

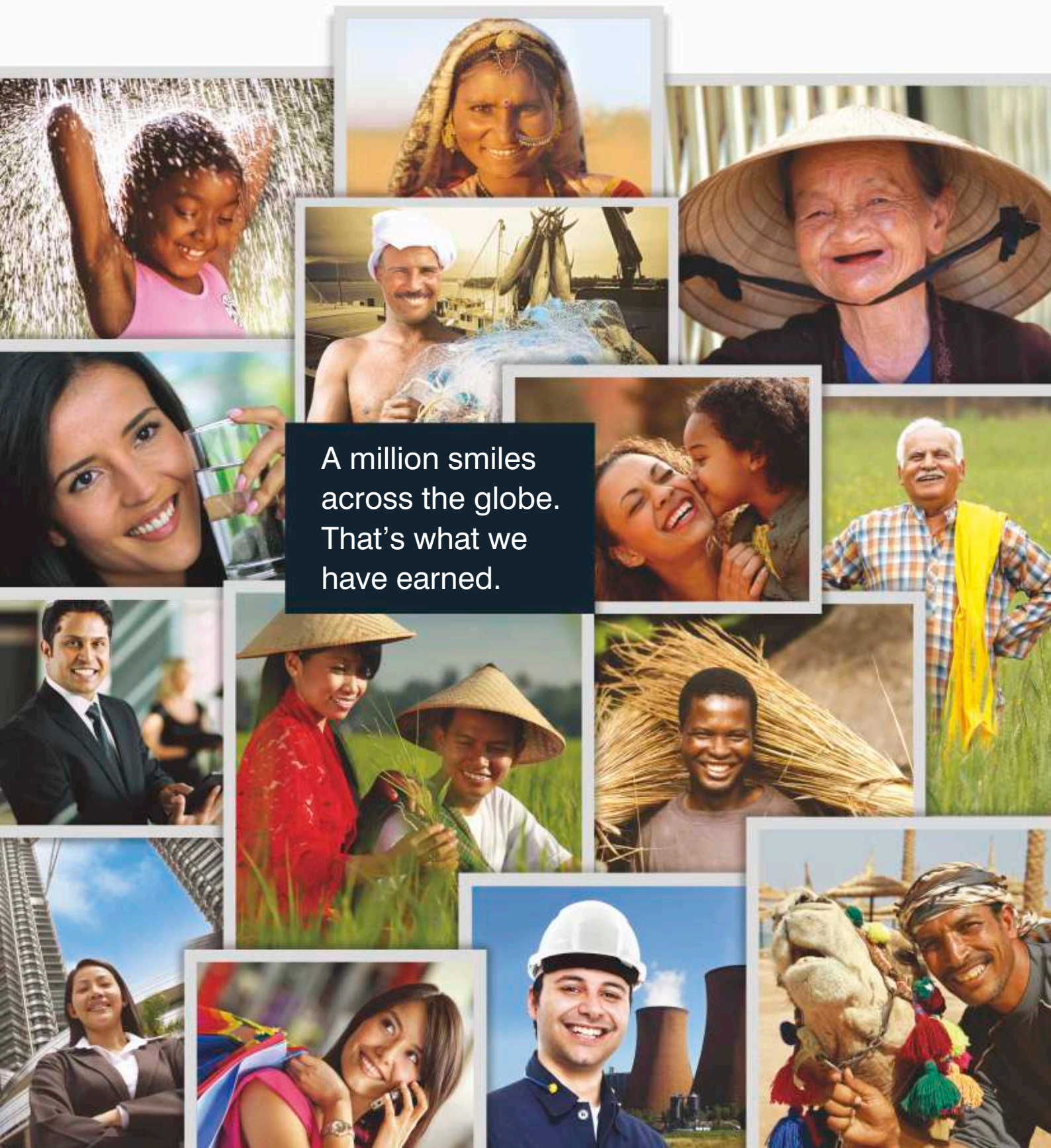



KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2013 - 2014

Enriching Lives





Bringing about a positive change has been our mission as well as our driving force. The smile on millions of faces is a testimony that we have not just achieved it but enriched lives the world over.

Through our critical engineering solutions across industries - from cooling mega power plants to powering countless applications across industries, from saving a million tonnes of food stock to providing standby power to telecom and defence sectors, and from castings that house automobile engines to greening deserts, quenching thirsts and fuelling CNG vehicles - Kirloskar has made a significant difference across continents. To garner the most valuable asset - a smile of satisfaction.

Your Company has earned smiles by:

- Unveiling its new values (integrity, create wealth, simplicity, empowerment & innovation), followed by an ambitious vision of touching the world by the year 2025.
- Launching a unique brand service / offer in the Genset industry, by offering 10 years of free service with Kirloskar Green Gensets above 15 kVA capacity; thus enabling superior customer experience and enhancing customer loyalty.
- Putting customers first, KOEL has built a strong foundation being a Customer and Market Centric Organization by setting up an exclusive customer call center and implementing robust business processes like project pulse and project unlock.

BOARD OF DIRECTORS

Atul C. Kirloskar	Executive Chairman
Gautam A. Kulkarni	Executive Vice Chairman
Nihal G. Kulkarni	Managing Director
Rajendra R. Deshpande	Executive Director
Rahul C. Kirloskar	
U.V. Rao	
Pratap G. Pawar	
R. Srinivasan	
Dr. Naushad D. Forbes	
M. Lakshminarayan	
Anil N. Alawani	(upto 16 June 2014)
Dattatraya R. Swar	(upto 11 June 2014)
Mahesh R. Chhabria	(with effect from 17 June 2014)
Gauri Kirloskar	(with effect from 17 June 2014)

CHIEF FINANCIAL OFFICER

T. Vinodkumar

ASSISTANT COMPANY SECRETARY

Smita A. Raichurkar

AUDITORS

M/s. P. G. Bhagwat, Chartered Accountants

BANKERS

State Bank of India
Bank of Maharashtra
HDFC Bank Limited
ICICI Bank Limited
The HSBC Limited

REGISTRAR & SHARE TRANSFER AGENT

Link Intime India Private Limited

Block No. 202, 2nd Floor,
'Akshay' Complex, Near Ganesh Temple,
Off Dhole Patil Road, Pune - 411 001
Ph. No. 020 - 26161629 / 26160084

REGISTERED OFFICE

Laxmanrao Kirloskar Road, Khadki, Pune - 411 003
Ph. No. 020 - 25810341
www.koel.co.in

LOCATION OF FACTORIES

Pune, Nasik, Kagal and Rajkot

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Time : 11.30 A.M.	Management Discussion & Analysis	10
Venue : Hotel Le Meridien	Report on Corporate Governance	23
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Proposed Dividend : 250% (₹ 5 per share of ₹ 2 each)	Balance Sheet	40
Dates of Book Closure : 5 August 2014 to 12 August 2014	Statement of Profit & Loss	41
(both days inclusive)	Cash Flow Statement	42
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FINANCIALS AT A GLANCE

₹ in Crs.

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Net Sales	2,287	2,320	2,276	2,364	2,219
Profit Before Tax	243	271	281	244	263
Profit After Tax	178	199	192	174	164
Dividend (%)	250	250	200	200	200
Dividend per share (₹)	5	5	4	4	4
Dividend Amount	72	72	58	58	58
Earning Per Share (₹)	12	14	13	12	11
Book Value Per Share (₹)	88	80	71	61	47
Share Capital	29	29	29	29	29
Reserves and Surplus	1,238	1,125	1,004	860	651
Shareholders' Funds	1,267	1,154	1,033	889	680
Loan Funds	-	-	169	249	270
Total Capital Employed	1,267	1,154	1,202	1,138	950
Net Block	543	591	576	591	563

Green Initiative - Go Paperless!!!

Dear Shareholder(s),

The Ministry of Corporate Affairs and Securities and Exchange Board of India (SEBI) has permitted the Companies to serve the documents viz. Annual Reports, Notice of general meetings/ postal ballot, any other shareholders' communication etc. to the members through the electronic mode. Your Company, is also dedicated in preserving and protecting the environment, and has been continuously seeking opportunities to reduce and conserve resources and minimize waste. To participate in this green initiative, you are requested to

- a) Register your email addresses to ensure prompt receipt of communication and avoid any loss during postal transit
- b) Convert your shares held in physical mode into dematerialized mode to ensure safe and speedy transaction in securities
- c) Register your NECS facility (National Electronic Clearing System) for crediting your Dividend directly to your Bank Account.

Note :

- In case of holding shares in physical mode contact the Company or Registrar and Share Transfer Agent of the Company viz. Link Intime India Private Limited .
- In case of holding shares in dematerialized mode contact your Depository Participant.
- For more details visit Investors Relations Section on Company's website : www.koel.co.in

REPORT OF THE DIRECTORS

To The Members
of KIRLOSKAR OIL ENGINES LTD.,

The Directors are pleased to present the Fifth Annual Report together with the Audited Statement of Accounts for the year ended 31 March 2014.

Financial Highlights

(₹ in Crores)

Particulars	2013-14	2012-13
Total Revenue	2,357.80	2,396.83
Profit before exceptional and extraordinary items and tax	243.44	289.93
Exceptional Items	-	(19.08)
Profit before tax	243.44	270.85
Tax Expense (Current and Deferred Tax)	64.99	72.01
Net Profit for the Period	178.45	198.84
Profit Brought Forward	367.91	273.55
Profit Available for Appropriation	546.36	472.39
Transfer to General Reserve	17.85	19.88
Dividend (including proposed final dividend) and dividend distribution tax	84.60	84.60
Balance of the Profit carried forward	443.91	367.91

Financial Performance

The financial year under review has been yet another challenging one. For the first time in 20 years, the country is witnessing two successive years of sub 5% growth. Rarely have we seen a slowdown of such length and depth. High inflation, low industrial output, high rates of interest and rupee depreciation continued to plague the country's economy. This, together with delayed and excessive monsoon affected the performance of almost all business segments in which the Company operates.

The net revenue from operations of the Company witnessed a marginal dip from ₹ 2320 crores to ₹ 2287 crores. Profit from operations (before exceptional items) was ₹ 243 crores as against ₹ 290 crores in the previous year. The Profit after Tax was ₹ 178 crores as against ₹ 199 crores in the previous year.

Dividend

For the year under review, the Directors have recommended a dividend of 250% (₹ 5 per share) for the year (PY 250%, ₹ 5 per share). Total dividend payout for the year is ₹ 84.60 crores, including payment of ₹ 12.29 crores, as dividend distribution tax.

Directors

Dattatraya R. Swar and Anil N. Alawani resigned from the Board of the Company with effect from 11 June 2014 and 16 June 2014 respectively. Your Directors placed on record appreciation of services rendered by them during their tenure as Director of the Company.

Rahul C. Kirloskar who retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

As per provisions of Section 149 and other applicable provisions of Companies Act, 2013, and rules thereof, your Directors are seeking appointment of U.V. Rao, R. Srinivasan, M. Lakshminarayan, Dr. Naushad D. Forbes and Pratap G. Pawar as Independent Directors in the ensuing Annual General Meeting. The Company has received requisite notice(s) in writing from member proposing them as candidature for office of Director.

Pursuant to Section 161 of the Companies Act, 2013, read with Articles of Association of the Company, Mahesh R. Chhabria was appointed as an Additional Director with effect from 17 June 2014 and he shall hold office of Director up to date of ensuing the Annual General Meeting of the Company. As per provision of Section 149 and other applicable provision of the Companies Act 2013, and rule thereof, your Directors are seeking appointment of Mahesh R. Chhabria as an Independent Director in the ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing him as candidature for office of Director.

Pursuant to Section 161 of the Companies Act, 2013, read with Articles of Association of the Company, Gauri Kirloskar was appointed as an Additional Director with effect from 17 June 2014 and she shall hold office of Director up to date of ensuing the Annual General Meeting of the Company. She is eligible for appointment. The Company has received requisite notice in writing from a member proposing her as candidature for office of Director.

The brief resumes and other details relating to the Directors who are proposed to be re-appointed, as required to be disclosed under Clause 49 of the Listing Agreement, form part of the Notice of Annual General Meeting.

Corporate Governance

The Company has complied with the requirements of Corporate Governance, as prescribed under Clause 49 of the Listing Agreement. The Management Discussion and Analysis and the Corporate Governance Report form part of this report, together with a Certificate from the Statutory Auditors, confirming the requisite compliance.

Awards, Recognitions and Certifications

The Company consciously strives towards excellence with the objective of offering best in class products and services, suited to its customer needs. Some of the recognitions received for our relentless efforts of quality delivery and operational excellence:

- The Engineering Export Promotion Council (EEPC) conferred the 'Star Performer Award' to the Company for the fifth consecutive year. The award was presented by Mr. P. K. Dash, Additional Chief Secretary Govt. of Madhya Pradesh.
- The Company's Agri and allied business unit has been awarded for 'Best Integrated Rural Marketing campaign' for its Varsha CNC pumpset campaign across India. This award was presented at the Asia Retail Congress held at Mumbai.
- The Company's Pune Plant I Crank shaft Descent Quality Circle won the 'Excellence Category Award' at the International quality Contest which was held at Taipei Taiwan.
- Akshay Lean Quality Circle (Pune Plant) bagged the Best of the Best Award at the State level annual Quality Circle Forum of India (QCFI) competition.
- The maintenance team's (Pune Plant II) KAIZEN, won the 2nd prize at National level in INDIZEN 2013 contest.

Auditors

a. Statutory Auditors

The Statutory Auditors M/s. P. G. Bhagwat, Chartered Accountants, Pune (Firm Registration Number 101118W) hold office till the conclusion of the ensuing Annual General Meeting. It is proposed to re-appoint them as Statutory Auditors of the Company for a term of two years subject to ratification by the members at every Annual General Meeting. The Company has received requisite certificate pursuant to Section 139 of the Companies Act, 2013.

b. Cost Auditors

Your Company has appointed M/s. Parkhi Limaye & Co. as Cost Auditors of the Company under section 148 of the Companies Act, 2013.

c. Internal Auditors

The Internal Auditors M/s Ernst and Young have conducted internal audits periodically and submitted their reports to the management and the Audit Committee. Their reports have been reviewed and addressed by the management and the Audit Committee.

Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- i. In preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii. they have in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2014 and of the profit of the Company for the year ended on that date;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. they have prepared the annual accounts on a going concern basis.

Listing Fees

The annual listing fees for the year under review have been paid to the BSE Limited, Mumbai and to the National Stock Exchange of India Limited, Mumbai where the Company's shares are listed.

Statutory Disclosures

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1) (e) of the Companies Act, 1956 read with the rules there under is presented in Annexure A to this report.

As required under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, a statement giving required information relating to the employees covered there under is given in Annexure B to this report. As per the provisions of section 219 (1) (b) (IV) of the said Act, these particulars will be made available to shareholders on request.

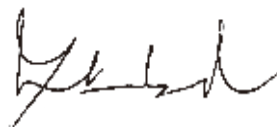
Cautionary Statement

Statements in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

Acknowledgments

The Directors would like to place on record their appreciation of the contribution made and support provided to the Company by the shareholders, employees, bankers, suppliers and customers.

For and on behalf of the Board of Directors



ATUL C. KIRLOSKAR
Executive Chairman

Date: 17 June 2014
Place: Pune

ANNEXURE 'A' TO THE DIRECTORS' REPORT

A. Conservation of Energy

The Company is committed to optimizing use of energy in operations and also bring about continuous improvements in the efficiency of processes and products through use of energy efficient and renewable energy technologies.

In course of the year, following were some of the major initiatives implemented across our manufacturing plants:

■ **Kagal Plant**

- Installation of LED High-bay lamps for GENSET expansion project resulted into energy conservation
- Installation of 3000 CFM HT Centrifugal Compressor in expansion project
- By using 3-way valve, process and compressor cooling towers interconnected, to utilize excess cooling capacity whenever available, which helped in stopping one cooling tower
- Reduction in electrical consumption for compressed air by using Air Optimizer
- LED street lighting
- Installation of VFD for Powder coating booth blowers, Water Drying Oven (Pretreatment Line) blowers and Camel Back Oven blowers
- Replacement of old coolant pumps with low power energy efficient pump
- Optimizing test cycle of various engines thereby reducing diesel consumption

■ **Pune Plant**

- Use of cold washing media for Semi-finish Washing machines, there by switching OFF the electrical heaters
- Replacement of Sodium Vapour Street lights by LED type street-lights
- Switching off partially loaded transformer of DV plant after reduction of load
- Switching off of Hydraulic power pack for aluminum dies and holding furnaces
- Use of CNG gas for canteen cooking
- Use of Timer circuit for paint booth heaters

■ **Nasik Plant**

- Energy saving by reconditioning of cooling tower
- Use of Energy Efficient Dryer in de-burring section
- Installation of 5-star rated Energy Efficient Air Conditioner

■ **Rajkot Plant**

- Installation of VFD for Engine Painting blowers to save power
- Installation of auto timer panel for Engine testing Lighting system to avoid energy wastage
- Implementation of Energy efficient lights at cubical test cells
- Use of energy efficient pumps for cooling tower instead of existing pumps
- Controlling of office lighting by installing auto timer circuit
- Copper ballast replaced by Energy Efficient Electronic Ballast

Disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption

	Particulars	2013-14	2012-13
1	Electricity		
	A Purchased		
	Unit (kWh)	2,03,06,522	2,65,52,131
	Total Amount in ₹	15,21,32,643	20,71,27,512
	Rate/ Unit (₹/kWh)	7.49	7.80
	B Own generation		
	i Through diesel generator		
	Unit (kWh)	2,44,420	3,30,373
	Units per ltr. of diesel oil (kWh/Lit) – HSD	3.07	2.63
	Cost/unit (₹/kWh) – HSD	22.48	19.81
	Units per ltr. of diesel oil (kWh/Lit) – FO	NA	NA
	Cost/unit (₹/kWh) – FO	NA	NA
	ii Through steam turbine/generator		
	Unit (kWh)	NA	NA
	Units per ltr. of fuel oil/gas	NA	NA
	Cost/unit (₹/kWh)	NA	NA
2	Coal (specify quality and where used)		
	Quantity (tonnes)	NA	NA
	Total cost	NA	NA
	Average rate	NA	NA
3	i Furnace oil (Used for Power Generation)		
	Quantity (k. ltrs.)	20.03	46.91
	Total amount	6,78,240	15,17,538
	Average rate	36.00	32.35
	ii HSD (Used for engine testing and Power Generation)		
	Quantity (k. ltrs.)	1138.36	1314.43
	Total amount	6,74,01,876	6,56,88,547
	Average rate	59.21	49.97
4	Others (Natural Gas)		
	Quantity (SCM)	16,412	19,979
	Total cost	6,08,200	6,70,162
	Rate/unit	37.06	33.54

B. Consumption per unit of production

Sr. No.	Particulars	2013-14	2012-13
	Product - Engines		
I	Total Production in BHP	54,51,781	66,09,846
II	Electricity (KWH USED / BHP PRODUCED)	4.66	9.41