



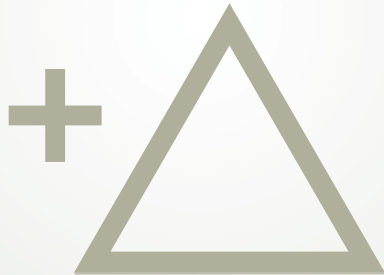
# KIRLOSKAR BROTHERS LIMITED

93<sup>rd</sup> Annual Report 2012-13

Enriching Lives

*Decades of positive change*

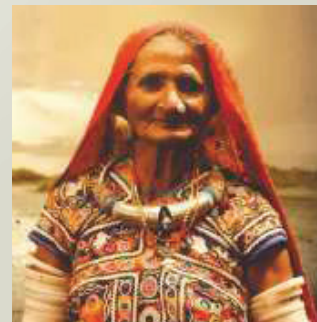




***Positive Change!***

*It has been our reason to be, for decades now. And, it is this thought that has been the inspiration behind a gazillion smiles, across the globe.*

Through critical engineering solutions across industries; be it the water that quenches thirst of millions across regions or keeps mega power plants cool, or the engines that power countless applications, generating sets that provide standby power from telecom to defence and the refrigeration that saves millions of tonnes of food stock - Kirloskar has been working reliably and efficiently to spread and earn more and more smiles.



**Your Company has brought about a positive change by:**

- Pumping water to millions of homes, farms and industries
- Partnering in India's energy generation program powering industries and homes
- Being integral part of critical processes in factories
- Exporting pumps globally and contributing to economic development of nations
- Encouraging diversity in the workforce
- Promoting sustainability through our business activities and green products

To see how Kirloskar has enriched lives, watch Television Commercials at [www.kirloskarsolutions.in](http://www.kirloskarsolutions.in)

**Board of Directors**

Sanjay Kirloskar	Chairman & Managing Director
Vikram Kirloskar	
M. S. Kirloskar	(Upto 28.02.2013)
S. N. Inamdar	
Rahul Kirloskar	
U. V. Rao	
P. S. Jawadekar	
J. R. Sapre	Whole Time Director
A. N. Alawani	
Lalita D. Gupte	
Pratap B. Shirke	
Alok S. Kirloskar	(w.e.f.18.07.2012)

**Company Secretary** Sandeep Phadnis (w.e.f. 04.04.2013)

**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) 24400156  
E-mail : [kblin@kbl.co.in](mailto:kblin@kbl.co.in)  
Website : [www.kirloskarpumps.com](http://www.kirloskarpumps.com)  
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](mailto:kblin@kbl.co.in)  
Website : [www.kirloskarpumps.com](http://www.kirloskarpumps.com)  
Group Website : [www.kirloskar.com](http://www.kirloskar.com)

**Works** Kirloskarvadi, Dewas, Shirwal, Kondhapuri, Coimbatore, Ahmedabad

Information for Shareholders	Contents	Page No.
Annual General Meeting	Decade at a Glance	2
	Directors' Report	3
Day & Date : Wednesday, July 24, 2013	Management Discussion & Analysis	14
Time : 11.00 a.m.	Report on Corporate Governance	27
Venue : “YAMUNA”, Survey No.98 (3-7)	Auditors' Report	44
Baner, Pune – 411 045	Balance Sheet	48
Dates of Book	Profit & Loss Account	49
Closure : July 20, 2013 to July 24, 2013	Cash Flow Statement	50
(both days inclusive)	Notes to Accounts	51
	Statement relating to Subsidiary Companies	86
	Consolidated Financial Statements	88

## DECADE AT A GLANCE

(₹ in Million)

Particulars	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenue from operations	5,082	7,310	9,274	13,485	15,368	18,364	20,270	19,469	17,819	18,724
Other Income	231	152	746	2,427	481	436	461	129	463	70
Material Cost	3,385	4,852	6,098	9,274	11,119	13,851	15,034	13,431	12,661	13,204
Other Expenses	1,363	1,858	1,893	2,518	2,644	3,154	3,235	4,386	4,441	4,108
Finance Costs	125	114	146	249	404	606	467	453	537	443
Depreciation	107	100	97	121	182	207	265	300	303	320
Profit before tax	333	538	1,786	3,750	1,500	982	1,730	1,028	340	719
Income tax provision	68	31	63	385	399	312	554	415	28	285
Net Profit after tax	265	507	1,723	3,365	1,101	670	1,175	614	312	434
Share Capital	71	71	212	212	212	212	159	159	159	159
Reserves	1,565	1,832	2,932	5,808	6,409	6,879	6,975	7,275	7,378	7,627
Net Worth	1,636	1,903	3,144	6,020	6,621	7,091	7,134	7,434	7,537	7,786
Imports	144	261	606	987	1,152	2,084	5,073	2,026	729	473
Exports	572	1,005	685	2,266	1,483	2,291	1,694	1,827	1,159	1,544
Basic Earnings per Share (₹) (Face Value of ₹ 2/-)	7.51	14.17	15.42	31.82	10.41	6.34	14.81	7.73	3.93	5.47
Basic Earnings per Share (₹) (Face Value of ₹ 2/-) (Excluding Extraordinary Income / Expense)	7.51	14.17	10.70	14.76	10.41	6.34	14.81	7.73	3.93	5.47
Dividend %	200%	300%	200%	200%	200%	100%	275%	175%	100%	* 100%
Book Value per Share (₹)	46.40	53.97	** 29.69	** 56.92	** 62.60	** 67.35	** 89.92	** 93.70	** 94.99	** 98.11
Debt Equity Ratio	0.29	0.18	0.06	0.08	0.09	0.03	0.06	0.12	0.06	0.01

### 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 93<sup>rd</sup> Annual Report and the Audited Annual Accounts of the Company for the year ended March 31, 2013.

### FINANCIAL RESULTS

The financial results of the Company for the year 2012-13 as compared with the previous year are as under: -

	Current Year ended March 31, 2013 (₹)	Previous Year ended March 31, 2012 (₹)
Revenue from Operations	<b>18,723,978,939</b>	17,818,761,202
Other income	<b>69,995,455</b>	462,787,460
<b>Total</b>	<b>18,793,974,394</b>	18,281,548,662
Profit before tax	<b>719,478,435</b>	339,655,805
Tax Expense	<b>135,001,177</b>	24,669,152
Profit for the period from continuing operations	<b>584,477,258</b>	314,986,653
Short Provision of income tax on account of earlier years	<b>150,000,000</b>	3,100,000
Profit for the period	<b>434,477,258</b>	311,886,653
Surplus in Profit & Loss Account brought forward from previous year	<b>1,241,391,915</b>	1,142,469,029
Available surplus	<b>1,675,869,173</b>	1,454,355,682

### DIVIDEND

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

### APPROPRIATIONS

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

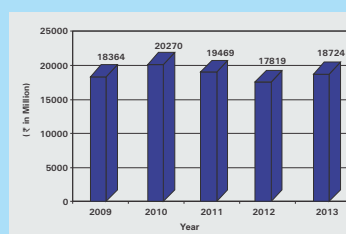
Dividend of ₹ 2/- @100% (100%) on 79,358,451 (79,339,701) equity shares of ₹ 2/- each	<b>158,716,902</b>	158,679,402
Dividend distribution tax	<b>24,592,508</b>	23,095,700
Transferred to General Reserve	<b>43,447,726</b>	31,188,665
Balance carried to Balance Sheet	<b>1,449,112,037</b>	1,241,391,915
<b>Total</b>	<b>1,675,869,173</b>	1,454,355,682

### OPERATIONS

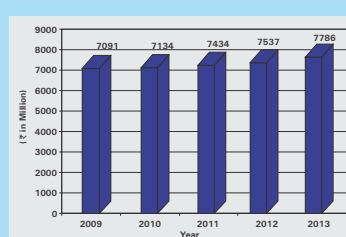
The revenue from operations of the Company for the year under review was ₹1872 crores, which is more than 5.08% compared to the previous year.

This year, our focus continued to be on the products business. We are catering to a broad base of utility and process pumping applications in the Products Business. In the Projects Business, while being selective on booking new orders, we are strengthening our project management and execution capabilities. We have aligned our marketing functions to provide

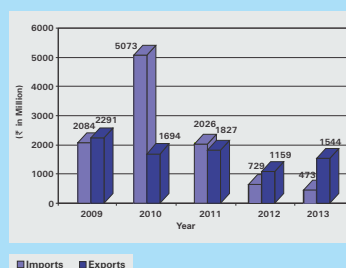
#### Revenue from operations



#### Net Worth



#### Import & Export



#### Book Value per Share



comprehensive pumping solutions to our customers. Our manufacturing plants are geared up to the growing demand from the products business on account of productivity improvement initiatives.

In both Products and Projects businesses, our focus continues to be on value added solutions. We augmented our capability to deliver small pumps by commissioning a new plant in Sanand, Gujarat. At the same time, we are re-engineering our small pump operation's supply chain to make it leaner and more responsive. In the current year, we commissioned spares warehouse and refurbishment centers and appointed service and spares dealers to improve the reach and responsiveness of the after sales support.

The economic scenario in the country continues to be challenging. In the coming year, we will focus on improving margins and cash generation.

Under Section 133A of the Income Tax Act, the Income Tax department carried out a survey at the Company premises in January, 2013. Based on the findings of the survey, the department has raised additional tax liability on the Company, which has been paid during the quarter. The short provision for tax in respect of earlier years, consequent to the additional tax claim, has been appropriately disclosed by the Company in the financial for the year ended on March 31, 2013.

## **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 to this Report.

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

The Information required under Section 217 (2A) of the Companies Act, 1956 and the rules made thereunder is provided in annexure forming part of this Report. As per provisions of section 219(1)(b)(iv) of the said Act, the Directors' Report and Accounts are being sent to the shareholders excluding the statement giving particulars of employees under Section 217(2A) of the said Act. Any Shareholder interested in obtaining a copy of the statement, may write to the Company Secretary at the Registered Office of the Company.

### **3. SUBSIDIARY COMPANIES**

During the year, a Scheme of Arrangement and Amalgamation of Hematic Motors Private Limited with Kirloskar Constructions and Engineers Limited (the 'Scheme') was filed with the Hon'ble High Courts of Judicature at Bombay and Madras.

The Board of Directors of the Company have passed a resolution on November 29, 2012 approving the Scheme. The appointed date in terms of the Scheme is April 1, 2012. The Scheme has been approved by Honourable Bombay High Court and approval from Honourable Madras High Court is awaited. The effect of the Scheme will be taken into consideration from the appointed date after approval from Honourable Madras High Court.

Micawber 784 (Proprietary) Ltd., Kirloskar Brothers Limited's step down subsidiary through Wholly Owned Subsidiary Company - Kirloskar Brothers International B.V. (KBI BV), Netherlands, has acquired balance 10% holding in Braybar Pumps (Proprietary) Ltd. (Braybar) on November 1, 2012. As a result, Braybar has become 100% subsidiary of Micawber 784 (Proprietary) Ltd.

The financials of the 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 the 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 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, 2013 and of the profit of the Company for the period April 1, 2012 to March 31, 2013.
- 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, 2013 is attached to the Balance Sheet.

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

#### **Safety and Health**

All our manufacturing plants are certified for Occupational Health and Safety Assessment Series (OHSAS) standards ISO 18001.

We conduct periodic safety audit of all our manufacturing units and all our project sites including corporate office. The audit outcomes are converted into action plans, implemented and periodically reviewed. A Corporate Safety Committee has been formed to monitor the implementation of safety standards throughout the organisation. Periodic mock drills are conducted at the Corporate Office, project sites and manufacturing locations in order to be prepared to face such eventualities.

Safety training is also imparted to contract employees at sites and operation units. We monitor on regular basis the safety statistics through monthly review sessions. Actions required in improving safety conditions are communicated to the relevant site through safety manager. Corporate safety committee guides and monitor all sites and manufacturing units, to improve near miss, accident and implementation of all statutory requirements related to safety, so as to achieve our goal of zero accident and zero man days lost.

We have Occupation Health Centers (OHCs) at the Corporate Office and major manufacturing units. These OHCs provide immediate medical needs and support the employees in keeping good health. To improve health awareness and food habits, various health awareness programmes are organised.

An annual medical check-up is conducted for all employees and their spouse, who are above 30 years of age. Based on medical reports, counselling sessions are conducted and health talks are arranged. Hygienic and nutritious food is provided to all employees in the Company canteens. The canteen activities are governed by a joint committee of workmen and management to ensure clean and hygienic food services.

## **Environment**

As regards environment protection all our plants comply with the requirements of Environment Management System (ISO 14000). Our Kondhapuri Plant has been recommended for certification to the Energy Management System (ISO 50001) standard. We are planning to get the same certification for all other manufacturing plants by March 2014.

We have started reporting our direct and indirect energy consumptions in our sustainability reports. As an initiative to monitor our scope -3 emissions we have started monitoring the carbon emissions due to travel of employees to workplace and also business air travel. This will help us identify opportunities to reduce these carbon emissions and reduce our carbon footprint.

Our Energy Audit services to industries have helped in replacing old pumping systems consuming more electrical energy. Our energy efficient pumping solutions and Lowest Life Cycle Cost pumps have helped industries reduce their energy consumption and save electrical power for the nation.

## **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, the 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, 18750 equity shares of ₹ 2/- each have been allotted.

Consequent to allotment of the above shares under ESOS, the issued and paid-up share capital of the Company, at the end of the year 2012-13, stands at ₹ 158,716,902/- i.e. 79,358,451 equity shares of ₹ 2/- each.

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 to this report.

## **FIXED DEPOSITS**

The Company neither accepts nor renews matured deposits since January, 2003. The amount of the unclaimed matured deposits has been transferred to the Investor Education & Protection Fund Account and at present, there is no outstanding unclaimed deposit as on 31.03.2013.

## **CORPORATE SOCIAL RESPONSIBILITY**

Our Corporate Social Responsibility (CSR) is based on the CSR policy. We are committed to developing sustained and constructive relationship with all our stakeholders to improve the quality of life. We extend continuous support in development activities in communities located near our manufacturing units. Our main



focus is on health, education for upliftment of economically backward and under privileged class of the society.

As a socially responsible organization, the Company continued its efforts in implementing community programs based on the needs and expectations of society gathered through Society Perception Survey and other feedbacks through engagement with the society.

Our major CSR activities include career guidance to students, WASH (Water and sanitation and hygiene), pre-natal courses, women's health check-ups, medicare facility for the society, course on effective parenting, adolescence hygiene, formation of self-help groups, awareness on de-addiction and oral cancer, AIDS awareness to nearby villagers, uniform, note books, school bags and sewing machines to school children and physically challenged children, a mega plantation at Dewas, blood donation camps, etc.

### **Activities in Manufacturing plants**

As part of preventive measure, free medical check-up camps with free medicine distribution camps were conducted. Number of beneficiaries has increased during the year under review. We also conducted blood donation camps at Kirloskarvadi and Dewas manufacturing units.

In order to contribute to economic development of the society, Earn & learn scheme for ITI apprentices is implemented in collaboration with Yashaswi Institute, Pune.

Women empowerment : An Orientation programme on winding of pumps and motors was conducted for approx. 60 women in the premises of the manufacturing unit at Dewas for creating a Self Help Group. Under this scheme, women are given 15 days training after which they may get employment at our vendors or other industries.

In the field of education, training programme arranged for teachers, release of special issue on Environment, inauguration of Creativity Express, distribution of Water Purifier Systems, Pumps at schools, Kali Umaltana Project at 2 schools, Spardha Pariksha (Competitive Exams) at 25 schools were organized.

We have undertaken environment awareness through seminar, awareness films, cycle rally, Vasundhara Sanman and Vasundhara Mitra puraskar and Exhibitions.

Vasundhara International Film Festival organized in Indore and Dewas for creating awareness towards saving earth for next generation. On world environment day at Dewas factory "Mega Plantation Event" took place. Plantation of more than 9000 trees in Dewas area has been done and further plantation is planned in open land behind factory premises.

Kirloskar WASH (Water, Sanitation and Hygiene) initiative is conducted every year for Municipal school around Pune, Kondhapuri and Kirloskarvadi. KBL employees act as volunteers in this programme in which school children are made aware about hygiene and sanitation.

### **NEW MANUFACTURING UNITS**

Our new plant located at Village Chharodi, Tal.:Sanand, Dist.:Ahmedabad, Gujarat, commenced production on the 20<sup>th</sup> of June, 2012. This state of the art manufacturing facility will produce energy efficient submersible pumps and cater to markets across the globe. The plant is set up on about 14 acres of land with a built-up area of 8500 square meters. This facility employs 64 associates, of which 14 are women.

### **DIRECTORS**

With a deep regret, we report the sad demise of former Whole Time Director - Mr. R. K. Srivastava on February 21, 2013 and of Mr. M. S. Kirloskar, Director on February 28, 2013.

Mr. R. K. Srivastava was associated with our Company for about 23 years. He joined the company as a General Manager and quickly rose to the position of Vice President by 1994. His knowledge, experience and contribution to the pump industry were of great help to the Company and its growth. He was deeply involved in the design and execution of the world's largest irrigation scheme for the Sardar Sarovar Narmada Nigam Ltd. He was also the Chairman of a few of KBL's subsidiaries.

Mr. Mukundrao Kirloskar was associated with Kirloskar Brothers Limited, especially with the Kirloskar publications for many decades. His contribution in the field of Marathi literature is commendable. His social approach in every aspect helped the company to a great extent. His creativity, sensitivity and public relations helped him to be a leading figure in the field of Marathi literature. His contribution in creating awareness in society through 'Kirloskar', 'Stree' and 'Manohar' magazines is praiseworthy.

The Board wishes to place on record their gratitude for the guidance received from Mr. R. K. Srivastava and Mr. M.S. Kirloskar during their tenures as Directors of the Company.

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

Mr. Alok S. Kirloskar was co-opted by the Board of Directors as an Additional Director of the Company with effect from July 18, 2012, after 92<sup>nd</sup> Annual General Meeting. As per Articles of Association of the Company, he holds office till the date of ensuing Annual General Meeting and is eligible for appointment.

#### **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 by the employees of the Company.

**For and on behalf of the Board of Directors**



**Sanjay Kirloskar**  
**Chairman and Managing Director**

Pune : May 27, 2013