



# KIRLOSKAR BROTHERS LIMITED

91<sup>ST</sup> ANNUAL REPORT 2010 - 2011

Enriching Lives



Solving complex engineering problems -  
as simple as turning a page

## EXPERTISE TO GIVE SIMPLE SOLUTIONS TO GREAT ENGINEERING CHALLENGES

It is our simple solutions to complex engineering problems that adhere us to our clients. Solutions that are borne on the strength of our expertise, skills and engineering ability. To explore more and more simple options. To take our clients, where no one else has been before. This journey has taken us to a INR 7,600 crore (US\$1.6 billion) engineering conglomerate today; with sincere belief in meeting the toughest of challenges with the best of our solutions. To deliver cost effective solutions that bring prosperity and smiles across the world.

What drives us today is not just world class products, but our commitment to meet bigger and tougher challenges. To make sure that our clients get their solutions in the quickest of times in the toughest of environments. Continuous improvements, proactive planning and strategic measures make us one of the greatest engineering solution providers of all times.



Weight: 26 tonnes Height: 4 meters

# 7000 LITRES PER SECOND

## WE CREATED A MONSTER

**Largest Horizontal Split Case Pump For Installation in India.**

**Latest Technological Features:**

- Lowest Life Cycle Cost, Enhanced Bearing Life
- Low Maintenance Cost and Minimal Downtime

**Pump Parameters**

- **Liquid:** Sea Water
- **Nozzle Size:** 1200 mm X 1200 mm
- **Flow:** 7000 Ltrs/ sec at the head of 27.5 mtrs
- **Motor Rating:** 2700 kW, 425 RPM

### OTHER SIGNIFICANT ACHIEVEMENTS

- Largest indigenously developed Condensate Extraction Pump for Power Plant, Flow 1085 m<sup>3</sup>/hr, Head 258 M
- Largest Butterfly Valve, 3600 mm, for Thermal Power Plant in India for Sea Water Application
- Largest Vertical Turbine Pump for Cooling Water Application in India for flow of 40,000 m<sup>3</sup>/hr
- Largest Concrete Volute Pump for Power Plant in India for flow of 63,000 m<sup>3</sup>/hr for Sea Water Application

### TRUSTED PARTNERS FOR RELIABLE AND INNOVATIVE PUMPING SOLUTIONS

Pumps | Valves | Motors | Hydro Turbines | Turnkey Projects

**Board of Directors**

Sanjay Kirloskar	Chairman & Managing Director
Gautam Kulkarni	Vice Chairman
Vikram Kirloskar	
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.  
 Credit Agricole Corporate and Investment Bank

**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](http://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](http://www.kirloskar.com)

**Works**

Kirloskarvadi, Dewas, Shirwal, Kondhapuri

Information for Shareholders		Contents	Page No.
Annual General Meeting		Decade at a Glance	2
Day & Date : Saturday, July 23, 2011		Directors' Report	3
Time : 11.00 a.m.		Management Discussion & Analysis	13
Venue : “YAMUNA”, Survey No.98 (3-7)		Report on Corporate Governance	27
Baner, Pune – 411 045		Auditors' Report	42
Dates of Book		Balance Sheet	46
Closure : July 16, 2011 to July 23, 2011		Profit & Loss Account	47
(both days inclusive)		Cash Flow Statement	48
		Schedules to the Accounts	49
		Statement relating to Subsidiary Companies	87
		Consolidated Financial Statements	89

## DECADE AT A GLANCE

(Rupees in Millions)

Particulars	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net Sales	3746	4757	5078	7309	9246	13400	15251	18309	20178	19418
Other Income	82	72	225	132	750	2408	430	359	480	132
Material Cost	2279	3126	3393	4859	6093	9290	11126	14000	14987	13424
Other Expenses	1209	1371	1405	1896	1965	2563	2704	3176	3341	4495
Interest	106	75	65	48	55	84	169	303	335	300
Depreciation	83	85	107	100	97	121	182	207	265	300
Profit before tax	151	172	333	538	1786	3750	1500	982	1730	1031
Income tax provision	28	52	68	31	63	385	399	312	555	417
Net Profit after tax	123	120	265	507	1723	3365	1101	670	1175	614
Share Capital	71	71	71	71	212	212	212	212	159	159
Reserves	1352	1459	1565	1832	2932	5808	6409	6879	6975	7207
Net Worth	1423	1530	1635	1902	3143	6019	6621	7091	7134	7366
Imports	49	119	144	261	606	987	1152	2084	5073	2026
Exports	585	585	572	1005	685	2266	1483	2291	1694	1827
Basic Earnings per Share (Rs.) (Face Value of Rs. 2/-)	3.48	3.41	7.51	14.17	15.42	31.82	10.41	6.34	14.81	7.73
Basic Earnings per Share (Rs.) (Face Value of Rs. 2/-) (Excluding Extraordinary Income / Expense)	3.48	3.41	7.51	14.17	10.70	14.76	10.41	6.34	14.81	7.73
Dividend	45%	45%	200%	300%	200%	200%	200%	100%	275%	*175%
Book Value per Share (Rs.)	40.37	43.40	46.40	53.97	**29.69	**56.92	**62.60	**67.05	**89.92	**93.70
Debt Equity Ratio	0.41	0.24	0.29	0.18	0.06	0.08	0.09	0.03	0.07	0.13

### Notes :

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

\* Final Dividend Recommended 175%

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

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.

Related figures, for the year 2010 and 2011, are calculated after giving effect to the scheme of arrangement.



## DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 91<sup>st</sup> Annual Report and the Audited Annual Accounts of the Company for the year ended March 31, 2011.

### FINANCIAL RESULTS

The financial results of the Company for the year 2010-11 as compared with the previous year are as under: -

	<b>Current Year ended March 31, 2011 (Rs.)</b>	<b>Previous Year ended March 31, 2010 (Rs.)</b>
Sales	<b>19,417,972,360</b>	20,178,370,074
Other income	<b>131,485,675</b>	479,471,733
Total	<b>19,549,458,035</b>	20,657,841,807
Profit before tax	<b>1,030,810,391</b>	1,729,616,298
Provision for tax	<b>417,210,649</b>	554,438,774
Profit after tax	<b>613,599,742</b>	1,175,177,524
Surplus in Profit & Loss Account brought forward from previous year	<b>905,059,568</b>	529,687,717
Available surplus	<b>1,518,659,310</b>	1,704,865,241

### APPROPRIATIONS

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

Dividend @ 175% (275%)

on 79,338,451 (79,330,766) equity

shares of Rs. 2/- each	<b>277,684,579</b>	436,319,213
Additional tax on Dividend	<b>37,145,728</b>	63,486,460
Transferred to General Reserve	<b>61,359,974</b>	300,000,000
Balance carried to Balance Sheet	<b>1,142,469,029</b>	905,059,568
<b>TOTAL</b>	<b>1,518,659,310</b>	1,704,865,241

### DIVIDEND

Directors recommend a dividend of 175% (Rs. 3.50 per equity share) for the year.

### SCHEME OF ARRANGEMENT

As you are aware, during the previous year the Scheme of Arrangement between Kirloskar Brothers Limited (KBL), Kirloskar Brothers Investment Limited (KBIL) and respective Shareholders was made effective and our company's shares were listed and traded on the stock exchanges. The company has remitted the amount towards the fractional entitlements to the concerned shareholders.

During the current year, the necessary listing and trading permissions were received in respect of KBIL shares.

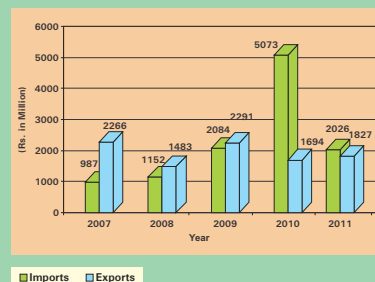
#### Net Sales



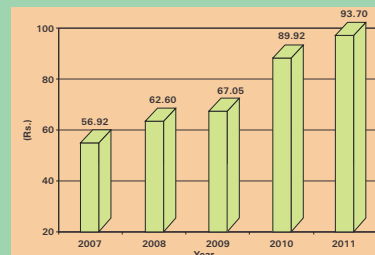
#### Net Worth



#### Import & Export



#### Book Value per Share



---

## 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

The Company has incorporated a Wholly Owned Subsidiary - Kirloskar Systech Limited on August 9, 2010. Kirloskar Systech Limited is primarily engaged in system engineering, designing and support services.

During the year, the Company has transferred its 100% shares of two of the subsidiary companies viz. Pressmatic Electro Stampings Private Limited (PESPL), Quadromatic Engineering Private Limited (QEPL) to its another wholly owned subsidiary Hematic Motors Private Limited (HMPL). Further, a Scheme of Amalgamation of Company's step down subsidiaries, PESPL and QEPL with Company's wholly owned subsidiary - HMPL was filed with the Honourable Bombay High Court by the said companies.

The same has been approved by the Honourable Court vide its orders dated April 8, 2011 and the scheme has been made effective on April 25, 2011. As a result, with effect from the appointed date i.e. January 1, 2011 under the scheme, the PESPL and QEPL have been merged with HMPL on and from appointed date.

On January 1, 2011, the company has transferred the shares held in its Wholly Owned Subsidiary Kirloskar Brothers (Thailand) Limited (KBTL) to its other Wholly Owned Subsidiary - Kirloskar Brothers International B.V (KBI) Netherlands. However, due to negative valuation of KBTL shares, KBL has transferred the shares at nil value and accounted for the loss on the transfer. Thus, KBTL ceased to be the direct subsidiary company of KBL.

The performance of the domestic and overseas subsidiary companies has been good, except in respect of a few subsidiary companies. The company is in the process of aligning the operations of its subsidiary companies.

As a way forward, the company would concentrate on streamlining the operations of companies involved in manufacturing and take strategic decisions in respect of companies which are in the project / EPC business.

The Financials of subsidiaries are appearing elsewhere in this annual report.

On November 22, 2010, 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 February 8, 2011 the Government of India, Ministry of Corporate Affairs vide General Circular No. 2/2011, granted general exemption under section 212(8) of the Companies Act, 1956. Consequently, Company has also received a letter No. 47/29/2011-CL-III dt. February 14, 2011, from the Ministry of Corporate Affairs, to that effect.

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 general exemption, instead of the annual accounts of the subsidiary companies, we have attached certain information in respect of Company's subsidiaries for the respective financial years.

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.

**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, 2011 and of the profit of the Company for the period April 1, 2010 to March 31, 2011.
- 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, 2011 is attached to the Balance Sheet.

**SAFETY, HEALTH AND ENVIRONMENT**

All our manufacturing plants have been awarded with the prestigious international certificate OSHAS 18001. 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. The first sustainability report was prepared during the year and company would measure performance for sustainability based on the globally accepted standards and continuously find ways to reduce the adverse impact on the environment. The said report is available on company's website.

**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.

**EMPLOYEE STOCK OPTION SCHEME (ESOS)**

As you are aware, during the year 2007-08, Company launched the Employees' "Share a Vision" Stock Option Scheme, 2007 (ESOS-2007). During the year, 3<sup>rd</sup> tranche of options i.e. 40% of the total options have been vested on August 31, 2010. The exercise price offered is at Rs. 200/- per option to be converted into an equity share on exercise. During the year, 6,185 equity shares of Rs. 2/- each have been allotted at an exercise price of Rs. 200/- each.

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, 1250 options have been granted to two employees and 1,500 equity shares of Rs. 2/- each have been allotted at an exercise price of Rs. 2/- each.

Consequent to allotment of above shares under ESOS, the issued and paid-up share capital of the Company, at

---

the end of the year 2010-11, stands at Rs.158,676,902/- i.e. 79,338,451 equity shares of Rs. 2/- each.

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, 2011, deposits from public and shareholders aggregating to Rs.390,000/- have matured but have not been claimed.

## **CORPORATE SOCIAL RESPONSIBILITY**

The company undertakes its social responsibility directly and also through trust – Vikas Charitable Trust. The main thrust of this Corporate Social Responsibility (CSR) initiative is on education and social health defined in a policy of CSR.

During the year, as a part of CSR and our obligation towards society at large, your Company continued its efforts in implementing Community Programs in line with the Society Perception Survey with a thrust on health and education. The prime initiative undertaken by the company was participation in WASH (Water, Sanitation and Hygiene) program with the help of our employees who volunteered for the program.

## **CENTENARY CELEBRATIONS**

We celebrated a centenary year of our Kirloskarvadi plant on March 10, 2010. The Centenary Celebrations continued during the year 2010-11, as we conducted functions at Kolkata, Chennai, Delhi and Mumbai. More than 2000 customers, dealers and well-wishers attended these functions. During these functions, company felicitated the customers, dealers and a few employees, who have been with the company for fairly a long time.

The Celebration concluded on March 10, 2011 at Pune. We are very proud for this achievement and re-confirm our commitments to follow the value systems framed by our founders.

## **NEW MANUFACTURING UNITS**

The Company has initiated the process of setting up new manufacturing units at Kaniyur Village, Coimbatore and Charodi Village, Sanand, Ahmedabad for the production of Mini & DCM Pumps and Submersible Pumps, respectively.

The new plants are equipped with modern plant & machinery. These units have some additional features such as formation of suppliers cluster, lean manufacturing process and so on. With this, the products would be competitive in cost and quality.

The production at the respective units is expected to commence during current year. This will help the Company to cater to the increasing market demand for these products.

## **DIRECTORS**

With deep regret, we report the sad demise of Mr. Madhav G. Padhye, Ex-Director of the Company. Mr. Padhye was associated with the Company since 1990 till he resigned in December, 2008. He had wide experience in the Civil Engineering, Government Service and Water Resource Development Projects. His expertise and guidance to the Board and the Company has been noteworthy. The Board wishes to place on record its gratitude for the guidance received from Mr. Padhye.

Mrs. Lalita D. Gupte, Mr. P.S. Jawadekar and Mr. Rahul 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. R. K. Srivastava, Whole Time Director and Mr. Sanjay C. Kirloskar, Managing Director with effect from September 19, 2010 and November 19, 2010, respectively.

**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.

**ACKNOWLEDGEMENTS**

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 : April 26, 2011

---

## ANNEXURE – I TO THE DIRECTORS' REPORT

### A. Conservation of Energy

The Company continues to take steps for conservation of energy. Through various initiatives towards conservation of energy, company saved about Rs.55.90 Million during the year 2010-11, which is significantly high i.e. 9.25 times as compared to the last financial year 2009-10 - savings of Rs. 6.03 Million.

During the year, following major steps were initiated by the company towards Conservation of energy :

- Adoption of divided blast cupola to improve coke to metal ratio,
- Installation of turbo ventilators in the entire factory including stores and security offices, Adoption of energy efficient motors,
- De-rating of motors
- Installation of ETP/STP plant and use of treated water for gardening
- Use of energy saver for CNC turning lathes to reduce power cost.
- Use of energy efficient transformer and
- PID controller for heat treatment furnace to reduce power consumption,
- Efforts to reduce consumption of water, power through Installation of power saver instrument, installation of LED lights, use synchronous timers etc.

### B. Technology Absorption

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

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

- **Secondary Sodium Pump** for **Bhartiya Vidut Nigam Limited** for **Nuclear** application.
- Development of High pressure, high temperature KPDV 100/30 pumps for **Nuclear application**.
- In line IL pumps
- KPD End suction pumps
- Vertical end suction SHL pump
- Model pump for CVP 2000 Concrete volute pump.
- **Largest Horizontal split case pump** for CW application model UPH 1200/160.
- Development of largest capacity VT pump model.
- Value engineering of components for VT pumps (like fabricated bowl, bell mouth, etc).
- Experimental sump model studies for various applications like power plants, irrigation schemes
- In house development of large thrust bearing.
- Largest sewage handling of pumps
- Structural analysis and value engineering of valve components

##### b. Benefits

- Technology development of pumps for **Nuclear** application.
- Global reference for Large Vertical Pumps
- Reduction in product lead time
- Competitive edge through product positioning
- Application coverage
- Improved quality of the product
- Competitive product cost
- Solar Drive which are used for **solar pumping system** can be used for charging, domestic lighting during pump idle condition.