

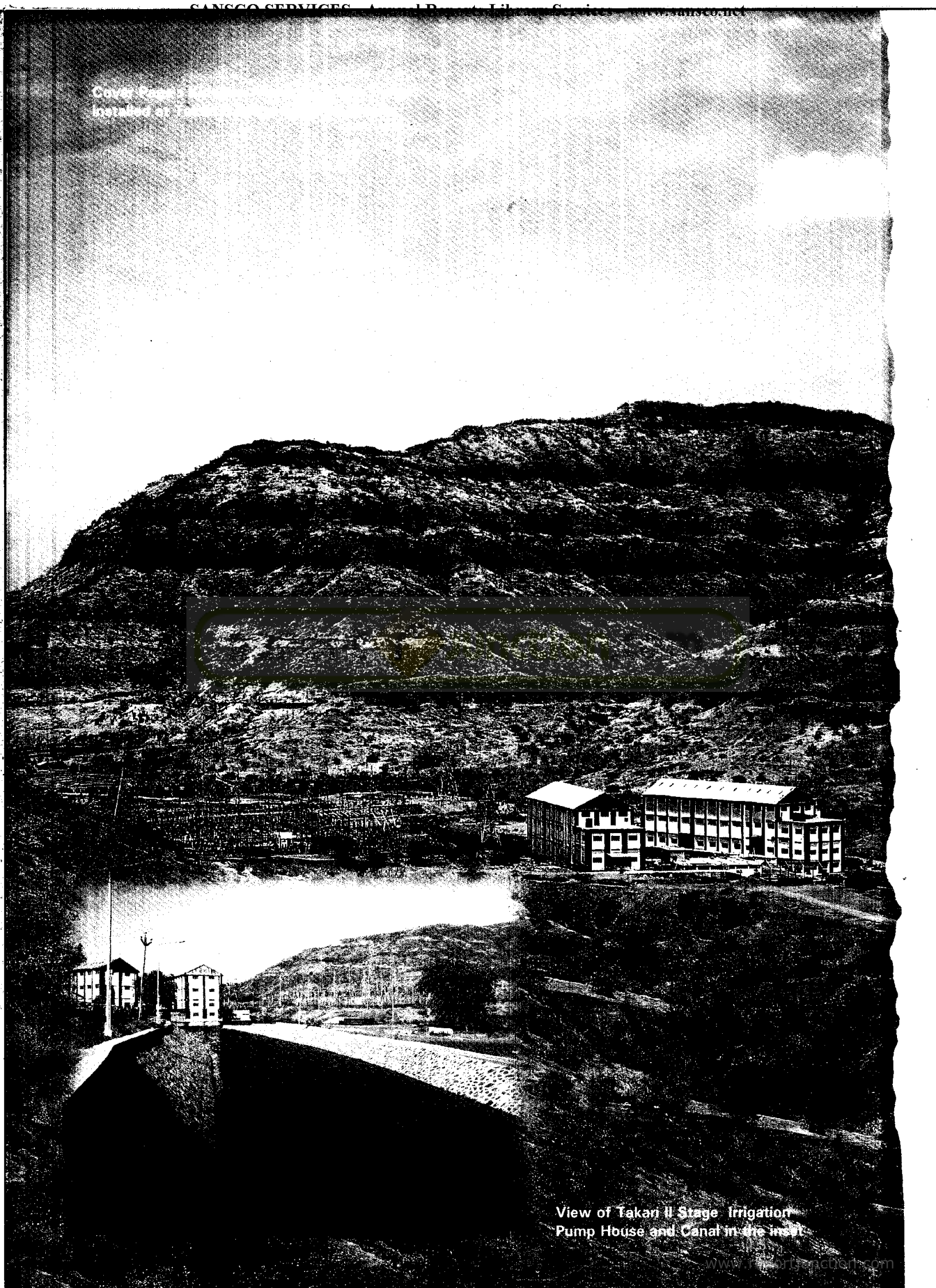
Kirloskar

KIRLOSKAR BROTHERS LIMITED



EIGHTY FIRST ANNUAL REPORT

Cover Page 1
Installed at Takari II Stage



View of Takari II Stage Irrigation
Pump House and Canal in the foreground

KIRLOSKAR BROTHERS LIMITED**81st** Annual
Report
2000-2001**Board of Directors**Sanjay C. Kirloskar
Chairman & Managing DirectorGautam Kulkarni
Vice ChairmanVikram Kirloskar
Executive Director (w.e.f. June 6, 2001)

M. S. Kirloskar

S. S. Marathe

J. R. Gagrati

Shivraj Gupta

S. N. Inamdar

M. G. Padhye

U. V. Rao (Upto June 6, 2001)

P. M. S. Malik (Upto June 6, 2001)

C. N. Ravi

Rahul Kirloskar (w.e.f. September 19, 2000)

R. K. Srivastava (w.e.f. September 19, 2000)
Whole Time DirectorG. Ramaiya (w.e.f. September 19, 2000)
Whole Time Director**Vice President (Finance)
& Company Secretary**

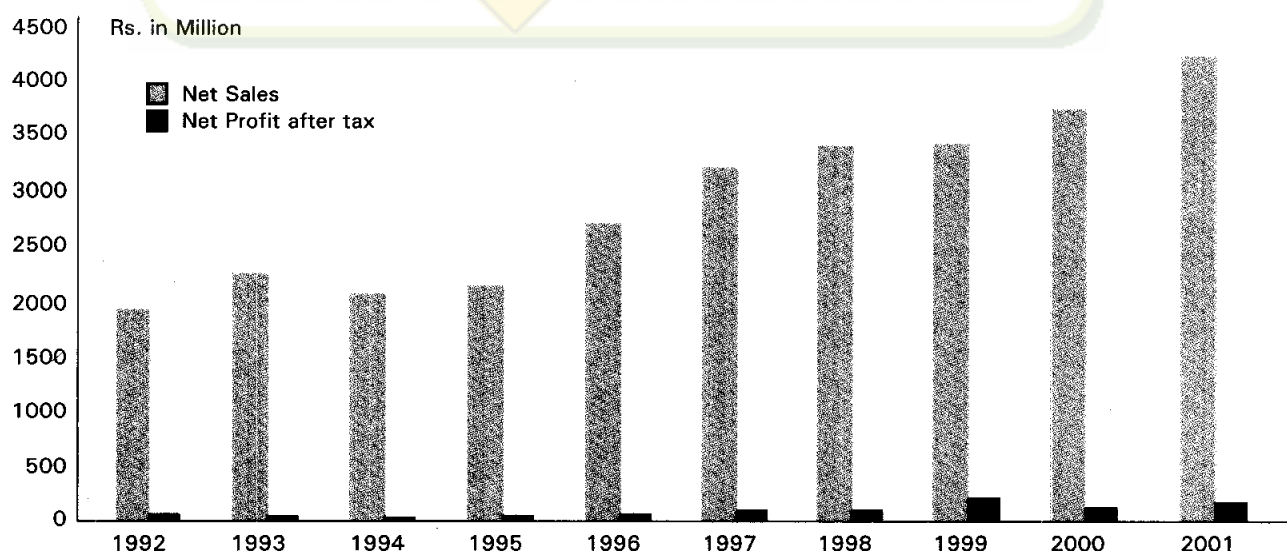
Sudha Santhanam

AuditorsM/s. P. G. Bhagwat
Chartered Accountants**Bankers**Bank Of India
Canara Bank
Bank Of Maharashtra
The United Western Bank Limited**Registered & Corporate Office**Udyog Bhavan, Tilak Road,
Pune - 411002. Maharashtra State, (India)
Phone : (020) 444-4444
Fax : (020) 444-4198, 444-0156
E-mail : kblin@kbl.co.in
Website : www.kbl.co.in
Group Website : www.kirloskars.com**Works**Kirloskarvadi
Dewas
Shirval
Kondhapuri
Pune

KIRLOSKAR BROTHERS LIMITED**TEN YEARS' SUMMARY**

Rs. in Million

PARTICULARS	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Net Sales	1,913	2,228	2,089	2,129	2,691	3,192	3,376	3,397	3,713	4,162
Other Income	18	39	34	61	61	68	51	96	79	295
Material Cost	1,130	1,369	1,280	1,274	1,621	1,930	1,910	1,782	2,162	2,557
Other Expenses	575	676	652	743	865	972	1,168	1,296	1,270	1,493
Interest	77	111	82	86	120	172	155	137	120	141
Depreciation	27	32	32	37	42	51	57	67	72	78
Profit before tax	122	79	47	48	104	135	136	211	@ 188	188
Income tax provision	60	30	20	18	37	26	29	50	43	48
Net Profit after tax	62	49	27	30	67	109	107	161	125	140
Share Capital	31	31	31	42	50	71	71	71	71	71
Reserves	201	370	387	642	866	923	898	1,125	1,216	1,321
Net Worth	232	401	418	684	916	994	1,070	1,196	1,286	1,392
Imports	79	108	77	60	65	67	114	101	61	54
Exports	173	302	307	230	357	605	760	653	456	586
Earnings per Share (Rs.)	20.17	16.02	8.78	7.05	13.38	15.40	15.24	22.89	17.71	19.91
Dividend per Share (Rs.)	3.50	3.50	3.50	4.50	4.00	4.00	4.00	4.50	4.50	#4.50
Book Value per Share (Rs.)	75.51	130.64	135.92	162.78	181.94	*140.86	151.79	169.68	182.39	197.35



Previous years' figures have been regrouped to make them comparable.

Figures upto 1992-93 include those of Hermetically Sealed Compressor Division, which is now a separate company.

* After Issue of Bonus Shares in the ratio of 2:5

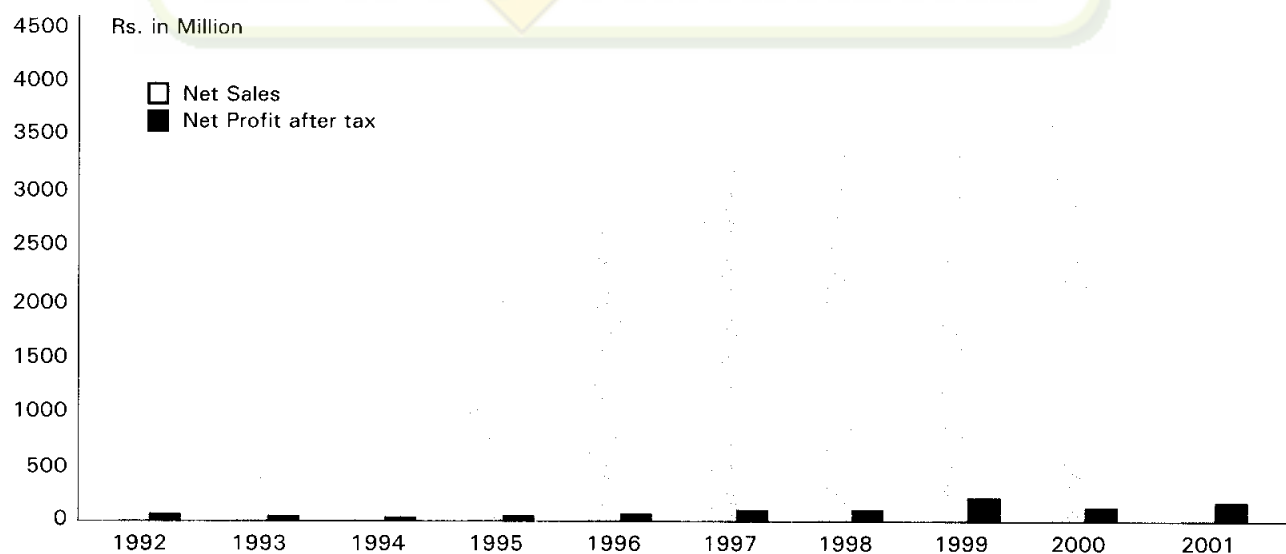
@ After extraordinary item of excise duty of Rs. 63 million relating to earlier years.

Proposed Dividend

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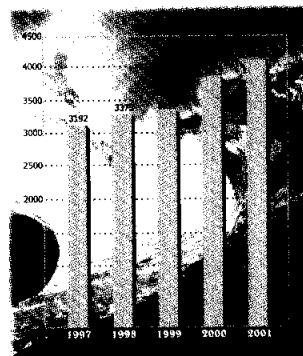
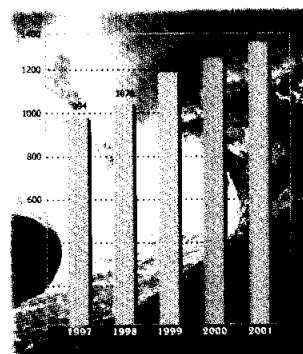
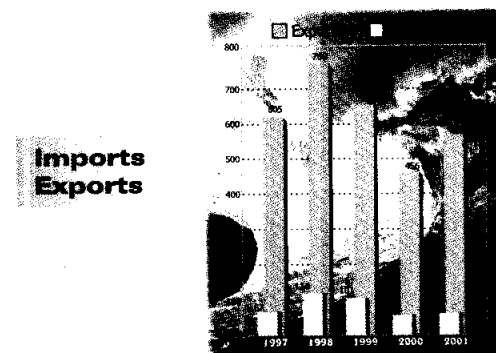
DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 81st Annual Report and the Audited Accounts of the Company for the year ended March 31, 2001.

FINANCIAL RESULTS

The financial results of the Company for the year 2000 - 2001 as compared with the previous year are as under :-

	Current Year ended 31/3/2001 (Rs.in 000's)	Previous Year ended 31/3/2000 (Rs.in 000's)
Sales and Other Income	4,457,039	3,792,915
Profit before tax	188,396	167,844
Provision for taxation	48,000	43,000
Profit after tax	140,396	124,844
Transferred from Investment Allowance Reserve	1,206	5,734
Surplus brought forward from previous year	65,683	70,324
Available Surplus	207,284	200,902

**Net sales****Earning
Per Share****Net Worth****Imports
Exports**

Value in Rs. Million

APPROPRIATIONS :

Your Directors propose to appropriate the available surplus as under :

Dividend @45% (45%) on 7050957 equity shares of Rs. 10 each	31,729	31,729
Provision for additional tax on Dividend	3,236	3,490
Transfer to General Reserve	100,000	100,000
Balance to be carried to Balance Sheet	72,319	65,683
TOTAL	207,284	200,902

KIRLOSKAR BROTHERS LIMITED

Management Overview

Economy

The two successive quarters of last year (2000-01) have shown a sharp negative growth in industrial output projecting a possibility that we are once again heading for a depression in the industrial sector. The index of industrial production stood at 4.9% in 00-01 against 6.7% in 99-00. Five key infrastructure industries reported only 5.3% growth during 00-01 as compared to 9.1% in previous year a drop of almost 4% points. Growth figures for core sectors power, coal, steel, petro-products, cement for the year 00-01 have been 3.9%, 3.3%, 7%, 20.4% and 0.5% respectively, showing marginal improvement over last year.

Agricultural production declined for the second consecutive year in 00-01. The agricultural output declined by 4.6% in 00-01, sharper than 1.5% fall recorded in 99-00.

Wholesale prices moved up by 7%, while the rate of inflation for the year averaged at around 5%. The rise in prices was largely on account of substantial upward revision of petroleum product prices.

Exports registered a high growth of 18% in 00-01, against 12% growth in 99-00. Foreign exchange reserves stood at US \$ 40 billion as on end March 00, reflecting direct foreign investment and inflow, a measure of strength of the national economy.

This year too, budget initiatives announced in March 01 by the Government followed by reduction in prime lending rates successively to boost the economy have not resulted in the anticipated recovery of economy. Growth has slowed due to various reasons. First, reforms of early 90s never regained the breadth and depth in subsequent years. Key reforms in labour laws, finance sector, trade / industrial policy and privatization remained unfinished.

Secondly, real investment in industry, which had risen fast until 1996, stagnated thereafter for several reasons including the political instability associated with 3 general elections, a succession of coalition governments and rising fiscal deficits after 1997 which kept real interest rates high, and the loss of momentum in economic reforms.

Thirdly, despite good intentions, the bottlenecks in

The Country's Exports registered a high growth of 18% in 00-01, against 12% growth in 99-00.

infrastructure became worse over time especially in power, railways, water supply reflecting slow progress in reforms of pricing, ownership and regulatory framework.

Fourthly, the low quantity and quality of rural infrastructure combined with distorted pricing of some key agricultural inputs and outputs led to dampened growth of agriculture.

Fifthly, the South Asian crisis of 1997, rebound of oil prices, economic sanctions of 1998, Global recessionary trends in 2000 have made the international economic environment less supportive than in the eighth plan period.

Looking ahead, it is hard to be optimistic about improvements in the above negative factors that slowed India's economic growth in last 3-4 years. The same political constellations, which retarded reforms and undercut fiscal consolidation, are likely to exercise their baneful influence at least for the next few years limiting the overall economic growth to around 5 to 6%.

Agricultural growth is expected to be 9% in the current year.

At present, the gross value of production of pumps in India is estimated to be Rs. 21 billion with 1.2 million units. For the Indian Pump industry, the market situation has not been good and the anxiety has persisted for too long almost 4 years by now. Fierce competition continued to affect the profit margins and put pressure on selling prices besides increased input costs. Market shares of leading brands continued to be affected by pump sales from unorganized sector and assembled kit sellers. Influx of inexpensive pumps from China is likely to affect the pump industries in India. The provisions of financial budget 01-02 of Government of India have not been favourable to pump industry.

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Segment-wise review of the year affecting fluid handling business

While the economy grew at 5 to 6% annum, the lack of growth, and in many cases, a negative growth in many industrial sectors including the Core Sector in the year 2000-2001 put pressure on the company's performance. The slump in the core sector, which continues to be the Company's prime business, was affected only marginally in the fiscal year under review.

KIRLOSKAR BROTHERS LIMITED

With well over 70 per cent of the Indian population dependent on agriculture, a good monsoon means bumper crops, which in turn result into demand for industrial products.

Power

Performance of this sector has continued to show a downtrend despite several reform measures undertaken by the Government. The market trend last year did not bode too well owing to the consistent lack of commercial viability of the State Electricity Boards. Inability of State Electricity Boards to pay their dues has deterred large private firms from investing into this sector. Also, the recent developments on the Enron Mega Power Project have underlined the need for setting of clear objectives for this sector.

Also the recent developments on the pricing of power at lower cost of production is not just a fiscal necessity but essential for keeping the system from collapsing.

Steel

Steel-sector which had grown at between 6 to 7.5 % in the last three years, is expected to grow by 10% this year. Belt tightening measures are expected due to sharp fall in international prices and imports. However, the industry is likely to recover from dumping from the CIS at below cost price. The situation is likely to improve with global regulation of production already underway.

Sugar

As the sugar industry in the country is being gradually deregulated and incentives are being provided for exports, the status of this industry is bound to lift. Sugar exporters can seize this opportunity to enter new contracts and explore new markets. Modernization and up-gradation of technology for production of the specific quality sugar, which is preferred in Western countries, would be the driving factors of the Indian Sugar industry's potential for export.

Agriculture

Agriculture was marked by poor performance in the year 2000-2001 due to poor monsoons and drought conditions in some states. This reduced consumer demand for many industrial products. With well over 70 per cent of the Indian population dependent on agriculture, a good monsoon means bumper crops, which in turn result into demand for industrial products. The monsoon is likely to be normal for the 15th consecutive year.

The agriculture sector has been adversely affected due to the unattractive agricultural produces procurement prices announced under threat from International supplies under the WTO agreement under which this sector has been opened for imports.

Irrigation and Water Supply

Although the potential of this sector is tremendous in an agriculture-based country like ours, the investment in irrigation sector has been more or less stagnant resulting in less than 1% growth in investment last year. The sector is marked by its inherent sensitivity to social and political factors and all aspects of water from supply, distribution, management, maintenance and pricing are ruled by these influencers. As a result, we have still to see the day when water would be treated as a commodity and its potential to alter drought stricken areas to green belts truly tapped.

Just how rich the Indian water resources are can be judged on the fact that the total water resource of the country has been assessed as 1869 cubic km. Of this the utilizable portion is estimated to be about 690 cubic km. In addition, there is substantial replenishable ground water potential in the country estimated at 432 cubic km. We estimate that this potential would augur well for our mainstream business of mega pumping projects for irrigation.

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Construction

Increasing capital investment in this industry has translated into more business, which is evident from higher sales and better performance reported by leading construction companies. The housing segment of this industry has demonstrated a healthy trend last year owing to availability of finance at lower interest rates and stable property prices. The Government has further enhanced tax incentives in the new finance bill. Loan approvals for the year ended March 31st, 2001 amounted to Rs 68,800 million as compared to Rs 53,050 million in the previous year showing a remarkable increase of 30%. We expect this trend to continue and hope to harness the potential of our pumps in this sector.