

**KIRLOSKAR BROTHERS LIMITED**  
**90TH ANNUAL REPORT 2009 - 2010**



Enriching Lives

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*Let's celebrate the spirit*



**ENGINEERING SMILES GLOBALLY**

## Global Headquarters Kirloskar Brothers Limited, India.

The new Kirloskar Brothers corporate office has been designed to reflect the four principal tenets of the Kirloskar Group: Concern for the Environment, Comfort of our People, Commitment to Technology & Innovation and Continued respect for our Heritage. The new office shows KBL's commitment to the highest level of environmental friendliness. It reflects the values and ethics as an organization.

The design encompasses a building that is clearly a high technology facility with "water" as prominent theme in the form of three shells depicting water droplets on the main building facade. These shells not only serve as an aesthetic device, but also shields the south and west side of the building from direct sun.

Yamuna sits on 2, 00,000 sq ft of land, with built-up area of 1,00,000 sq ft and houses 500 employees providing a very generous space- to occupant ratio. A central atrium allows the entire building to be bathed in gentle natural light; unique design features enable 30% more fresh air intake than the normal buildings.

The building envelope including high performance double glazed units provides a good thermal barrier. The offices have column less spaces and the work stations are aligned at 90 degree to the glass façade for better natural light penetration thus eliminating the use of artificial lighting.

- KBL sets standards by saving 50% energy and 30% water, by use of technology and innovative design. Environment and energy conservation features of this Green Building are:
- Energy efficient interior and exterior lighting
- Commissioning of Solar photo voltaic cells to generate 2.6% of total energy consumption
- Use of high recycled content material
- CO2 sensors for monitoring CO2 levels and optimising fresh air intakes
- Task lights for individual light controls
- Native and water efficient species of flora for plantation
- Recharge pits for rain water harvesting
- Use of 100% STP (Sewage Treatment Plant) treated water for irrigation
- Use of water efficient fixtures to reduce water consumption by 30%
- Use of paints, sealants, adhesives that which emit less VOCs (Volatile Organic Compounds)
- Maximum usage of local materials

Apart from green design features, commitment of KBL towards environmental awareness is reflected in adopting green strategies, such as encouraging public transportation for the employees, use of alternate fuel vehicles, use of bio diesel for standby power supply, green design education and green house keeping policy. Other amenities like an Auditorium, Library, a well equipped Gymnasium, Badminton Court, Swimming Pool and an Amphitheatre extend an opportunity for employee engagement and networking.



### Board of Directors

Sanjay Kirloskar	Chairman & Managing Director
Gautam Kulkarni	Vice Chairman
Vikram Kirloskar	Executive Director upto 20.01.2010
M. S. Kirloskar	
S. N. Inamdar	
Rahul Kirloskar	
U. V. Rao	
R. K. Srivastava	Whole Time Director
P. S. Jawadekar	
J. R. Sapre	Whole Time Director
A. N. Alawani	
Lalita D. Gupte	
Pratap B. Shirke	

### Company Secretary

G. P. Kulkarni

### Auditors

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

### Bankers

Bank of India  
 Canara Bank  
 HDFC Bank Limited  
 ICICI Bank Limited  
 CitiBank N.A.

### Registered Office

Udyog Bhavan, Tilak Road,  
 Pune – 411 002, Maharashtra State (India)  
 Phone : (020) 24440770 Fax : (020) 24402083  
 E.mail : kblin@kbl.co.in Website : www.kbl.co.in  
 Group Website : www.kirloskar.com

### Corporate Office

“YAMUNA”, Survey No. 98 (3-7), Baner,  
 Pune – 411 045, Maharashtra (India)  
 Phone : (020) 27214444 Fax : (020) 27211136  
 E.mail : kblin@kbl.co.in Website : www.kbl.co.in  
 Group Website : www.kirloskar.com

### Works

Kirloskarvadi, Dewas, Shirwal, Kondhapuri

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Day & Date : Tuesday, July 27, 2010	Directors' Report	3
Time : 11.00 a.m.	Management Discussion & Analysis	12
Venue : “YAMUNA”, Survey No.98 (3-7) Baner, Pune – 411 045	Report on Corporate Governance	29
Dates of Book	Auditors' Report	42
Closure : July 17, 2010 to July 27, 2010 (both days inclusive)	Balance Sheet	46
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## DECADE AT A GLANCE

(Rupees in Millions)

Particulars	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net Sales	4162	3746	4757	5078	7309	9246	13400	15251	18309	20178
Other Income	295	82	72	225	132	750	2408	430	359	480
Material Cost	2557	2279	3126	3393	4859	6093	9290	11126	14000	14987
Other Expenses	1493	1209	1371	1405	1896	1965	2563	2704	3176	3341
Interest	141	106	75	65	48	55	84	169	303	335
Depreciation	78	83	85	107	100	97	121	182	207	265
Profit before tax	188	151	172	333	538	1786	3750	1500	982	1730
Income tax provision	48	28	52	68	31	63	385	399	312	555
Net Profit after tax	140	123	120	265	507	1723	3365	1101	670	1175
Share Capital	71	71	71	71	71	212	212	212	212	# 159
Reserves	1321	1352	1459	1565	1832	2932	5808	6409	6879	# 6975
Net Worth	1392	1423	1530	1636	1903	3144	6020	6621	7091	# 7134
Imports	54	49	119	144	261	606	987	1152	2084	5073
Exports	586	585	585	572	1005	685	2266	1483	2240	1694
Basic Earnings per Share (Rs.) (Face Value of Rs. 2/-)	3.98	3.48	3.41	7.51	14.17	15.42	31.82	10.41	6.34	# 14.81
Basic Earnings per Share (Rs.) (Face Value of Rs. 2/-) (Excluding Extraordinary Income / Expense)	3.15	3.48	3.41	7.51	14.17	10.70	14.76	10.41	6.34	# 14.81
Dividend %	45.00	45.00	45.00	200.00	300.00	200.00	200.00	200.00	100.00	* 275.00
Book Value per Share (Rs.)	39.47	40.37	43.40	46.40	53.97	** 29.69	** 56.92	** 62.60	** 67.05	**#89.92
Debt Equity Ratio	0.53	0.41	0.24	0.29	0.18	0.06	0.08	0.09	0.03	0.07

### Notes :

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

\* Includes Dividend Recommended 175% and special dividend of 100% recommend on the occasion of centenary celebrations of Kirloskarvadi factory.

\*\* After Issue of Bonus Shares in the ratio of 2 : 1

# Figures are calculated after giving effect to the Scheme of Arrangement. (Refer note B-31)

Figures of Earning per Share and Book Value per Share are calculated for all the reported periods above after considering the subdivision of equity share of Rs. 10/- each to share of Rs. 2/- each.



## DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 90<sup>th</sup> Annual Report and the Audited Annual Accounts of the Company for the year ended March 31, 2010.

### FINANCIAL RESULTS

The financial results of the Company for the year 2009-10 as compared with the previous year are as under: -

	<b>Current Year ended March 31, 2010 (Rs.)</b>	<b>Previous Year ended March 31, 2009 (Rs.)</b>
Sales	<b>20,178,370,074</b>	18,309,447,980
Other income	<b>479,471,733</b>	359,135,347
Total	<b>20,657,841,807</b>	18,668,583,327
Profit before tax	<b>1,729,616,298</b>	982,203,176
Provision for tax	<b>554,438,774</b>	311,916,578
Profit after tax	<b>1,175,177,524</b>	670,286,598
Surplus in Profit & Loss Account		
brought forward from previous year	<b>529,687,717</b>	506,879,134
Available surplus	<b>1,704,865,241</b>	1,177,165,732

### APPROPRIATIONS

Your Directors propose to appropriate the available surplus as under :-

Dividend @ 275% (100%)

on 79,330,766 (105,764,355) equity

shares of Rs. 2/- each	<b>436,319,213</b>	211,528,710
Additional tax on Dividend	<b>63,486,460</b>	35,949,305
Transferred to General Reserve	<b>300,000,000</b>	400,000,000
Balance carried to Balance Sheet	<b>905,059,568</b>	529,687,717
<b>TOTAL</b>	<b>1,704,865,241</b>	1,177,165,732

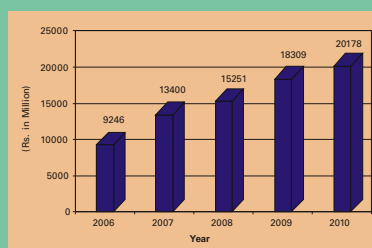
### DIVIDEND

Directors recommend a dividend of 175% (Rs. 3.50/- per equity share) for the year. Further, on the occasion of centenary celebrations of Company's Kirloskarvadi factory, Directors recommend a special dividend of 100% (Rs.2/- per equity share).

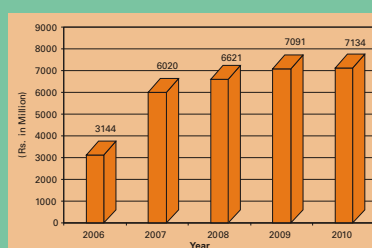
### SCHEME OF ARRANGEMENT

The Scheme of Arrangement between KBL and Kirloskar Brothers Investments Ltd. (KBIL) and their respective shareholders, has come into effect on March 2, 2010, upon getting all statutory approvals. Pursuant to the said Scheme, certain investments in shares held by KBL, stands

#### Net Sales



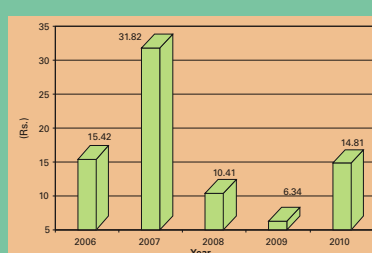
#### Net Worth



#### Import & Export



#### Earning per Share



transferred and vested in KBIL without any further act or deed and be deemed to have been transferred to and vested in KBIL. The Company has issued and allotted shares, after reduction of capital to the shareholders pursuant to the Scheme of Arrangement. The trading permission for Company's shares has been received.

The Board, based on the Honourable Bombay High Court orders, gave effect of capital reduction in terms of Scheme of Arrangement to the 10000 equity shares of Rs. 2/- each, kept in abeyance. Thereafter, the subscribed, issued and paid-up equity shares capital of the Company stands at Rs. 158,661,532/- consisting of 79,330,766 equity shares of Rs. 2/- each.

## **STATUTORY DISCLOSURES**

### **1. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

Details of energy conservation, technology absorption, research and development and foreign exchange earnings as required under Section 217 (1) (e) of the Companies Act, 1956, are given in the Annexure - I to this Report.

### **2. PARTICULARS OF EMPLOYEES**

Information regarding employees in accordance with Section 217 (2A) of the Companies Act, 1956 is given in the Annexure – II to this Report.

### **3. SUBSIDIARY COMPANIES**

During the year, the Company ceased to be the subsidiary company of Better Value Holdings Private Limited, one of the promoters and a Kirloskar group Company.

On acquisition of additional shares, with effect from November 12, 2009, Kirloskar Corrocoat Private Limited, Hematic Motors Private Limited, Pressmatic Electro Stampings Private Limited and Quadromatic Engineering Private Limited have become direct subsidiaries of the company alongwith Hematic Motors Private Limited's subsidiaries viz. ILa Electricals Private Limited, Vakasa Electricals Private Limited and Moreshwar Electricals Private Limited.

On issue of shares in terms of Scheme of Arrangement, as approved by the Honourable High court of Judicature at Bombay, by Kirloskar Brothers Investments Limited (KBIL) to the shareholders of the Company, KBIL ceased to be a subsidiary company of Kirloskar Brothers Limited. Simultaneously, 50000 KBIL equity shares held by KBL also stand cancelled.

In terms of Scheme of Arrangement inter alia, on transfer of investments in Pooja Credits Private Limited and Kirloskar Silk Industries Limited held by Kirloskar Brothers Limited (KBL) to KBIL, these companies also ceased to be subsidiaries of KBL.

On February 15, 2010, KBL has sold the shares held in its Wholly Owned Subsidiary SPP Pumps Limited (SPP) to its other Wholly Owned Subsidiary - Kirloskar Brothers International B.V (KBI) Netherlands. KBI has issued 1000 shares of Euro 100 each to KBL at a premium, towards the consideration for transfer of SPP shares to KBI by KBL. Thus SPP ceased to be the direct subsidiary company of KBL.

On December 9, 2009, the Company made an application to the Central Government under section 212(8) of the Companies Act, 1956 for exemption from attaching the annual accounts of the subsidiary companies. On May 10, 2010 the Government of India, Ministry of Corporate Affairs vide letter No. 47/41/2010-CL-III, granted its approval under section 212(8) of the Companies Act, 1956 for the year ended March 31, 2010.

The consolidated financial statement of subsidiaries prepared as per applicable provisions and duly audited by the statutory auditors, is presented elsewhere in this annual report. As per the said Government approval, instead of the annual accounts of the subsidiary companies, we attach certain information in respect of Company's subsidiaries for the financial year ended September 30, 2009 / December 31, 2009 / March 31, 2010 as the case may be.

Further, we hereby undertake that annual accounts for the subsidiary companies and the related detailed information will be made available to the shareholders, seeking such information. The annual accounts of



the subsidiary companies will also be kept open for inspection for Shareholders and shall be on Company's website.

#### **4. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors report that

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there was no material departure from the accounting standards.
- Accounting policies have been selected and applied consistently and that the judgements and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2010 and of the profit of the Company for the period April 1, 2009 to March 31, 2010.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- The annual accounts have been prepared on a going concern basis.

#### **5. CASH FLOW**

A cash flow statement for the year ended March 31, 2010 is attached to the Balance Sheet.\

#### **SAFETY, HEALTH AND ENVIRONMENT**

The prestigious international certificate OSHAS 18001 has been awarded to Kondhapuri plant of the Company. With this certification, all four of our plants are certified under OSHAS. This is very important step towards ensuring and achieving occupational Health and Safety standards for persons connected with these plants.

The Company continues its thrust on safety measures for employees with regular safety training. Safety audits are also conducted regularly. As a commitment to environment, the Company has selected the sustainability model and formed a core group to address the relevant issues.

#### **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis Report, Report on Corporate Governance, Auditors' Certificate on Corporate Governance and the declaration by the Chairman and Managing Director regarding affirmations for compliance with the Company's Code of Conduct are annexed to this report.

During the year the Company has released "Code of Ethics" for all employees.

#### **EMPLOYEE STOCK OPTION SCHEME (ESOS)**

During the year 2007-08, Company launched the Employees' "Share a Vision" Stock Option Scheme, 2007 (ESOS-2007). During the year, the vesting of the II tranche (August 31, 2009) stands cancelled due to non achievement of the performance targets specified in the performance matrix. The exercise price offered is at Rs. 200/- per option to be converted into an equity share on exercise. On October 22, 2009, 10,000 equity shares of Rs. 2/- each have been allotted.

The Management has formulated under ESOS – 2007, a proposal of providing stock options at Rs. 2/- per option to award employee for their outstanding, exemplary performance in getting sustainable results. During the year, 2250 options have been granted to three employees.

After implementation of the Scheme of Arrangement and reduction in capital of the Company, based on spurt in the market price of Company shares, the exercise price of Rs. 200/- per share has not been changed under ESOS.



The disclosures required to be made under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and a certificate from the Statutory Auditors with regards to compliance of the guidelines, is provided as Annexure - III to this report.

## **FIXED DEPOSITS**

The Company is neither accepting nor renewing the matured deposits since January, 2003. As on March 31, 2010, deposits from public and shareholders aggregating to Rs. 516,000/- have matured but have not been claimed. The Company has sent reminders for the same.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Company undertakes its social responsibilities through a Trust –Vikas Charitable Trust. The Company has defined policy on Corporate Social Responsibility (CSR). The main thrust is on education and social health. The sphere of activities includes organizing health camps, blood donations programs, education camps at various schools, sponsoring education in various schools and so on.

Company also supports a group of employees - Kirloskar Brothers Eco Group for their activities in the field of working towards green environment.

## **CENTENARY CELEBRATION**

This year witnessed a historic day in the history of our Company. March 10, 2010 was completion of 100 years of our establishment at Kirloskarvadi plant. We have organized various events on that day and the main function was attended by various dignitaries from Corporate and Social fields. More than 9000 people attended functions which were great success.

A few old dealers, employees were felicitated during the function, a book and a film on Kirloskarvadi was released on that day. A few photograph glimpses of the function are published in this report. During the current year Company proposes to have a few more functions at different locations as a part of centenary celebration. We are proud of this legacy and commit ourselves to follow the value systems framed by our founders.

## **A NEW CORPORATE OFFICE**

You are aware that company has built a new corporate office “Yamuna”, which is prominently located on Mumbai-Bangalore highway. It has many unique features of a “Green Building”. We are especially glad to inform you that this building has been achieved a LEED (Leadership in Energy & Environmental Design) platinum rated Green Building status.

This building has many unique features such as design of HVAC (Heating, Ventilation and Air-Conditioning) lighting and external envelope to achieve around 35% saving in the total energy consumption, Solar photovoltaic cells to generate 2.5% of total energy consumed annually, CO2 sensors for monitoring levels and optimizing fresh air intake, Use of 100% STP (Sewage Treatment Plant) treated water for irrigation and so on.

Another advantage of this corporate office is that all our offices are under one roof and we expect that this ensure more efficient working.

## **DIRECTORS**

Mr. Vikram S. Kirloskar, has informed the Company that due to other pre-occupation, he would not be in a position to continue as an Executive Director with effect from January 20, 2010. However, he would continue to be a Director on the Board of the Company.

The Board wishes to place on record its gratitude for the guidance received from Mr. Vikram Kirloskar during his





tenure as an Executive Director of the Company.

Mr. Vikram Kirloskar, Mr. U. V. Rao and Mr. M.S. Kirloskar, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

Subject to Members' approval, the Board has re-appointed Mr. J.R. Sapre, Whole Time Director with effect from April 29, 2010 upto the period May 31, 2012.

## **AUDITORS**

M/s. P. G. Bhagwat, the Auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate pursuant to section 224 of the Companies Act, 1956 has been received. The Audit and Finance Committee has recommended their re-appointment and the annual audit fees.

## **ACKNOWLEDGMENTS**

Your Directors wish to place on record their appreciation of the unstinted support and co-operation given by banks and financial institutions. Your Directors would further like to record their appreciation of the efforts of every employee for the results achieved during this year.

For and on behalf of the Board of Directors,

**SANJAY KIRLOSKAR**  
CHAIRMAN

Pune : May 20, 2010

## ANNEXURE – I TO THE DIRECTORS' REPORT

### A. Conservation of Energy

The Company continues to take additional steps for conservation of energy. The Company introduced Lowest Life Cycle Cost (LLC) series of Pumps in India as Industrial, Water supply & Irrigation Pumping solutions, after the successful launch in European Market. This enabled the Company to provide the Highly Efficient Pumps having benefit of savings in running & maintenance costs. Similarly, Company introduced an Energy Efficient and Corrocoated (EEC) series of Monobloc Pump sets and received excellent responses from Industries as well as Government Projects.

During the year, Company has undertaken following further measures for conservation of energy:

The conventional water supply system for Kirloskarvadi Township converted into Energy Efficient "Hydro-Pneumatic Booster Pumping System" (HYPN) system. The system is Variable Speed controlled (i.e. automatically operated as per flow demand) without any manual intervention. This has facility of remote monitoring and is controlled with latest installed technology Supervisory Control and Data Acquisition.

### B. Technology Absorption

#### 1. Research and Development (R&D)

##### a. Specific area in which R & D carried out by the Company

- Solar Pump set Controller.
- Water mist technology for firefighting application in submarines.
- New product for high pressure and high head application.
- Development of low end chemical process pumps (iCP) with innovative design features like no leakage through stuffing box without using mechanical seal.
- Development of high flow and high head vertical turbine pumps for irrigation purpose.
- Development of double suction metallic volute pumps.
- Development of 3000 mm flap valve, 200 mm siphon air valve, 2100 mm turbine inlet butterfly valve.
- Value engineering of Butterfly valve, Kinetic air valve and sluice valve components.

##### b. Benefits

- Reduction in product lead time and productivity.
- Improved overall quality and reliable performance.
- Innovative design considering user friendly features.
- Performance improvement of the products.
- Reduction in building time of sump model test setup.

##### c. Future plan of action

- Development of dewatering submersible pump for Marine & Defense application.
- Development of high pressure metallic volute pumps with guide vane arrangement.
- Development of Large flow VT pumps for various power plants.
- In-house development of 200 Ton capacity thrust bearing for high capacity concrete volute pumps.
- Development of 1500 mm sluice valve, Double seal butterfly valve, Duel plate check valves.

##### d. Expenditure on R & D (Including new product development)

a. Capital               Rs. 35.87 M

b. Recurring           Rs. 83.12 M

**c. Total               Rs. 118.99 M**

d. Total R & D Expenditure as a Percentage of total turnover 0.59%