



Enriching Lives

KIRLOSKAR BROTHERS LIMITED

Registered & Corporate Office : Udyog Bhavan, Tilak Road, Pune - 411 002

Dear Shareholders,

Sub: Documents in respect of subsidiary companies

Please refer to the corrigendum to 88th Annual Report 2007-08.

As you are aware, the Company has made an application to the Central Government for not attaching the annual reports of subsidiary companies to 88th Annual Report 2007-08 of the Company.

However, since the company has not yet received the said approval, we attach the Directors' Reports, Balance Sheets and Profit and Loss Accounts etc. of the company's subsidiary companies under section 212 of the Companies Act, 1956. Kindly note that these documents form part of 88th Annual Report 2007-08 of the Company. We regret the inconvenience.

For KIRLOSKAR BROTHERS LIMITED,

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G. P. KULKARNI
Vice President & Head - Legal
and Company Secretary

Pune : July 12, 2008

INDEX

	Page Nos.
1. Pooja Credits Private Limited	2
2. Kirloskar Silk Industries Limited	14
3. Kirloskar Constructions and Engineers Limited (Formerly known as : Aban Constructions Limited)	25
4. Gondwana Engineers Limited	44
5. SPP Pumps Limited (Consolidated)	76
6. Kirloskar Brothers International B. V.	95

DIRECTORS' REPORT TO THE MEMBERS

The Directors present their 20th Annual Report and Audited Accounts of the company for the year ended March 31, 2008.

FINANCIAL PERFORMANCE :

	Current Year ended March 31, 2008 (in Rs.)	Previous Year ended March 31, 2007 (in Rs.)
Net Profit Before Tax	35,746,277	34,754,243
Provision for tax	--	--
Provision for Tax for earlier years written back	496,636	92
Net Profit After Tax	36,242,913	34,754,335
Balance brought forward from previous year	56,934,255	41,370,175
Profit available for appropriation	93,177,168	76,124,510
Interim dividend paid during the year	--	13,781,908
Profit Transferred to General Reserve	--	3,475,434
Balance carried to Balance Sheet	93,177,168	56,934,255

DIVIDEND :

During the year under review company did not paid any dividend. The Directors do not recommend final dividend.

PARTICULARS OF EMPLOYEES :

None of the employees is covered under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) (Amendment) Rules, 2002.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE :

Being an investment Company, the provisions of Section 217 (1)(e) of the Companies Act, 1956 do not apply.

DIRECTORS' RESPONSIBILITY STATEMENT :

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors confirm –

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there was no material departure from the accounting standards.
- that the accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for period April 1, 2007 to March 31, 2008.
- that the proper and sufficient care has been taken 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
- that the Annual Accounts have been prepared on a going concern basis.

DIRECTORS :

Mr. Gajanan P. Kulkarni has been appointed as an Additional Director with effect from July 20, 2007. As per Articles of Association of the Company, he holds office till the date of ensuing Annual General Meeting and is eligible for appointment.

Mr. Anant Ramkrishna Sathe, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

AUDITORS :

M/s P.G. Bhagwat will retire at the ensuing Annual General Meeting and are eligible for re-appointment.

For and on behalf of the Board of Directors,

SANJAY KIRLOSKAR
CHAIRMAN

AUDITOR'S REPORT TO THE MEMBERS OF POOJA CREDITS PRIVATE LIMITED

1. We have audited the attached balance sheet of Pooja Credits Private Limited as at 31st March 2008, the profit and loss account and also the cash flow statement of the company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) in our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - iii) the balance sheet, the profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv) 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 Companies Act, 1956;
 - v) on the basis of the written representations received from the directors as on 31st March, 2008, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) in our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2008 ;
 - b) in the case of the profit and loss account of the profit for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For M/s P. G. BHAGWAT
Chartered Accountants

Pankaja Bhagwat
Partner
Membership No.: 86155

Pune: April 11, 2008

POOJA CREDITS PRIVATE LIMITED

ANNEXURE

Re : Pooja Credits Private Limited

Referred to in paragraph 3 of our report of even date

- (i) The company does not own any fixed assets. Accordingly, the provisions of clause 4 (i) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (ii) As the company has no manufacturing activity, the provisions of clause 4 (ii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (iii) (a) The company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956.
Accordingly, the provisions of clause 4 (iii) (b) (c) and (d) are not applicable to the company.
- (b) The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956.
Accordingly, the provisions of clause 4 (iii) (f) and (g) are not applicable to the company.
- (iv) Being an investment company without any fixed assets, the provisions of clause 4 (iv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (v) According to the information and explanations given to us, there were no contracts or arrangements referred to in section 301 of the Companies Act, 1956.
Accordingly, the provisions of clause 4 (v) (b) are not applicable to the company.
- (vi) According to information and explanations given to us, the company has not accepted any deposits from public.
- (vii) According to information and explanations given to us, the company does not require a formal internal audit system taking into consideration nature and volume of its business.
- (viii) Being an investment company, the provisions of clause 4 (viii) of the Companies (Auditor's Report) Order, 2003 related to maintenance of cost records are not applicable to the company.
- (ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
According to information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable.
- (b) According to information and explanation given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The company has no accumulated losses as at 31st March, 2008. The company has not incurred cash losses during the financial year and in the immediately preceding financial year.
- (xi) According to information and explanations given to us, the company has no dues to any financial institution, bank or debenture holders. Accordingly, the provisions of clause 4 (xi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xii) According to information and explanation given to us, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4 (xii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) According to information and explanation given to us, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) According to information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.

- (xvi) According to information and explanation given to us, the company does not have any term loans.
- (xvii) According to information and explanation given to us, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanation given to us, the company has not made any preferential allotment of any shares to parties and companies covered under section 301 of the Companies Act, 1956.
- (xix) According to information and explanation given to us, the company has not issued any debentures. Accordingly, the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xx) According to information and explanation given to us, the company has not made any public issue to raise money. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xxi) According to information and explanation given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For M/s P. G. BHAGWAT
Chartered Accountants

Pankaja Bhagwat
Partner
Membership No.: 86155

Pune: April 11, 2008

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POOJA CREDITS PRIVATE LIMITED**BALANCE SHEET AS AT MARCH 31, 2008**

	Schedule	2008 Rupees	2007 Rupees
SOURCES OF FUNDS :			
Shareholders' Funds			
Capital	1	34,454,770.00	34,454,770
Reserves and surplus	2	99,752,602.07	63,509,689
Unsecured Loans		-	
Loan from Holding Company		-	38,000,000
Total		134,207,372	135,964,459
APPLICATION OF FUNDS :			
Investments	3	133,351,187	136,351,187
Current Assets, Loans & Advances			
Bank Balances		296,102	37,043
Loans and advances			
Advance Income Tax and Tax Deducted at Source		570,185	2,714,235
Less : Provision for Tax		-	2,636,500
		570,185	77,735
		866,287	114,778
Less: Current Liabilities			
Sundry Creditors		10,102	130,068
Interest Accrued on Loans		-	371,438
Net Current Assets		856,185	(386,728)
Total		134,207,372	135,964,459

Notes to Accounts

The schedule referred to above and the notes to accounts form an integral part of the Balance Sheet

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat
Chartered Accountants

SANJAY KIRLOSKAR
Chairman

A. R. SATHE
Director

Mrs. A. A. KULKARNI
Assistant Company Secretary

PANKAJA BHAGWAT
Partner

PUNE : April 11, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedule	2008 Rupees	2007 Rupees
INCOME			
Dividend from Investments		37,946,430	34,925,630
Profit on Sale of Investments		271,230	479,553
Provision for decline in value of investments written back		-	-
Interest Received		-	9,361
Total		38,217,660	35,414,544
EXPENDITURE			
I) Salary		170,435	137,500
II) Audit Fees		10,102	10,102
III) Other fees to Auditors		4,495	4,674
IV) Filing Fees		2,000	1,325
V) Other Expenses		931	7,949
VI) Interest Paid		2,283,420	498,751
Total		2,471,383	660,301
Profit/(Loss) before tax		35,746,277	34,754,243
Provision for tax		-	-
Provision for tax for earlier years written back		496,636	92
Net profit		36,242,913	34,754,335
Balance brought forward from previous year		56,934,255	41,370,175
Profit available for appropriation		93,177,168	76,124,510
Appropriations			
Interim dividend		-	13,781,908
Additional tax on dividend		-	1,932,913
Transfer to General Reserve		-	3,475,434
Surplus carried to Balance Sheet		93,177,168	56,934,255
		93,177,168	76,124,510
Basic and Diluted Earning per Equity Share - not annualised	10.52	10.09	
(Nominal Value per share Rs.10)			

The schedule referred to above and the notes to accounts form an integral part of the Profit and Loss Account

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat
Chartered Accountants

SANJAY KIRLOSKAR
Chairman

A. R. SATHE
Director

Mrs. A. A. KULKARNI
Assistant Company Secretary

PANKAJA BHAGWAT
Partner

PUNE : April 11, 2008

POOJA CREDITS PRIVATE LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008**

	2008 Rupees	2007 Rupees
A Cash Flow from Operating Activities		
Net Profit	36,242,913	34,754,243
Adjustment for :-		
Decline in Value of Investments	-	-
Trade Payables	(491,404)	481,588
Direct Taxes Paid	(492,450)	172,892
	<u>35,259,059</u>	<u>35,408,723</u>
B Cash Flow from Investing Activities	<u>3,000,000</u>	<u>(58,000,000)</u>
C Cash Flow from Financing Activities		
Other Borrowings	(38,000,000)	38,000,000
Dividend Paid	-	(13,781,908)
Tax on Dividend	-	(1,932,913)
Total Cash Flow from Financing Activities	<u>(38,000,000)</u>	<u>22,285,179</u>
Net Increase in Cash & Cash Equivalents	<u>259,059</u>	<u>(306,098)</u>
Cash and Cash Equivalents at beginning of period	<u>37,043</u>	<u>343,141</u>
Cash and Cash Equivalents at end of period	<u>296,102</u>	<u>37,043</u>

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat
Chartered AccountantsSANJAY KIRLOSKAR
ChairmanA. R. SATHE
DirectorMrs. A. A. KULKARNI
Assistant Company SecretaryPANKAJA BHAGWAT
Partner

PUNE : April 11, 2008

SCHEDULE TO THE ACCOUNTS

	2008 Rupees	2007 Rupees
SCHEDULE 1 : SHARE CAPITAL		
Authorized 4,000,000 (4,000,000) equity shares of Rs.10/- each	40,000,000	40,000,000
Issued 3,485,000 (3,485,000) equity shares of Rs. 10 each	34,850,000	34,850,000
Subscribed and paid up 3,445,477 (3,445,477) equity shares of Rs. 10 each	34,454,770	34,454,770
3,445,477 (3,445,477) equity shares are held by Kirloskar Brothers Ltd., the holding company)	34,454,770.00	34,454,770.00

SCHEDULE 2 : RESERVES AND SURPLUS

General Reserve		
Balance as per last account	6,575,434	3,100,000
Add: Transfer from Profit and Loss Account	-	3,475,434
	6,575,434	6,575,434
Profit and Loss Account	93,177,168	56,934,255
	99,752,602	63,509,689

SCHEDULE 3 : INVESTMENTS**Long Term Investments (At cost)****Non-Trade Investments****Quoted**

57,650 (57,650) equity shares of Rs. 10/- each in Kirloskar Investments & Finance Ltd.	1,153,000	1,153,000
1,700,209 (8,501,045) equity shares of Rs.2/- (Rs.2/-) each in Kirloskar Oil Engines Ltd.	58,188,067	58,188,067
3,800,000 (3,800,000) equity shares of Rs. 5/- (Rs.5/-) each in Kirloskar Ferrous Industries Ltd.	69,100,000	69,100,000
(3,00,000) units Rs. 10/- each in Standard Chartered Fixed Maturity Plan.	-	3,000,000
	128,441,067	131,441,067

Unquoted

445,500 (445,500) equity shares of Rs. 10/- each in Kirloskar Consultants Ltd.	4,455,000	4,455,000
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POOJA CREDITS PRIVATE LIMITED**SCHEDULE TO THE ACCOUNTS (CONTD.)**

	2008 Rupees	2007 Rupees
4,207 (4,207) equity shares of Rs. 100/- each in Hematic Motors Pvt. Ltd.	3,179,699	3,179,699
3,360 (3,360) equity shares of Rs. 100/- each in Pressmatic Electro Stampings Pvt. Ltd.	1,116,998	1,116,998
16,375 (16,375) equity shares of Rs. 10/- each in Quadromatic Engineering Pvt. Ltd.	706,039	706,039
34,300 (34,300) equity shares of Rs. 10/- each in Quadrant Communications Ltd.	343,000	343,000
	9,800,736	9,800,736
Sub Total	138,241,803	141,241,803
Less : Provision made for decline in value of Investments (Refer Note no. B 2)	4,899,616	4,899,616
	133,342,187	136,342,187
Current Investments		
Quoted		
200 (200) equity shares of Rs. 10/- each in Bank of India	9,000	9,000
Total	133,351,187	136,351,187
Aggregate amount of quoted investments	128,450,067	131,450,067
Market value	1,967,876,154	2,119,032,019
Aggregate amount of unquoted investments	9,800,736	9,800,736