



KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

96th ANNUAL REPORT 2015 - 2016

Enriching Lives



With a century-old expertise at the helm, Kirloskar has successfully transformed deep-rooted wisdom into critical engineering solutions that have enriched lives worldwide.

Our indigenous products symbolise our engineering excellence and capabilities. Understanding of rural markets and a strong presence at grassroots level enable us explore new territories. Our 'under one roof' manufacturing gives us a competitive edge and the pride of 'Making in India' urges us to raise the bar for global engineering.

We are Kirloskar and we are poised for growth like never before!



Your company is poised for growth with:

- ▶ The iPad and Tablet controlled Hydro-Pneumatic (HYPN) system, a first of its kind in India.
- ▶ Growth of 300% registered for the HYPN system business.
- ▶ Empanelment with the Ministry of New and Renewable Energy (MNRE) to work under National Bank for Agriculture and Rural Development's (NABARD) solar pump subsidy scheme in 29 states of India.
- ▶ The vehicle-mounted Auto Prime diesel engine driven pumpsets deployed at customer location proving their worth. The Auto Prime system supplied to Ahmedabad Municipal Corporation provides round-the-clock service to dewater the waterlogged area.



Board of Directors	Sanjay C. Kirloskar S. N. Inamdar P. S. Jawadekar Lalita D. Gupte Pratap B. Shirke Alok S. Kirloskar Kishor A. Chaukar	Chairman and Managing Director
Chief Financial Officer	C. M. Mate	
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 ICICI Bank Limited	
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) 67211136 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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Venue : "Yamuna", Survey No.98 (3-7) Baner, Pune – 411 045	Report on Corporate Governance	47
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DECADE AT A GLANCE

(₹ in Million)

Particulars	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Sales	13,400	15,251	18,309	20,178	19,469	17,819	18,724	17,598	16,257	16,562
Other Income	2,408	430	359	479	129	463	70	53	113	241
Material Cost	9,290	11,126	13,927	14,987	13,431	12,661	13,204	11,696	10,471	10,701
Other Expenses	2,563	2,704	3,249	3,339	4,386	4,441	4,108	4,502	4,934	5,277
Interest	84	169	303	336	453	537	443	409	413	372
Depreciation	121	182	207	265	300	303	320	346	497	389
Profit before tax	3,750	1,500	982	1,730	1,028	340	719	698	55	64
Income tax provision	385	399	312	555	414	28	285	221	(30)	(54)
Net Profit after tax	3,365	1,101	670	1,175	614	312	434	477	85	118
Share Capital	212	212	212	159	159	159	159	159	159	159
Reserves	5,808	6,409	6,879	6,975	7,275	7,377	7,627	7,842	7,804	7,883
Net Worth	6,020	6,621	7,091	7,134	7,434	7,536	7,786	8,001	7,963	8,042
Imports	987	1,152	2,084	5,073	2,026	729	473	671	524	403
Exports	2,266	1,483	2,291	1,694	1,827	1,153	1,544	1,184	1,279	1,245
Basic Earnings per Share (₹) (Face Value of ₹ 2/-)	31.82	10.41	6.34	14.81	7.73	3.93	5.47	6.01	1.07	1.49
Basic Earnings per Share (₹) (Face Value of ₹ 2/-) (Excluding Extraordinary Income Expense)	14.76	10.41	6.34	14.81	7.73	3.93	5.47	6.01	1.07	1.49
Dividend %	200%	200%	100%	275%	175%	100%	100%	125%	25%	*25%
Book Value per Share (₹)	**56.92	**62.60	**67.05	**89.92	**93.70	**94.98	**98.11	**100.82	**100.82	100.31
Debt Equity Ratio	0.08	0.09	0.03	0.06	0.12	0.06	0.01	0.01	0.00	0.00

Notes :

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

* Interim Dividend @ 25% proposed as Final Dividend.

** 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 96th Annual Report and the Audited Financial Statements of the Company for the year ended March 31, 2016 together with the reports of the Auditors and Board thereon.

FINANCIAL RESULTS

The financial results of the Company for the year 2015-16 as compared with the previous year are as under:

	Year ended March 31, 2016 (₹)	Year ended March 31, 2015 (₹)
Revenue from Operations	16,562,374,973	16,257,051,488
Other income	241,098,609	112,714,764
Total	16,803,473,582	16,369,766,252
Profit before tax	64,154,146	55,289,084
Tax Expense	(53,916,131)	(29,579,796)
Profit for the period	118,070,277	84,868,880
Surplus in Profit & Loss Account brought forward from previous year	1,605,953,335	1,647,771,258
Depreciation and amortization expense	389,427,899	496,764,630
Interim Dividend for the year 2015-16	39,704,463	-
Available surplus	1,724,023,612	1,691,885,621

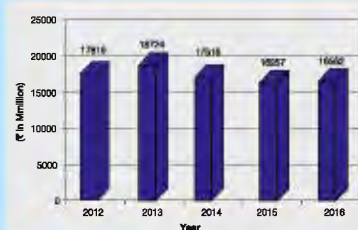
DIVIDEND

The Board of Directors declared and paid an Interim Dividend of 25% (₹ 0.50 paise per equity share) on March 29, 2016 which is proposed to be considered as final for the year 2015-16.

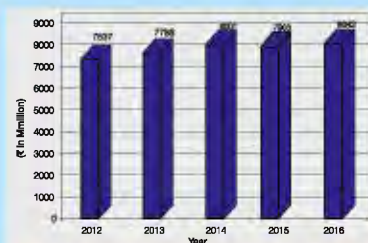
APPROPRIATIONS

Dividend of ₹ Nil (₹ 0.50) @ - % (25%) on 79,408,926 (79,388,176) equity shares of ₹ 2/- each	-	39,694,088
Dividend distribution tax	-	1,238,198
Corporate Social Responsibility	-	45,000,000
Balance carried to Balance Sheet	1,724,023,612	1,605,953,335
TOTAL	1,724,023,612	1,691,885,621

Net Sales



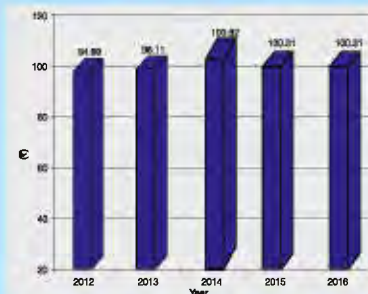
Net Worth



Import & Export



Book Value per Share



OPERATIONS OF THE COMPANY

The revenue from the operations for the year under review is ₹ 1656 crores, which is more than 1.88% 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, non-receipt of dispatch clearances from the customers and sluggish market and economic growth and subdued demand for fire fighting and HYPN systems in the overall globe.

The performance of the Company was lower than planned due to shortfall in power sector and also a lower rise in sales for small pumps in product sector.

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 reason for major drop in sales of project sectors was unavailability of funds from customers, delay in engineering and civil work by a few clients and non receipt of dues from a few customers.

Our all women plant in Kaniyur won the Merit Award by the Confederation of Indian Industry (CII) under the 5S excellence category.

The Company scripted yet another success story in the global power market, having bagged another repeat order from Calik Enerji of Turkey, for supply of pumps for its 230 MW CCPP project in Georgia. The Company has successfully supplied 194 concrete volute pumps upto March 31, 2016. The Company has also successfully commissioned Godavari Metropolitan Water Supply and Sewage Board project valuing ₹ 50 crores in November, 2015.

The Company has announced the launch of GK-P Pump atACHEMA in Frankfurt, Germany. GK-P is a process pump used for handling various types of chemical liquids from various process industries. It is an End Suction centrifugal process pump having discharge capacity upto 500 m3/hr at 1450 rpm. The Company has also unveiled the technologically advanced ROMAK (RMK) Pump atACHEMA in June 2015 which is used for handling various types of clear / clean chemical liquids without any suspended particles by various process industries.

To its array of achievements for various innovative and indigenously developed products, the Company has received national-level recognition for its Lowest Life Cycle (LLC) Pumps series. KBL's LLC Pumps series has been granted the prestigious "India Design Mark" by the India Design Council which symbolizes product excellence in form, function, quality, safety, sustainability and innovation and communicates that the product is usable, durable, aesthetically appealing while being socially responsible.

Kirloskarvadi Plant has won 'Excellent Energy Efficient Unit' Award in the national competition for Excellence in Energy Management and Dewas & allied Plants received Safety award in regional level "Manufacturing Today" competition.

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, 5 (five) Board meetings were held, the details are appearing elsewhere in this Annual 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 operating effectively;
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are 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 has 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 Director(s) is/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

During the Financial Year under review there are no qualifications or adverse remarks or disclaimers made by the Statutory Auditors on the financial statements of the Company and by the Company Secretary in practice in his Secretarial Audit Report, which is 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 (AGM) 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 Companies Act, 2013 for the Financial Year 2016-17.

Parkhi Limaye & Co. (Firm Registration No. 000191) have been appointed as Cost Accountant as per Section 148 of the Act, read with applicable rules made thereunder for the Financial Year 2016-17. Their remuneration is subject to approval by the Members.

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 2015-16 with the related parties were in the ordinary course of business and on arm's length basis. Hence, no particulars are being provided in Form AOC-2. 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 website of the Company.

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

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 **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.

11. CORPORATE SOCIAL RESPONSIBILITY REPORT

The Company has developed a Corporate Social Responsibility Policy as per the requirement of the Act and the same is available on the website of the Company.

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 individual Committees thereof. 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, 2016 has been completed.

In compliance with the requirements under Regulation 25(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a meeting of Independent Directors was held on March 14, 2016 primarily to discuss the matters mentioned under Schedule IV of the Companies Act, 2013. All the Independent Directors of the Company attended the same.

13. PERFORMANCE AND FINANCIAL POSITION OF SUBSIDIARIES AND JOINT VENTURES

Subsidiaries:

i. Karad Projects and Motors Limited

The revenue under review is ₹ 2,634,407,105/- which is 7% more as compared to the previous year.

ii. Kirloskar Systech Limited (KSL)

The revenue under review is ₹ 219,169,880/- which is 8% more as compared to the previous year.

iii. The Kolhapur Steel Limited

The revenue under review is ₹ 393,971,829/- which is 25% more as compared to the previous year.

iv. Kirloskar Corrocoat Private Limited

The revenue under review is ₹ 455,988,050/- which is 36% less as compared to the previous year.

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

The revenue under review is ₹ 8,725,365,002/- which is 10% less as compared to the previous year.

vi. Kirloskar Ebara Pumps Limited (Joint Venture)

The revenue under review is ₹ 1,590,581,939/- which is 7% less 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) Change in the nature of the business during the year under review;

During the year under review, the process of amalgamation of the Kirloskar Systech Limited (KSL) wholly owned subsidiary, with the Company was initiated and in order to enable the Company to carry on the existing business of KSL i.e. System Engineering and Information Technology Solutions, the Company has amended its Memorandum of Association by insertion of a new Objects Clause 43 (A) after existing Clause No. 43.

The Members of the Company have accorded their approval vide Postal Ballot, the results of which were declared on February 24, 2016.

(iii) Directors and Key Managerial Personnel:

- Mr. Vikram S. Kirloskar resigned as a Non-Executive Director of the Company with effect from May 26, 2015.
- Mr. J. R. Sapre ceased to be a Whole Time Director of the Company with effect from May 31, 2015. Consequently, he also resigned as a Director of the Company from the same date.
- Mr. Umesh R. Shastry resigned from the post of Chief Financial Officer (CFO) with effect from June 01, 2015 and Mr. C. M. Mate was appointed as CFO of the Company with effect from July 27, 2015.
- Mr. Kishor A. Chaukar was appointed as an Independent Director by the Members in the previous Annual General Meeting
- Subject to Member's approval the Board has re-appointed Mr. Sanjay C. Kirloskar as a Managing Director of the Company at its Board Meeting held on October 28, 2015; the Members are requested to confirm his re-appointment with effect from November 19, 2015 for a period of 5 (five) years, at the ensuing AGM of the Company.

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 Pompen B.V., Netherlands, (KPBV) Company's step down subsidiary company in Netherlands, has acquired a Dutch pump manufacturer "Rodelta Pumps International B.V., Netherlands" (Rodelta) on July 17, 2015, who is into API and non API pumps for Oil and Gas, Pulp and papers, fluid, marine and chemical applications etc. KPBV also incorporated "Rotaserve Overhaul B.V." as it's wholly owned subsidiary as on January 04, 2016, who is into overhauling and will handle sales of spares and service activities of KPBV.

SPP Pumps LP USA has now become SPP Pumps Inc. during the year.

SPP Pumps Holding LLC and SPP Pumps Management LLC, USA, who were the wholly owned subsidiaries of SPP Pumps Limited UK, have ceased to operate during the year.

SPP Pumps France EURL who was subsidiary of SPP Pumps Limited has ceased to operate during the year.

(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 made 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.