Special Resolution was put through postal ballot in the last year.

This year no resolution is proposed to be taken up through postal ballot.

COMPLIANCE WITH MANDATORY AND NON-MANDATORY REQUIREMENTS :

The Company is fully compliant with the applicable mandatory requirements of the Clause 49. It has not adopted any non-mandatory requirements.

**KALYANI**

1st Annual Report 2009-2010

SHAREHOLDER INFORMATION**ANNUAL GENERAL MEETING :**

Day and Date : Wednesday, 24th November, 2010 at 11.00 a.m.

Venue : Registered Office of the Company at Mundhwa, Pune - 411 036

FINANCIAL CALENDAR :

1st April to 31st March

LISTING :

The Company has received 'In-principle' approval for listing from National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and Pune Stock Exchange Limited (PSE). The Equity Shares would be listed and admitted to dealings on receipt of approval of Securities and Exchange Board of India (SEBI) by relaxation of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957.

STOCK CODES :

Will be allotted by Stock Exchanges after final listing approval.

ISIN in NSDL and CDSL : INE029L01018

STOCK DATA :

The Equity Shares are yet to be listed on National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE) and Pune Stock Exchange Limited (PSE).

REGISTRAR AND TRANSFER AGENTS AND SHARE TRANSFER SYSTEM :

M/s. Link Intime India Private Limited, Block No.202, Akshay Complex, 2nd Floor, Off Dhole Patil Road, Near Ganesh Mandir, Pune - 411 001 are the Registrar and Transfer Agents of the Company and shall carry out the share transfer work on behalf of the Company after listing.

PATTERN OF SHAREHOLDING BY OWNERSHIP AS ON DATE OF ALLOTMENT I.E. 27TH APRIL, 2010 :

Category	No. of Equity Shares held	Shareholding %
Promoters	2,612,632	59.849
Mutual Funds / UTI	434,778	9.960
Insurance Companies	—	—
Banks	178	0.004
FII's	12,998	0.298
Bodies Corporate	535,123	12.258
NRI's / OCB's	12,344	0.284
Foreign Companies	66	0.001
Indian Public	757,187	17.346
TOTAL	4,365,306	100.000

PATTERN OF SHAREHOLDING BY SHARE CLASS AS ON DATE OF ALLOTMENT I.E. 27TH APRIL, 2010 :

Shareholding Class	No. of Shareholders	No. of Equity Shares held	Shareholding %
Up to 500	26,193	535,091	12.258
501 to 1,000	113	82,234	1.884
1,001 to 2,000	66	96,131	2.202
2,001 to 3,000	29	71,692	1.642
3,001 to 4,000	22	78,061	1.788
4,001 to 5,000	7	31,243	0.716
5,001 to 10,000	11	78,935	1.808
10,001 and above	26	3,391,919	77.702
TOTAL	26,467	4,365,306	100.000