

Kirloskar

KIRLOSKAR OIL ENGINES LIMITED
ANNUAL REPORT 2000 - 2001

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From a sapling
Kirloskar has grown
to be a large canopy.
But it's not just the
perimeter of our shade
that has grown.
We've grown in stature,
our roots have gone
deeper too. Over the
years, we've not just
strengthened our
branches in agriculture
and power, but spread
new ones in defence,
marine, construction,
communication, etc.
It's something every
tree must do if it wants

to stay healthy.

Large and small
businesses have

flourished under

our shade.

For ourselves,

we've set a simple

standard: a commitment

to reach new heights

every year.

Here's to another year

of growing and

branching out in the

right directions.

Can a company which ignores the environment claim to serve its customers best?

At Kirloskar, we don't think so. Which is why we adhere to

ISO 14001. Environmental standards which are recognised as

the most stringent the world over. And it doesn't end there.

We make products that do not harm the environment.

In ways which are not harmful to the environment.

At Kirloskar, we think of it as keeping your own home safe.

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d emission standard
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ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED ON 31 MARCH 2001

BOARD OF DIRECTORS:

Mr. Atul C. Kirloskar	Chairman and Managing Director
Mr. Sanjay C. Kirloskar	Vice Chairman
Mr. Gautam A. Kulkarni	Joint Managing Director
Mr. Rahul C. Kirloskar	Director (Exports)
Mr. V. K. Bajhal	
Dr. N. A. Kalyani	
Mr. H. M. Kothari	
Air Marshal Y. V. Malse (Retd.)	
Mr. P. G. Pawar	
Mrs. Anupama Ranade	ICICI Nominee
Dr. R. J. Rath	
Mr. S. G. Chitnis	Director (Auto Components and Large Engines)
Dr. K.R.Chandratre	Director (Legal and H.R.) and Secretary
Mr. A. N. Alawani	Director (Finance)
Mr. D. R. Swar	Director (Medium and Small Engines)

AUDITORS:

M/s. Dalal & Shah
Chartered Accountants

REGISTERED OFFICE :

Laxmanrao Kirloskar Road,
Khadki, Pune 411 003

LOCATION OF FACTORIES:

Pune
Ahmednagar
Nasik
Solapur

BANKERS:

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

KIRLOSKAR OIL ENGINES LIMITED**INFORMATION FOR SHAREHOLDERS**

Annual General Meeting	
Date and Time	: Saturday, 15 September 2001 at 10.30 A.M.
Venue	: Registered Office of the Company
Proposed Dividend	: 35% (Rs. 3.50 per share of Rs. 10/- each)
Dates of Book closure	: September 7, 2001 to September 15, 2001 (both days inclusive)
Listing on the Stock Exchanges at	: Pune Stock Exchange Ltd., Sheevaleela Chambers 752, Sadashiv Peth, Pune - 411 030.
	The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 013
	The National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/I, G Block Bandra - Kurla Complex, Bandra (E) Mumbai - 400 051.
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: pna@koel.co.in OR ksd@koel.co.in OR investor.relations@koel.co.in
Shareholders'/ Investors' Grievance Committee	: Air Marshal Y. V. Malse (Retd.), Chairman Mr. Gautam A Kulkarni Dr. K. R. Chandratre Mr. A. N. Alawani

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

NOTICE

Notice is hereby given that the Annual General Meeting of Kirloskar Oil Engines Limited will be held at the Registered Office of the Company at Laxmanrao Kirloskar Road, Khadki, Pune 411003 on Saturday, 15th September, 2001 at 10:30 A.M. to transact the following business:

ORDINARY BUSINESS:

ITEM NO. 1:

To receive, consider and adopt the audited Profit and Loss Account for the financial year ended 31 March 2001, the Balance Sheet as at that date and the reports of the Board of Directors and Auditors thereon.

ITEM NO. 2:

To declare dividend on equity shares for the financial year ended on 31 March 2001.

ITEM NO. 3:

To appoint a Director in place of Mr. P. G. Pawar, who retires by rotation and being eligible, offers himself for re-appointment.

ITEM NO. 4:

To appoint a Director in place of Mr. H. M. Kothari, who retires by rotation and being eligible, offers himself for re-appointment.

ITEM NO. 5:

To appoint a Director in place of Air Marshal Y. V. Malse (Retd.), who retires by rotation and being eligible, offers himself for re-appointment.

ITEM NO. 6:

To appoint Auditors of the Company for the period commencing from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

ITEM NO. 7:

To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution:

RESOLVED pursuant to Section 228 of the Companies Act, 1956 THAT M/s P.G. Bhagwat, Chartered Accountants be and are hereby appointed as the Branch Auditors of the Company to audit the accounts of the Company's branch situated at Solapur and THAT the Board of Directors of the Company be and is hereby authorised to determine the remuneration to be paid to the said Branch Auditors.

ITEM NO. 8:

To appoint Mr. V. K. Bajhal, as Director. Mr. V. K. Bajhal was co-opted by the Board as an Additional Director of the Company with effect from 19 January 2001. Pursuant to Section 260 of the Companies Act, 1956 read with Article 160 of the Articles of Association of the Company, Mr. V. K. Bajhal holds office of Director up to the date of this Annual General Meeting and is eligible for appointment.

A Notice in writing under Section 257 of the Companies Act, 1956 has been received by the Company proposing the candidature of Mr. V. K. Bajhal for the office of Director.

ITEM NO. 9:

To appoint Mr. Rahul C. Kirloskar, as Director. Mr. Rahul C. Kirloskar was co-opted by the Board as an Additional Director of the Company with effect from 5 June 2001. Pursuant to Section 260 of the Companies Act, 1956 read with Article 160 of the Articles of Association of the Company, Mr. Rahul C. Kirloskar holds office of Director up to the date of this Annual General Meeting and is eligible for appointment.

KIRLOSKAR OIL ENGINES LIMITED

A Notice in writing under Section 257 of the Companies Act, 1956 has been received by the Company proposing the candidature of Mr. Rahul C. Kirloskar for the office of Director.

ITEM NO. 10:

To consider and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:

RESOLVED pursuant to Section 314 (1B) and other applicable provisions, if any, of the Companies Act, 1956 THAT the consent of the Company be and is hereby accorded to Mrs. Arti Kirloskar, who is a relative of Mr. Atul C. Kirloskar, Chairman and Managing Director of the Company, for holding in the Company office or place of profit as Consultant at the consultation fee not exceeding Rs. 60,000 (Rupees Sixty Thousand) per month for a period of one year commencing on 1 April 2002.

ITEM NO. 11:

To consider and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:

RESOLVED THAT in pursuance of sub-sections (4) and (7) of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, the Company do pay to a Director who is neither in the whole time employment of the Company nor a Managing Director and if there are more than one such Directors, to all of them together, remuneration by way of commission at the rate of 1% (One per cent) of the net profits of the Company computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956.

ITEM NO. 12:

To consider and if thought fit, to pass with or without modifications, the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 read with Articles 167 (A), 167 (B) and 167 (C) of the Articles of Association of the Company and subject also to the approvals of the financial institutions / banks with whom the Company has borrowing arrangements and whereunder, their approval is necessary, approval of the shareholders is hereby accorded to the appointment of Mr. Rahul C. Kirloskar as the whole-time Director of the Company for a period of 5 (five) years with effect from 5 June 2001 upon the terms and conditions as set out in the Agreement to be entered into between the Company and Mr. Rahul C. Kirloskar and on the remuneration set out below:

SALARY:

Rs. 280,000 (Rupees Two hundred eighty thousand only) per month.

PERQUISITES:

In addition to the aforesaid salary, Mr. Rahul C. Kirloskar as whole-time Director shall be entitled to the following perquisites:

- a) Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company.
- b) Reimbursement of all medical expenses incurred for self and family, subject to a limit of one month's salary per year. In addition, hospitalisation expenses incurred in India for self and family will be paid on actuals basis.
- c) Leave travel assistance for self and family as per the rules of the Company.
- d) Fees of clubs, subject to a maximum of two clubs, which will include admission fee but will not include life membership fees.
- e) Education allowance for the education of his children not exceeding Rs. 2,000 per annum per child.

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- f) Personal accident insurance, premium whereof does not exceed Rs. 25,000 per annum.
- g) A car with driver for official and personal purpose.
- h) Telephone and fax facilities at residence.
- i) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
- j) Gratuity at the rate not exceeding half a month's salary for each completed year of service as whole-time Director, and
- k) Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed at the end of the tenure.

"Family" for the above purpose means wife, dependent children and dependent parents of the whole time Director.

Perquisites shall be evaluated as per the provisions of the Income tax Rules.

COMMISSION:

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the whole-time Director shall not exceed the limit laid down under Section 309 of the Companies Act, 1956.

MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as whole-time Director, remuneration by way of salary, perquisites and other allowances shall be in accordance with the ceiling prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof.

For the purpose of computation of minimum remuneration, the following shall not be included:

1. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
2. Gratuity at a rate not exceeding half a month's salary for each completed year of service, and
3. Encashment of leave at the end of the tenure.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to revise from time to time during the tenure of the present appointment of Mr. Rahul C. Kirloskar, the remuneration payable to him as whole-time Director, subject to the ceiling laid down in Sections 198, 309 and Schedule XIII to the Companies Act, 1956 without further approval of the shareholders of the Company but with such other approvals, sanctions or permissions, if any, required for such revision in the remuneration.

RESOLVED FURTHER THAT Mr. Rahul C. Kirloskar will be a director liable to retire by rotation and his re-appointment as such director shall not be deemed to constitute a break in his appointment as whole-time Director.

ITEM NO. 13:

To consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be altered by inserting the new Article 5A after the present Article No. 5 as under:

5A. 'Buy-back of securities'

Notwithstanding anything to the contrary contained in the Articles and subject to the provisions of the Act and the Rules or Regulations as may be in force from time to time, the Company may purchase any of its own shares

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or any other specified securities issued by the Company and may either extinguish, destroy and/or reissue the shares /securities so bought back as may be permissible under the provisions of the Act, Rules and Regulations as applicable.

NOTES:

A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

- i. Pursuant to Section 173 of the Companies Act, 1956, Explanatory Statement in respect of the business mentioned under Item Nos. 7 to 13 herein above, is annexed hereto.
- ii. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours before the time fixed for holding the meeting. Proxies shall not have any right to speak at the meeting.
- iii. The register of members and share transfer books of the Company will remain closed from 7 September 2001 to 15 September 2001, both days inclusive. Dividend on shares as recommended by the Directors, if declared, at this Annual General Meeting, will be paid to those members whose names will appear on the Register of Members as on 15 September 2001.
- iv. Pursuant to Sections 205A and 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account which remains unpaid or unclaimed for a period of 7 years from the date of such transfer shall be transferred by the Company to a fund called Investor Education and Protection Fund to be set up by the Central Government. Accordingly, the unpaid/unclaimed dividend for the years 1995-96 onwards will become transferable at the end of respective seven years to the said Investor Education and Protection Fund. Once the amount is so transferred to the said Fund, no claim shall lie against the Fund or the Company in respect of dividend amount thereafter. Shareholders are requested to send their claims, if any, for the financial year 1995-96 onwards before the amount becomes due for transfer to the above Fund.
- v. Members are requested to advise the Company immediately of any change in their address.
- vi. In case members wish to ask for any information about accounts and operations of the Company, they are requested to send their queries in writing at least 7 days in advance of the date of the meeting so that the information can be made available at the time of the meeting.
- vii. Documents relating to any of the items mentioned in the Notice and in the Explanatory Statement thereto are open for inspection at the Registered Office of the Company on any working day during business hours.
- viii. Members may avail of the facility of dematerialisation by opening Depository accounts with the Depository participants of either National Securities Depository Limited OR Central Depository Services (India) Limited and get the equity share certificates held by them dematerialised.
- ix. The members who have already opened Depository accounts with the Depository participants or those members who will open Depository accounts in future, may have given or give their bank account details, to the Depository participant which will be used by the Company for printing on dividend warrants. This ensures that the dividend warrants, even if lost or stolen, can not be used for any purpose other than for depositing the money in the account specified on the dividend warrant. This ensures safety for investors. However, the members who want to receive dividend in an account other than the one specified while opening the Depository account, may change/correct bank account details with their Depository participant. The members are requested to give MICR code of their bank to the Depository participant.

Place : Pune
Date : 16 July, 2001

By Order of the Board of Directors
DR. K.R. CHANDRATRE
Director(Legal and H.R.) and Secretary

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956, the following Explanatory Statement sets out all material facts relating to Item Nos. 7 to 13 in the accompanying notice of Annual General Meeting of the Company to be held in Pune on 15 September, 2001.

ITEM NO. 7 OF THE NOTICE:

The Company has factories located at Pune (Khadki and Fursungi), Ahmednagar, Nasik and Solapur. Pursuant to the resolution passed under Section 228 of the Companies Act, 1956, at the Annual General Meeting held on 23 September, 2000, the shareholders had appointed M/s P.G. Bhagwat, Chartered Accountants as the Branch Auditors of the Company to audit the accounts maintained at the Company's Solapur branch. The resolution proposed under Item No. 7 of the Notice is for the appointment of M/s P.G. Bhagwat, Chartered Accountants as the Branch Auditors of the Company's Solapur branch from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting and for determination of remuneration payable to the Branch Auditors.

None of the Directors of the Company is concerned or interested in the resolution.

ITEM NO. 8 OF THE NOTICE:

Pursuant to Article 160 of the Articles of Association of the Company, the Board of Directors co-opted Mr. V K Bajhal, representative of Life Insurance Corporation of India, as an Additional Director of the Company, with effect from 19 January 2001.

A Chartered Accountant, Mr. V K Bajhal has over forty years of experience in the field of Finance, Marketing and HRD. He has worked with Life Insurance Corporation of India, in India and abroad in different positions heading the regions and divisions of LIC. Headed the marketing division of western zone of LIC and also was Chief (Organisation Improvement Cell- HRD) where he worked in close association with the International Consultants M/s Booz Allen and Hamilton for reorganisation/ restructuring of LIC.

Being an Additional Director, he holds office up to the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956 the Company has received a notice along with deposit from a member proposing the candidature of Mr.V. K. Bajhal for the office of Director of the Company.

No Director other than Mr.V. K. Bajhal is concerned or interested in the above item.

ITEM NO. 9 AND 12 OF THE NOTICE:

Pursuant to Article 160 of the Articles of Association of the Company, the Board of Directors co-opted Mr. Rahul C. Kirloskar as an Additional Director of the Company, with effect from 5 June 2001. Mr. Rahul C. Kirloskar has also been appointed by the Board as Director (Exports) being the whole-time Director of the Company for a period of five years with effect from 5 June 2001 on the terms as to remuneration as set out in Item No. 12 of the Notice.

Mr. Rahul C. Kirloskar holds B.S. (Mechanical Engineering) degree from Illinois Institute of Technology, Chicago, USA. He has over twelve years of experience in the field of management and business operations. He was Vice President (Operations) with Kirloskar Pneumatic Co.Ltd. He became Joint Managing Director of the said company in the year 1991 and Managing Director in 1993. He is also the Chairman of Kirloskar Pneumatic Co.Ltd. since 1998. He is also on the Board of several companies. The Company will immensely benefit from his rich experience and expertise.

Being an Additional Director, he holds office up to the date of this Annual General Meeting. As required by Section 257 of the Companies Act, 1956 the Company has received a notice alongwith deposit from a member proposing the candidature of Mr. Rahul C. Kirloskar for the office of Director of the Company.

The appointment and remuneration payable to Mr. Rahul C. Kirloskar as whole-time Director is also subject to the approval of the shareholders as required by Schedule XIII to the Companies Act, 1956.

Mr. Atul C. Kirloskar and Mr. Sanjay C. Kirloskar, the Directors of the Company are the relatives of Mr. Rahul C. Kirloskar, and hence may be deemed to be interested in the appointment. They have no pecuniary interest therein. No other Director of the Company is concerned or interested in the above item.

KIRLOSKAR OIL ENGINES LIMITED**ITEM NO. 10 OF THE NOTICE:**

Mrs. Arti Kirloskar, a relative of Mr. Atul C. Kirloskar, has been a Consultant to the Company for the development of Intranet. Pursuant to Section 314(1B) of the Companies Act, 1956 the members, in the Annual General Meeting held on 6 March 2000 accorded their consent to Mrs. Arti Kirloskar for holding in the Company office or place of profit of Consultant at the consultation fee not exceeding Rs. 60,000 per month for a period of three years from 1 April 1999. As the members are aware, the Company has undertaken a project to develop and build Intranet in the Company. Intranet is the network of computers within the Company, which links departments, branch offices and overseas offices, and is being developed by a team working under the guidance of Mrs. Arti Kirloskar. The development of 'Intranet' will go a long way in making the information that is required by the employees at their fingertips and will lead to reduction in time for processing orders, communicating with the Head Office and proper co-ordination of the regional offices with the Head Office.

It is proposed to avail of the services of Mrs. Arti Kirloskar for a further period of one year commencing from 1 April 2002. As required by Section 314 (1B) of the Companies Act, 1956 prior approval of the shareholders is being sought for the same. The Central Government vide its letter dated 15 March, 2001 has approved the appointment of Mrs. Arti Kirloskar for a period of three years from 1 April, 2000.

Mr. Atul Kirloskar, Chairman and Managing Director of the Company may be deemed to be concerned or interested in the resolution. None of the other Directors of the Company is interested or concerned in the resolution.

ITEM NO. 11 OF THE NOTICE :

As per the provisions of Section 309 of the Companies Act, 1956, a Director who is neither in the whole time employment of the Company nor a Managing Director may be paid remuneration, inter alia, by way of commission at 1% of the net profits for all such Directors together if a company has a Managing Director or Whole time Director. The Government of India, Ministry of Law, Justice and Company Affairs has vide its letter No. 8/3/93-CL.VIII dated May 5, 1993 approved the payment of commission at 1% of the net profits of the Company, to the part time Directors of the Company.

Payment of such commission is required to be authorised by a special resolution to be passed by the members of the company. As per Section 309(7) of the Companies Act, 1956, such a special resolution remains in force for a period of five years but it can be renewed for further period not exceeding five years at a time. The last special resolution under section 309(4) was passed by the members on September 28, 1996, the validity of which will come to an end on September 28, 2001. Hence the special resolution at item No. 11 of the Notice seeks to authorise payment of 1% commission on net profits to the Directors other than the Managing Director and Whole time Director for a period of five years from the date on which the earlier resolution would expire.

Except Mr. Atul C. Kirloskar, Chairman & Managing Director, Mr. Gautam Kulkarni, Joint Managing Director, Mr. Rahul C. Kirloskar, Mr. S. G. Chitnis, Dr.K.R.Chandratre, Mr. A. N. Alawani and Mr. D. R. Swar, the Whole time Directors, all the Directors of the Company may be deemed to be concerned or interested in the resolution to the extent of commission which may be received by each of them.

ITEM NO. 13 OF THE NOTICE :

Section 77A of the Companies Act, 1956, inserted by the Companies (Amendment) Act, 1999 enables the company to buy-back its own shares or other specified securities subject to the limitations and compliance with the conditions stated therein and further subject to the provisions of Section 77B and in accordance with the Regulations made by the Securities and Exchange Board of India. Under the provisions of section 77A, it is permissible for the company to buy back its own shares or other specified securities if the buy-back is authorised by its Articles. It is proposed to buy-back the shares of the Company. Since presently there is no provision in the Articles enabling the buy-back it is proposed to insert new article and hence the special resolution.

The special resolution under this item is proposed to enable the company to implement the buy-back. The provision for reissue of bought back securities is incorporated in the new article as an enabling provision only, as presently it is not permissible.

None of the Directors of the Company is interested in the resolution.

Place : Pune
Date : 16 July, 2001

By Order of the Board of Directors
DR. K.R. CHANDRATRE
Director(Legal and H.R.) and Secretary