



KIRLOSKAR INDUSTRIES LIMITED

Enriching Lives

2 June 2010

Dear Shareholder,

Sub: Cost of Acquisition on Demerger

The Hon'ble High Court of Maharashtra at Bombay had by its order dated 31 July 2009, read with its Order dated 19 March 2010 approved the Scheme of Arrangement between Kirloskar Engines India Ltd., ("KEIL" or "The Resulting Company") and Kirloskar Oil Engines Ltd., ("the Company" or "KOEL" or the "Demerged Company") and their respective shareholders and creditors. The name of Kirloskar Oil Engines Limited has been changed to Kirloskar Industries Limited (KIL), with effect from 31 March, 2010. The name of Kirloskar Engines India Limited has been changed to Kirloskar Oil Engines Limited with effect from 2 June 2010.

As per the said Scheme, the assets and liabilities relating to Engines and Auto Components Business of the Demerged Company has been transferred at book value to Resulting Company as standing in the books of the Demerged Company as on the appointed date is 1 April 2009.

The book value of net assets transferred and the equity shares to be issued pursuant to the said Scheme are as under:

Name of Resulting Company	Book Value of Net Assets Transferred (Rs. In Thousands)	No. of Equity Shares to be issued	Face Value per Equity Share (Rs.)
Kirloskar Oil Engines India Ltd. (earlier known as Kirloskar Engines India Ltd.)	4,859,536	145,629,750	2

This intimation is issued to inform the shareholders the method of calculation of the cost of acquisition and date of acquisition of the Resulting Company's shares as per the provisions of Section 49 of the Income Tax Act, 1961 and is based on expert's opinion obtained by the Company.

The Company has been advised and also on its own interpretation of the Income Tax Act, 1961 feels that as per the provisions of sub-section (2C) of section 49 of the Income-Tax Act, 1961, the cost of shares of Resulting Company has to be taken in the same proportion as the net book value of the assets transferred bears to the net worth of the demerged company immediately before such demerger. As per provisions of sub-section (2D) of Section 49 of the Income Tax Act, 1961, the cost of acquisition of original shareholding in the demerged company is deemed to have been reduced by the amount calculated as per provisions of sub-section (2C) of Section 49 of the Income Tax Act, 1961.

The net worth, for the purpose of this provision, is Share Capital & General Reserve, which was Rs.96,00,845 Thousands as on 31st March 2009, immediately before the demerger.

Hence, for determining the cost of acquisition of equity shares of the Resulting Company and the Demerged Company, shareholders are advised to apportion their pre-demerger cost of acquisition of the Company's shares in the following manner.

Name of the Company	Proportionate Cost (%)
Kirloskar Industries Ltd., (earlier known as Kirloskar Oil Engines Ltd.), the Demerged Company	49.38%
Kirloskar Oil Engines Ltd., (earlier known as Kirloskar Engines India Ltd.), the Resulting Company	50.62%

The cost so apportioned should be divided by the number of new shares issued / allotted in the Demerged / Resulting Companies, to arrive at the cost per share.

For e.g., if a shareholder holds 20 shares of Rs. 2 each before the Demerger became effective, and the cost of acquisition of the same is Rs. 1,000, he / she will be issued / allotted 15 shares of Rs. 2 each in the Resulting Company and 1 share of Rs. 10 each in the Demerged Company. The proportionate cost of acquisition of 15 shares of Rs. 2 each in the Resulting Company will be Rs. 506.2 and that of 1 share of Rs. 10 each in the Demerged Company will be Rs. 493.8. In this event the cost of acquisition per share of the Resulting Company would be Rs. 506.2 divided by 15 (being the number of new shares issued in the Resulting Company) and that of the Demerged Company would be Rs. 493.8 divided by 1 being the number of shares issued in the Demerged Company).

Further, the Company has been advised that as per the provisions of section 47(vi) (d) of the Income-Tax Act 1961, the issue of shares by Resulting Company to the shareholders of the Demerged Company, when the transfer is made pursuant to the Scheme of Arrangement for demerger, the same is not regarded as transfer. Accordingly, the date of acquisition of shares of the Resulting Company would be deemed to be the date on which the shares of the Demerged Company were originally acquired.

This communication is solely for the benefit of the shareholders and due care has been taken by the Company to check the accuracy of the information. However, the Company does not take any express or implied liability in providing this guidance.

The shareholders are advised to seek legal opinion, should they feel it necessary.

Thanking you,

Yours faithfully,
For Kirloskar Industries Limited



Aditi Chirmule
Company Secretary