



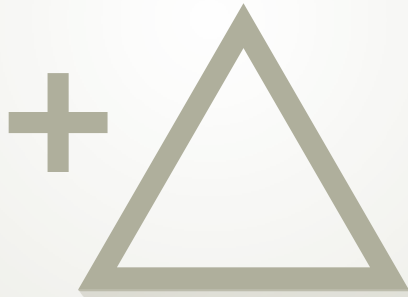
Enriching Lives

KIRLOSKAR PNEUMATIC CO. LTD.

38th Annual Report 2012-13

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:

- Developing the 1st indigenously designed 1 MW Planetary Gearbox for Windmills Renewable Energy
- Saving valuable foreign exchange by supplying indigenously designed hydrocarbon based Refrigeration and Gas Compression packages for the Oil & Gas Industry
- Pioneering the use of Ammonia as a refrigerant in India - Zero ODP and Zero GWP
- Focusing on CSR activities by way of inculcating Environmental awareness in children

To see how Kirloskar has enriched lives, watch Television Commercials at www.kirloskarsolutions.in



BOARD OF DIRECTORS	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 Managing Director
COMPANY SECRETARY	Mr. Jitendra R. Shah	
STATUTORY AUDITORS	M/s. P. G. Bhagwat Chartered Accountants, Pune	
BANKERS	Bank of India Bank of Maharashtra ICICI Bank Ltd.	Union Bank of India HDFC Bank Ltd.
REGISTRAR & TRANSFER AGENTS	LINK INTIME (INDIA) PVT. LTD. Pune Office : Akshay Complex, No. 202, 2 nd Floor, Near Ganesh Temple, Off. Dhole Patil Road, Pune 411 001	Mumbai Office : C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai 400 078
REGISTERED OFFICE	Hadapsar Industrial Estate, Pune 411 013	
LOCATION OF PLANTS	Pune, Saswad and Nashik	

Information for shareholders**Annual General Meeting**

Day & Date	:	Tuesday, July 23, 2013
Time	:	02.30 p.m.
Venue	:	Pudumjee Hall Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002
Date of Book	:	July 16, 2013 to
Closure	:	July 23, 2013 (both days inclusive)

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**NOTICE OF 38th ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 38th Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Tuesday the 23rd day of July, 2013 at 2.30 pm. at Pudamjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411002 to transact the following business :

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Balance Sheet as at 31st March, 2013 and the Profit and Loss Account for the year ended 31st March, 2013 and the Auditors' and Directors' Report thereon.
- 2 To declare dividend on equity shares for the financial year ended on 31st March, 2013.
- 3 To appoint a Director in place of Mr. J. Y. Tekawade, who retires by rotation and being eligible, offers himself for re-appointment.
- 4 To appoint a Director in place of Mr. P. S. Jawadekar, who retires by rotation and being eligible, offers himself for re-appointment.
- 5 To appoint a Director in place of Mr. Rahul C. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
- 6 To appoint a Director in place of Mr. Vikram S. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
- 7 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.

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 16th day of July, 2013 to Tuesday, the 23rd day of July, 2013 (both days inclusive).
- 4 The dividend as recommended by the Board, if declared at the meeting, will be paid after 23rd July, 2013 to those members whose names appear on the Company's Register of Members on 16th July, 2013. 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. (LIPL) 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 LIPL 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, if any upto the financial year 2005-06 have already been deposited by the Company to the Investor Education & 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 Members are requested to bring their personal copy of the Annual Report to the Meeting.
- 11 Re-appointment of Directors at the Annual General Meeting :
Mr. J. Y. Tekawade, Mr. P. S. Jawadekar, Mr. Rahul C. Kirloskar and Mr. Vikram S. Kirloskar are liable to 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. J. Y. Tekawade, Agriculturist, is having good and varied experience in Corporate Sector. He is a social worker from Shirampur. He was appointed as Member of Legislative Council, Maharashtra State for 12 years from 1985. Mr J. Y. Tekawade is also Founder member of The Shirampur Peoples Co-Op. Bank Ltd. He had won the Gold Medal from the government of India for producing highest sugarcane per acre.

The Directorship/Committee membership in other companies of Mr J. Y. Tekawade is as follows:

Name of the Company	Board position held	Committee Membership
Yashparva Agro Processing Private Ltd.	Director	-

Mr. J. Y. Tekawade holds 104 equity shares in the Company.

No director other than Mr. J. Y. Tekawade is concerned or interested in above item.

- B. Mr. P. S. Jawadekar is B.E. (Electrical) from Gujarat University and Fellow of Institute of Engineers (India). He retired as Executive Director of Kirloskar Electric Company Limited in the year 1998. He was President of Indian Electrical and Electronics Manufactures Association (IEEMA) in 1996-97. He has conducted Semester programmes on Total Quality Management, Strategic Management, and Industrial Marketing at various institutes in Bangalore. He has made presentations in the various seminars and journals on various management subjects. He has associated with CII Institute of Quality and as a Senior Assessor assessed number of companies for CII-EXIM Business Excellence Award.

The Directorship/Committee membership in other companies of Mr. P. S. Jawadekar is as follows :

Name of the Company	Board position held	Committee Membership *
Kirloskar Brothers Ltd.	Director	Audit & Finance Committee – Member
Kirloskar Constructions & Engineers Ltd.	Director	Audit & Finance Committee – Chairman
CMC Commutators Pvt. Ltd.	Director	-

*Only two committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

Mr. P. S. Jawadekar do not hold any shares in the Company.

No director other than Mr. P. S. Jawadekar is concerned or interested in above item.

- C Mr. Rahul C. Kirloskar, Executive Chairman is a top notch technocrat associated with Kirloskar Group of Companies for more than twenty three years at senior levels in different capacities. Participated in an intensive course of top management professionals of major international companies on Total Quality Management (TQM) in Japan, conducted by Japanese Union of Scientists and Engineers (JUSE), has given a lot of thrust for reducing overheads and is taking all possible steps to reduce the overhead cost and thereby further improve the profitability of the Company and make the products more competitive.

The Directorship in other companies is as follows :

Name of the Company	Board position held	Committee Membership*
GreenTek Systems (India) Ltd.	Director	-
Kirloskar Brothers Ltd.	Director	-
Kirloskar Oil Engines Ltd.	Director	Audit Committee-Member
Kirloskar Proprietary Ltd.	Director	-
Alpak Investments Pvt. Ltd.	Chairman	-
Asara Sales & Investments Pvt. Ltd.	Director	-
Pratibha Communications Pvt. Ltd.	Chairman	-

*Only two committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

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

Mr. Rahul C. Kirloskar holds 1,15,579 equity shares in the Company.



- D. Mr. Vikram S. Kirloskar, graduate from Massachusetts Institute of Technology, USA with a Bachelor of Science in Mechanical Engineering and has been trained in various Companies in India and abroad in different capacities. He is responsible for setting up successful joint venture companies like Kirloskar Toyoda Textile Machinery Pvt. Ltd., Toyota Kirloskar Motor Pvt. Ltd. and Toyota Kirloskar Auto Parts Pvt. Ltd.

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

Name of the Company	Board position held	Committee Membership*
Kirloskar Brothers Ltd.	Director	-
Kirloskar Proprietary Ltd.	Director	-
Kirloskar Systems Ltd.	Chairman & Managing Director	Audit Committee
Quadrant Communications Ltd.	Director	-
Asara Sales & Investments Pvt. Ltd.	Director	-
Denso Kirloskar Industries Pvt. Ltd.	Director	Audit Committee
Kirloskar Technologies Pvt. Ltd.	Director	-
Kirloskar Toyota Textile Machinery Pvt. Ltd.	Director	Audit Committee
Toyota Kirloskar Auto Parts Pvt. Ltd.	Vice Chairman	Audit Committee
Toyota Kirloskar Motor Pvt. Ltd.	Vice Chairman	Audit Committee
Takshashila Healthcare and Research Service Pvt. Ltd.	Director	-
Toyota Material Handling India Pvt. Ltd.	Director	-
VikramGeet Investments & Holdings Pvt. Ltd.	Director	-
Takshashila Hospitals Operating Pvt. Ltd.	Director	-
VSK Holding Pvt. Ltd.	Director	-

*Only two committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

Mr. Vikram S. Kirloskar does not hold any shares in the company.

No director other than Mr. Vikram S. Kirloskar is concerned or interested in above item. Mr. Vikram S. Kirloskar 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, 2013

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, 2013.

FINANCIAL RESULTS

The Financial results for the year ended March 31, 2013 are summarised below:

	(Figures in Rs.)	
	<u>2012-13</u>	<u>2011-12</u>
Gross Profit	822,662,567	1,005,288,670
Less:		
Depreciation	114,903,957	120,572,158
Provision for Taxation	236,782,304	265,571,187
Profit after tax	470,976,306	619,145,325
Surplus from previous year	217,131,761	177,122,565
Add / (Less)		
Transferred to General Reserve	300,000,000	400,000,000
Proposed Dividend	154,132,056	154,132,056
Tax on Proposed Dividend	26,194,743	25,004,073
Retained Earnings	207,781,268	217,131,761

OPERATIONS

Uncertainty in the Indian economy contributed to a drop in your Company's revenues in the year 2012-13. The market sentiment was affected due to rise in the foreign exchange rate, inflation and high interest rates. The rise in crude oil prices also contributed to this uncertainty in India.

The net revenue of your Company for the year ended review was 5,488 million against Rs.6,666 million of last year.

The revenue of the Compression Segment was Rs. 4,484 million as against Rs.5,781 million in 2011-12.

The Compression Segment was affected mainly due to very low investments in the Oil and Gas Sector.

Capital expenditure for expansion/up-gradation of refineries was also very low and this affected our business of Refrigeration and Gas Compression Systems.

The CNG segment did not grow as anticipated due to various infrastructural and gas availability issues.

Revenue of the Transmission segment was Rs. 1,005 million as against Rs. 885 million of the last year.

In spite of the manufacturing sector not growing in the last year, your Company has generally maintained its profitability in the year.

This was the result of the many cost reduction measures undertaken by your company. This included value engineering products, re-engineering of our processes, improving efficiencies and reducing throughput time.

Your Company launched a WoW (War on Waste) initiative last year and employees consciously contributed to eliminating/ reducing all kinds of waste.

ENERGY CONSERVATION

In spite of substantial rise in power tariff and Oil prices, we have been able to contain our costs due to various energy conservation projects that we undertook last year.

Our efforts in energy conservation were recognised by the Institute of Engineers Pune, Local Centre, who awarded us with DSK Energy Award for Outstanding Contribution in Energy Sector.

**DIVIDEND**

The Board of Directors have recommended a dividend of Rs. 12/- (120%) per equity share for the year ended March 31, 2013. In the last year a similar dividend of Rs. 12/- (120%) per equity share was paid.

FIXED DEPOSIT

As of March 31, 2013 there are no Fixed Deposits outstanding nor unclaimed.

PROSPECTS

The manufacturing sector witnessed a decline in the last couple of years. There are indications that the business sentiment is improving and your Company is meticulously keeping track of the developments. While this will definitely help in order booking, it will help in your company's revenues from 2014-15 onwards.

Revenues of the Transmission products have grown by 20% over the last year with a marked improvement in profitability. We expect this Division to maintain its focus on profitability this year too.

Your company has taken up exports of Hydrocarbon Refrigeration and Compression Systems as a key growth area and in this context, I am glad to inform you that your company has now been approved by many Oil & Gas Companies in the Middle-East and South-East Asia as a supplier of these systems. These will help in growing revenues in the coming years.

Our efforts to get ourselves approved in many more Oil & Gas Companies in these regions will continue in this year too and you should be able to see your Company expanding this products in the coming years.

During the year end review, your company has manufactured one RoadRailer Rake which has been inspected and cleared by RDSO and is now awaiting Emergency Brake Distance Test (EBD).

DIRECTORS

Mr. J. Y. Tekawade, Mr. P. S. Jawadekar, Mr. Rahul C. Kirloskar and Mr. Vikram S. Kirloskar retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

CORPORATE GOVERNANCE

Your Company conforms to the norms of Corporate Governance as envisaged in the Listing Agreement with the Bombay Stock Exchange Ltd. A separate report on Corporate Governance, along with Statutory Auditors' Certificate on the Compliance, Management Discussions and Analysis, is attached and forms part of the Annual Report.

STATUTORY DISCLOSURES**1. Conservation of Energy, Technology Absorption and Foreign Exchange**

The information required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, pertaining to Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo, is given in the Annexure I to this Report and forms part of this Report.

2. Particulars of Employees

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is given in the Annexure to the Directors' Report. However as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to the Members of your Company excluding the aforesaid information. Any Member interested in obtaining the said annexure may write to the Secretarial Department at the Registered Office of the Company.

3. Consolidated Financial Statements

Pursuant to Clause 32 and 50 of the Listing Agreement with Stock Exchanges, your Company has prepared Consolidated Financial Statements as per the Accounting Standards applicable to the Consolidated Financial Statements issued by The Institute of Chartered Accountants of India. Audited Consolidated Financial Statements along with the Auditors' report is presented elsewhere in this annual report.

4. **Subsidiary Company**

Kirloskar RoadRailer Limited is Subsidiary of the Company.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of Kirloskar RoadRailer Limited are not being attached with the Balance Sheet of the Company. However the financial information of Kirloskar RoadRailer Limited is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of Kirloskar RoadRailer Limited and the related detailed information to any member of the Company who may be interested in obtaining the same.

5. **Directors' Responsibility Statement**

The Directors confirm that :

- i. In preparation of Annual Accounts, the applicable accounting standards have been followed.
- ii. The Directors have selected such accounting policies and applied them consistently in order to show true and fair view of the state of affairs.
- iii. The Directors have taken proper care in maintaining accounting records as per the provisions of the Companies Act, 1956, for safeguarding your Company's Fixed Assets for preventing and detecting fraud and other irregularities.
- iv. The Annual Accounts are prepared on the principle of going concern.

6. **Cash Flow**

A Cash Flow statement for the year ended March 31, 2013 is attached to the Balance Sheet.

AUDITORS

The Auditors of the Company, M/s. P. G. Bhagwat, Firm Registration No. 101118W, Chartered Accountants, Pune, retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate pursuant to Section 224(1-B) of the Companies Act, 1956 has been received.

EMPLOYEES

Your Company follows unique methods towards human resource retention and development. The human skills development part is taken care through competency mapping and identifying training needs. Training programs are designed in such a way that it addresses knowledge and skill enhancement. Empowerment and rewarding good performances ensures motivation and healthy working environment.

Employee relations achieved an important milestone with smooth wage settlement agreement with Workers Union on December 25, 2012 for a period of 36 months with effect from January 1, 2013. Industrial relations continued to be cordial during the year.

Your Company has 1017 permanent employees on its roll as on March 31, 2013.

ACKNOWLEDGMENT

The Directors wish to convey their appreciation to all your Company's employees for their enormous personal efforts as well as their collective contribution to your Company's performance. The Directors would also like to thank the shareholders, customers, dealers, suppliers, bankers and all the other stakeholders for their continued support and their confidence in its management.

For and on behalf of the Board of Directors



RAHUL C. KIRLOSKAR
Executive Chairman

Place : Pune

Date : April 24, 2013