



KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

97th ANNUAL REPORT 2016-2017

Enriching Lives



PARTNERING THE WORLD

Fluid Management for a Better Tomorrow

Partnership is the building block of a long term relationship. KBL being one of the earliest engineering companies in India, enjoys many such successful partnerships with its customers across the globe on a platform of mutual benefit and trust.

KBL has always created a win-win situation by offering value engineered products and services and executing complex projects worldwide. With decades of design and experiential technical expertise, KBL is committed to continuous innovation, providing world class product quality and customer service anytime, anywhere. Our philosophy of triple **AAA**, i.e. Adaptable, Affordable and Appropriate solutions, is the essential basis of our partnership that extends across various continents, organisations and customers.

Through our subsidiaries, joint ventures, manufacturing facilities and partners, KBL has a worldwide presence spread across almost all the continents with installations in 80+ countries. Be it executing large irrigation projects, providing critical solutions for nuclear reactors and off-shore oil exploration rigs, safeguarding iconic global buildings or providing complete range of fluid and process management solutions to industries across the globe, our partnership extends in every form of our business relationship.



Your company is partnering the world by:

- ▶ Executing large irrigation projects in Africa and CLMV (Cambodia, Laos, Myanmar & Vietnam) countries, thereby helping bring prosperity in these regions
- ▶ Providing solutions through value added products like Lowest Life-Cycle Cost pumps, thereby saving energy and maintenance cost for the customers
- ▶ Carrying out design, supply, erection and commissioning of cooling piping system for world's third largest Hypersonic Wind Tunnel facility commissioned by ISRO, and thereby being associated with the success of India's space programme
- ▶ Creating regional manufacturing base in the ASEAN region and expanding presence across the Asian Economic Community
- ▶ Supplying largest pump by impeller diameter (UPH) to Viransehir Pumping Station, Turkey and largest Impeller Pull-out VT pump with largest pump bowl to Electricity Generating Authority of Thailand



Board of Directors	Sanjay C. Kirloskar Shrikrishna N. Inamdar Padmakar S. Jawadekar Lalita D. Gupte Pratap B. Shirke Alok S. Kirloskar Kishor A. Chaukar	Chairman and Managing Director
Chief Financial Officer	Chittaranjan 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 E-mail: 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 E-mail: 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 : Thursday, July 27, 2017	Boards' Report	3
Time : 11.00 a. m.	Management Discussion and Analysis	34
Venue : "Yamuna", Survey No.98 (3-7) Baner, Pune – 411 045	Report on Corporate Governance	44
Record Date : Friday, July 14, 2017 for Dividend	Auditors' Report	61
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DECADE AT A GLANCE

(Amounts in Million ₹)

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Sales	15,251	18,309	20,178	19,469	17,819	18,724	17,598	16,257	17,212	18,230
Other Income	430	359	479	129	463	70	53	113	208	182
Material Cost	11,126	13,927	14,987	13,431	12,661	13,204	11,696	10,471	9,898	9,992
Other Expenses	2,704	3,249	3,339	4,386	4,441	4,108	4,502	4,933	6,658	7,175
Interest	169	303	336	453	537	443	409	413	382	315
Depreciation	182	207	265	300	303	320	346	497	408	397
Profit before tax	1,500	981	1,730	1,028	340	719	697	56	74	533
Income tax provision	399	312	555	414	28	285	221	(30)	(33)	203
Net Profit after tax	1,101	666	1,175	615	312	434	476	86	107	330
Share Capital	212	212	159	159	159	159	159	159	159	159
Reserves	6,409	6,879	6,975	7,275	7,377	7,627	7,842	7,804	7,903	8,221
Net Worth	6,621	7,091	7,134	7,434	7,536	7,786	8,001	7,963	8,062	8,380
Imports	1,152	2,084	5,073	2,026	729	473	671	524	403	382
Exports	1,483	2,291	1,694	1,827	1,153	1,544	1,184	1,279	1,245	1,651
Basic Earnings per Share ₹ (Face Value of ₹ 2/-)	10.41	6.34	14.81	7.73	3.93	5.47	6.00	1.07	1.36	4.16
Basic Earnings per Share ₹ (Face Value of ₹ 2/-) (Excluding Extraordinary Income Expense)	10.41	6.34	14.81	7.73	3.93	5.47	6.01	1.07	1.36	4.16
Dividend %	200%	100%	275%	175%	100%	100%	125%	25%	25%	*50%
Book Value per Share ₹	62.60	67.05	89.92	93.70	94.98	98.11	100.82	100.30	101.53	105.53
Debt Equity Ratio	0.09	0.03	0.06	0.12	0.06	0.01	0.01	0.00	0.00	0.00

Notes :

Figures of Financial Year 2016-17 and 2015-16 are as per revised accounting standards (IND AS) and for earlier Financial Years figures are as per old accounting standards (IGAAP)

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

* Dividend recommended @ 50%.



BOARD'S REPORT TO THE MEMBERS

Your Directors present the 97th Annual Report and the Audited financial statements of the Company for the year ended March 31, 2017 together with the reports of the Auditors and Board thereon.

FINANCIAL RESULTS

The financial results of the Company for the year 2016-17 as compared with the previous Financial Year are as under:

	Year ended March 31, 2017 (Amounts in Million ₹)	Year ended March 31, 2016 (Amounts in Million ₹)
Revenue from Operations	18,230.39	17,212.23
Other income	182.38	207.86
Total	18,412.77	17,420.10
Profit before tax	532.89	74.44
Tax Expense	202.92	(33.34)
Profit for the period	329.97	107.77
Other Comprehensive Income	(11.45)	14.72
Surplus in Profit & Loss Account brought forward from previous year	1,696.61	1,663.88
Interim Dividend for the year 2015-16	-	89.76
Available surplus	2015.13	1,696.61

DIVIDEND

The Board of Directors have recommended a Dividend of 50%, i.e. ₹ 1/- per equity share for the year 2016-17.

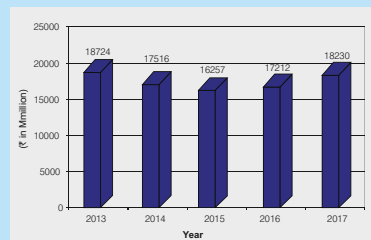
OPERATIONS OF THE COMPANY

The revenue from operations for the year under review is ₹ 1823.04 crores, which is more than 6% compared to the previous year.

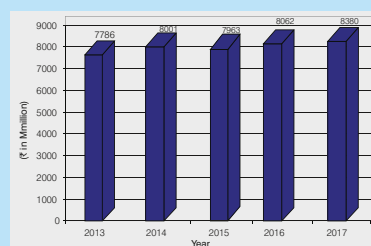
Your Company continues to be the only Indian company manufacturing metallic volute pumps in the country. We have become the world's largest concrete volute pump manufacturer. Our focused efforts on HYPN systems [Pressure Boosting (Hydro Pneumatic) System], has crossed a landmark of 200 systems for the year under review.

Small Pump Business has registered an approximate growth of about 13% over the last year. The sales for the small pump business were affected in the month of November 2016 due to demonetisation but registered an increase in the month of December 2016.

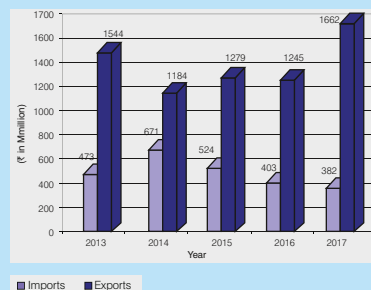
Net Sales



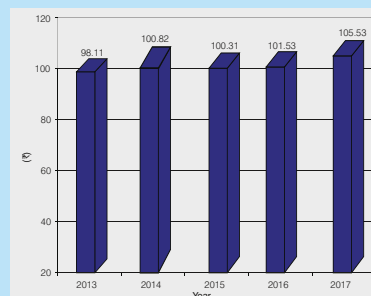
Net Worth



Import & Export



Book Value per Share



Valves sector despatched 2000 mm size Multi Door Non Returnable Valve (MDNRV), one of the largest valve installed in India. BHIMA LIS Telangana project was successfully commissioned.

During the year, Company has received a 'Completion of Facilities Certificate' for DVC, Koderma Project. A final 'Completion Certificate' for Jaypee Bina 2 x 250 MW Thermal Power Project (M.P.) was also received. The preliminary handing over of 'El Tagen' pumping stations in Egypt, was completed this year.

Main focus of the Power sector during the year was on International projects along with the development of business in the subcontinent.

Kirloskarvadi factory has designed, developed and supplied Vertical Turbine Pumps (BHR34C(S)). These pumps comply with UL (Underwriters Laboratories) standards. It has also developed a trolley mounted Autoprime Pumpset (APM200/24), with 19HP engine. During the year, it has manufactured largest split case pump and also developed Closed Coupled Magnetic Drive pump Type RMKC. This series of pumps are useful in handling aggressive chemicals. In addition, Kondhapuri and Kirloskarvadi plants received Bronze and Silver awards respectively, at GreenCo Summit: 2016 held by CII at Hyderabad.

Dewas plant implemented Green Projects (Bio-gas plant, Solar LED street lighting, LED shopfloor lighting, Solar water heating system etc.) to reduce carbon foot-print and cost. Five new improved series of pumps were launched at Sanand Plant.

During the year, Sanand and Kaniyur plants received ISO 50001 certification for energy management.

Aggressive marketing activities were conducted across the country by organising plumber meets, mechanics meets, campaigning by wall painting and reach activity, with special focus on Maharashtra. In addition, an intensive marketing campaign has been launched, which includes radio and outdoor media, covering public transport shelter. A mobile and Web application, 'Storm II' was launched for Small Pump Business.

Kondhapuri plant was awarded a 'Certificate of Excellence', under small & medium enterprise sector at the 11th state level awards for excellence in Energy Conservation and Management Competition organized by Maharashtra Energy Development Agency, Government of Maharashtra. It has also received SA 8000 Certificate from Social Accountability Accreditation Services (SAAS).

The World Environment day was celebrated at corporate office, 'Yamuna', Pune and at all manufacturing units on June 5, 2016. International Yoga Day was celebrated at Kirloskarvadi on June 21, 2016, over 500 employees participated in this event. Also, 200 trees were planted at Kirloskarvadi and 350 saplings were handed over to the students at Kirloskarvadi School in support to Government of Maharashtra's plantation drive.

There were no material changes or commitments to report which affect the financial position of the Company that has occurred between the end of the 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 in the Corporate Governance report.



3. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (a) in preparation of the annual accounts, the applicable accounting standards have been followed;
- (b) the directors have selected such accounting policies and applied them consistently and made judgements 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 have prepared the annual accounts on a going concern basis; and
- (e) the directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively;
- (f) the directors have 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 to the Directors, subject to the overall limits set under the Act, as outlined in the Remuneration Policy approved by the Board. As per the policy, the Executive Director is entitled for a fixed salary, other non-monetary benefits etc., and commission based on performance evaluation. In case of Non-Executive Directors, apart from receiving sitting fees, they are entitled for 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 Secretarial Auditor in his Secretarial Audit Report, which is annexed herewith as **Annexure VII**.

Pursuant to provisions of Section 139 of the Act read with applicable rules framed thereunder, M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration no. 101118W) the present Auditors would complete their term as Statutory Auditors of the Company at the ensuing Annual General Meeting (AGM). The Board would like to place on record its appreciation for the long association of M/s P. G. Bhagwat with the Company and their continued support.

M/s Sharp & Tannan Associates, Chartered Accountants (Firm Registration No. 109983W) have been recommended by the Board of Directors to be appointed as Statutory Auditors of the Company for a period of 5 (Five) years from the conclusion of 97th Annual General Meeting till the conclusion of 102nd Annual General Meeting. The proposed Statutory Auditors have confirmed their eligibility and necessary certificates as required under the Act have been received from them.

Mr. M. J. Risbud, Practicing Company Secretary (CP No. 185) who was appointed as a Secretarial Auditor as per Section 204 of the Companies Act, 2013 for the Financial Year 2016-17, tendered his resignation during the year.

Mr. Shyamprasad Limaye, Practicing Company Secretary (CP No. 572), has been appointed as a Secretarial Auditor of the Company as per Section 204 of the Companies Act, 2013 for the Financial Year 2016-17. Mr. Shyamprasad Limaye has been re-appointed as Secretarial Auditor for the Financial Year 2017-18.

M/s 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 2017-18. Their remuneration is subject to ratification 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. 31 (D) and 32 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 contracts/arrangements /transactions entered by the Company during the Financial Year 2016-17 with the related parties were in the ordinary course of business and at 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-31 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 identifies and prioritises the risks for the Company. The progress and review status of those identified risks are presented to the Audit and Finance Committee and Board. In the opinion of the Board there are no risks identified, that may threaten the existence of the Company.

11. CORPORATE SOCIAL RESPONSIBILITY REPORT

The Company has formulated a Corporate Social Responsibility Policy as per the requirements 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. The evaluation for the year ended March 31, 2017 has been completed.

In compliance with the requirements under Regulation 25(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations, 2015) a meeting of Independent Directors was held on October 26, 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:

During the year, Hon'ble High Court of Judicature at Bombay, vide its order dated September 29, 2016 approved the Scheme of Amalgamation of Kirloskar Systech Limited with Kirloskar Brothers Limited.

I. Karad Projects and Motors Limited

The revenue for the year under review is ₹ 3373.97 Mln which is 14% more as compared to the previous year.

ii. The Kolhapur Steel Limited

The revenue for the year under review is ₹ 363.19 Mln which is 19% less as compared to the previous year.

iii. Kirloskar Corrocoat Private Limited

The revenue for the year under review is ₹ 300.85 Mln which is 38% less as compared to the previous year.

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

The revenue for the year under review is ₹ 7858.59 Mln which is 10% less as compared to the previous year.

v. Kirloskar Ebara Pumps Limited (Joint Venture)

The revenue for the year under review is ₹ 1768.16 which is 8% 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 included elsewhere in this report;

(ii) **Change in the nature of the business during the year under review:**

During the year Kirloskar Systech Limited (KSL), a wholly owned subsidiary of the Company merged with the Company pursuant to the Scheme of Amalgamation which was approved by the Hon'ble High Court of Judicature of Bombay on September 29, 2016. All the activities carried on by erstwhile KSL are now undertaken by the Company.

(iii) **Directors and Key Managerial Personnel:**

At the 96th AGM of the Company, Members confirmed re-appointment of Mr. Sanjay C. Kirloskar as Managing Director with effect from November 19, 2015 for a period of 5 (Five) years. In terms of the provisions of Section 152(6) of the Act, read with the Articles of Association of the Company, the Managing Director of the Company shall be considered for retirement by rotation in case the number of directors liable to retire by rotation is less than $\frac{2}{3}$ rd of total directors liable to retire by rotation.

Mr. Sanjay C. Kirloskar, Chairman and Managing Director, being longest in the office, is liable to retire by rotation and being eligible offers himself for re-appointment as a Director at the ensuing Annual General Meeting.

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

The Company in association with Synerge Overseas Pte. Limited incorporated KBL Synerge LLP with effect from September 1, 2016. KBL Synerge LLP is in the business of manufacture, supply and installation of solar power plants and distribution and transitions of electricity generated from solar power plants, dealing in solar pumps and pumping systems, LED lighting and ESCO projects.

During the year, SPP Pumps (Asia) Limited, SPP Pumps (Singapore) Pte. Limited and Kirloskar Brothers International Zambia Limited have been incorporated as step down subsidiaries of the Company with the objective to engage in pumps business.

(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.**

(vii) **Details in respect of adequacy of internal financial controls with reference to the financial statements:**

The Company has adequate internal financial control systems in place. The control systems are regularly reviewed by the external auditors and their reports are presented to the Audit and Finance Committee.

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 reported to Audit and Finance Committee along with management response.

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

- Composition of the Audit and Finance Committee has been disclosed in 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 in Corporate Governance Report;
- Disclosures as required under Section 197(12) of the Act read with applicable rules and details as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in **Annexure V & Annexure VI**.