

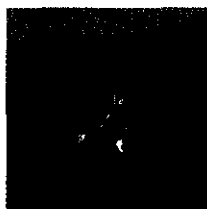
Surging ahead with confidence

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**Annual Report  
1998 - 1999**



**KIRLOSKAR OIL ENGINES LTD**  
[www.kirloskars.com](http://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...

**KIRLOSKAR OIL ENGINES LIMITED****Annual Report 1998-1999****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

**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.

**AUDITORS :**

M/s. Dalal & Shah  
Chartered Accountants

**REGISTERED OFFICE :**

Laxmanrao Kirloskar Road, Khadki,  
Pune 411 003

**LOCATION OF FACTORIES :**

Pune  
Ahmednagar  
Nasik  
Solapur

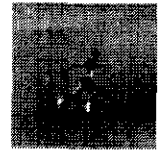
**KIRLOSKAR OIL ENGINES LIMITED**

**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](mailto:srb@koel.co.in) OR [ksd@koel.co.in](mailto: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

232,376

**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 31<sup>st</sup> 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

(ATUL C. KIRLOSKAR)

Chairman & Managing Director

Pune  
24th January, 2000

**KIRLOSKAR OIL ENGINES LIMITED**

**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	:	<u>34,018,169</u>

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 Farros 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 expenses 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 except that of Mr. H. V. Padhye and Mr. V. G. Phadke
- None of the employee is a relative of any Director of the Company.