



Enriching Lives

**KIRLOSKAR PNEUMATIC CO. LTD.**

37<sup>th</sup> ANNUAL REPORT 2011 - 2012

*Invisible yet Omnipresent*



**A**t 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.



- Kirloskar Compressors work round-the-clock for preservation & processing of foods and beverages, not just in India but also in the Middle East, SE Asia, Indo-China, Australia, Europe and Africa.
- Kirloskar Compressors play a vital role in Gas Compression by promoting natural alternatives for oil & gases, thereby creating a cleaner and greener world.
- KPCL specialises in delivering energy efficient and reliable Compressed Air Solutions across various industrial sectors viz. steel, power, pharma, nuclear, automobiles, construction and engineering. It also provides special tailor-made equipments for various applications.
- Indian Railway Locomotives plying passenger and goods trains across the length & breadth of nation using Kirloskar Traction Gears & Pinions.



<b>BOARD OF DIRECTORS</b>	Mr. Rahul C. Kirloskar Mr. Atul C. Kirloskar Mr. Sanjay C. Kirloskar Mr. Vikram S. Kirloskar Mr. A. C. Mukherji Mr. J. Y. Tekawade Mr. P. S. Jawadekar Mr. G. Krishna Rao Mr. D. R. Swar Mr. Sunil Shah Singh Mr. Aditya Kowshik	Executive Chairman (w.e.f. January 23,2012) (Appointed w.e.f. January 23,2012)
<b>COMPANY SECRETARY</b>	Mr. Jitendra R. Shah	Managing Director
<b>STATUTORY AUDITORS</b>	M/s. P. G. Bhagwat Chartered Accountants, Pune	
<b>BANKERS</b>	Bank of India Bank of Maharashtra ICICI Bank Ltd.	Union Bank of India HDFC Bank Ltd.
<b>REGISTRAR &amp; TRANSFER AGENTS</b>	<b>LINK INTIME (INDIA) PVT. LTD.</b> <b>Pune Office :</b> Akshay Complex, No. 202, 2nd Floor, Near Ganesh Temple, Off Dhole Patil Road, Pune 411 001	<b>Mumbai Office :</b> C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai 400 078
<b>REGISTERED OFFICE</b>	<b>Hadapsar Industrial Estate,</b> Pune 411 013	
<b>LOCATION OF PLANTS</b>	<b>Pune and Saswad</b>	

**Information for shareholders**

**Annual General Meeting**

Day & Date	:	Tuesday, July 17, 2012
Time	:	02.30 p.m.
Venue	:	Pudumjee Hall Maharatta Chamber of Commerce, Industries And Agriculture, Tilak Road, Pune 411 002
Date of Book Closure	:	10th July, 2012 to 17th July, 2012 (both days inclusive)

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## NOTICE OF 37th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 37th Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Tuesday the 17th day of July, 2012 at 2:30 p.m. at Pudumjee Hall, Maharashtra Chamber of Commerce, Industries & Agriculture, Tilak Road, Pune - 411 002 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2012 and the Profit and Loss Account for the year ended 31st March, 2012 and the Auditors' and Directors' Report thereon.
2. To declare dividend on equity shares for the financial year ended on 31st March, 2012.
3. To appoint a Director in place of Mr. Sanjay C. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. G. Krishna Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. D. R. Swar, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Statutory Auditors to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**.

"RESOLVED that Mr. Atul C. Kirloskar who was appointed as an Additional Director of the Company by the Board of Directors with effect from January 23, 2012 in the terms of Section 260 of the Companies Act, 1956 and Article 88 of the Articles of Association of the Company and in respect of whom the Company having received notice in writing under Section 257 of the Act from a member proposing his candidature, be and is hereby appointed as Director of the Company and the period of his office shall be liable to determination by retirement of directors by rotation."

8. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**.

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII to the Companies Act, 1956 and subject to such other approvals as may be necessary, consent of the Members be and is hereby accorded to the appointment of Mr. Rahul C. Kirloskar, Chairman as the Whole-Time Director to be designated as the Executive Chairman of the Company for a period of five years with effect from January 23, 2012 on the terms and conditions and remuneration as set out in the explanatory statement and contained in the agreement entered into between the Company and Mr. Rahul C. Kirloskar with liberty to the Board of Directors to alter and vary the said terms of appointment and remuneration but so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Rahul C. Kirloskar."

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
2. The Proxy Form duly executed and stamped should reach the Company's Registered Office 48 hours before the time of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 10th day of July, 2012 to Tuesday, the 17th day of July, 2012 (both days inclusive).
4. The dividend as recommended by the Board, if declared at the meeting, will be paid after July 17, 2012 to those

members whose names appear on the Company's Register of Members on July 10, 2012. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

5. In order to get their dividend through Electronic Clearing Service (ECS) members who are holding shares in physical form are requested to inform their Bank Account Details i.e Name of the Bank, Branch, its address, Account Number and Type of Account to Link Intime India Pvt Ltd. (LI IPL) or to the Company. Shareholders holding shares in Electronic Form are requested to inform their Bank Account details to their respective Depository Participants. Those shareholders who do not opt for ECS facility may inform their details to the LI IPL for printing the same on the Dividend Warrants to ensure safety.
6. Under the provisions of the Income Tax Act, 1961, dividend amount is tax free in the hands of shareholders.
7. Members are hereby informed that unclaimed dividend upto the financial year 2004-05 have already been deposited by the Company to the Investor Education and Protection Fund (IEPF) constituted by the Central Government under section 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim shall lie for the unclaimed dividend from IEPF by the shareholders.
8. Members are requested to sign at the place provided on the attendance slip and handover the same at the entrance of the Meeting.
9. Queries on Accounts of the Company, if any, may please be sent to the Company Secretary at the Registered Office of the Company seven (7) days in advance of the Meeting so that the answers may be made available at the Meeting.
10. Relevant documents referred to in the accompanying notice are open for inspection by the Members at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the meeting
11. Members are requested to bring their personal copy of the Annual Report to the Meeting.
12. Re-appointment of Directors at the Annual General Meeting :

Mr. Sanjay C. Kirloskar, Mr. G. Krishna Rao and Mr D. R. Swar retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49(IV)(G)(i) of the Listing Agreement relating to the Code of Corporate Governance, the particulars of the aforesaid Directors are given below :

**Profile of Directors retiring by rotation :**

- A. Mr Sanjay C. Kirloskar graduate with Mechanical Engineering from Illinois Institute of Technology, Chicago, U.S.A. He gained valuable experience through practical training in a number of Kirloskar Group Companies. He held the positions of Vice President Operations and Executive Vice President of Kirloskar Brothers Limited. Mr Sanjay C. Kirloskar is presently the Chairman and Managing Director of Kirloskar Brothers Limited.

The Directorship in other companies is as follows:

<b>Name of the Company</b>	<b>Board position held</b>
Kirloskar Brothers Ltd.	Chairman and Managing Director
Kirloskar Construction and Engineers Ltd.	Director
Kirloskar Ferrous Industries Ltd.	Director
Kirloskar Ebara Pumps Ltd.	Chairman
Kirloskar Proprietary Ltd.	Director
Kulkarni Power Tools Ltd.	Director
Prakar Investment Pvt. Ltd.	Chairman
Asara Sales and Investments Pvt. Ltd.	Director

Mr. Sanjay C. Kirloskar does not hold any shares in the Company.

Mr Atul C. Kirloskar and Mr Rahul C. Kirloskar, Directors of the company, being the brothers, are related to each other.

- B. Mr. G. Krishna Rao is B.Com, ACA and I.C.I.I. He was in senior level position in General Insurance Corporation of India for several years. He has a vast experience in Finance and Insurance matters.

Mr. G. Krishna Rao does not hold any Directorship / Committee membership in other companies.

Mr. G. Krishna Rao does not hold any shares in the company.

Mr. G. Krishna Rao is not related to any other director on the Board of the Company as per Section 6 of the Companies Act, 1956.

- C. Mr. D. R. Swar is a graduate in Mechanical Engineering, started his career with Mahindra and Mahindra, Automotive Division for 16 years, then worked with Greaves Cotton Co. Ltd. for 5 years. In both these Companies, he pre-dominantly worked in Vendor Development / Purchase and Materials Management. He joined Kirloskar Oil Engines Limited (KOEL) in 1987 and worked for 20 years in various senior positions, out of which last seven years as Executive Director. He has experience in varied fields such as purchase, vendor developments, materials management, manufacturing and overall business operations. As a head in material division in KOEL he implemented cost reduction programmes vigorously. His efforts in productivity improvement, cost reduction, introductions of new concepts in manufacturing paid rich dividends to KOEL. Besides being a qualified Engineer, Mr. D. R. Swar holds Diploma in Purchase Management from American Society and Diploma in Material Management and Production Management, both from Jamanalal Bajaj Institute of Management. He also attended Senior Management Development Programme at IIM, Ahmedabad.

The Directorship/Committee membership in other companies is as follows:

Name of the Company	Board position held
G. G. Dandekar Machine Works Ltd.	Director
Swaraj Engines Ltd.	Director
Kirloskar Oil Engines Ltd.	Director
Kirloskar Integrated Technologies Ltd.	Director

Mr. D. R. Swar does not hold any shares in the Company.

Mr D. R. Swar is not related to any other director on the Board of the Company as per Section 6 of the Companies Act, 1956.

By Order of the Board of Directors

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : April 24, 2012



**Jitendra R Shah**  
Company Secretary

## ANNEXURE TO THE NOTICE

**Explanatory statement as required under Section 173(2) of the Companies Act, 1956.**

### ITEM NO. 7 OF THE NOTICE

Mr. Atul C. Kirloskar joined the Board of the Company as a Non Executive Director on January 23, 2012 as per Section 260 of the Companies Act, 1956 read with Article 88 of the Articles of Association of the Company. Mr. Atul C. Kirloskar holds office only till the date of the forthcoming Annual General Meeting.

A Notice has been received from a member along with Deposit of Rs.500/- as required under section 257 of the Companies Act, 1956 proposing Mr. Atul C. Kirloskar candidature for the office of Director.

Mr. Atul C. Kirloskar did his graduation B.E., WIT, from USA.

Mr. Atul C. Kirloskar began his career with the erstwhile Kirloskar Cummins Limited in the year 1978, where he started out as a trainee. In December 1981, he was appointed as the Chief Executive of Cummins Diesel Sales and Services. On November 1, 1984, he was appointed as the Executive Vice President of Kirloskar Oil Engines Limited (KOEL). He was co-opted on the Board of KOEL on August 6, 1985 wherein he took over as the Managing Director. In 1988, he was also appointed as the Vice Chairman of KOEL and held the position till July 25, 1998 when he was elected as Chairman of the Board of KOEL. He is a member of the World Economic Forum. He has served as President of MCCIA from September 2002 to September 2004, and was Chairman of CII National Committee of Defence from 1998 to 2008.

The Directorship in other companies is as follows:

<b>Name of the Company</b>	<b>Board position held</b>
G. G. Dandekar Machine Works Ltd.	Chairman
Five Stars Bulkcarriers Ltd.	Director
GreenTek Systems (India) Ltd.	Director
Kirloskar Brothers Investments Ltd.	Chairman
Kirloskar Ferrous Industries Ltd.	Chairman
Kirloskar Industries Ltd.	Chairman
Kirloskar Oil Engines Ltd.	Chairman
Kirloskar Proprietary Ltd.	Director
Asara Sales and Investments Pvt. Ltd.	Chairman
Navsai Investments Pvt. Ltd.	Chairman
Toyota Kirloskar Motor Pvt. Ltd.	Director

Mr. Atul C. Kirloskar holds 1,14,330 shares in the Company.

Mr. Sanjay C. Kirloskar and Mr Rahul C. Kirloskar, Directors of the company, being the brothers, are related to each other.

### ITEM NO. 8 OF THE NOTICE

The Board of Directors of the Company, in its meeting held on January 23, 2012, appointed Mr. Rahul C. Kirloskar, Chairman as a Whole-Time Director designated as the "Executive Chairman" of the Company, for a period of 5 years from January 23, 2012. The said appointment as Whole Time Director as well as remuneration is subject to approval by the members of the Company in the ensuing Annual General Meeting.

Mr. Rahul C. Kirloskar is qualified as B. S. (Mechanical Engineering) USA. He has been with the Kirloskar Group of Companies for more than 25 years at senior levels in different capacities. He has actively participated in extensive course for top management professionals of major international Companies on Total Quality Management (TQM) in Japan, conducted by Japanese Union of Scientists and Engineers (JUSE). This course has exposed him to the latest methods of TQM prevailing in Japan. He is also on the Board of several Companies. He has also been Chairman of the CII Pune Zonal Council as well as CII Maharashtra Council.



The details of remuneration payable to Mr. Rahul C. Kirloskar are as under :

**SALARY:**

Rs.10,00,000/- (Rupees Ten Lakhs only) per month.

**PERQUISITES:**

In addition to the aforesaid salary, Mr. Rahul C. Kirloskar as Executive Chairman shall be entitled to the following perquisites:

- a. Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities and repairs shall be borne by the Company.
- b. Reimbursement of all medical expenses incurred for self and family.
- c. Leave travel assistance for self and family not exceeding Rs.2,00,000/- per annum.
- d. Fees of clubs, subject to a maximum of two clubs, which will include admission fee but will not include life membership fees.
- e. Personal accident insurance, premium whereof does not exceed Rs.25,000/- per annum.
- f. A car with driver.
- g. Telephone and fax facilities at residence.
- h. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- i. Gratuity at the rate of 30 days' salary for each completed year of service as per the Scheme of the Company, and
- j. Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed at the end of the tenure.
- k. Education Allowance for the education of his Children as per Company Rules.

"Family" for the above purpose means wife, dependent children and dependent parents of the Executive Chairman.

Perquisites shall be evaluated as per the provisions of the Income tax Rules.

**COMMISSION**

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Executive Chairman shall not exceed the limit laid down under Section 309 of the Companies Act, 1956.

**MINIMUM REMUNERATION**

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Whole-time Director, remuneration by way of salary, perquisites and other allowances shall be in accordance with the ceiling prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof.

Mr. Rahul C. Kirloskar will be a Director liable to retire by rotation and his re-appointment as such Director shall not be deemed to constitute a break in his appointment as Executive Chairman.

Mr. Rahul C. Kirloskar is interested to the extent of remuneration payable to him. Mr. Atul C. Kirloskar and Mr. Sanjay C. Kirloskar, Directors of the Company being the brothers are related to each other and hence may be deemed to be interested in his appointment.

No other Director of the Company is concerned or interested.

By Order of the Board of Directors

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : April 24, 2012



**Jitendra R Shah**  
Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting their Report along with the Audited Accounts for the year ended March 31, 2012.

### FINANCIAL RESULTS

The Financial results for the year ended March 31, 2012 are summarised below:

	2011-12	2010-11
Gross Profit	<b>1,005,288,670</b>	771,741,899
Less:		
Depreciation & Amortization Expenses	<b>120,572,158</b>	117,511,931
Provision for Taxation	<b>265,571,187</b>	215,102,416
Profit after tax	<b>619,145,325</b>	439,127,552
Surplus from previous year	<b>177,122,565</b>	167,131,142
Add / (Less)		
Transferred to General Reserve	<b>400,000,000</b>	250,000,000
Proposed Dividend	<b>154,132,056</b>	154,132,056
Tax on Proposed Dividend	<b>25,004,073</b>	25,004,073
Retained Earnings	<b>217,131,761</b>	177,122,565

### OPERATIONS

A net sale of Rs.6,666 Millions was achieved during the year as against Rs. 4,917 million in last year. This 36% increase in revenue growth over the previous year has also contributed to a Profit Before Tax growth of Rs. 231 Millions.

The revenue of Compression Segment grew by Rs. 1,428 Millions to Rs. 5,781 Millions and growth in all product segments and dominance in all are as continued.

As committed to you last year the revamp of Transmission Division Operations has resulted in a great increase from Rs. 565 Millions to Rs. 885 Millions and has become operationally profitable.

We successfully delivered our largest Centrifugal Compressor based Refrigeration System for the first Coal Gasification Plant in India.

Export grew from Rs. 129 Millions to Rs. 319 Millions over the previous year.

### ENERGY CONSERVATION

We have received National level award for Excellence in Energy Management from CII on December 1, 2011.

We have also received a State level award for Excellence in Energy Conservation and Management from Maharashtra Energy Development Agency on March 13, 2012 for the year 2008-09.

### DIVIDEND

The Board of Directors have recommended a dividend of Rs. 12/- (120%) per equity share for the year ended March 31, 2012 as against Rs. 12/- (120%) per equity share paid last year.

### FIXED DEPOSIT

As on March 31, 2012 there are no fixed deposits either outstanding or unclaimed.