

Surging ahead with confidence



Annual Report
1998 - 1999



KIRLOSKAR OIL ENGINES LTD
www.kirloskars.com



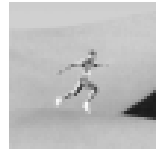
At KOEL, our ultimate driving force has always been "Customer Satisfaction", for we firmly believe that we exist because of them. And it is this belief that makes us look ahead to better ways of doing things, for our customers.

Towards this effort has been the installation of an ERP System, which has helped us streamline our resources for efficient functioning.

Our ongoing efforts towards eco-friendly practices continue with the manufacturing of environment-friendly diesel engines, and yes, manufacturing them in an environmentally - friendly manner. These efforts have got us the ISO 14001 certification for Environment Management Systems from TUV.

KOEL has made substantial progress on the Information Technology front as well. KOEL's Internet, Intranet and Extranet showcase the company's commitment to harnessing the potential of Information Technology - to improve our functioning and thereby serve our customers more efficiently. KOEL is perhaps the only manufacturing company in the country to have such extensive networking, where all its personnel, offices, plants and even dealers & suppliers communicate and transact on-line.

And, we believe this is just the beginning...



**ANNUAL REPORT FOR THE
FINANCIAL YEAR ENDED ON 31 MARCH, 1999**

BOARD OF DIRECTORS :

Mr. Atul C. Kirloskar	Chairman & Managing Director
Mr. Gautam Kulkarni	Joint Managing Director
Mr. K. Gopalan	
Dr. N. A. Kalyani	
Mrs. Chanda Kochhar	ICICI Nominee
Mr. H. M. Kothari	
Air Marshal Y. V. Malse (Retd.)	
Mr. P. G. Pawar	
Mr. U. V. Rao	
Dr. R. J. Rathi	

COMPANY SECRETARY :

Dr. K. R. Chandratre

AUDITORS :

M/s. Dalal & Shah
Chartered Accountants

BANKERS :

State Bank of India
Bank of Maharashtra
The United Western Bank Ltd.
Bank of Baroda
The Cosmos Co-operative Bank Ltd.
HDFC Bank Ltd.
The Shamrao Vitthal Co-operative Bank Ltd.

REGISTERED OFFICE :

Laxmanrao Kirloskar Road, Khadki,
Pune 411 003

LOCATION OF FACTORIES :

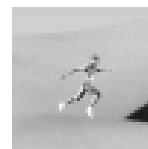
Pune
Ahmednagar
Nasik
Solapur

KIRLOSKAR OIL ENGINES LIMITED

INFORMATION FOR SHAREHOLDERS

Date and venue of the Annual General Meeting	:	Saturday, 4 March 2000, 3.00 PM at the Registered Office of the Company
Listing on the stock exchanges at	:	Pune Stock Exchange Ltd. Sheevaleela Chambers, 752, Sadashiv Peth, Pune 411030
	:	The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400001
	:	The National Stock Exchange of India Ltd. Trade World, Senapati Bapat Marg, Lower Parel, Mumbai 400013
Registered office of the Company	:	Laxmanrao Kirloskar Road, Khadki, Pune 411003
Address for correspondence by shareholders	:	Secretarial and Legal Department Kirloskar Oil Engines Limited Laxmanrao Kirloskar Road, Khadki, Pune 411003
	:	Phone No. (020) 5815341 (Extn. 4351)
	:	Fax No. (020) 5813208
	:	E-mail: srb@koel.co.in OR ksd@koel.co.in

The Company has paid the listing fees, as applicable, to the Stock Exchanges where the Company's shares and debentures are listed.



A DECADE AT A GLANCE

(Rupees in Million)

Particulars	31st March									
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Gross fixed assets	511.09	576.04	706.85	1000.62	1263.83	1499.72	2112.42	2366.66	2556.98	3291.16
Net fixed assets	204.04	239.85	338.05	579.86	781.06	1170.08	1469.01	1583.59	1518.80	1731.41
Net current assets	298.06	401.19	469.81	691.49	720.37	897.43	1304.72	2635.31	3614.32	1995.19
Total capital employed	540.90	706.10	901.40	1435.52	1805.09	2498.21	3714.05	5147.94	6558.38	5458.11
Shareholders' funds	240.29	294.34	322.28	504.47	725.05	862.49	1566.89	2000.63	3475.73	2919.46
Sales	1409.86	1556.34	1820.41	2255.93	2910.05	4073.09	6138.96	6158.42	6313.52	7133.76
Profit before tax	40.56	62.01	71.11	73.01	103.14	124.25	213.38	576.93	1716.87	159.19
Retained earnings	23.24	39.08	27.94	40.99	75.69	87.00	157.20	429.67	1429.64	84.01
Dividend –										
Equity & Preference	10.25	11.50	12.65	15.96	29.29	30.13	41.80	42.71	60.65	#66.55
Equity Dividend%	16	18	20	25	25	25	25	25	35	#35
FOB value of exports	109.66	74.22	79.63	154.30	109.99	220.99	193.56	150.80	169.14	293.43

Interim Dividend

NOTE :

In the above chart the figures for the year 1990 to 1994 relate to erstwhile Kirloskar Oil Engines Ltd., prior to its merger with Prashant Khosla Pneumatics Ltd.

Preference shares were redeemed during the Financial Year 1996-97.

KIRLOSKAR OIL ENGINES LIMITED**DIRECTORS' REPORT TO THE MEMBERS FOR THE FINANCIAL YEAR ENDED ON 31 MARCH, 1999**

Your Directors have pleasure in submitting their Report along with the audited accounts of your Company for the year ended on 31 March, 1999.

01. Financial Results :

(Rupees in 000's)

	1998-99	1997-98
Income	7,365,528	8,196,024
Profit/(Loss) before taxation	159,190	1,716,870
Provision for taxation	1,300	220,500
Profit/(Loss) for the year	157,890	1,496,370
Other adjustments	(10,904)	(4,881)
Profit brought forward from previous year	85,390	60,622
Available surplus	232,376	1,552,111

02. Appropriations :

The Company paid an interim dividend @ 35% on 30 September 1999 in view of the delay in the approval of the scheme of amalgamation of Shivaji Works Ltd. with the Company. The Board of Directors does not recommend any final dividend for the Financial year 1998-99.

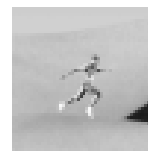
Your Directors propose to appropriate the available surplus as follows :

	(Rupees in 000's)
Transfer to General Reserve	50,000
Transferred to Debenture Redemption Reserve	14,500
Interim Dividend	66,557
Corporate Dividend Tax on Interim Dividend	7,321
Balance carried to Balance Sheet	93,998
	<u>232,376</u>

03. Amalgamation of Shivaji Works Limited :

Your Company had submitted a proposal to the Board for Industrial and Financial Reconstruction (BIFR) for the revival of Shivaji Works Limited (SWL), a sick industrial company located at Solapur, by its amalgamation with your Company. BIFR approved the scheme of Amalgamation and Rehabilitation of SWL with your Company on 16 December 1999. Copy of the Scheme of Amalgamation was filed with the Registrar of Companies on 21 January 2000 as a result of which SWL was dissolved without being wound up on 21 January 2000. The plant situated at Solapur would now operate as 'Castings Division' of your Company. The amalgamation became effective from 1 April 1998. Pursuant to the scheme of amalgamation, a shareholder of SWL is entitled to get 1 equity share of Kirloskar Oil Engines Limited, for every 25 equity shares of SWL.

SWL, which was once a subsidiary of your Company, has been a major supplier of castings to your Company. The amalgamation would result, inter alia, in backward integration, protecting the employment of over 1000 persons directly and indirectly and settlement of all outstanding dues of SWL to Financial Institutions, Debentureholders, Maharashtra State Electricity Board etc. aggregating Rs. 143.5 million. The Scheme provides for waiver of compound interest, liquidated damages, penal interest and premium on prepayment on the outstanding dues owed by SWL to Financial Institutions. Your Company would get the benefit of carry forward and set off of losses and unabsorbed depreciation allowance of SWL as per Income tax Act, 1961. Your Company is making efforts to broaden the customer base of the Castings Division at Solapur.



04 Operations :

During the year under review, Small Engines Division registered a growth in sales of 12% over the last financial year. In the Medium Engines Division, the power generation and Industrial segments did not grow. However, tractor segment registered a growth. On the background of fierce competition, both the divisions implemented cost reduction measures successfully, resulting in reduction in raw material cost, inventory and debtors. Supplier quality improvement programme was implemented. Information technology tools were successfully utilised to connect General Original Equipment Manufacturers, Service Dealers and suppliers, thus taking the first step towards supply chain management. The Company also developed cost effective and environment friendly products like R 1040, which meet US Tier I emission norms.

The Engine Bearings Division registered an increase of 2 % in turnover as well as market share, compared to the last year despite a major reduction in the production of automobile vehicles in the industry. This was achieved, inter alia, due to major breakthroughs and consolidation of business in the export market, development of new bearings and bushes for the Original Equipment Manufacturers, in-house technological upgradation of the product, reduction in inventory at all levels and sustained cost reduction. Concerted efforts were also made in the area of business process re-engineering as a result of which improvement was brought about in the response time. The end result was that with an increase of 2% in sales, the increase in profitability was to the extent of 47%. The Engine Valves Division registered an increase of 10% in turnover as compared to the last year. This was achieved by improving the productivity, reduction in rejection levels, innovative positioning of brand etc.

There has been a setback in the Large Engines business segment. The market was extremely competitive. Efforts are being made to improve the market share.

The business system, hardware, machines, equipment, process control and embedded systems of the Company have rolled over to the year 2000 smoothly and are functioning normally.

05. Subsidiaries :

Kirloskar Kisan Equipment Limited, (KKEL) is a wholly owned subsidiary of your Company.

Pursuant to Section 212 of the Companies Act, 1956, the audited accounts of Kirloskar Kisan Equipment Limited are annexed to the Balance Sheet as at 31st March, 1999.

06. Directors :

Air Marshal Y. V. Malse (Retd.) and Mr. H. M. Kothari, Directors of the Company retire by rotation at the ensuing Annual General Meeting. They are however, eligible for re-appointment.

07. Auditors :

You are requested to appoint Auditors for the current year. The retiring Auditors, M/s. Dalal & Shah, Chartered Accountants, are eligible for re-appointment. It is also proposed to appoint M/s P. G. Bhagwat, Chartered Accountants, as Branch Auditor for the Company's branch at Solapur.

09. Disclosure under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 :

As required by the aforesaid Rules, the necessary information is given in the ANNEXURE - A which forms part of this report.

10. Particulars of employees :

Information as per Section 217(2-A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is given in the ANNEXURE - B which forms part of this report.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Pune
24th January, 2000


 (ATUL C. KIRLOSKAR)
 Chairman & Managing Director

ANNEXURE —A
to the
Directors' Report to the Members for the year ended
on 31 March, 1999 and forming a part thereof

A. CONSERVATION OF ENERGY :

(a) Energy conservation measures taken :

Various measures taken to save electricity resulted in saving of approximately Rs. 2.5 million during the year. The measures included reduction in the operation of centralised air conditioning plant, installation of automatic power factor correction panels, replacement of fluorescent tubes by Metal Halide lamps, reconditioning of compressors. It is proposed to instal compressed air management system and solar water heating system to bring down the cost of power.

B. TECHNOLOGY ABSORPTION :

(a) Research and Development (R & D) :

(i) Specific areas in which R & D carried out by the Company :

Combustion, Upgrading present engines to meet forthcoming emission norms, New engine designs to meet international quality levels are the areas in which Research was done during the year.

In house testing of new materials as well as dimensional modifications for Bearings was carried out in the Bearings plant.

(ii) Benefits derived as a result of the above R & D :

The engines meeting forthcoming emission norms have given an edge over the competition.

The emission results obtained on new models 4R1040 and 3R1040 are meeting US Tier 1 norms for emission. This has brought new demand from Tractor Original Equipment manufacturers.

Improved cost effectiveness.

In house testing of materials for Bearings has helped in re-designing the clearances to achieve optimal results.

(iii) Future Plan of action :

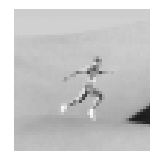
To upgrade present engine models to improve power output from the same swept volume, leading to better power to weight ratio and improved cost effectiveness.

A separate engine testing facility in the Bearings division will be created to carry out experiments on continued basis.

(iv) Expenditure on R & D :

	(Rs. in 000's)
- Capital	1,653,288
- Recurring	32,364,881
- Total	34,018,169

Total R & D expenditure as a percentage of total turnover: 0.48



(b) Technology absorption, adaptation and innovation :

(i) Efforts, in brief, made towards technology absorption and innovation :

Technology obtained from AVL Austria for reducing the emission pollutant levels on 4R1040 series of engines has been adopted and extended for other models of engines to meet the prevailing Indian emission norms.

In the Bearings plant, production of Aluminium Tin Bi-metal strip was started in full coil forming method for 60% quantity of the total requirement. The production of alloy required for this process was started by using longer billets.

(ii) Benefits derived as a result of the above efforts :

The main benefit derived was that the products were made eco-friendly without compromising on fuel economy and engine life.

The rejection level in the Bearings plant has gone down by 2%.

(iii) Technology imported during the last 5 years :

Technology imported	Year of Import	Has technology been fully absorbed	If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of actions
Validation of 4R1040 engine design and optimisation of fuel injection equipment at AVL, Austria	1995	Yes	—

C. FOREIGN EXCHANGE EARNINGS AND OUTGO :

(a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans :

Appointment of sectorwise distributors for Original Equipment Manufacturers for focussed marketing gave good results in Taiwan, Brazil and Philippines. The Business revived in some major markets in Asia. New varieties of Bearings were developed for export markets. Consolidated business in North America, Europe and Middle East Asia. Initiated business in South East Asia. There is a plan to increase market spread.

(b) Total foreign exchange earned and used :

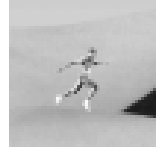
	(Rs. in 000's)
Used	733,974
Earned	303,872

KIRLOSKAR OIL ENGINES LIMITED
ANNEXURE - B
Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and forming part of the Directors' report for the year ended 31st March, 1999

Name & Age of the Employee	Designation / Nature of duty	Qualifications & Experience	Date of Joining	Remuneration Rs.	Particulars of last employment
ALAWANI A N (54)	Corporate Vice President (Finance)	C.A.(29)	10.04.98	1,049,664	Corporate Vice President (Finance) Kirloskar Farrous Industries Ltd.
APTE M G **(57)	Sr. General Manager (Q.A.)	DME(32)	01.09.67	52,882	—
CHANDRATRE (DR) K R (46)	Corporate Vice President & Company Secretary	M.Com., LL.B., F.C.S., Ph.D.(22)	22.06.87	1,511,035	Company Secretary, Thermax Private Ltd.
CHITNIS S G (58)	Executive Vice President (Auto. Comp)	B.E. (Mech.)(34)	01.07.64	1,671,812	Lecturer,Walchand College of Engineering
DANI A D (52)	Vice President (R&E)	M.Sc. (Machine Tool Tech.) University of Birmingham(30)	15.04.78	978,851	Sr.Design Engineer, Mahindra Owen Ltd.
DESHMUKH S R (51)	Vice President (EDP)	M.Sc. B.Tech. (Mech.)(26)	22.02.92	959,174	Systems Manager, Kirloskar Cummins Ltd.
DESHPANDE R R (45)	Associate Vice President (S.E.)	B.E. (Mech.)(22)	02.07.77	704,389	—
DIXIT V P (52)	Associate Vice President (L.E.)	B.E. (Mech.)(25)	01.04.88	766,276	Chief Executive, Mahila Udyog Ltd.
DUDHWALE S M **(54)	Associate Vice President (Projects)	D.M.E.(35)	01.07.96	194,090	Vice President(Operations), The Mysore Kirloskar Ltd.
GADGIL S G **(57)	Vice President (Marketing-L.E.)	B.E. (Elec.)(33)	07.01.91	324,709	Regional Manager, C.D.S & S.(I) Ltd.
JAMENIS A R**(55)	Executive Vice President (Engines)	B.E. (Mech.)(33)	01.02.68	927,775	Apprentice Mech.Engineer, Everest Refrigerants Ltd.
JOSHI A S (57)	Senior Pilot (Aviation)	Graduate - N.D.A.(36)	01.10.91	699,170	Govt.Service
JOSHI K M (48)	Associate Vice President (M.E.)	B.E. (Mech.), MMS,DBM(24)	19.04.90	721,502	Mktg. Manager, Kirloskar Cummins Limited
KALE P B (56)	Vice President (Auto. Comp.)	B.Tech (Hons)(32)	10.01.69	998,373	Graduate Trainee Engineer, Hyderabad Usha Works Ltd.
KULKARNI Y G **(52)	General Manager (Projects&Utility)	DME, AMIE(23)	02.07.90	52,882	Executive,Plant Engg.Division, Kirloskar Brothers Ltd.
LASHKARI F S (WG-CDR)(57)	Senior Pilot (Aviation)	DME(35)	01.04.91	714,966	Govt.Service
LOKHANDE S N **(55)	Vice President (Q.A.)	B.E. (Mech.)(33)	25.10.93	877,250	Asst. General Manager, Devp., Shriram Fuel Injection Industries
LUTHRA N (50)	Corporate Vice President (M.S.)	B. Tech (Mech.), Post Graduate Dip. in Business Admn.(27)	28.07.84	1,385,740	Manager, Data Base, Kirloskar Cummins Ltd.
MARATHE S N (50)	Corporate Vice President-Finance	F.C.A.(27)	10.09.90	1,399,487	Self Employed
PADHYE H V (36)	Reg. Manager (Middle East Asia)	B.E., M.B.A.(14)	07.06.94	1,398,274	Asst. Manager, Century Enka Ltd.
PALWANKAR D M (38)	Associate Vice President (Projects)	DME, DEE(17)	01.07.96	622,507	Vice President, The Mysore Kirloskar Ltd.
PATWARDHAN D V (55)	Associate Vice President (Finance)	M.Com., FICWA(31)	12.01.70	770,087	Cost Asst.,Henley Cables (I) Ltd.
PHADKE V G **(62)	Management Representative for EMS	D.M.E., D.E.E(38)	28.06.83	92,632	Manager, Plant Engineering, Kirloskar Cummins Ltd.
RAO M R R (43)	Associate Vice President (Auto Comp)	B.E. (Mech.)(21)	17.07.78	688,968	—
SAINI R K **(48)	Associate Vice President (S.E.)	B.Sc. (Agriculture), MBA(22)	01.12.77	228,476	—
SAPRE J R (54)	Vice President (M.E. Marketing)	B.Sc.(32)	01.11.93	1,015,916	Manager, Product Assurance, Kirloskar Cummins Ltd.
SWAR D R (55)	Vice President (M.E.)	B.E. (Mech.)(31)	25.08.87	1,051,571	Purchase Manager, Ruston & Hornsby (I) Ltd.
TIKEKAR A A (52)	Executive Vice President (Engines)	B.E. (Mech.)(39)	04.01.69	1,382,683	—
VARMA D K (50)	Vice President (H.R.D.)	B.Sc. (Engg.)M.Tech,PGDBM(27)	20.03.93	928,946	Sr. Manager, Telco
VARMA V M (47)	Vice President (Business Devp.)	B.E. (Mech.)(26)	09.02.74	994,139	—
VATSAL TULSI (Ms) **(56)	Associate Vice President (Corp. Communication)	B.A.(Hons), M.A. (Lady Margaret Hall Oxford University)(20)	01.06.94	522,173	Sr. Corp. Manager, CMC Ltd.
VIBHUTE V G (42)	Vice President (P&I.R.)	B.Com., M.B.A.(29)	01.01.87	932,557	Asst. Personnel Officer, Pudumjee Pulp & Paper Mills Ltd.

NOTES :

- ** Indicates employed for a part of the year.
- Designation of the employee indicates the nature of duties.
- Gross emoluments include salary, dearness allowance, other allowances, incentive, bonus, leave travel assistance, medical exepences reimbursement, value of perquisites as per Income tax Act,1961 and the rules made thereunder, and Company's contribution to Provident Fund and Superannuation Scheme. It does not include terminal benefits like leave encashment, gratuity and ex-gratia payments.
- All appointments are non-contractual execept that of Mr. H. V. Padhye and Mr. V. G. Phadke
- None of the employee is a relative of any Director of the Company.



REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the attached Balance Sheet of KIRLOSKAR OIL ENGINES LIMITED as at 31st March, 1999 and also the annexed Profit and Loss Account of the Company for the year ended on that date, in which are incorporated the accounts of erstwhile Shivaji Works Limited as audited by M/s P. G. Bhagwat, Chartered Accountants, whose report has been considered by us and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we annex hereto a statement which takes in to account statement made by the auditors of erstwhile Shivaji Works Ltd. on the matter specified in paragraphs 4 and 5 of the said Order;
2. Further to our comments in Annexure referred to in paragraph 1 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 the books of the Company (refer Note No. 18);
 - (c) The Balance Sheet and Profit and Loss Account dealt with by the report are in agreement with the books of the Company;
 - (d) In our opinion, the Profit and Loss Account and the Balance Sheet comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956, to the extent applicable;
 - (e) The reports on the accounts of the erstwhile Shivaji Works Limited referred to above, audited by M/s P. G. Bhagwat, Chartered Accountants, have been forwarded to us and the same have been considered by us in our report;
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with other notes thereon for reasons stated therein give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view :
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999 and
 - (ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date

For and on behalf of
DALAL & SHAH
Chartered Accountants

Shishir Dalal
Partner

Mumbai : 24th January, 2000

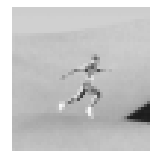
KIRLOSKAR OIL ENGINES LIMITED

ANNEXURE TO THE AUDITORS' REPORT

Statement referred to in Paragraph 1 of our Report of even date to the members of KIRLOSKAR OIL ENGINES LIMITED on the Accounts for the year ended 31st March, 1999.

On the basis of such checks as we considered appropriate and in terms of information and explanations given to us and also considering the Statements made by the auditors of the erstwhile Shivaji Works Ltd. we state that :

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. As explained to us, all the assets have been physically verified by the management at reasonable intervals during the year except those, which are given on Lease for which no confirmations have been obtained from the Lessees. According to the information and explanations given to us, the discrepancies noticed on physical verification were not serious and have been properly dealt with in the books of account;
- ii) None of the fixed assets has been revalued during the year;
- iii)
 - (a) The stocks of finished goods, stores, spare parts, raw materials and components have been physically verified by the management at reasonable intervals during the year or at the end of the year other than the stocks with third parties, which have been confirmed by them except the stocks of raw materials of the value of Rs. 3,17,854/-;
 - (b) As explained to us, the procedures of physical verification of the stocks referred to in (a) above, followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business;
 - (c) According to the records produced to us for our verification, there were no material discrepancies noticed on physical verification of stocks referred to in (a) above, as compared to book records and the same have been properly dealt with in the books of account;
 - (d) We have examined and verified the stock verification records of the Company and also wherever necessary, we have physically verified the stocks and taken assistance from the technical staff of the Company. On the basis of such examination and verification and also considering the accounting treatment of excise duty referred to in Note No. 13 in Schedule 21 to the Accounts, we are satisfied that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding financial year;
- iv) The Company has not taken any loans, secured or unsecured, from parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us, there are now no companies under the same management within the meaning of Section 370 (1-B) of the Companies Act, 1956;
- v) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us, there are no companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956;
- vi) Parties to whom loans or advances in the nature of loans have been given by the Company, are repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable;
- vii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business with regard to purchase of raw materials including components, stores, plant and machinery, equipments and other assets and also for the sale of goods;
- viii) According to the information and explanations given to us, the transactions of purchase and sale of goods and materials made in pursuance of contracts or arrangements entered in the register maintained



under Section 301 of the Companies Act, 1956, aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices for such goods and material or prices which are reasonable having regard to prevailing market prices at which transactions for similar goods have been made with other parties. As explained to us, there were no transactions during the year for supply of services with any party listed in the above referred register;

- ix) As explained to us, the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials, components or finished goods and necessary provisions for the loss arising on the items so determined have been made in the books of account of the Company;
- x) In our opinion, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted by it from the public;
- xi) In our opinion, the Company has maintained reasonable records for the sale and disposal of realisable scrap. The Company has no by-products;
- xii) In our opinion, the Company has an adequate internal audit system, commensurate with the size of the Company and the nature of its business;
- xiii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, in respect of Company's products to which said rules are made applicable and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate;
- xiv) According to the records of the Company, the Provident Fund, Pension Fund and the Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities;
- xv) According to the records of the Company and considering the accounting treatment of excise duty on removal and/or clearance of goods, for sale and/or captive consumption as the case may be as detailed in Note No. 13 in Schedule 21 annexed to the Accounts, no undisputed amounts payable in respect of Income-tax, Wealth-tax, Custom Duty, Sales-tax and Excise Duty were outstanding as at the last day of the financial year, for a period of more than six months from the date they became payable;
- xvi) On the basis of (i) the examination of the books of account, (ii) the vouchers produced to us for our verification, (iii) the explanations given and representation made to us on our inquiries, and (iv) the check and control relating to authorising the expenditure on the basis of contractual obligation to the employees, accepted business practices having regard to the Company's needs and exigencies, we have not come across any expenses charged to revenue, which, in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.
- xvii) In our opinion, the Company does not fall within the purview of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.
- xviii) In respect of the trading activities of the Company, as explained to us, there were no damaged goods during the year.

For and on behalf of
DALAL & SHAH
Chartered Accountants
Shishir Dalal
Partner

Mumbai : 24th January, 2000

KIRLOSKAR OIL ENGINES LIMITED

BALANCE SHEET AS AT 31st MARCH, 1999

		Rs. in 000's	
SCHEDULE		As at 31st March, 1999	As at 31st March, 1998
I. SOURCES OF FUNDS			
1. Shareholders' funds :			
[a] Capital	01	191,636	190,164
[b] Reserves and surplus	02	2,727,826	3,285,569
		<u>2,919,462</u>	<u>3,475,733</u>
2. Loan funds :			
[a] Secured loans	03	2,065,745	2,716,178
[b] Unsecured loans	04	472,911	366,473
		<u>2,538,656</u>	<u>3,082,651</u>
Total		<u><u>5,458,118</u></u>	<u><u>6,558,384</u></u>
II. APPLICATION OF FUNDS			
1. Fixed assets :			
[a] Gross block		3,291,160	2,556,981
[b] Less : depreciation		1,616,548	1,183,904
[c] Net block	05	1,674,612	1,373,077
[d] Capital work-in-progress, expenditure to date		56,803	145,731
		<u>1,731,415</u>	<u>1,518,808</u>
2. Investments	06	1,712,974	1,386,059
3. Current assets, loans and advances :			
[a] Inventories	07	974,574	1,030,186
[b] Sundry debtors	08	1,968,095	1,969,707
[c] Cash and bank balances	09	330,723	270,608
[d] Other current assets	10	155,769	30,742
[e] Loans and advances	11	976,095	2,160,316
		<u>4,405,256</u>	<u>5,461,559</u>
Less : Current liabilities and provisions :			
[a] Liabilities	12	2,057,569	1,424,681
[b] Provisions	13	352,490	422,554
		<u>2,410,059</u>	<u>1,847,235</u>
Net current assets		1,995,197	3,614,324
4. Miscellaneous expenditure :			
(To the extent not written off or adjusted)			
Deferred revenue expenditure :			
[a] Project development expenditure		18,532	29,193
[b] Expenditure towards development of high quality castings for the Company		—	10,000
Total		<u><u>5,458,118</u></u>	<u><u>6,558,384</u></u>
Notes forming part of the accounts	21		

As per our attached report of even date
For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner

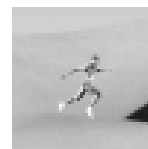
For and on behalf of the Board of Directors
ATUL C. KIRLOSKAR
Chairman & Managing Director

GAUTAM A. KULKARNI
Joint Managing Director

DR. K. R. CHANDRATRE
Corporate Vice President &
Company Secretary

Mumbai : 24th January, 2000

Pune : 22nd January, 2000



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 1999

		Rs. in 000's	
	SCHEDULE	1998-99	1997-98
INCOME :			
Sales and other operating income	14	7,133,760	6,313,526
Dividend, interest etc.	15	135,685	81,016
Job work receipts		1,976	2,167
Other income	16	94,107	1,799,315
		<u>7,365,528</u>	<u>8,196,024</u>
EXPENDITURE :			
Materials consumed and manufacturing expenses	17	4,975,254	4,406,007
Payments to and provisions for employees	18	652,639	544,448
Interest, finance, selling and other expenses	19	1,299,071	1,339,352
Depreciation and amortisation	20	280,696	232,036
Less : Transferred from revaluation reserve		173	173
		<u>280,523</u>	<u>231,863</u>
		<u>7,207,487</u>	<u>6,521,670</u>
Less : Expenses capitalised		1,149	1,782
		<u>7,206,338</u>	<u>6,519,888</u>
Profit before extra-ordinary item and taxation		159,190	1,676,136
Extra-ordinary item of income :			
Surplus on sale of Undertaking		—	40,734
Profit before taxation		<u>159,190</u>	<u>1,716,870</u>
Provision for taxation :			
Income tax/Wealth tax		1,300	220,500
PROFIT FOR THE YEAR		<u>157,890</u>	<u>1,496,370</u>
Credits pertaining to earlier years :			
Tax refunds		—	105
Debits pertaining to earlier years :			
Expenses		3,389	8,423
Taxation		8,215	44
		<u>11,604</u>	<u>8,467</u>
		<u>(11,604)</u>	<u>(8,362)</u>
As per last account		85,390	60,622
Add : Transferred from			
Investment allowance reserve			
account No. 2		700	3,481
		<u>86,090</u>	<u>64,103</u>
		<u>232,376</u>	<u>1,552,111</u>
Less :			
Transferred to debenture redemption reserve		14,500	—
Transferred to general reserve		50,000	1,400,000
Interim dividend		66,557	—
Proposed dividend		—	60,655
Corporate dividend tax thereon		7,321	6,066
Balance carried to Balance Sheet		<u>93,998</u>	<u>85,390</u>
Notes forming part of the accounts	21		

As per our attached report of even date
For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
Partner

For and on behalf of the Board of Directors
ATUL C. KIRLOSKAR
Chairman & Managing Director

DR. K. R. CHANDRATRE
Corporate Vice President &
Company Secretary

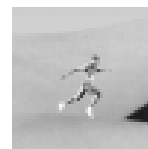
Mumbai : 24th January, 2000

Pune : 22nd January, 2000

KIRLOSKAR OIL ENGINES LIMITED

Schedule Nos. 01 to 21 annexed to and forming part of the Balance Sheet as at and Profit and Loss Account for the year ended 31st March, 1999

		Rs. in 000's		
		As at 31st March, 1999	As at 31st March, 1998	
SCHEDULE 01				
SHARE CAPITAL :				
AUTHORISED :				
5,000,000	<i>(5,000,000)</i>	preference shares of Rs.10 each	50,000	<i>50,000</i>
22,000,000	<i>(22,000,000)</i>	equity shares of Rs.10 each	220,000	<i>220,000</i>
			<u>270,000</u>	<u>270,000</u>
ISSUED :				
19,252,310	<i>(19,252,310)</i>	equity shares of Rs.10 each	<u>192,523</u>	<u>192,523</u>
SUBSCRIBED :				
19,016,362	<i>(19,016,362)</i>	equity shares of Rs.10 each	<u>190,164</u>	<u>190,164</u>
CALLED UP AND PAID UP :				
OUT OF ABOVE :				
16,816,644	<i>(16,816,644)</i>	equity shares of Rs 10 each fully paid	168,167	<i>168,167</i>
400,000	<i>(400,000)</i>	equity shares of Rs. 10 each allotted on 21st August, 1997 to shareholders of erstwhile Kirloskar Filters Limited, on amalgamation as per the scheme sanctioned by the Mumbai High Court on 17th July, 1997.	4,000	<i>4,000</i>
1,799,718	<i>(1,799,718)</i>	equity shares of Rs. 10 each were allotted on 9th March, 1998, at a premium of Rs. 20 per share on conversion of detachable tradeable warrants issued in March 1993.	17,997	<i>17,997</i>
SHARE CAPITAL SUSPENSE ACCOUNT :				
147,248 equity shares to be issued and allotted to equity shareholders of erstwhile Shivaji Works Ltd. on amalgamation as per scheme sanctioned by BIFR. (see Note No. 2.)			1,472	—
Total			<u>191,636</u>	<u>190,164</u>

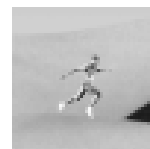


	Rs. in 000's	
	As at 31st March, 1999	As at 31st March, 1998
SCHEDULE 02		
RESERVES AND SURPLUS :		
Capital reserve :		
As per last account	15,831	15,831
Addition on amalgamation	384	—
	16,215	15,831
Revaluation reserve :		
As per last account	4,573	4,746
Less : transferred to profit and loss account	173	173
	4,400	4,573
Capital redemption reserve account :		
As per last account	9,600	9,600
Debenture redemption reserve :		
As per last account	77,050	98,050
Addition on amalgamation	8,000	—
Less : transferred to general reserve	6,050	21,000
Add : Set aside this year	14,500	—
	93,500	77,050
Share premium account :		
As per last account	842,064	806,069
Addition on amalgamation	133,552	—
Received during the year on equity shares allotted against conversion of tradeable warrants	—	35,995
	975,616	842,064
Amalgamation reserve :		
Excess of assets over liabilities taken over on Amalgamation of erstwhile Shivaji Works Ltd. (see Note No. 2)	35,340	—
Investment allowance reserve account No.2 * :		
As per last account	23,700	27,181
Addition on amalgamation	3,290	—
Less : transferred to profit and loss account on expiry of statutory period	700	3,482
	26,290	23,699
Export profit reserve :		
As per last account	400	400
Less : transferred to general reserve	400	—
	—	400
General reserve :		
As per last account	2,226,962	805,962
Less : Accumulated loss of erstwhile Shivaji Works Ltd. (see Note No. 2)	810,545	—
Add : Transferred from debenture redemption reserve	6,050	21,000
Add : Transfer from export profit reserve	400	—
Add : Set aside this year	50,000	1,400,000
	1,472,866	2,226,962
Surplus as per annexed profit and loss account	93,998	85,390
Total	2,727,826	3,285,569

*utilised towards acquisition of new plant and machinery.

KIRLOSKAR OIL ENGINES LIMITED

	Rs. in 000's	
	As at 31st March, 1999	As at 31st March, 1998
SCHEDULE 03		
SECURED LOANS :		
400,000 19% redeemable secured debentures of Rs. 100 each, [Fifth series] [See Note 6 (a) (i)]	26,000	40,000
Less : Partially redeemed during the year	12,000	14,000
	<hr/>	<hr/>
Balance value Rs. 35 each	14,000	26,000
1,017,833 15% redeemable secured debentures of Rs. 100 each, [Sixth series] [See Note 6 (a)(ii)]	101,783	101,783
Less : Partially redeemed during the year	35,624	—
	<hr/>	<hr/>
Balance value Rs. 65 each	66,159	101,783
200,000 19% secured non convertible debentures of Rs. 100 each, issued by erstwhile Shivaji Works Ltd. [See Note 6(a) (iii)]		
Balance value Rs. 66.66 each	13,333	—
Term Loans under project finance participation scheme : [See Note 6(b)]		
The Industrial Credit and Investment Corporation of India Limited	—	9,522
Industrial Development Bank of India	—	15,992
Industrial Finance Corporation of India	—	5,950
Industrial Reconstruction Bank of India	—	3,180
Life Insurance Corporation of India	—	3,960
Unit Trust of India	—	3,180
	<hr/>	<hr/>
	—	41,784
Term Loans [See Note 6(c) & 15(c)]		
Term Loan/Bridge Loan from The ICICI Limited	49,656	74,492
Term Loan from IDBI	12,320	18,484
	<hr/>	<hr/>
	61,976	92,976
Term Loans [See Note 6 (h) & 6 (i)]		
Term Loan/Bridge Loan from The ICICI Limited	97,442	—
Term Loan from IDBI	5,593	—
	<hr/>	<hr/>
	103,035	—
Term Loan under asset credit scheme :		
i) The Industrial Credit and Investment Corporation of India Limited [See Note 6(f) & 15(b)]	107,827	205,905
ii) Industrial Development Bank of India [See Note 6(d)]	20,220	31,149
iii) Industrial Finance Corporation of India [See Note 6(l)]	61,878	94,237
	<hr/>	<hr/>
	189,925	331,291
Short Term loan from Industrial Credit and Investment Corporation of India Limited [See Note 6(e) & 15(b)]	16,670	50,002
	<hr/>	<hr/>
Carried Over	465,098	643,836



		Rs. in 000's	
		As at 31st March, 1999	As at 31st March, 1998
SCHEDULE 03 : (Contd.)			
SECURED LOANS : [Contd.]			
	Brought Over	465,098	643,836
Term loans for working capital :			
The Industrial Credit and Investment Corporation of India Limited [See Note 6(g)]	150,000		250,000
IDBI Loan [See Note 6(j) & 15(b)]	54,400		188,800
		204,400	438,800
Term loan from Housing Development Finance Corporation Limited [See Note 6(k)]		185	427
Term Loan from Dresdner Bank		—	120,000
Term Loan from the Development Bank of Singapore Ltd. (ECB) [See Note 6(n) & 15 (b)]		127,599	120,370
Term Loan from Jammu & Kashmir Bank Ltd. [See Note 6(m)]		126,308	150,000
From Banks : against hypothecation of Company's inventories and book debts:			
Cash credit	260,659		174,256
Export credit facilities	44,768		59,336
Working capital demand loans	615,800		485,470
Working capital demand loan in foreign currency from HDFC Bank Ltd.	—		120,022
		921,227	839,084
Short term loan from Industrial Credit & Investment Corporation of India Ltd.		—	400,000
Short term loan from Industrial Credit & Investment Corporation of India Ltd. [See Note 6(o)]		200,000	—
Interest accrued and due on loans		20,929	3,661
	Total	2,065,745	2,716,178

KIRLOSKAR OIL ENGINES LIMITED

	Rs. in 000's	
	As at 31st March, 1999	As at 31st March, 1998
SCHEDULE 04		
UNSECURED LOANS :		
Sales tax deferral loan	6,725	8,503
Special capital incentive loan	1,373	1,426
Short term loan from General Insurance Corporation of India	37	37
Interest accrued and due on loans	—	35
The State Industrial and Investment Corporation of Maharashtra Limited		
Interest free sales-tax loan	4,991	1,397
Fixed deposits:		
From Joint Stock Companies	1,310	505
From Public	332,785	178,105
	334,095	178,610
Loans from shareholders	28,190	26,465
Short term deposits from Companies	97,500	150,000
Total	472,911	366,473

SCHEDULE 05

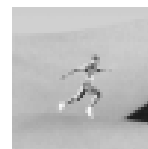
FIXED ASSETS :

Rs. in 000's

Fixed Assets	Land Freehold	Land Leasehold	Buildings (b)	Plant & Machinery including Computer (d) & (e)	Air Conditioning Plant	Electrical Installation	Furniture and Fixture	Vehicles and Aircrafts (b)	Drawings and Designs	Total	As At 31st March, 1998
GROSS BLOCK (a)											
As at 31st March, 1998	2,049	3,474	122,039	2,120,391	1,210	26,606	102,076	50,200	128,936	2,556,981	2,366,657
Additions on account of amalgamation (See Note No.2)	3,358	—	26,277	470,925	—	3,801	6,104	774	—	511,240	—
Additions & Transfers	—	—	19,827	196,403	—	7,256	7,478	3,247	—	234,211	212,426
Deductions & adjustments	—	44	—	4,299	—	—	294	6,634	—	11,272	4,659
Deductions on account of transfer of assets to Kirloskar Knecht Filters Ltd.	—	—	—	—	—	—	—	—	—	—	17,442
As at 31st March, 1999	5,407	3,430	168,143 (c)	2,783,420	1,210	37,663	115,364	47,587	128,936	3,291,160	2,556,981
Depreciation											
Upto 31st March, 1998	—	—	43,080	961,430	1,178	16,050	58,401	34,491	69,274	1,183,904	988,414
Additions on account of amalgamation (See Note No.2)	—	—	6,614	170,653	—	1,017	2,885	575	—	181,744	—
Deductions & Adjustments	—	—	—	2,488	—	—	116	5,150	—	7,754	3,422
Depreciation on assets transferred to Kirloskar Knecht Filters Ltd.	—	—	—	—	—	—	—	—	—	—	9,740
For the year	—	—	4,280	226,792	4	2,359	8,524	3,574	13,121	258,654	208,652
Upto 31st March, 1999	—	—	53,974	1,356,387	1,182	19,426	69,694	33,490	82,395	1,616,548	1,183,904
NET BLOCK											
As at 31st March, 1999	5,407	3,430	114,169	1,427,033	28	18,237	45,670	14,097	46,541	1,674,612	1,373,077
As at 31st March, 1998	2,049	3,474	78,959	1,158,961	32	10,556	43,675	15,709	59,662	1,373,077	

Notes :

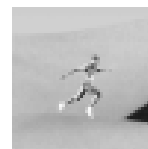
- At cost, except leasehold land which is at cost, less amount written off.
- Includes cost of Hangar and Aircrafts jointly owned with other Companies.
- Includes premises on ownership basis Rs. 39,38,014 for which conveyance and other formalities are yet to be completed.
- Includes Plant & Machinery of Rs 649,171,871 given on lease.
- Includes Plant & Machinery of Rs 88,416,356 (WDV 65,277,678) purchased under Hire Purchase Agreement.
- The land and building at Nasik existing as on 31.5.1985 have been revalued as on that date on the basis of the then present market value by government approved registered valuer. The difference between the total value of these assets on revaluation over book value after adjustment amounting to Rs 68,06,027 was carried to revaluation reserve account.
- Depreciation charged during the year includes depreciation pertaining to earlier year, in case of Plant and Machinery Rs. 1,193,283.
- Leasehold land at Nasik is still in the earlier name of the Company i.e. Prashant Khosla Pneumatics Limited and is in the process of being changed.



SCHEDULE 06 :	Rs. in 000's	
	As at 31st March, 1999	As at 31st March, 1998
INVESTMENTS (at cost) : (Unless otherwise stated)		
TRADE :		
QUOTED :		
**Cummins India Limited		
5,022,000 equity shares of Rs.10 each fully paid	1,902	1,902
G.G.Dandekar Machine Works Limited		
26,521 equity shares of Rs.100 each fully paid	39,570	39,570
\$ Poona Industrial Hotel Limited		
55,831 (45,331) equity shares of Rs. 10 each fully paid	558	453
\$ Kirloskar Pneumatic Company Limited		
15,588 (-) equity shares of Rs.10 each fully paid	176	—
** Swaraj Engines Limited		
720,000 equity shares of Rs.10 each fully paid	3,600	3,600
Kirloskar Electric Company Limited		
4,774,945 equity shares of Rs.10 each fully paid	259,583	259,583
Kirloskar Brothers Limited		
1,168,846 equity shares of Rs.10 each fully paid	186,596	186,596
# Shivaji Works Limited		
(985,624) equity shares of Rs.10 each fully paid	—	42,023
\$ Kirloskar Ferrous Industries Limited		
22,000,000 (15,000,000) equity shares of Rs.10 each fully paid	220,000	150,000
Kirloskar Ghatge Patil Auto Limited		
5,000 equity shares of Rs.10 each fully paid	Rs.50,000	
Less: Provision for diminution in value	Rs.49,999	
(Re.1)	—	—
Kirloskar Systems Limited		
2,750,000 (-) equity shares of Rs. 10 each fully paid	123,750	—
\$ The Mysore Kirloskar Limited		
113,460 (-) equity shares of Rs. 10 each fully paid	2,733	—
(50,000 shares received in exchange of 100,000 shares of Rs. 10 each of Kirloskar Institute of Advanced Management Studies pursuant to its merger)		
UNQUOTED:		
Mahila Udyog Limited		
800 equity shares of Rs. 100 each fully paid	10	10
\$ Kirloskar Proprietary Limited		
22 (17) equity shares of Rs. 100 each fully paid	2	2
Indo-Malaysia Engg Co.,Berhard		
565,151 equity shares of M\$1 each fully paid		
(in liquidation)	Rs. 1,637,403	
Less: Provision for diminution in value	Rs. 1,637,402	
(Re.1)	—	—
Kirloskar Industries (Phils.) Inc.		
9,654 common shares of pesos 100 each fully paid		
(in liquidation)	Rs. 1,202,962	
Less: Provision for diminution in value	Rs. 1,202,961	
(Re.1)	—	—
F.H.Schule Gmbh,Hamburg,Germany		
1,900 equity shares of D.M. 1000 each fully paid	Rs.12,019,333	
Less: Provision for diminution in value	Rs.12,019,332	
(Re.1)	—	—
Kirloskar Kenya Limited		
1,272 ordinary shares of K. Sh. 1000 each fully paid	856	856
Kirsons Trading Pte Limited		
56,250 shares of Singapore \$ 1 each fully paid	1,201	1,201
Carried over	840,537	685,797

KIRLOSKAR OIL ENGINES LIMITED

		Rs. in 000's	
		As at 31st March, 1999	As at 31st March, 1998
SCHEDULE 06 : (Contd.)			
INVESTMENTS (at cost) : [Contd.]			
(Unless otherwise stated)			
TRADE : (Contd.)	Brought over	840,537	685,797
Kirloskar Deutz Sales & Service Limited			
50,000 equity shares of Rs.10 each fully paid		500	500
*Kangan Diesel Limited			
7 equity shares of Rs.10 each fully paid	Rs.70		
Less: Provision for diminution in value (Re.1)	Rs.69	—	—
Kirloskar Knecht Filters Limited			
1,000,000 equity shares of Rs.10 each fully paid		40,000	40,000
OTHER :			
QUOTED :			
\$ Housing Development Finance Corporation Limited			
3,100 (3,000) equity shares of Rs.100 each fully paid		760	750
Kirloskar Warner Swasey Limited			
100,000 equity shares of Rs.10 each fully paid		1,000	1,000
The United Western Bank Limited			
200 equity shares of Rs.10 each fully paid		2	2
UNQUOTED :			
Kirloskar Toyoda Textile Machinery Limited			
9,256,117 equity shares of Rs.10 each fully paid		92,560	92,560
The Sangli Bank Limited			
100 equity shares of Rs.10 each fully paid		1	1
The Cosmos Co-operative Bank Limited			
31,250 equity shares of Rs.20 each fully paid		625	625
Kirloskar Institute of Advanced Management Studies			
(100,000) equity shares of Rs.10 each fully paid		—	1,000
(100,000 shares of Rs. 10 each exchanged against 50,000 shares of Rs. 10 each in The Mysore Kirloskar Limited on merger)			
Inapex Auto Products Exports Limited			
60,000 equity shares of Rs.10 each fully paid		600	600
H.D.F.C Corporate Bonds III Series		90	90
Dinette Exclusive Club Private Limited			
2 shares of Rs.5000 each fully paid		10	10
\$ The Shamrao Vitthal Co-operative Bank Limited			
2000 (1,000) equity shares of Rs.25 each fully paid		50	25
Anko Constructions Private Limited			
19,686 equity shares of Rs.10 each fully paid		3,520	3,520
ICICI Capital Gain Bonds			
850 Bonds of Rs.100,000 each		85,000	85,000
Kirloskar Briggs & Stratton Power Equipment Limited			
992,143(-) equity shares of Rs.10 each fully paid		9,921	—
Denso Kirloskar Industries Private Limited			
3,600,000(-) equity shares of Rs.10 each fully paid		36,000	—
Kirloskar Power Supply Company Limited			
450,000(-) equity shares of Rs.10 each fully paid		4,500	—
IN SUBSIDIARY COMPANIES:			
UNQUOTED :			
*** Kirloskar Kisan Equipment Limited			
2,65,000 (15,000) equity shares of Rs.100 each fully paid (see Note 19)		26,500	—
	Carried over	1,142,176	911,479



		Rs. in 000's	
		As at 31st March, 1999	As at 31st March, 1998
SCHEDULE 06 : (Contd.)			
INVESTMENTS (at cost) : [Contd.] (Unless otherwise stated)			
OTHER : (Contd.)	Brought over	1,142,176	911,479
IN PREFERENCE SHARES :			
UNQUOTED:			
Kirloskar Ferrous Industries Limited			
45,000,000 12% preference shares of Rs.10 each fully paid		450,000	450,000
IN DEBENTURES - UNQUOTED :			
Mideast Integrated Steels Limited			
521,000 (-) 18% secured redeemable non-convertible debentures of Rs 100 each		52,100	—
\$ The Mysore Kirloskar Limited			
30,000 (-) 12.5% Non-convertible part "B" of Rs. 44 each of 12.5% Secured Redeemable Partly Convertible Debentures of Rs. 100 each fully paid		1,320	—
\$ Kirloskar Pneumatic Company Limited			
200 (-) 12.5% Non-convertible part "B" of Rs. 20 each of 12.5% Secured Redeemable Partly Convertible Debentures of Rs. 100 each fully paid		4	—
IN GOVERNMENT AND TRUST SECURITIES :			
QUOTED:			
SBI Mutual Fund			
500,000 Magnum Express of Rs.10 each fully paid		4,962	4,962
\$ Unit Trust of India			
1,348,952 (1,296,152) Units of Rs.10 each under Unit Scheme 1964		17,283	16,547
UNQUOTED :			
5 Years National Savings certificates		—	10
6 Years National Savings certificates (Deposited with Sales Tax Authority)		10	10
6 Years National Savings certificates		20	—
7 Years National Savings certificates Face Value Rs.1,000(deposited with govt.depts.)		1	1
State Bank of India			
2,500 equity Bonds of Rs.1,000 each fully paid		2,500	2,500
500 Floating Interest Bonds of Rs.25 each fully paid		500	500
30 (20) Indira Vikas Patra of the face value of Rs.25 each		75	50
		<u>1,670,951</u>	<u>1,386,059</u>
# INVESTMENT SUSPENSE		42,023	—
	Total	<u>1,712,974</u>	<u>1,386,059</u>

(Rs.in 000's)

	Cost value as at		Market Value as at	
	31st March 1999	31st March 1998	31st March 1999	31st March 1998
QUOTED	840,229	706,987	2,603,712	2,866,510
UNQUOTED	830,722	679,072		
	<u>1,670,951</u>	<u>1,386,059</u>		

(***) See Note No. 17

(*) misplaced, duplicate certificates applied for

(**) See Note No. 15

Note: Following investment acquired on Amalgamation is in the process of being transferred in the name of the Company :

5,016 Units of Unit Trust Of India under Unit Scheme 1964

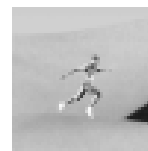
(\$) Following investments were acquired from erstwhile Shivaji Works Ltd. pursuant to scheme of amalgamation sanctioned by BIFR.

KIRLOSKAR OIL ENGINES LIMITED**SCHEDULE 06 : (Contd.)**

(\$) Following investments were acquired from erstwhile Shivaji Works Ltd. pursuant to scheme of amalgamation sanctioned by BIFR. These investments are in the process of being transferred in the name of the Company

Particulars	Nos	Rs. in '000
Kirloskar Pneumatic Company Limited Equity Shares of Rs. 10 each Fully paid	15,588	176
Poona Industrial Hotel Limited Equity Shares of Rs. 10 each Fully paid	10,500	105
The Mysore Kirloskar Limited Equity Shares of Rs. 10 each Fully paid	63,460	1,732
Kirloskar Ferrous Industries Limited Equity Shares of Rs. 10 each Fully paid	7,000,000	70,000
Kirloskar Proprietary Limited Equity Shares of Rs. 100 each Fully paid	5	1
The Shamrao Vitthal Co-operative Bank Limited Equity Shares of Rs. 25 each Fully paid	1,000	25
H D F C Limited Equity Shares of Rs. 100 each Fully paid	100	10
The Mysore Kirloskar Limited 12.5% Non-convertible part "B" of Rs. 44 each of 12.5% Secured Redeemable Partly Convertible Debentures of Rs. 100 each fully paid	30,000	1,320
Kirloskar Pneumatic Company Limited 12.5% Non-convertible part "B" of Rs. 20 each of 12.5% Secured Redeemable Partly Convertible Debentures of Rs. 100 each fully paid	200	4
Unit Trust of India Units under US-64 of Rs. 10 each	52,800	736
		<u>74,109</u>

(#) Note : 985,624 shares of erstwhile Shivaji Works Limited held by the Company to be transferred before the effective date of merger, hence shown in Investment Suspense. (Since transferred and the Loss of Rs. 401 lacs will be accounted for in the financial year ended on 31st March, 2000.)



	Rs. in 000's	
	As at 31st March, 1999	As at 31st March, 1998
SCHEDULE 07		
INVENTORIES :		
*Stores and spares, at cost	90,043	77,673
*Stock-in-trade :		
Raw materials [including components], at cost	337,116	440,167
Unserviceable and obsolete raw materials at estimated realisable value	19	4,515
Work-in-process, at cost	293,041	300,569
Finished goods, at lower of cost or market value	140,735	112,953
	<u>770,911</u>	<u>858,204</u>
Materials in transit, cost to date	54,414	54,443
Material in bonded warehouse, cost to date	59,206	39,866
	<u>113,620</u>	<u>94,309</u>
Total	<u><u>974,574</u></u>	<u><u>1,030,186</u></u>
* as certified and valued by the Managing Director		

SCHEDULE 08**SUNDRY DEBTORS, UNSECURED :**

[See note below]

[i] (a) Outstanding for a period exceeding six months :		
Good	371,594	501,398
Doubtful	55,148	26,428
Less : provision	55,148	26,428
	<u>—</u>	<u>—</u>
Bad	3,397	3,397
Less : provision	3,397	3,397
	<u>—</u>	<u>—</u>
	<u>371,594</u>	<u>501,398</u>
(b) Other : good	1,594,681	1,466,489
	<u>1,966,275</u>	<u>1,967,887</u>
[ii] Receivables on account of eligible export house business, under an arrangement :		
Outstanding for a period exceeding six months :		
Good	1,820	1,820
Doubtful	7,132	1,274
Less : provision	7,132	1,274
	<u>1,820</u>	<u>1,820</u>
	<u>1,968,095</u>	<u>1,969,707</u>

Note : Includes export dues Rs. 40,532 (in 000's) including considered bad and doubtful Rs.10,529 (in 000's) of which total overdue bills were :

	Outstanding for a period exceeding six months	Other	Total
As on 31st March, 1999	1,973	28,628	30,601

KIRLOSKAR OIL ENGINES LIMITED

	Rs. in 000's	
	As at 31st March, 1999	As at 31st March, 1998
SCHEDULE 09		
CASH AND BANK BALANCES :		
Cash on hand	1,362	508
Bank balances with scheduled banks :		
In current account	326,108	269,827
In fixed deposits	3,253	273
	<u>329,361</u>	<u>270,100</u>
Total	<u>330,723</u>	<u>270,608</u>

SCHEDULE 10

OTHER CURRENT ASSETS :

Lease Adjustment Account	(1,556)	18,610
Other receivables	157,325	12,132
	<u>155,769</u>	<u>30,742</u>
Total	<u>155,769</u>	<u>30,742</u>

SCHEDULE 11

LOANS AND ADVANCES, UNSECURED, GOOD :

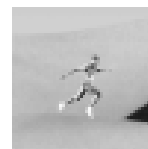
(unless otherwise stated)

Due from wholly owned subsidiary - doubtful	—	19,536
Less: Provision for doubtful advances (see Note 19)	—	<u>19,536</u>
		—
Advance as contribution to companies against future subscription to equity capital when issued	6,443	10,989
Advances recoverable in cash or in kind or for value to be received:		
Good *	527,029	1,281,076
Doubtful	12,428	1,529
Less : provision	12,428	<u>1,529</u>
	<u>—</u>	—
	527,029	1,281,076
Sundry deposits	58,628	36,378
Deposits u/s 54EB of Income tax Act, 1961 under Capital Gains Tax Saving Scheme	—	400,000
Balance with Collectorate of Central Excise and Customs	18,083	25,612
Tax paid in advance	365,912	406,261
	<u>976,095</u>	<u>2,160,316</u>
Total	<u>976,095</u>	<u>2,160,316</u>

* Includes Rs. 473,853 (Rs.544,473) due from Company Secretary as a housing loan [Maximum balance during the year Rs. 544,473 (Rs.861,579)].

* Includes Rs. 187,710 (Previous Year Rs.793,157, recovered during the year) recoverable from Managing Director on account of excess remuneration paid to him, which he holds in trust for the Company - being recovered.

* Includes Rs. 11,396 (Previous Year Rs.Nil) recoverable from Joint Managing Director on account of excess remuneration paid to him, which he holds in trust for the Company - being recovered.



	Rs. in 000's	
	As at 31st March, 1999	As at 31st March, 1998
SCHEDULE 12		
LIABILITIES :		
Acceptances	280,971	228,420
Sundry creditors :		
Due to Small Scale Industrial Undertakings (see Note 16)	389,694	—
Others	1,189,424	1,093,877
	<u>1,579,118</u>	<u>1,093,877</u>
Unclaimed dividends	1,491	1,292
Unclaimed redeemed preference share capital	1,735	2,571
Advance against orders	92,799	62,026
Interest accrued but not due on loans	27,577	36,495
Interim dividend payable	66,557	—
Tax on dividend payable	7,321	—
Total	<u><u>2,057,569</u></u>	<u><u>1,424,681</u></u>

SCHEDULE 13**PROVISIONS :**

Provision for gratuity	9,052	10,623
Provision for premium on redemption of debentures	4,453	5,567
Provision for taxation	338,985	339,643
Proposed dividend	—	60,655
Provision for corporate dividend tax on proposed dividend	—	6,066
Total	<u><u>352,490</u></u>	<u><u>422,554</u></u>

KIRLOSKAR OIL ENGINES LIMITED

	Rs. in 000's	
	1998-99	1997-98
SCHEDULE 14		
SALES AND OTHER OPERATING INCOME :		
* Sales [including excise duty]	7,792,414	6,771,565
Less : returns, etc.	43,090	38,076
excise duty	718,335	590,561
	<u>761,425</u>	<u>628,637</u>
	7,030,989	6,142,928
Less: commission, incentive and discount	135,787	73,539
	<u>6,895,202</u>	<u>6,069,389</u>
Lease rent	153,373	148,901
Add / (Less) : lease equalisation account	(20,166)	(470)
	<u>133,207</u>	<u>148,431</u>
Duty draw back	1,794	1,209
Royalty received	4,117	4,609
Service charges received	40,085	22,268
Sale of scrap (Net of excise duty)	33,292	34,885
Installation charges received	24,735	18,429
Commission received	498	2,306
Compensation towards the right to conduct the Company's business of generation and distribution of electric power under an arrangement	—	12,000
Technical fees received	830	—
	<u>7,133,760</u>	<u>6,313,526</u>
Total		

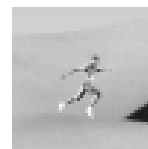
*Sales include Inter Divisional transfers amounting to Rs. 228,782 (in 000's) *previous year Rs. 8,305 (in 000's)*

SCHEDULE 15

DIVIDEND, INTEREST ETC.

Dividend

From trade investments [including Rs.105,418 (<i>Previous year Rs. 215,503</i>) net of withholding tax on dividend from foreign companies]	41,061	59,179
Interest [gross, tax deducted at source Rs.16,508,962 (<i>Previous Year Rs. 620,481</i>)	91,926	19,259
Income from units of Unit Trust of India (gross, tax deducted at source Rs.539,581 (<i>Previous year Rs.515,636</i>))	2,698	2,578
	<u>135,685</u>	<u>81,016</u>
Total		



Rs. in 000's

SCHEDULE 16**OTHER INCOME :**

	1998-99	1997-98
Rent	2,647	1,982
Miscellaneous receipts	20,685	8,159
Discount received	5,582	9,110
Sundry sales	5,608	3,511
Surplus on sale of assets	706	855
Profit on Sale of investments	—	1,759,356
Sundry credit balances appropriated	4,246	955
Excess provision for doubtful debts , advances etc.	482	—
Provision for diminution in the value of investment written back	1,500	—
Provision for doubtful advances due from subsidiary company written back	19,536	—
Provisions no longer required written back	28,583	15,387
Taxes Refund (Sales tax, Octroi etc.)	4,532	—
Total	<u>94,107</u>	<u>1,799,315</u>

SCHEDULE 17**MATERIALS CONSUMED AND MANUFACTURING EXPENSES :**

[a] Raw materials and components consumed :		
Stocks at commencement	444,683	578,345
Less : Value of obsolete and non-moving components written-down (Net of realisable value)	—	41,117
Add : acquired on amalgamation	11,068	—
Add : purchases	3,329,700	3,179,291
	<u>3,785,451</u>	<u>3,716,519</u>
Less : stocks at close	337,134	444,683
	<u>3,448,317</u>	<u>3,271,836</u>
Less : sale of raw material	10,529	15,276
Less : transferred to JV Company	—	13,013
	<u>3,437,788</u>	<u>3,243,547</u>
[b] Finished goods purchases for resale	645,052	392,223
[c] Manufacturing expenses:		
Stores and spares consumed	344,610	315,178
Job work charges	152,202	154,624
Power, fuel and water	180,635	119,926
Building repairs	14,096	15,014
Machinery repairs	28,706	12,967
	<u>720,249</u>	<u>617,709</u>
[d] Freight and octroi	170,427	156,232
[e] (Increase)/decrease in stocks :		
Stocks at close:		
Work-in-process	293,041	300,569
Finished goods	140,735	112,953
	<u>433,776</u>	<u>413,522</u>
Less : Stocks at commencement :		
Work-in-process	300,569	299,940
Add : Acquired on amalgamation	14,745	—
Finished goods	112,953	119,517
Add : Acquired on amalgamation	7,247	—
	<u>435,514</u>	<u>419,457</u>
	<u>1,738</u>	<u>5,935</u>
	<u>4,975,254</u>	<u>4,415,646</u>
Less : transferred to JV Company :		
Work-in-process	—	3,158
Finished goods	—	6,481
	<u>—</u>	<u>9,639</u>
Total	<u>4,975,254</u>	<u>4,406,007</u>

KIRLOSKAR OIL ENGINES LIMITED

	Rs. in 000's	
	1998-99	1997-98
SCHEDULE 18		
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES : (including remuneration to Managing Director & Joint Managing Director)		
Salaries, wages, gratuity, bonus, etc.	490,898	412,125
Contribution to provident and other funds	90,776	50,264
Welfare and training Expenses	68,348	80,579
Provident and other funds' expenses	2,617	1,480
Total	<u>652,639</u>	<u>544,448</u>

SCHEDULE 19

INTEREST, FINANCE, SELLING AND OTHER EXPENSES :

A. SELLING EXPENSES :

Rent	36,184	14,135
Rates and taxes	3,561	1,676
Insurance	6,194	6,520
Other repairs	44,115	27,042
Freight and forwarding	97,610	57,777
Advertisement and publicity	30,164	21,423
Sales warranty claims	57,075	55,740
Royalty, technical and license fees, research contribution, etc.	7,122	4,845

B. INTEREST AND FINANCE CHARGES :

1. Interest :		
On debentures	21,831	29,779
On fixed loans	246,803	321,439
Others	243,046	166,534
	<u>511,680</u>	<u>517,752</u>
2. Finance Charges :		
Cash discount	13,829	8,928
Discounting charges	31,008	35,898
Others	37,642	65,848
	<u>82,479</u>	<u>110,674</u>

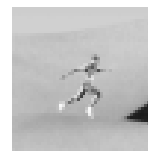
C. OTHER CHARGES :

Travelling expenses	80,054	83,298
Miscellaneous expenses	268,102	250,465
Auditors' remuneration	2,144	1,399
Directors' fees and travelling expenses	386	443
Proportionate provision for premium on redemption of debentures	886	3,867
Loss on assets sold, demolished, discarded and scrapped	1,358	428
Loss on Sale of Investment	—	93,625
Write-down of obsolete and non-moving components	—	45,134
Bad debts and irrecoverable balances written off	18,374	6,311
Provision for doubtful debts and advances	46,315	19,474
Difference in exchange	5,268	17,324
Total	<u>1,299,071</u>	<u>1,339,352</u>

SCHEDULE 20

DEPRECIATION AND AMORTISATION :

Depreciation	258,654	208,652
Amount written off against technical know-how	—	1,769
Amount written off against leasehold land	44	44
Deferred revenue expenditure written off	21,998	21,571
Total	<u>280,696</u>	<u>232,036</u>



SCHEDULE 21
NOTES FORMING PART OF THE ACCOUNTS :
1. Accounting policies :

Accounting policies are stated in the annexure.

2. Amalgamation of Shivaji Works Limited :

a) Pursuant to the scheme of amalgamation and rehabilitation sanctioned by the Board for Industrial & Financial Reconstruction vide its order dated 16 December 1999, issued on 24 December 1999 and received on 11 January 2000 (hereinafter referred to as "The scheme"), the entire business and all assets and liabilities of erstwhile Shivaji Works Limited (referred to as SWL) vest in the Company with effect from 1 April 1998. Accordingly, said assets, liabilities and transactions have been incorporated in these accounts.

b) The amalgamation has been accounted for under the "pooling of interest method," as per Accounting Standard, AS-14 on Accounting for amalgamation. Accordingly, the accounting treatment has been given as under:

- (i) The assets and liabilities as at 1 April 1998 have been incorporated in the accounts of the Company at book value.
- (ii) Reserves as at 1 April 1998 appearing in the books of erstwhile SWL, have become the corresponding reserves of the Company.
- (iii) The income accruing and expenses incurred by erstwhile SWL during the period 1 April 1998 to 31 March 1999 have been incorporated in these accounts. During this period, erstwhile SWL carried on the existing business for and on behalf of and on account of and in trust for the Company. All vouchers, documents etc. for that period are in the name of SWL. The title deeds for freehold/leasehold land, building, residential flats, licenses, agreements, loan documents etc. are being transferred in the name of the Company.
- (iv) Debit Balance in the profit and loss account of erstwhile SWL amounting to Rs. 8105 lacs as at 1 April 1998 has been set-off against the General Reserves of the Company.
- (v) The difference of Rs. 353 lacs between the amount of Share capital of erstwhile SWL and the amount of Shares pending allotment has been transferred to the Amalgamation Reserve of the Company.
- (vi) The Trade advance of Rs.7724.28 lacs given by the Company to erstwhile SWL, as on 1 April 1998, has been extinguished as a result of the Amalgamation.
- (vii) No provision for Income Tax including Minimum Alternative Tax has been considered necessary in view of the specific provisions to this effect under the scheme.

c) Under the scheme, the Company is entitled to several relief and concessions from the Banks, Financial Institutions, State Government, Central Government and in the form of (a) waiver of penal interest and liquidated damages (b) Rescheduling of loans (c) Non-taxability of inter-divisional transfers in respect of Sales Tax. These benefits accrued for the year have been given effect to in the accounts.

d) Under the scheme, the Company will issue and allot to the Shareholders of SWL, equity shares of the Company at par and credited as fully paid up in the proportion of 1 Equity share of Rs. 10 each of the Company for every 25 Equity shares of Rs.10 each of SWL without payment being received in cash. Pending the allotment, an amount of Rs.14.72 Lacs has been included in the Share Capital Suspense as at 31 March 1999.

e) In terms of the scheme, all permanent employees in service of the erstwhile SWL have become employees of the Company without any break or interruption in service. The service conditions of existing employees of erstwhile SWL are governed by the agreement entered with them as mentioned in the scheme. As per the agreement, the employees have agreed to certain concessions like freeze in salary, cut in basic salary and forgoing their right to statutory bonus and leave travel assistance. All rights, duties, powers and obligations of erstwhile SWL in relation to Provident fund, Gratuity fund, Superannuation fund etc. have been transferred to the Company.

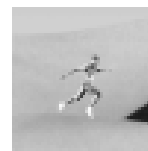
f) Figures for the current year include figures for the erstwhile SWL, accordingly the current year's figures are not comparable to those of the previous year.

KIRLOSKAR OIL ENGINES LIMITED

SCHEDULE 21 : (Contd.)

NOTES FORMING PART OF THE ACCOUNTS: [Contd.]

		Rs. in 000's	
		31.03.1999	31.03.1998
3.	Contingent liabilities not provided for in respect of		
(a)	Disputed excise demands	91,639	13,800
(b)	Disputed provident fund demands	Nil	100
(c)	Claims against the Company not acknowledged as debts	81,018	28,183
(d)	Disputed additional Income tax liability – matter under appeal	17,150	17,601
(e)	Guarantees given to Customers by bankers: (Advances received from Customers – Rs 60,988 <i>Previous year Rs.21,162</i>)	335,245	255,947
(f)	Guarantees given on behalf of third parties	976,246	1,091,433
(g)	Disputed custom duty	8,639	5,627
(h)	Disputed establishment charges	345	345
(i)	Disputed penalty for non fulfillment of export obligation	40	40
4.	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	86,523	44,467
5.	Charge of hypothecation against the Company's inventories in favour of bankers for cash credit facilities also extends to letters of credit issued and guarantees given by the Company's bankers. Aggregate value of such letters of credit outstanding Aggregate value of such guarantees outstanding	234,030 335,245	228,258 256,075
6.	Security :		
(a)	Debentures Fifth and Sixth series :		
(i)	400,000 19% Secured Non-convertible Debentures (Fifth series) of Rs.35 each (<i>Previous year Rs.65 each</i> , out of which Rs.30 per debenture along with premium of Rs.5 per debenture redeemed during the year as per terms of the agreement), issued in terms of Trust Deed, to be redeemed [at a premium of Rs. 5 per debenture along with second installment of redemption] at the end of 6 th , 7 th and 8 th year from the date of allotment i.e. from 1 st January, 1992.		
(ii)	1,017,833 15% Secured Non-convertible Debentures (Sixth series) of Rs.65 each (<i>Previous year Rs.100 each</i> , out of which Rs.35 per debenture redeemed during the year as per terms of the agreement), issued in terms of Trust Deed, to be redeemed [at a premium of Rs.5 per debenture] at the end of 6 th , 7 th and 8 th year from the date of allotment i.e. from 10 th March, 1993.		
	Above debentures are secured by English mortgage by way of first charge of the land and building situate at Mouje Ankhol, Taluka Kadi, District Mehsana, Gujarat, both present and future, and also by hypothecation by way of first charge of the whole of the movable properties of the Company, both present and future (except book debts) situate at Mouje Ankhol, Taluka Kadi, District Mehsana, Gujarat. The debentures are also secured against hypothecation of the whole of the movable properties of the Company (excluding book debts), both present and future, subject to prior charges created/ to be created in favour of the Company's bankers on the Company's stock of raw materials, semi finished goods, consumable stores and such other movables for working capital facilities and on specific machinery hypothecated to State Bank of India for deferred payment facility and also against joint equitable mortgage of the Company's immovable properties situate at Pune and Ahmednagar (other than Tech Centre and Kothrud property in residential zone in Pune) both present and future.		
(iii)	200,000 19 % secured Non-Convertible Debentures of Rs. 66.66 each to be redeemed pursuant to the Scheme of Amalgamation in one installment together with premium of 5 %, secured by equitable mortgage by deposit of title deed of all immovable properties at Solapur, including plant and machinery, and charge by way of hypothecation of all movable properties.		
(b)	Term loan from financial institutions under the Project Finance Participation Scheme, secured by hypothecation of movable properties of the Company situate at Pune and Ahmednagar including movable machinery, machinery spares, tools and accessories both present and future, (save and except book debts), subject to prior charges created and/ or to be created in favour of Company's bankers on the Company's stock of raw materials, semi-finished and finished goods, consumable stores and such other movables for working capital facility and on specific machinery purchased and/ or to be purchased under deferred payment facility also secured by joint equitable mortgage of the Company's immovable properties situate at Pune and Ahmednagar (other than Tech Centre and Kothrud property in residential zone in Pune) both present and future, ranking pari passu with the charges created in favour of Industrial Credit and Investment Corporation of India Limited, as Trustees of Debenture holders of Fifth and Sixth series debentures. (Loan repaid during the year – charge to be satisfied).		



SCHEDULE 21 : (Contd.)
NOTES FORMING PART OF THE ACCOUNTS: [Contd.]

- (c) Term loans from Financial Institutions (IFA project) secured by an exclusive charge by way of hypothecation of equipment and accessories acquired/ to be acquired out of the loan proceeds from the Financial Institutions. The Company has deposited 720,000 equity shares of Rs.10 each held by the Company in the capital of Swaraj Engines Limited as collateral security.
- (d) Term loan of Rs.5 Crore from Industrial Development Bank of India under Asset Credit Scheme is secured by an exclusive charge by way of hypothecation of movable plant, machinery, equipment and other assets together with its accessories, spare parts, tools acquired/ to be acquired out of the loan proceeds.
- (e) Term loan of Rs.10 Crore from Industrial Credit and Investment Corporation of India Limited is secured by way of hypothecation of the movables including movable machinery, machinery spares, tools and accessories, both present and future (save and except book debts).
- (f) Term loan of Rs.41.38 Crore from Industrial Credit and Investment Corporation of India Limited under Asset Credit Scheme is secured by an exclusive charge by way of hypothecation of the equipment i.e. mini blast furnace with its accessories, spare parts, etc. acquired/ to be acquired out of the loan proceeds.
- (g) Working Capital Loan of Rs.25 Crore from Industrial Credit and Investment Corporation of India Limited secured by way of hypothecation of the mini blast furnace subject to prior charge created by the Company in favour of Industrial Credit and Investment Corporation of India Limited for securing loan of Rs.41.38 Crore under Assets Credit Scheme.

The Company has also deposited 1,000,000 equity shares of Rs.10 each held by the Company in the capital of Cummins India Limited as collateral security.

- (h) Term loan of Rs. 13.24 Crore from Industrial Credit and Investment Corporation of India Limited secured by way of hypothecation of the whole of the movable properties at Solapur (save and except book-debts), including movable machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and/or to be created:
- 1) in favour of Bankers on the stocks of raw materials, for securing the borrowings for working capital requirements and
 - 2) On specific items of Machinery purchased under the Asset Credit facilities granted by IDBI.

The charge to rank *pari-passu* with the charge in favour of Trustees to debentures of Rs. 20 million

- (i) Term loan of Rs.3.54 crore from Industrial Development Bank of India secured by hypothecation of specific machinery purchased against the loan proceeds.
- (j) Working Capital Loan of Rs.20 Crore from Industrial Development Bank of India.

The Company has deposited 1,200,000 equity shares of Rs.10 each held by the Company in the capital of Cummins India Limited as collateral security.

- (k) Loan from Housing Development Finance Corporation Limited is secured by mortgage of specific housing units.
- (l) Term loan of Rs.15 Crore from the Industrial Finance Corporation of India Limited secured by an exclusive charge on the specific machinery acquired or proposed to be acquired under the Asset Credit Scheme of The Industrial Finance Corporation of India Limited.
- (m) Term loan of Rs.20 Crore from Jammu and Kashmir Bank Limited secured by the plant and machinery, equipment, movables, spares and all other fixed assets of the Company to be procured out of the proceeds of the term loan.
- (n) External Commercial Borrowing (ECB) of USD 3,000,000 from The Development Bank of Singapore Limited secured by pledge of 516,000 equity shares of Rs.10 each held by the Company in the capital of Cummins India Limited and 4,774,545 equity shares of Rs.10 each held by the Company in the capital of Kirloskar Electric Company Limited.
- (o) Term loan of Rs.20 Crore from Industrial Credit and Investment Corporation of India Limited secured by way of pledge of 911,000 equity shares of Rs.10 each held by the Company in the capital of Cummins India Limited.
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KIRLOSKAR OIL ENGINES LIMITED

SCHEDULE 21 : (Contd.)

NOTES FORMING PART OF THE ACCOUNTS : [Contd.]

7. Payments to Auditors:

Statutory Auditors (a)		Rs.in 000's	
		1998-99	1997-98
a)	As Auditors	*1260	900
b)	In other capacity:		
	For tax audit	220	200
	For certificates	98	107
	For company law and allied matters	300	—
	For expenses	72	111
	Total	<u>1950</u>	<u>1318</u>
	Payment to auditors of the erstwhile Shivaji Works Limited.		
a)	As Auditors	100	—
b)	In other capacity :		
	For Certificates	14	—
	Total	<u>114</u>	<u>—</u>

* Includes Service Tax – Subject to approval of members

Cost Auditors (b)		1998-99	1997-98
a)	As Auditors	80	80
b)	For expenses		1
	Total	<u>80</u>	<u>81</u>
	Grand Total (a + b)	<u>2144</u>	<u>1399</u>

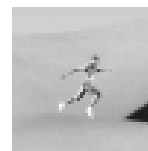
8. Details of raw materials consumption :

(i) Raw materials and components consumed :

DETAILS	Unit	1998-99		1997-98		
		Quantity	Rs. in 000's	Quantity	Rs. in 000's	
a)	Steel and	MT.	2658	92,575	2690	100,403
	Steel strips	MTRS.	1000	4	1718	893
b)	Non-ferrous metals	MT.	777	83,431	919	97,185
c)	Filter paper	KG.	NIL	NIL	63632	10,121
d)	Components			2,939,708		3,016,896
e)	Pig Iron	MT	3223	21,990		—
f)	C.I.Scrap	MT	3031	22,098		—
g)	Steel Scrap	MT	1799	14,125		—
h)	C.I.Boring	MT	739	3,788		—
i)	Others			260,069		18,049
	Total			<u>3,437,788</u>		<u>3,243,547</u>

(ii) Imported and indigenous raw materials consumption (including components) :

DETAILS	1998-99		1997-98		
	Rs. in 000's	Percent	Rs. in 000's	Percent	
a)	Imported (including canalised items)	540,016	15.71	499,511	15.40
b)	Indigenous	2,897,772	84.29	2,744,056	84.60
	Total	<u>3,437,788</u>	<u>100.00</u>	<u>3,243,547</u>	<u>100.00</u>



SCHEDULE 21 : (Contd.)

NOTES FORMING PART OF THE ACCOUNTS : [Contd.]

9. Details of goods traded-in-purchases :

DETAILS	Unit	1998-99		1997-98	
		Quantity	Rs. in 000's	Quantity	Rs. in 000's
a) Engines and Gensets	Nos.	44992	374,577	32315	294,023
b) Components of Kubota Engines	Nos.	44	152	—	—
c) Components for prime movers	Nos.	536109	26,042	306131	18,130
d) Coke	MT	58377	236,356	21999	80,070
e) Aircraft	Nos.	1	7,925	—	—
Total			<u>645,052</u>		<u>392,223</u>

10. C.I.F. value of imports, expenditure and earnings in foreign currencies :

	Rs.in 000's	
	1998-99	1997-98
(A) C.I.F. value of imports :		
Raw materials (including components, material in transit, material in bonded warehouse)	417,060	333,870
Capital goods	9,317	9,728
Others	241,498	11,299
(B) Expenditure in foreign currencies :		
(i) Royalty, net of tax	4,324	4,281
(ii) Interest	20,857	17,457
(iii) Others	40,919	27,019
(C) Earnings in foreign currencies :		
(i) F.O.B. value of exports	293,437	169,144
(ii) Dividend (net of withholding tax)	105	216
(iii) Others	10,330	2,600

KIRLOSKAR OIL ENGINES LIMITED

SCHEDULE 21 : (Contd.)

NOTES FORMING PART OF THE ACCOUNTS: [Contd.]

11. Details of licensed and installed capacity, production, stock and turnover :

(A) Licensed and installed capacity and production :

Class of goods	Unit	Licensed capacity		*Installed capacity		Production meant for sale	
		1998-99	1997-98	1998-99	1997-98	1998-99	1997-98
(i) Engines between 3 HP and 650 HP	HP	725000	725000	969999	1034361	969999 (64516 nos.)	1034361 (63220 nos.)
(ii) 'R' type engines	Nos.	17500	17500	32191	29897	32181	29897
Pune	Nos.	8000	8000	—	—	—	—
Faridabad (a)							
(iii) Bimetal bearings and Engine valves (in million)	Nos.	12	12	18.096	18.793	18.096	18.793
(iv) Bimetal strips	MT	1950	1950	2542.092	2478.822	2542.092 (b)	2478.822 (b)
(v) Diesel engines above 250 HP (in cylinders)	Nos.	500	500	114	60	114	60
(vi) Assembly of generating sets in range of 0.5 kVA to 10,000 kVA	Nos.	6500 (c)	6500 (c)	45	21	45	21
(vii) Camshafts	Nos.	49500 (e)	49500 (e)	—	—	—	—
(viii) Steam turbine generating set up to 60 MW	Nos.	—	—	—	1	—	1
(ix) Air compressors up to 1000 cfm	Nos.	500	500	500	500	—	—
(x) Garage compressors above 5 HP and parts	Nos.	250	250	250	250	—	—
(xi) Air receiver, inter coolers, heat exchangers and parts thereof	Nos.	500	500	500	500	—	—
(xii) Diesel / electric compressors 30 to 2500 cfm	Nos.	500	500	500	500	—	—
(xiii) Car lifts, washers and lubricants equipments	Nos.	300	300	300	300	—	—
(xiv) Diesel generating sets	Nos.	300	300	300	300	—	—
(xv) C.I. Castings	MT	26200**		30000	—	8586	—
(xvi) Investment Steel Castings	MT	100	—	200	—	58	—
(xvii) Aluminum Castings	MT	—	—	300	—	—	—
(xviii) Agricultural Implements	MT	200	—	200	—	—	—
(xix) Self Priming Pumps	MT	3500	—	3500	—	—	—
(xx) Filters	Nos.	—	—	—	4050000	—	568571

a) Unit closed

b) Includes 2542.092 MT for internal consumption (1997-98 : 2478.822 MT).

c) Included therein Gas Turbine Generating sets up to 60 MW.

d) The Company also holds permission to manufacture at its Ahnmednagar plant, Gas Turbine up to 10 MW capacity including packaging for various applications.

e) The Company has obtained Letter of intent (Ref : LI 2C93/16C92/FC dated 15.01.1993) issued by Ministry of Industry New Delhi to manufacture camshaft and crankshaft.

f) The Company has filed Memorandum under Liberalised License Scheme to Manufacture the following items:

1) Control Panels 2) Steam Turbine Generating Sets upto 60 MW 3) Steam Turbines

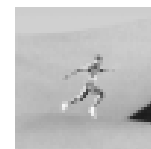
g) Installed capacity of Filter Division up to the date of Transfer is based on triple shift basis. However the plant worked, up to date of transfer on single shift basis.

h) Includes Nil (1997-98 -137722 nos.) numbers being interdivisional transfers.

* Note- Installed Capacity

Most of plant and machinery being common for different products manufactured by the Company and installed capacity being dependent on product mix, which in turn is decided by the actual demand for various products from time to time and also on availing of subcontracting facilities, it is not feasible for the Company to indicate the exact installed capacity. The Company has, however, indicated the installed capacity on the basis of year's Product mix- as certified by the Executive Vice Presidents and accepted by Auditors, as correct, being technical matter.

** Note : Including 100 M.T. Investment Castings by way of diversification within the above Licensed capacity.



SCHEDULE 21 : (Contd.)

NOTES FORMING PART OF THE ACCOUNTS: [Contd.]

Details of licensed and installed capacity, production, stocks and turnover [Contd.]

(B) Stocks and turnover :

Class Of Goods	Stocks at Commencement				Stocks At Close				Turnover				**Other	
	1998-99		1997-98		1998-99		1997-98		1998-99		1997-98		1998-99	1997-98
	Nos.	Rs. in 000 'S	Nos.	Rs. in 000 'S	Nos.	Rs. in 000 'S	Nos.	Rs. in 000 'S	Nos.	Rs. in 000 'S	Nos.	Rs. in 000 'S	Nos.	Nos.
a) Engines between 3HP and 650 HP	3529	51,086	4034	51,276	4280	58,560	3529	51,086	63444	1,791,643	63395	1,869,083	321	330
b) 'R' type engines	206	6,140	166	4,997	236	8,958	206	6,140	32052	1,802,802	29695	1,659,094	99	162
c) Bimetal bearing and engine valves (in million)	1.174	18,306	0.68	13,494	1.007	21,517	1.174	18,306	18.208	670,531	18.121	668,986	0.055	0.178
d) Bimetal strips (MT)	0.410	36	0.410	36	0.41	36	0.410	36	—	—	—	—	—	—
e) Diesel engines above 250 HP (in cylinders)	—	—	8	12,976	—	—	—	—	114	638,823	68	366,849	—	—
f) Assembly of generating sets in the range of 0.5kVA to 10000kVA	9	35	15	1,516	11	1,781	9	35	33	9,526	13	1,911	10	14
g) Goods-traded-in: Components of prime movers	—	—	—	—	—	—	—	—	536109	30,986	350737 (a)	21,680	—	—
h) Goods traded in - Components of Kubota Engines	370	2,854	—	—	259	1,334	370	2,854	154	1,348	10,668	3,477	1	—
i) Steam Turbine generating sets upto 60 MW	—	—	—	—	—	—	—	—	—	—	1	27,600	—	—
j) Air compressors upto 1000 cfm	2	452	2	452	2	452	2	452	—	—	—	—	—	—
k) Filters	—	—	73,725	4,735	—	—	—	—	—	—	522616	69,151	—	—
l) Trading Engines	1,725	17,013	1437	10,701	2548	20,192	1725	17,013	44105	477,963	32047	372,533	64	28
m) Coke (MT)	—	—	—	—	—	—	—	—	25837.12	242,586	21999	80,837	—	—
n) Others ***	—	17,031	—	19,335	—	23,594	—	17,031	—	1,047,222	—	1,001,727	—	—
o) C.I. Castings *** (MT)	285	6,364	—	—	190	2,946	—	—	8681	286,178	—	—	—	—
p) Investment/Steel Castings *** (MT)	4	883	—	—	6	1,363	—	—	51	31,382	—	—	5	—
TOTAL		120,200		119,517		140,735		112,953		7,030,989		6,142,928		

** Includes free replacement, capitalisation, scrap, shortages, etc.

(a) Includes 44,606 filters being sold out of interdivision transfer

*** Included on amalgamation with erstwhile Shivaji Works Limited. (See para 2 of Notes to accounts)

12. Managerial Remuneration :

- (a) Commission payable to Managing Director, Joint Managing Director and other Directors:

In view of the inadequacy of profits, no commission is payable to Managing Director, Joint Managing Director and other Directors and hence the computation under Section 349 of the Companies Act, 1956 is not considered necessary and not given.

- (b) Details of payments and provisions included in the Profit and Loss Account on account of remuneration to Managing Director and Joint Managing Director

	Rs.in 000's	
	1998-99	1997-98
Salary	1,649	1,690
Contribution to: Provident Fund	198	180
Superannuation Fund	247	253
Perquisites	66	366
	<u>2,160</u>	<u>2,489</u>

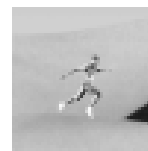
KIRLOSKAR OIL ENGINES LIMITED

SCHEDULE 21 : (Contd.)

NOTES FORMING PART OF THE ACCOUNTS: [Contd.]

13. Excise duty in respect of goods manufactured by the Company is consistently accounted for at the time of removal of goods from factory for sale and / or captive consumption. Excise duty liability on goods manufactured but not removed as at 31 March, 1999 is estimated at Rs.15,707,967 (*Previous year Rs.12,272,695*). This accounting policy has no impact on the profits for the year.
14. The total research and development expenditure incurred during the financial year is Rs.34,018,169. (Includes Capital Expenditure – Rs.1,653,288).
- 15 (a) 625,000 equity shares of Rs.10 each held by the Company in the capital of Cummins India Limited are pledged as collateral security against Term Loan taken by a Company jointly promoted by Kirloskar Oil Engines Limited.
- (b) 3,952,000 equity shares of Rs.10 each held by the Company in the capital of Cummins India Limited are pledged as collateral security against Term Loan taken by the Company.
- (c) 720,000 equity shares of Rs.10 each held by the Company in the capital of Swaraj Engines Limited are deposited with Financial Institutions as collateral security for Term Loan taken by the Company.
16. The names of the Small Scale Undertakings to whom amounts outstanding and due for more than 30 days in excess of Rs. 1 lac are given below. There are no amounts overdue and unpaid to small scale and / or ancillary industrial suppliers on account of principal and/or interest as at the close of the year. This disclosure is on the basis of information available with the Company regarding the status of suppliers as defined under the "Interest on delayed payments to Small Scale and Ancillary Industrial Undertaking Act, 1993".

A D WILLS ROWAT (I) PVT LTD	ELECTRONIC ENTITIES	MATHAROO MANUFACTURING. PLTD	SAMIR CASTINGS PVT LTD.
AASK ENGG	ENGINEERING PRODUCTS CO.	MAYANI METALS	SAMKRG PISTONS LTD.
ACCUFEROUS	ENGINEERS INDIA	MEGHDOOT FOUNDRY	SAMSON INDUSTRIES
ACCURATE	ESEEM AGENCIES	MERSUJ DILOMETRICS	SANT ENGINEERING.WORKS
ACCURATE ENGG.PRODUCTS	EUREKA INDL EQUIP	MILAN ENGG. WORKS	SANTOSH ENGINEERING WORKS
ADVANCE MECHANICAL WORKS	EXCELLENT ENGINEERS	MOGHE ENGG. WORKS	COUGER PAINTS P LTD
ADVANCE SYSTEM CONTROLS	FLOW TECH PUMPS	MONIKA INDS	SHAKTI PRECISION INDUSTRIES
AJAY INDUSTRIES	FLYWHEEL RING GEARS PVT. LTD	MULTI- TECH COMBINES	SHD MACHINE TOOLS
ALBAJ ENGG CORP	FOURESS ENGINEERS	N.GAURISHANKAR ENTP	SHIRKE ENGG.SERVICES
ALLIED FOUNDERS PVT LTD	FOX CONTROLS	NAAM MATCH FAB	POTDAR CHEMICALS P LTD
AMAR ENTERPRISES	FREE INDIA METAL PRODUCTS	NATIONAL INDUSTRIES	SHIRODKAR PACKINGS
AMBAJI METAL INDUSTRIES	GAJENDRA UDYOG	NEELAY INDUSTRIES	SHIVGANGA MANUFACTURING CO.
AMUL INDUS P. LTD.	GANGADHAR INDUSTRIES	NEHA ENTERPRISES	SHIVSHAKTI SPRINGS
ANADIG SERVICES	GAUTAM CASTING INDUSTRIES	NEW LAXMI INDUSTRIES	SHREE RAMCHANDRA INDUSTRIES
ARUN ENGINEERING WORKS	GEAR ENTERPRISES	NEW PERFECT FOUNDERS	SHREE RAMESHWAR ENGINEERING.
ARUNA ENTERPRISES	GK ENTERPRISES	NEW RAMESH INDUSTRIES	SHREE SAI MECHANICAL WORK
ASHOK ENTERPRISES	GOETZE (INDIA) LTD.	NEW VIJAY INDUSTRIES	SHRI GANESH ENTERPRISES
ASHOK SAFE MFG. CO.	RAJ FABRICATORS	NILAM ENGINEERS	SIDDHESHWAR ENGINEERS
ASUR ENGINEERING WORKS	OM ENTERPRISES	NIRMITEE FIBROPLAST	SM. ENGG. WORKS
ATLANTIC AGENCIES	GRIHALAXMI METAL INDUSTRIES	NOVA ENTERPRISES	SOLID PACKAGING INDS.
ATUL ENGINEERS	HIGOMA ENTERPRISES	NYLO-TEF ENGINEERS	SONA CONTROLS
AUTO IGNITION LTD.	HINDUSTAN MANUFACTURERS	OMNI ENGG. INDS.	SQUARE TECH
AUTO STEEL & RUBBER INDS. PLTD	HIRAK STEELCRAFT	P BOXWEL	STANDARD RUBBER WORKS
AUTOCON ENGINEERS	ICHALKARANJI METALLOY & CASTINGS	PADMAVATI FOUNDERS PVT LTD.	SUMEET ENTERPRISES
AUTOMOBILES AND ENGINEERING	IMPERIAL AUTO INDUSTRIES	PARAJIYA GEARS	SUPERCASE ENTERPRISES
BA TRADERS	INDRA MARSHAL OIL ENGINES	PEE CEE CASTINGS PVT. LTD.	SUPERFLEX ENGG. & POLY.
BCL SPRINGS	INDUSTRIAL RUBBER WORKS	POLYCRAFT	SUPRIYA ENTERPRISES
BELGAUM SILICATE & CHEM. P LTD	INJECTO LTD.	POOJA PACKERS	SURANGA ENGINEERS
BHAGWATI SAW MILL	INTERTEC ENGINEERS	POONA COUPLING PLTD.	SUYASH INDUSTRIES.
BHAGYASHRI INDUSTRIES.	J.J.FILTERS	POPULAR FOUNDERS	SWASTIK TRADING CORPORATION
BHARAT MACHINE TOOLS	JACKGON COMPANY	POPULAR SWITCHGEAR	TALBROS AUTOMOTIVE COMPONENTS
BHARATIYA PULVERISERS	JAKSON TRADES	PORE INDUSTRIES	LTD.
BHARAT WOODEN INDUSTRIES	JAY CASTING CO.	PPM & BROTHERS	THE MANGAL ENGG. WORKS
BK ENGINEERS	JAYEM INDUSTRIES	PRAKASH TIMBERS	THREADLINES (INDIA)
BRAZEWELL ENGINEERS	J-CAM ENGINEERING CORP.	PRASHANT ENTERPRISES	TRANCO VALVE GUIDE
C.P. ENGG. WORKS	JUPITER PRODUCTS	PROFICIENT PRESS WORKS	TRIDHA STEEL INDS
CALPORT IINDUSTRIES	JWALA INDS	SUPER INDUSTRIES	TRISHUL FORGING PLTD.
CARAVAN ENGINEERS	K. H. K. INDUSTRIES	RESCOSAN	TRISTR INDUSTRIES
CASTALL INDUSTRIES	K.B. ENTERPRISES	PROTEK SALES & SERVICES	TULSI INDUSTRIAL. CORPORATION.
CASTOMATE PVT LTD	K.T.N. METALS	PUROFIL	TURNWELL ENGG. PVT LTD.
CASTROL INDIA LTD.	KALEKAR ENGINEERING WORKS,	R.D.ENTERPRISES	TUSHAR ENGINEERS
CASTWELL INDUSTRIES	KALPAK ENGINEERING INDUSTRIES	R.S.RAUT ENGINEERING	UNITED ENGINEERING WORKS
CHOUGULE INDUSTRIES	KANCHANG ENGG	RAJAVIR INDUSTRIES	UNITED GASKETS
CONSULTECH COMBINES	KANKOO PAINTS PRIVATE LIMITED	RAJDEEP ENGINEERING WORKS	UNITED GASKETS & CO.
CONTINENTAL CASTINGS	KEPI INDUSTRIES	RAJDEEP INDUSTRIES	UNIVERSAL MFG CO.
CREST PACKWEL PVT. LTD.	KISHORE BRGS	RAJRATNA FOUNDRY	VARUN CASTINGS CO.
CRYSTAL PLASTIC INDS	GARGI INDUSTRIES P LTD.	RAMESHWAR TECHNOCAST	VIJAY BOX WORKS
DARSHAN ENGG.WORKS	KOTIBHASKAR SMRITI UDYOG	RATHI & COMPANY	VIJAY INDUSTRIES
DATTATRAYA ENGG.WORKS	KRANTI INDUSTRIES	RB ENGINEERING WORKS	VIKAS INDL. CO-OP ORG.LTD.
DC ENGG. INDSUSTRIES	KT INDUSTRIES	RESHAP ENTERPRISES	VIMAL CASTING INDUSTRIES.
DEEP METALS	GARGI METAL CORP P LTD	RIGHT FIT FASTENERS PVT LTD.	VINAYAK INDUSTRIES
DELTA CORPORATION	KWALITY ENGINEERS	RK INDUSTRIAL CORPORATION.	VITAL INDUSTRIAL PRODUCTS
DELTRAN DIESELS SALES & SERVICE	LAKSHIMI INDUSTRIES	RK MANUFACTURERS	YANTRA-NIRMAN
DHANWANTI ENTERPRISES	LAKSHMI ENGINEERS.	ROLEX ENGINEERS	YOUNG INDUSTRIES
DS JADHAV ENGINEERING	LAXMI CASTINGS PVT. LTD	RR METAL PRESSING CO.	ADAMANTS TOOLS & DESIGNERS
DVS INDUSTRIES PRIVATE LTD.	LONAVALA ENGG. & CASTINGS	S.S.INDUSTRIES	SHRI PADMA ENGINEERS
DYNAMIC LOGISTICS P LTD.	M.D.INDUSTRIES	SADHANA ARTS	RAISON INDUSTRIES
EASTERN PACKING INDS.	MACHWELD ENGINEERS	SAI METALS	GARGI HUTTONS ALBERTEUS
ELECTRO - DIP	MANGALAM FORMS PLTD.	SAI RUBBER INDUSTRIES	
ELECTROMECH ENGINEERS	MATCHEWELL ENGG. P LTD.	SAINI ENGINEING.WORKS	



SCHEDULE 21 (Contd.)

NOTES FORMING PART OF THE ACCOUNTS: [Contd.]

17. Diminution in value of quoted investment are not considered to be of a permanent nature and thus in the opinion of the Management, no provision for the same is necessary to be made. Moreover the investments made are intended to be held for a long term.
18. The Company has implemented Oracle Enterprise Resource Planning (ERP) system which includes Oracle financials as well as Oracle Manufacturing modules in Corporate, Small and Medium Engine Group. In this system, information is recorded in integrated manner and consumption of Raw material is directly available and purchases are derived in order to compile the information required to be presented in the Accounts.
19. Operations of Kirloskar Kisan Equipment Ltd. (KKEL) a wholly owned subsidiary of the Company, were continuously running into losses and its net worth was considerably eroded. Consequently the investment of Rs. 15 lacs in this company was written down to Re.1. The operations of this company were temporarily suspended from 1996-97 and provision for doubtful advances aggregating to Rs.195.36 lacs was made for dues from this company in the earlier years.
- The Board of Directors of KKEL planned to revive the company and accordingly offered to convert the dues to the Company into equity. After due consideration the Board of Directors of the Company accepted the offer and the receivable from KKEL was converted in investment. Under these circumstances, provisions for diminution in value of investment and dues from KKEL are not considered as doubtful and hence written back.
- The Company has also invested in cash further amount of Rs. 54.64 lacs in the capital of KKEL .
20. Previous year's figures have been re-grouped wherever considered necessary. The figures for previous year included those of Filters division which was hived off in 1997-98 and hence current year's figures are not comparable to those of the previous year.
21. Figures less than Rs.500 have been shown at actuals in bracket as the figures have been rounded off to the nearest thousands.
22. Information required in terms of Part IV of Schedule VI of the Companies Act, 1956 is attached.

Signatures to Schedules 01 to 21

As per our attached report of even date

For and on behalf of the Board of Directors

For and on behalf of
DALAL & SHAH
Chartered Accountants

ATUL C. KIRLOSKAR
Chairman & Managing Director

GAUTAM A. KULKARNI
Joint Managing Director

SHISHIR DALAL
Partner

DR. K. R. CHANDRATRE
Corporate Vice President &
Company Secretary

Mumbai : 24th January, 2000

Pune : 22nd January, 2000

KIRLOSKAR OIL ENGINES LIMITED

ANNEXURE REFERRED TO IN NOTE 1 IN SCHEDULE 21 TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH, 1999

ACCOUNTING POLICIES

a. Method of accounting

The Company follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties.

b. Fixed assets

Fixed assets, except leasehold land, are continued to be consistently valued at cost inclusive of freight, duties, taxes and incidental expenses related to acquisition, installation, erection and commissioning including financing costs relating to deferred credits or to borrowed funds attributable to construction or acquisition of fixed assets till they are ready to be put to use. Leasehold land is valued at cost less amount written off.

c. Depreciation and amortization

i) Depreciation :

Freehold land is not depreciated.

Depreciation is being provided to buildings, plant and machinery, and drawings and designs on straight line basis in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956 from the beginning of the month in which addition is made. In case of all Assets of erstwhile Shivaji Works Limited, depreciation is provided on Straight Line Method in the manner and at the rates specified in Schedule XIV of the Companies Act, 1956 from the date on which the addition is made.

The difference between depreciation on revalued assets of Nashik unit and its original cost, is transferred from Revaluation Reserve to Profit & Loss account.

Depreciation on assets other than buildings, plant & machinery and drawings and designs is being provided on written down value basis in the manner and the rates specified in schedule XIV of the Companies Act, 1956 from the beginning of the month in which addition is made.

Depreciation on assets given on lease and building on leasehold land has been provided at the rates worked out on straight line method over primary period of lease as stated in lease agreement or at the rates specified in schedule XIV to the Companies Act, 1956, whichever is higher:

Assets	Over Primary Period of Lease	As specified in Schedule XIV
Plant & Machinery	10.00%	10.34%
Continuous Process Plant	10.00%	5.28%
Building on Leasehold Land	12.50%	1.63%

Depreciation on addition to assets relating to the above is being provided on pro-rata basis with reference to the month of commencement of lease period.

Depreciation on leased assets is being provided for, at their respective rates up to the month in which assets are sold.

ii) Amortization:

Leasehold land is amortized over the period of lease.

Expenditure on acquiring technical Know-how is amortized over a period of six years.

Expenditure towards development of high quality castings for the Company is amortized over a period of three years.

Development Expenses representing expenditure on in-house development of Cold Box Core Process Technology of erstwhile SWL is being amortized over a period of five years.

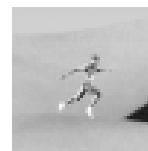
d. Inventories

Raw materials, components, stores and spares are valued at landed cost. Unserviceable and obsolete stocks of these items are valued at estimated realizable value, which is below cost.

Work-in-process including finished components are valued at factory cost.

Finished goods are valued at lower of factory cost or market value, except unserviceable items which are valued at estimated realisable value which is below factory cost.

Materials-in-transit is valued at purchase cost to date.



ACCOUNTING POLICIES : [Contd.]**e. Foreign currency transactions**

Current assets and current liabilities designated in foreign currencies are revalored at the market rate prevailing on the date of Balance Sheet. Net gain or loss on revalorization is accounted for in the year's Profit & Loss account.

Foreign currency liabilities for acquisition of fixed assets are stated at the rates prevailing on the date of Balance Sheet. Differences in exchange in respect of such liabilities are capitalized by adjusting it to the cost of respective assets. Where the cost of a depreciable asset has changed on account of exchange rate fluctuation, depreciation on revised cost is provided for prospectively.

Acquisition of technical know-how is stated at rates prevailing on the Balance Sheet date. Difference in exchange in respect of such liabilities is adjusted to the cost of respective technical know-how. Where the cost of technical know-how has changed on account of exchange rate fluctuation, the revised cost is written off prospectively.

f. Investments

Investments are valued at cost of acquisition unless otherwise stated.

g. Excise duty

Excise duty in respect of goods manufactured by the Company is accounted for at the time of removal of goods from factory for sale and/or captive consumption.

h. Employee retirement benefits

The incremental liability in respect of gratuity payable to employees concerned under approved schemes of the Company and for other not covered either under Payment of Gratuity Act or any approved schemes is provided on the basis of actuarial valuation. In case of Managing Director and the Joint Managing Director, the gratuity is provided as per the contractual obligation.

In case of Nashik (Large Engine) division, accruing liability of gratuity is covered by Employees Group Gratuity Scheme of Life Insurance Corporation of India. The additional amount, if any, payable at the time of premature retirement of the employee is accounted for in the year of retirement.

The Company does not have defined benefit scheme for Leave encashment on retirement. However, employees of the Company, at their option, can encash unavailed leave during the period of service as well as on retirement. Hence the same cannot be considered as 'Retirement Benefit' and Accounting Standard AS 15 issued by the Institute of Chartered Accountants of India is considered not applicable.

i. Research and development

Revenue expenditure in carrying out the research and development activity is charged as an expense in the year in which it is incurred. Capital expenditure incurred on research and development is capitalized as fixed assets.

j. Sales

Export sales are accounted for on the basis of the dates of Mate's Receipt.

k. Customs duty

Customs duty payable on goods lying in the custom bonded warehouse is accounted for in the year of payment.

l. Accounting for lease

The company follows the recommendations of The Institute of Chartered Accountants of India contained in the Guidance Note on Accounting of Lease. Accordingly, a matching annual charge is made to the Profit & Loss account representing recovery of net investments of leased assets. The said charge is calculated by deducting finance income for the year (arrived at by applying the rate of interest implicit in the lease to the net investments in the lease during the year) from the lease rental in respect of all its leased assets. This annual charge comprises book depreciation as per policy stated in C (i) and a lease equalisation charge where the annual lease charge is more than book depreciation. Where the annual charge is less than book depreciation, a lease equalisation charge credit is taken. The balance standing in the Lease Adjustment Account has been shown in Schedule 10 i.e. under Other Current Assets.

KIRLOSKAR OIL ENGINES LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

	8	8	9	7	2
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 State Code

1	1
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 Balance Sheet Date

3	1
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0	3
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9	9
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 Date Month Year

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

	Public Issue	Rights Issue															
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>			N	I	L				<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>			N	I	L			
		N	I	L													
		N	I	L													
	Bonus Issue	Private Placement *															
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>			N	I	L				<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>4</td><td>7</td><td>2</td></tr></table>					1	4	7	2
		N	I	L													
				1	4	7	2										

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

	Total Liabilities	Total Assets																
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>4</td><td>5</td><td>8</td><td>1</td><td>1</td><td>8</td></tr></table>		5	4	5	8	1	1	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>5</td><td>4</td><td>5</td><td>8</td><td>1</td><td>1</td><td>8</td></tr></table>		5	4	5	8	1	1	8	
	5	4	5	8	1	1	8											
	5	4	5	8	1	1	8											
Sources of Funds	Paid up Capital	Reserves & Surplus																
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>1</td><td>9</td><td>1</td><td>6</td><td>3</td><td>6</td></tr></table>			1	9	1	6	3	6	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>7</td><td>2</td><td>7</td><td>8</td><td>2</td><td>6</td></tr></table>		2	7	2	7	8	2	6
		1	9	1	6	3	6											
	2	7	2	7	8	2	6											
	Secured Loans	Unsecured Loans																
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>2</td><td>0</td><td>6</td><td>5</td><td>7</td><td>4</td><td>5</td></tr></table>		2	0	6	5	7	4	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>4</td><td>7</td><td>2</td><td>9</td><td>1</td><td>1</td></tr></table>			4	7	2	9	1	1
	2	0	6	5	7	4	5											
		4	7	2	9	1	1											
Application of Funds	Net Fixed Assets	Investments																
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>7</td><td>3</td><td>1</td><td>4</td><td>1</td><td>5</td></tr></table>		1	7	3	1	4	1	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>7</td><td>1</td><td>2</td><td>9</td><td>7</td><td>4</td></tr></table>		1	7	1	2	9	7	4
	1	7	3	1	4	1	5											
	1	7	1	2	9	7	4											
	Net Current Assets	Misc. Expenditure																
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>9</td><td>9</td><td>5</td><td>1</td><td>9</td><td>7</td></tr></table>		1	9	9	5	1	9	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>1</td><td>8</td><td>5</td><td>3</td><td>2</td></tr></table>				1	8	5	3	2
	1	9	9	5	1	9	7											
			1	8	5	3	2											
	Accumulated Losses																	
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td></tr></table>			N	I	L												
		N	I	L														

IV. Performance of Company (Amount in Rs. Thousands)

	Turnover	Total Expenditure															
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>7</td><td>3</td><td>6</td><td>5</td><td>5</td><td>2</td><td>8</td></tr></table>		7	3	6	5	5	2	8	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>7</td><td>2</td><td>0</td><td>6</td><td>3</td><td>3</td><td>8</td></tr></table>		7	2	0	6	3	3	8
	7	3	6	5	5	2	8										
	7	2	0	6	3	3	8										

V. Profit of Company

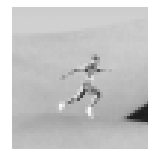
	Profit / Loss Before Tax	Profit / Loss After Tax															
(+)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>5</td><td>9</td><td>1</td><td>9</td><td>0</td></tr></table>		1	5	9	1	9	0	(+)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td>1</td><td>5</td><td>7</td><td>8</td><td>9</td><td>0</td></tr></table>		1	5	7	8	9	0
	1	5	9	1	9	0											
	1	5	7	8	9	0											
	Earning per Share in Rs.	Dividend Rate % #															
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>8</td><td>.</td><td>2</td><td>3</td></tr></table>				8	.	2	3	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td>3</td><td>5</td></tr></table>						3	5	
			8	.	2	3											
					3	5											

Interim

VI. Generic Names of Three Principal Products / Services of Company
(As per monetary terms)

Item Code No. (ITC Code)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>.</td><td>0</td><td>8</td></tr></table>	8	4	.	0	8				
8	4	.	0	8						
Product Description :	I N T E R N A L C O M B U S T I O N D I E S E L E N G I N E S									
Item Code No. (ITC Code)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>4</td><td>.</td><td>0</td><td>9</td></tr></table>	8	4	.	0	9				
8	4	.	0	9						
Product Description :	B I M E T A L B E A R I N G S									
Item Code No. (ITC Code)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>8</td><td>5</td><td>.</td><td>0</td><td>2</td></tr></table>	8	5	.	0	2				
8	5	.	0	2						
Product Description	G E N E R A T I N G S E T S									
Item Code No. (ITC Code)	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>7</td><td>3</td><td>2</td><td>5</td><td>9</td><td>9</td><td>.</td><td>0</td><td>9</td></tr></table>	7	3	2	5	9	9	.	0	9
7	3	2	5	9	9	.	0	9		
Product Description	C A S T I R O N C A S T I N G S A N D I N V E S T M E N T / S T E E L C A S T I N G S									

* Increase in the capital consequent to amalgamation of Shivaji Works Ltd.



CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 1999
(Pursuant to the Listing Agreement with Stock Exchanges)

	Rs in 000's	
PARTICULARS	1998-99	1997-98
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before Tax and Extraordinary items	159,190	1,676,136
Add :		
Depreciation after transfer from revaluation reserve	258,481	208,479
Leasehold land written off	44	44
Decrease in technical know-how	—	1,769
Loss on assets sold, demolished, discarded and scrapped	1,358	429
Loss on sale of investments	—	93,625
Provision for doubtful debts and advances	46,315	19,474
Miscellaneous expenditure written off	21,998	21,301
Credits pertaining to earlier years	—	105
Interest	511,680	517,752
	839,876	862,978
Less :		
Profit on sale of investments	—	(1,759,356)
Surplus on sale of assets	(706)	(855)
Interest received	(91,926)	(19,259)
Debits pertaining to earlier years	(11,604)	(8,467)
Provision for Diminution in value of investment written back	(1,500)	—
Provision for doubtful advance due from subsidiary company written back	(19,536)	—
Dividend and income from units	(43,759)	(61,757)
	(169,031)	(1,849,694)
	670,845	(986,716)
Operating Profit before working capital changes	830,035	689,420
Adjustments for :		
Trade and other receivables	1,090,283	(1,355,494)
Inventories	115,383	167,830
Trade payables	(433,333)	(352,143)
	772,333	(1,539,807)
	1,602,368	(850,387)
Cash generated from operations	1,602,368	(850,387)
Interest paid	(520,598)	(520,051)
Direct taxes paid	(8,024)	(5,221)
	(528,622)	(525,272)
NET CASH USED IN OPERATING ACTIVITIES BEFORE EXTRAORDINARY ITEMS	1,073,746	(1,375,659)
Add : Extraordinary item of income :		
Surplus on sale of undertaking	—	40,734
NET CASH USED IN OPERATING ACTIVITIES	1,073,746	(1,334,925)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Add :		
Sale of fixed assets	2,821	9,322
Sale of investments	—	1,792,435
Interest received	91,926	19,259
Dividend and income from units received	43,759	61,757
	138,506	1,882,773
Less :		
Purchase of investments	(227,221)	(645,980)
Purchase of fixed assets	(144,208)	(152,815)
Advance for subscription towards equity and preference shares	—	510,007
	(371,429)	(288,788)
NET CASH GENERATED FROM INVESTING ACTIVITIES	(232,923)	1,593,985
	840,823	259,060

KIRLOSKAR OIL ENGINES LIMITED**CASH FLOW STATEMENT: [Contd.]**

	Rs in 000's	
	1998-99	1997-98
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital including premium	—	53,992
Total proceeds from borrowing (Net of repayments)	(724,565)	(64,660)
Dividend paid	(60,456)	(42,749)
NET CASH USED IN FINANCING ACTIVITIES	(785,021)	(53,417)
NET INCREASE IN CASH AND CASH EQUIVALENTS	55,802	205,643
CASH AND CASH EQUIVALENTS AS AT 1/4/98 (OPENING BALANCE)	274,921	64,965
CASH AND CASH EQUIVALENTS AS AT 31/3/99 (CLOSING BALANCE)	330,723	270,608

Notes to the Cash Flow Statement for the year ended 31 March, 1999.

1. Cash and cash equivalents as at 1 April, 1998 includes Rs. 4,313 (in 000's) of erstwhile Shivaji Works Ltd. taken over on amalgamation.
2. The amalgamation of the erstwhile Shivaji Works Ltd. with the Company is a non-cash transaction. (Refer Note No. 2 of Notes to Accounts).
3. In view of above, the current years' figures are not comparable with those of the previous year.

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman & Managing Director

GAUTAM A. KULKARNI
Joint Managing Director

DR. K.R. CHANDRATRE
Corporate Vice President &
Company Secretary

Pune : 22nd January 2000

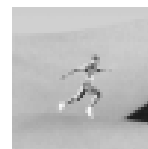
AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of Kirloskar Oil Engines Limited for the year ended 31st March, 1999. The statement has been prepared in accordance with the Clause 32 of the Listing Agreement with various Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the Company covered by our report of 24th January 2000, to the Members of the Company.

For and on behalf of
DALAL & SHAH
Chartered Accountants

SHISHIR DALAL
PARTNER

Mumbai : 24th January, 2000



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY**

Name of the subsidiary company	:	Kirloskar Kisan Equipment Limited
The financial year of the subsidiary ending on	:	31st March, 1999
Number of shares in the subsidiary company held by Kirloskar Oil Engines Limited	:	265,000 equity shares
The net aggregate of profits less losses of the subsidiary company so far as it concerns membership of Kirloskar Oil Engines Limited :		
1) Not dealt with in the account of Kirloskar Oil Engines Limited amounted to :		
a) for the subsidiary's financial year	:	Profit : Rs. 108,699
b) for the previous financial years of the subsidiary since it became subsidiary	:	Loss : Rs. 20,408,610
2) Dealt with in the account of Kirloskar Oil Engines Limited amounted to :		
a) for the subsidiary's financial year	:	Nil
b) for previous financial years of the subsidiary since it became subsidiary	:	Rs. 150,000
Changes in the interest of Kirloskar Oil Engines Limited during the Financial Year 1998-99 :		
No. of shares acquired	:	250,000 shares
Material changes during the Financial Year 1998-99 :		
a) Fixed assets (net additions)	:	—
b) Investments	:	—
c) Money lent by the subsidiary	:	Rs. 5,000,000
Money borrowed by the subsidiary company other than for meeting current liabilities (net of repayment)	:	—

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Chairman & Managing Director

GAUTAM A. KULKARNI
Joint Managing Director

DR. K. R. CHANDRATRE
Corporate Vice President &
Company Secretary

Pune : 22nd January, 2000