



KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

95th ANNUAL REPORT 2014 - 2015

Enriching Lives

MAKING IN



SINCE 1901

It has always been a matter of great pride for us to be able to serve the world relentlessly through critical engineering solutions - made right here in India, since 1901. And with the 'Make in India' programme gaining momentum, there is greater emphasis on reforms, new initiatives and best-in-class manufacturing infrastructure.

With the winds of change blowing in India's favour, there's never been a better time for us to put it in the league of global champions. With innovative, indigenous offerings, we will ensure that the world continues to look at India with awe and admiration.



Your company is poised to make India proud with:

- Sustained growth in international business by leveraging world-class engineering capability and global manufacturing footprint.
- Development of pumping systems for critical applications in nuclear power generation, defence and process market.
- Pumping solutions based on 'AAA' philosophy: Adaptable, Affordable & Appropriate solutions to address global challenges.
- Leadership in environment-friendly technologies and 'green' business practices.

BOARD OF DIRECTORS

Sanjay C. Kirloskar	Chairman and Managing Director
Vikram S. Kirloskar	(upto May 26, 2015)
S. N. Inamdar	
U. V. Rao	(upto January 24, 2015)
P. S. Jawadekar	
J. R. Sapre	Whole Time Director (upto May 31, 2015)
A. N. Alawani	(upto April 23, 2015)
Lalita D. Gupte	
Pratap B. Shirke	
Alok S. Kirloskar	
Kishor A. Chaukar	Additional Director (from April 27, 2015)
Company Secretary	Sandeep Phadnis
Auditors	M/s P. G. Bhagwat Chartered Accountants, Pune
Bankers	Bank of India Canara Bank HDFC Bank Limited Citibank N.A. Credit Agricole, Corporate and Investment Bank
Registered Office	Udyog Bhavan, Tilak Road, Pune - 411002, Maharashtra State (India) Phone: (020) 24440770 Fax : (020) 24402083 Email: kblin@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) 27214444 Fax: (020) 2721136 Email: kblin@kbl.co.in Website: www.kirloskarpumps.com Group Website: www.kirloskar.com
Works	Kirloskarvadi, Dewas, Shirwal, Kondhapuri, Coimbatore (Kaniyur), Ahmedabad (Sanand)

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Day & Date : Monday, July 27, 2015	Directors' Report	3
Time : 11.00 a. m.	Management Discussion & Analysis	38
Venue : "Yamuna", Survey No.98 (3-7) Baner, Pune – 411 045	Report on Corporate Governance	49
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DECADE AT A GLANCE

(₹ in Million)

Particulars	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Sales	9,246	13,400	15,251	18,309	20,178	19,469	17,819	18,724	17,598	16,257
Other Income	750	2,408	430	359	479	129	463	70	53	113
Material Cost	6,093	9,290	11,126	13,927	14,987	13,431	12,661	13,204	11,696	10,471
Other Expenses	1,965	2,563	2,704	3,249	3,339	4,386	4,441	4,108	4,503	4,934
Interest	55	84	169	303	336	453	537	443	409	413
Depreciation	97	121	182	207	265	300	303	320	346	497
Profit before tax	1,786	3,750	1,500	982	1,730	1,028	340	719	698	55
Income tax provision	63	385	399	312	555	414	28	285	221	(30)
Net Profit after tax	1,723	3,365	1,101	670	1,175	614	312	434	477	85
Share Capital	212	212	212	212	159	159	159	159	159	159
Reserves	2,932	5,808	6,409	6,879	6,975	7,275	7,377	7,627	7,842	7,804
Net Worth	3,144	6,020	6,621	7,091	7,134	7,434	7,536	7,786	8,001	7,963
Imports	606	987	1,152	2,084	5,073	2,026	729	473	671	524
Exports	685	2,266	1,483	2,291	1,694	1,827	1,153	1,544	1,184	1,279
Basic Earnings per Share (₹) (Face Value of ₹ 2/-)	15.42	31.82	10.41	6.34	14.81	7.73	3.93	5.47	6.01	1.07
Basic Earnings per Share (₹) (Face Value of ₹ 2/-) (Excluding Extraordinary Income Expense)	10.70	14.76	10.41	6.34	14.81	7.73	3.93	5.47	6.01	1.07
Dividend %	200%	200%	200%	100%	275%	175%	100%	100%	125%	*25%
Book Value per Share (₹)	**29.69	**56.92	**62.60	**67.05	**89.92	**93.70	**94.99	**98.11	**100.82	**100.31
Debt Equity Ratio	0.06	0.08	0.09	0.03	0.06	0.12	0.06	0.01	0.01	0.00

Notes :

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

* Final Dividend Recommended 25%

** 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.

BOARD'S REPORT TO THE MEMBERS

Your Directors present the 95th Annual Report and the Audited Financial Statements of the Company for the year ended March 31, 2015 together with the reports of the Auditors and Board thereon.

FINANCIAL RESULTS

The financial results of the Company for the year 2014-15 as compared with the previous year are as under: -

	Year ended March 31, 2015 (₹)	Year ended March 31, 2014 (₹)
Revenue from Operations	16,257,051,488	17,598,053,185
Other income	112,714,764	53,149,058
Total	16,369,766,252	17,651,202,243
Profit before tax	55,289,084	697,546,094
Tax Expense	(29,579,796)	220,671,149
Profit for the period	84,868,880	476,874,945
Surplus in Profit & Loss Account brought forward from previous year	1,647,771,258	1,449,112,037
Depreciation impact due to Companies Act, 2013	40,754,517	-
Available surplus	1,691,885,621	1,925,986,982

DIVIDEND

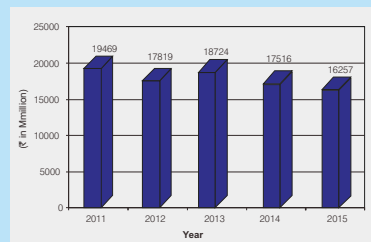
Your Directors recommend a dividend of 25% (₹ 0.50 paise per equity share) for the year.

APPROPRIATIONS

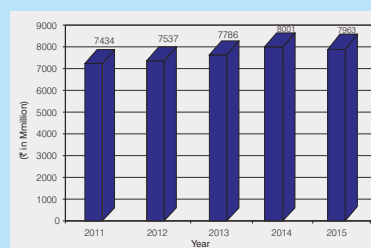
Your Directors propose to appropriate the available surplus as under: -

Dividend of ₹ 0.50 @25% (125%) on 79,388,176 (79,358,451) equity shares of ₹ 2/- each	39,694,088	1,98,396,128
Dividend distribution tax	1,238,198	32,132,101
Transfer to General Reserve	-	47,687,495
Corporate Social Responsibility	45,000,000	-
Balance carried to Balance Sheet	1,605,953,335	1,647,771,258
TOTAL	1,691,885,621	1,925,986,982

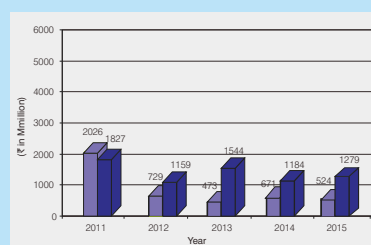
Net Sales



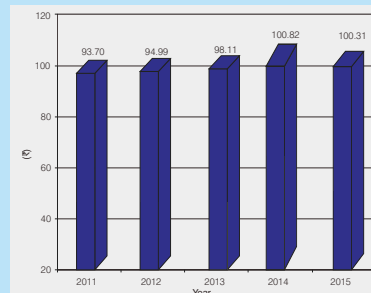
Net Worth



Import & Export



Book Value per Share



STATE OF AFFAIRS OF THE COMPANY

The revenue from operations for the year under review is ₹ 1626 crores, which is less than 7.61% compared to the previous year. Drop in sales is mainly due to lower sales of project sectors, partly attributable to liquidity issue in the market and non-receipt of dispatch clearances from the customers.

The economic condition of the country continued to be sluggish throughout the year. The Company continued its focus of being selective in accepting orders depending on customers' financial position. There was concentrated effort towards improvement of marketing initiatives and brand presence. Overall efforts were made to improve the efficiencies at all plants.

For project business, the Company continues to focus on closure of old projects and recovery of retention money. The main reasons for major drop in sales of project sectors was due to non receipt of advances / L/C from customers, delay in engineering and civil work by few clients and non receipt of dues from few customers.

The Company has launched towards the year end, highly-advanced "i-CAN" series of pumps, designed to reduce maintenance time and total cost of ownership (TCO) for the small scale industries.

Endorsing the Prime Minister's "Make in India" call, the Company has also launched another product "i-NS" pump, which has been developed entirely with domestic technology. The new innovative features make the "i-NS" series pump ideal for dewatering function in the Water & Wastewater Treatment industries, Sewage, Building & Construction and other allied segments.

Kirloskarvadi plant received the National Energy Management Award. Kondhapuri plant developed and dispatched 1800 mm Sluice Valves (Largest size so far) & 2400 mm Turbine Inlet valves were manufactured and completed testing and inspection and received orders from State Water Supply & Sewerage Boards for various types of valves. Dewas plant was recognized by CII for "Significant achievement on the journey towards Business Excellence", was awarded TCM Level 4 by CII and produced all time highest DB pumps in the month of December 2014. Kaniyur plant received "Merit Award" for 5S by CII. Sanand plant received "Energy efficient unit" award in 15th CII national award for excellence in energy management 2014 and was recognized by CII for Greenco "Silver" certification.

There were no material changes or commitments to report which affect the financial position of the Company that has occurred between the end of financial year and the date of this report.

STATUTORY DISCLOSURES

1. EXTRACT OF ANNUAL RETURN

Extract of Annual Return in Form MGT-9 as per provisions of Section 134 read with Section 92(3) of the Companies Act, 2013 (the Act) is given in **Annexure I** to this report.

2. NUMBER OF MEETINGS OF THE BOARD

During the financial year under review, 6 (six) Board meetings were held, the details are appearing elsewhere in this report.

3. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(3)(c) of the Act, the Board of Directors report that

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed;

- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

4. INDEPENDENT DIRECTORS' DECLARATION

All independent Directors of the Company have given declaration under Section 149 (7) of the Act, that he / she meets the criteria laid down in Section 149 (6) of the Act.

5. DISCLOSURE REQUIRED UNDER SECTION 134(3)(E)

The Board has adopted a Board Diversity Policy which sets the criterion for appointment as well as continuance of Directors, including independent Directors, at the time of re-appointment as Director in the Company. As per the policy, the Board will have an optimum combination of members with appropriate balance of skill, experience, background, gender and other qualities of Directors required for the effective functioning of the Board.

The Nomination and Remuneration Committee recommends remuneration of the Directors, subject to the overall limits set under the Act, as outlined in the Remuneration Policy recommended by the Committee and approved by the Board. As per the policy, the executive Directors are entitled for a fixed salary, other non-monetary benefits etc., and commission based on performance evaluation of the Director. In case of non-executive Directors, apart from receiving sitting fees, they may be given commission on the basis of criterion as per the policy.

The Remuneration policy is given in **Annexure II**.

6. REPORT OF AUDITORS

Your Company is already in the regime of unqualified financial statements. During the Financial Year under review also, there are no qualifications or adverse remarks or disclaimers made by the Statutory Auditor of the Company in their Audit Report and by the Company Secretary in practice in his Secretarial Audit Report, which are annexed herewith as **Annexure VIII**.

M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration no. 101118W) the Auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate as required under the Act has been received. The Audit and Finance Committee has recommended their re-appointment and the annual audit fees.

Mr. M. J. Risbud, Practicing Company Secretary (CP No. 185) has been appointed as Secretarial Auditor as per Section 204 of the Act, 2013 for the Financial Year 2015-16.

Parkhi Limaye & Co. (Firm Registration No. 191) have been appointed as Cost Accountant as per Section 148 of the Act, read with applicable rules made thereunder for the Financial Year 2015-16. Their remuneration is subject to approval by the shareholders.

7. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

The details of loans, guarantees or investments under Section 186 of the Act, are available under note no. A-11 and A-17 of notes to accounts, attached to the Standalone Financial Statements.

The full particulars are available in the Register maintained under Section 186 of the Act, which is available for inspection during business hours on all working days (except Saturday and Sunday).

8. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All contract/arrangement/transactions entered by the Company during the Financial Year 2014-15, with the related parties were in the ordinary course of business and on arm's length basis. During the year the Company has not entered into contract/arrangement/transactions with related parties which could be considered material in accordance with the Company's 'Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions'. The said policy is uploaded on the Company's website.

Further, we draw your attention to Note no C-17 of the Standalone Financial Statements of the Company for details.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Details of energy conservation, technology absorption, research and development and foreign exchange earnings as required under Section 134(3)(m) of the Act read with applicable rules are given in the **Annexure III** to this Report.

10. RISK MANAGEMENT

The Risk Management Committee meets at regular intervals and identifies the top risks and prioritises those risks. The progress and review status of those identified risks are presented to the Audit and Finance Committee every quarter.

11. CORPORATE SOCIAL RESPONSIBILITY REPORT

The Corporate Social Responsibility Report in the required format is given in **Annexure IV**.

12. BOARD EVALUATION

The Board has formulated a Board Evaluation Policy for evaluation of individual Directors as well as the entire Board and committees of the Board. The evaluation framework is divided into parameters based on the various performance criteria to be done annually. The evaluation for the year ended March 31, 2015 has been completed.

13. PERFORMANCE AND FINANCIAL POSITION OF SUBSIDIARIES AND JOINT VENTURES

Subsidiaries:

- i. Karad Projects and Motors Limited

The revenue under review is ₹2,455,915,024/- which is 21.4% more as compared to the previous year.

ii. Kirloskar Systech Limited

The revenue under review is ₹ 203,124,070/- which is 660.2% more as compared to the previous year.

iii. The Kolhapur Steel Limited

The revenue under review is ₹ 314,178,244/- which is 39.3% more as compared to the previous year.

iv. Kirloskar Corrocoat Private Limited

The revenue under review is ₹ 715,580,568/- which is 94.6% more as compared to the previous year.

v. Kirloskar Brothers International B.V. (consolidated)

The revenue under review is ₹ 9,747,974,297/- which is 10.5% more as compared to the previous year.

vi. Kirloskar Ebara Pumps Limited (Joint Venture)

The revenue under review is ₹ 1,70,184/- which is 105% more as compared to the previous year.

The financial position of the subsidiaries and joint venture companies is given in AOC-1, elsewhere in the Annual Report.

14. OTHER STATUTORY DISCLOSURES AS REQUIRED UNDER RULE 8(5) OF THE COMPANIES (ACCOUNTS) RULES, 2014

(i) Financial summary/highlights are already included elsewhere in the Report;

(ii) There has been no change in the nature of the business during the year under review;

(iii) Directors and Key Managerial Personnel:

- Mr. Rahul C. Kirloskar – Non Executive Director, resigned as Director of the Company with effect from April 22, 2014.
- Mr. U. V. Rao – Independent Director, demised on January 24, 2015.
- Mr. A. N. Alawani – Non Executive Director, resigned as a Director of the Company with effect from April 23, 2015.
- Mr. Kishor Chaukar – Additional Director appointed by the Board with effect from April 27, 2015, in the category of Independent Director. Board recommends his appointment as an Independent Director at the ensuing Annual General Meeting.
- Mr. Sanjay C. Kirloskar, Chairman and Managing Director, Mr. Umesh Shastry, Chief Financial Officer and Mr. Sandeep Phadnis, Company Secretary were appointed as Key Managerial Personnel pursuant to Section 203 of the Companies Act, 2013;

In view of the resignation of Mr. A. N. Alawani and in order to comply with the requirements of Section 152(6) of the Act read with Articles of Association of the Company, Mr. Sanjay C. Kirloskar – Chairman and Managing Director will be considered to be a Director whose period of office is liable to determination by rotation.

Mr. Alok Kirloskar, Non-Executive Director is liable to retire by rotation and being eligible offers himself for re-appointment.

- (iv) Companies which have become or ceased to be subsidiaries, joint ventures or associate companies during the year:

Kirloskar Brothers International (Pty) Ltd. – South Africa, was formed during the year as a step down subsidiary of the Company.

- (v) Details relating to Deposits :

The Company neither accepts nor renews matured deposits since January 2003 and there were no deposits accepted by the Company as covered under Chapter V of the Act read with Rules thereunder.

- (vi) No significant and material orders were passed by the Regulators or court or tribunals impacting the going concern status and company's operations in future.

- (vii) Details in respect of adequacy of internal financial controls with reference to the Financial Statement:

The Company has an Internal Audit Charter specifying mission, scope of work, independence, accountability, responsibility and authority of Internal Audit Department. The internal audit reports are initially presented to the Executive Committee consisting of the Chairman and Whole Time Director and significant observations and follow up actions thereon are reported to Audit and Finance Committee.

- (viii) Other disclosures required under Companies Act, 2013 as may be applicable:

- Composition of the Audit and Finance Committee has been disclosed under Corporate Governance Report;
- Establishment of vigil mechanism: The Company has already in place a 'Whistle Blower Policy' as a vigil mechanism since 2008. The details of the same are reported under Corporate Governance Report;
- Disclosure as required under Section 197(12) of the Act read with applicable rules and details as per Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in **Annexure V & Annexure VI**.

15. CASH FLOW

Cash flow statement for the year ended March 31, 2015 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 and Environment Management System (ISO 14001).

The Company's corporate office and four plants namely Sanand (Ahmedabad), Kaniyur (Coimbatore), Kirloskarvadi, Dewas are audited for SA8000.