



KIRLOSKAR BROTHERS LIMITED

92nd ANNUAL REPORT 2011 - 2012

Enriching Lives

Invisible yet Omnipresent



At Kirloskar we believe in working silently yet relentlessly towards one definite goal-Enriching Lives. You may not spot us easily, but we are always around you, fulfilling your every need. Be it the power that lights up your world, the fluids that flow in numerous industries, water that quenches thirst, the engines that power innumerable equipments, gensets that provide critical back-up power, compressors that help CNG reach to millions and refrigeration that preserves food. Kirloskar works silently and reliably to make sure your life is hassle-free. And, in our inconspicuous presence lies, our true commitment to engineering that enriches your lives.



- From megapolis to villages, homes to power plants, farms to industries, wells to irrigation systems, millions of Kirloskar pumps move zillion litres of fluids everyday and touch people's lives globally.
- A wide range of Kirloskar pumps handle virtually everything that flows – water, paint, gum, tar, molasses, juices, alcohol, sewage, heavy water, even liquid sodium and other fluids.
- From palm-sized pumps to pumps that are as big as a building, we provide customized solutions from concept to commissioning for all fluid handling needs.
- With highly energy efficient products and patented technologies, Kirloskar pumps save billions worth of power.



Board of Directors

Sanjay Kirloskar
Gautam Kulkarni
Vikram Kirloskar
M. S. Kirloskar
S. N. Inamdar
Rahul Kirloskar
U. V. Rao
R. K. Srivastava
P. S. Jawadekar
J. R. Sapre
A. N. Alawani
Lalita D. Gupte
Pratap B. Shirke

Chairman & Managing Director
Vice Chairman (Upto 25.04.2012)

Whole Time Director (Upto 31.05.2012)

Whole Time Director

Company Secretary

G. P. Kulkarni (Upto 08.05.2012)

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) 2444 0770 Fax : (020) 2446 7770
E-mail : kbilin@kbl.co.in Website : www.kirloskarpumps.com
Group Website : www.kirloskar.com

Corporate Office

“YAMUNA”, Survey No. 98 (3-7), Baner,
Pune – 411 045, Maharashtra (India)
Phone : (020) 2721 4444 Fax : (020) 2721 1136
E-mail : kbilin@kbl.co.in Website : www.kirloskarpumps.com
Group Website : www.kirloskar.com

Works

Kirloskarvadi, Dewas, Shirwal, Kondhapuri, Coimbatore

Information for Shareholders	Contents	Page No.
Annual General Meeting	Decade at a Glance	2
Day & Date : Wednesday, July 18, 2012	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 14, 2012 to July 18, 2012	Profit & Loss Account	47
(both days inclusive)	Cash Flow Statement	48
	Notes to Accounts	49
	Statement relating to Subsidiary Companies	84
	Consolidated Financial Statements	87

DECADE AT A GLANCE

(₹ in Million)

Particulars	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue from operations	4,760	5,082	7,310	9,274	13,485	15,368	18,364	20,270	19,469	17,819
Other income	84	231	152	746	2,427	481	436	461	129	463
Material Cost	3,126	3,385	4,852	6,098	9,274	11,119	13,851	15,034	13,431	12,661
Other expenses	1,302	1,363	1,859	1,893	2,517	2,643	3,153	3,236	4,385	4,344
Finance costs	160	125	114	146	249	404	606	467	453	634
Depreciation	85	107	100	97	121	182	207	265	300	303
Profit before tax	172	333	538	1,786	3,750	1,500	982	1,730	1,028	340
Income tax provision	52	68	31	63	385	399	312	554	415	28
Net profit after tax	120	265	507	1,723	3,365	1,101	670	1,175	614	312
Share capital	71	71	71	212	212	212	212	159	159	159
Reserves	1,459	1,565	1,832	2,932	5,808	6,409	6,879	6,975	7,276	7,378
Net worth	1,530	1,636	1,903	3,144	6,020	6,621	7,091	7,134	7,434	7,536
Imports	119	144	261	606	987	1,152	2,084	5,073	2,026	729
Exports	585	572	1,005	685	2,266	1,483	2,291	1,694	1,827	1,153
Basic earnings per share (₹) (Face value of ₹ 2/-)	3.41	7.51	14.17	15.42	31.82	10.41	6.34	14.81	7.73	3.93
Basic earnings per share (₹) (Face value of ₹ 2/-) (Excluding extraordinary income expense)	3.41	7.51	14.17	10.70	14.76	10.41	6.34	14.81	7.73	3.93
Dividend %	45%	200%	300%	200%	200%	200%	100%	275%	175%	*100%
Book value per share (₹)	43.40	46.40	53.97	**29.69	**56.92	**62.60	**67.35	**89.92	**93.70	**94.99
Debt equity ratio	0.24	0.29	0.18	0.06	0.08	0.09	0.03	0.06	0.12	0.06

Notes :

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

* Final dividend recommended 100%

** 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 ₹ 10/- each to share of ₹ 2/- each.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 92nd Annual Report and the Audited Annual Accounts of the Company for the year ended March 31, 2012.

FINANCIAL RESULTS

The financial results of the Company for the year 2011-12 as compared with the previous year are as under :-

	Current Year ended March 31, 2012 (₹)	Previous Year ended March 31, 2011 (₹)
Revenue from Operations	17,818,761,202	19,468,850,138
Other income	462,787,460	128,511,812
Total	18,281,548,662	19,597,361,950
Profit before tax	339,655,805	1,028,210,391
Tax Expense	27,769,152	414,610,649
Profit for the period	311,886,653	613,599,742
Surplus in Profit & Loss Account brought forward from previous year	1,142,469,029	905,059,568
Available surplus	1,454,355,682	1,518,659,310

APPROPRIATIONS

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

Dividend @ 100% (175%) on 79,339,701 (79,338,451) equity shares of ₹ 2/- each	158,679,402	277,684,579
Dividend distribution tax	23,095,700	37,145,728
Transferred to General Reserve	31,188,665	61,359,974
Balance carried to Balance Sheet	1,241,391,915	1,142,469,029
Total	1,454,355,682	1,518,659,310

DIVIDEND

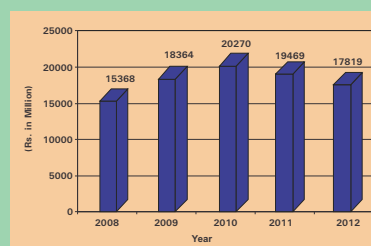
Directors recommend a dividend of 100% (₹ 2/- per equity share) for the year.

OPERATIONS

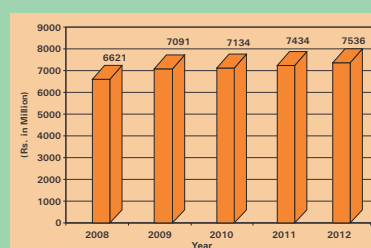
The revenue from operations of the company for the current year is at ₹ 1782 crores, which is less by 8.47% compared to the previous year. There have been various internal and external reasons for the reduction in the revenue from operations.

As you are aware, Power sector has been our thrust area for past several years. The projects by the Government and private sectors have either been stopped or deferred for various reasons, the prime cause being availability of coal.

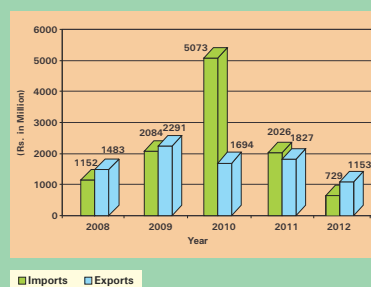
Revenue from operations



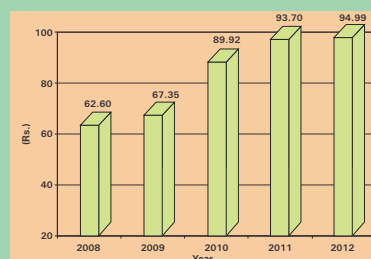
Net Worth



Import & Export



Book Value per Share



On Irrigation side, we continued our wait and watch policy for specified states and planned our revenues in a way that we could recover the amount immediately.

The Distribution business which mainly caters to Domestic and Agricultural segment has improved.

During the current year, we expect that the economic situation would more or less remain the same and we would continue our focus but not go faster on the top line growth.

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 disposed off its entire stake (100%) in Gondwana Engineers Limited (GEL), specialized in Water and Sewage Treatment Plants, for a total consideration of ₹ 47.44 crores through execution of a Share Purchase Agreement, during May, 2011. The Company has sold its entire equity stake in GEL to Doshion Veolia Water Solutions Pvt. Ltd., a group company of Doshion Ltd, Ahmedabad.

During the period, the Company has subscribed to the Equity Shares in its wholly owned subsidiary viz. Hematic Motors Private Limited, at the aggregate cost of ₹ 30 crores and to Redeemable Preference Shares in its other wholly owned subsidiary company viz. Kirloskar Constructions and Engineers Limited to the tune of ₹ 25 crores.

During September, 2011, the Company through its wholly owned subsidiary in The Netherlands – Kirloskar Brothers International BV, established SPP Pumps (MENA) LLC in Cairo, Egypt. This limited liability company is established for Middle East and North Africa for assembly, packaging the pumps and the pumping systems of all kinds including their testing and maintenance.

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

The Financials of subsidiaries appear elsewhere in this annual report.

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 for companies from attaching subsidiary companies' documents viz. Balance sheet, Profit and Loss account, Directors' and Auditors' Reports etc. to the Balance sheet of a holding Company.

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.

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.

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, 2012 and of the profit of the Company for the period April 1, 2011 to March 31, 2012.
- 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, 2012 is attached to the Balance Sheet.

SAFETY, HEALTH AND ENVIRONMENT

As you are aware, all our manufacturing plants have been awarded with the OSHAS 18001 international certificate.

The company has formed Corporate Safety Committee. The Company has further prepared site safety manuals, corporate safety policy and safety check list. The Company continues its thrust on safety measures for employees with regular safety trainings and safety audits. All safety initiatives are reviewed periodically through committees and inspection is carried out in the plants.

As a commitment to environment, the Company has selected the sustainability model and formed a core group to address the relevant issues. The sustainability report has been prepared 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 vetted by an accounting firm as per the prevailing practices. 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).

The Management has formulated under ESOS – 2007, a proposal of providing stock options at ₹ 2/- per option to award employee for their outstanding, exemplary performance in getting sustainable results. During the year, 21750 options were granted to employees and 1250 equity shares of ₹ 2/- each have been allotted.

Consequent to allotment of above shares under ESOS, the issued and paid-up share capital of the Company, at the end of the year 2011-12, stands at ₹ 158,679,402/- i.e. 79,339,701 equity shares of ₹ 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, 2012, deposits from public and shareholders aggregating to ₹ 43,000/- 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 - organised by the Kirloskar Foundation, with the help of our employees who volunteered for the program. The Company also contributed to the Kirloskar Foundation's Clean and Beautiful School competition programme to encourage overall cleanliness.

Some of the activities carried out by the company are as under:

- Health check-up camps organised at Mahalunge village in a school – about 200 students covered.
- Implementation of earn and learn scheme for school drop out students.
- Organising Blood donation camps, sponsoring scholarships, tree plantation.
- Medical check-up for villagers, senior citizens and women in nearby villages of Kirloskarvadi factory conducted.
- Arranged various Health awareness programmes such as lectures, posters and so on.

NEW MANUFACTURING UNITS

A new plant at Kaniyur Village, Karumathampatti - PO near Coimbatore for small domestic pumps has commenced its production since end June, 2011. This new plant is spread over six acres with installed capacity of a 5 lac pumps a year. The initial investment in the unit is of about ₹ 14 crores and has state-of-the-art plant and machinery to manufacture different models of domestic pumps. It is worth to mention that 90% of the work force in this plant are women. This plant will strengthen company's distribution network in Southern India.

The Company has also set up new manufacturing units at Charodi Village, Sanand, Ahmedabad for the production of Submersible Pumps. The plant has commenced its test run.

The new plant is equipped with modern plant and machinery. The unit has 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 unit is expected to commence during current year. This will help the Company to cater to the increasing market demand for the products.

DIRECTORS

Mr. Gautam A. Kulkarni, Non-Executive Vice Chairman resigned from the Board of Directors with effect from April 25, 2012, due to his personal reasons.

Mr. Gautam Kulkarni has been actively associated with the Company for more than a decade. His expertise and guidance to the Board was of a great help to the Company on many occasions.

The Board places on record its gratitude for the guidance received from Mr. Gautam Kulkarni during his tenure as a Vice Chairman and also as a Member of Audit and Finance committee, Remuneration committee and Compensation Committee of the Company.

On completion of the term of Mr. R. K. Srivastava as a Whole Time Director of the Company on May 31, 2012, Mr. Srivastava ceases to be a Whole Time Director of the Company with effect from May 31, 2012. Further, Mr. R. K. Srivastava also ceases to be a Director of the Company with effect from May 31, 2012.

Mr. R. K. Srivastava has been associated with the Company for about 23 years. His knowledge and experience was of a great help to the Company. The Board also places on record its gratitude for the support received from Mr. R.K. Srivastava during his tenure with the Company.

Mr. Pratap B. Shirke, Mr. A. N. Alawani and Mr. S.N. Inamdar, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

On recommendation from the Remuneration Committee, subject to approval of the members of the Company, the Board of Directors of the Company has re-appointed Mr. J. R. Sapre as a Whole Time Director of the Company with effect from June 1, 2012 for the further period of three years.

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 the employees of the Company.

For and on behalf of the Board of Directors,



SANJAY KIRLOSKAR
CHAIRMAN

Pune : May 31, 2012

ANNEXURE – I TO THE DIRECTORS' REPORT

A. Conservation of Energy

The Company continues to take steps for conservation of energy.

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

- Installation of LED lights in manufacturing and street lights
- Removed louvers at Foundry shop thus improved day lighting and ventilation
- Installation of PF controller and maintaining unity power factor
- Load factor incentive
- Installation of Solar water pump at ETP
- Portable biogas plant for individual household
- Avoid variation in pressure and avoid unload running of compressor
- Installing transparent roof sheets and side sheets

B. Technology Absorption

1. Research and Development (R&D)

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

- Development of various types of Pumps viz. SS Fabricated submersible and Inline Pump, Secondary Heat Transfer Pump for nuclear application, axial flow pump, verticle turbine pumps, split case pumps (4 models) for water and HVAC application, Low weight and compact dewatering submersible pump
- Development of Mobile Based Pump Controller
- Development of Solar pumping system
- Development of off shore firefighting package
- Various sump model studies
- In-house development of 200 Ton capacity thrust bearing for high capacity concrete volute pumps
- Development of 9 sizes of butterfly valves of various pressure ratings, 3 sizes of multi door NRV of different ratings, 800 mm Sluice Valve, FM Approval of Sluice Valves (50 to 250mm)

b. Benefits

- Reduction in product lead time and cost
- Competitive edge through product positioning
- Improved performance of the product
- Import substitution
- Addition of new products in the range
- Technology upgradation