



KIRLOSKAR BROTHERS LIMITED

92nd ANNUAL REPORT 2011 - 2012

Enriching Lives

Invisible yet Omnipresent



At 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.



- From megapolis to villages, homes to power plants, farms to industries, wells to irrigation systems, millions of Kirloskar pumps move zillion litres of fluids everyday and touch people's lives globally.
- A wide range of Kirloskar pumps handle virtually everything that flows – water, paint, gum, tar, molasses, juices, alcohol, sewage, heavy water, even liquid sodium and other fluids.
- From palm-sized pumps to pumps that are as big as a building, we provide customized solutions from concept to commissioning for all fluid handling needs.
- With highly energy efficient products and patented technologies, Kirloskar pumps save billions worth of power.



Board of Directors

Sanjay Kirloskar	Chairman & Managing Director
Gautam Kulkarni	Vice Chairman (Upto 25.04.2012)
Vikram Kirloskar	
M. S. Kirloskar	
S. N. Inamdar	
Rahul Kirloskar	
U. V. Rao	
R. K. Srivastava	Whole Time Director (Upto 31.05.2012)
P. S. Jawadekar	
J. R. Sapre	Whole Time Director
A. N. Alawani	
Lalita D. Gupte	
Pratap B. Shirke	

Company Secretary

G. P. Kulkarni (Upto 08.05.2012)

Auditors

M/s. P. G. Bhagwat, Chartered Accountants

Bankers

Bank of India
Canara Bank
HDFC Bank Limited
ICICI Bank Limited
Citibank N.A.
Credit Agricole Corporate and Investment Bank

Registered Office

Udyog Bhavan, Tilak Road,
Pune – 411 002, Maharashtra State (India)
Phone : (020) 2444 0770 Fax : (020) 2446 7770
E-mail : kbilin@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) 2721 4444 Fax : (020) 2721 1136
E-mail : kbilin@kbl.co.in Website : www.kirloskarpumps.com
Group Website : www.kirloskar.com

Works

Kirloskarvadi, Dewas, Shirwal, Kondhapuri, Coimbatore

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Time : 11.00 a.m.	Report on Corporate Governance	27
Venue : “YAMUNA”, Survey No.98 (3-7)	Auditors' Report	42
Baner, Pune – 411 045	Balance Sheet	46
Dates of Book	Profit & Loss Account	47
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DECADE AT A GLANCE

(₹ in Million)

Particulars	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue from operations	4,760	5,082	7,310	9,274	13,485	15,368	18,364	20,270	19,469	17,819
Other income	84	231	152	746	2,427	481	436	461	129	463
Material Cost	3,126	3,385	4,852	6,098	9,274	11,119	13,851	15,034	13,431	12,661
Other expenses	1,302	1,363	1,859	1,893	2,517	2,643	3,153	3,236	4,385	4,344
Finance costs	160	125	114	146	249	404	606	467	453	634
Depreciation	85	107	100	97	121	182	207	265	300	303
Profit before tax	172	333	538	1,786	3,750	1,500	982	1,730	1,028	340
Income tax provision	52	68	31	63	385	399	312	554	415	28
Net profit after tax	120	265	507	1,723	3,365	1,101	670	1,175	614	312
Share capital	71	71	71	212	212	212	212	159	159	159
Reserves	1,459	1,565	1,832	2,932	5,808	6,409	6,879	6,975	7,276	7,378
Net worth	1,530	1,636	1,903	3,144	6,020	6,621	7,091	7,134	7,434	7,536
Imports	119	144	261	606	987	1,152	2,084	5,073	2,026	729
Exports	585	572	1,005	685	2,266	1,483	2,291	1,694	1,827	1,153
Basic earnings per share (₹) (Face value of ₹ 2/-)	3.41	7.51	14.17	15.42	31.82	10.41	6.34	14.81	7.73	3.93
Basic earnings per share (₹) (Face value of ₹ 2/-) (Excluding extraordinary income expense)	3.41	7.51	14.17	10.70	14.76	10.41	6.34	14.81	7.73	3.93
Dividend %	45%	200%	300%	200%	200%	200%	100%	275%	175%	*100%
Book value per share (₹)	43.40	46.40	53.97	**29.69	**56.92	**62.60	**67.35	**89.92	**93.70	**94.99
Debt equity ratio	0.24	0.29	0.18	0.06	0.08	0.09	0.03	0.06	0.12	0.06

Notes :

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

* Final dividend recommended 100%

** 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.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 92nd Annual Report and the Audited Annual Accounts of the Company for the year ended March 31, 2012.

FINANCIAL RESULTS

The financial results of the Company for the year 2011-12 as compared with the previous year are as under :-

	Current Year ended March 31, 2012 (₹)	Previous Year ended March 31, 2011 (₹)
Revenue from Operations	17,818,761,202	19,468,850,138
Other income	462,787,460	128,511,812
Total	18,281,548,662	19,597,361,950
Profit before tax	339,655,805	1,028,210,391
Tax Expense	27,769,152	414,610,649
Profit for the period	311,886,653	613,599,742
Surplus in Profit & Loss Account brought forward from previous year	1,142,469,029	905,059,568
Available surplus	1,454,355,682	1,518,659,310

APPROPRIATIONS

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

Dividend @ 100% (175%) on 79,339,701 (79,338,451) equity shares of ₹ 2/- each	158,679,402	277,684,579
Dividend distribution tax	23,095,700	37,145,728
Transferred to General Reserve	31,188,665	61,359,974
Balance carried to Balance Sheet	1,241,391,915	1,142,469,029
Total	1,454,355,682	1,518,659,310

DIVIDEND

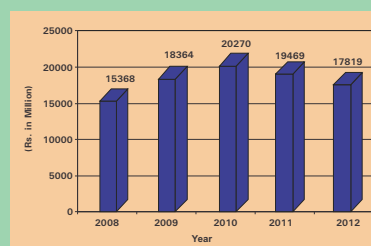
Directors recommend a dividend of 100% (₹ 2/- per equity share) for the year.

OPERATIONS

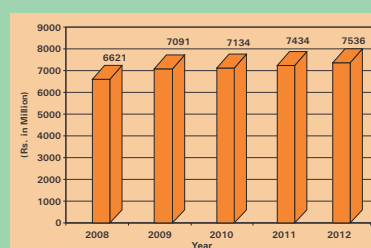
The revenue from operations of the company for the current year is at ₹ 1782 crores, which is less by 8.47% compared to the previous year. There have been various internal and external reasons for the reduction in the revenue from operations.

As you are aware, Power sector has been our thrust area for past several years. The projects by the Government and private sectors have either been stopped or deferred for various reasons, the prime cause being availability of coal.

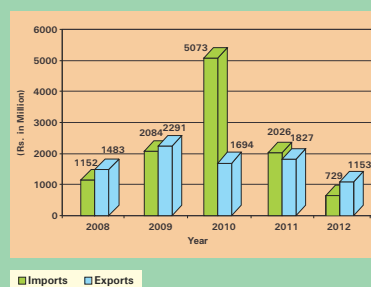
Revenue from operations



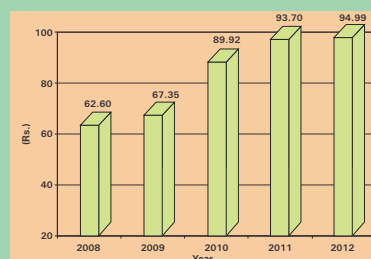
Net Worth



Import & Export



Book Value per Share



On Irrigation side, we continued our wait and watch policy for specified states and planned our revenues in a way that we could recover the amount immediately.

The Distribution business which mainly caters to Domestic and Agricultural segment has improved.

During the current year, we expect that the economic situation would more or less remain the same and we would continue our focus but not go faster on the top line growth.

STATUTORY DISCLOSURES

1. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

Details of energy conservation, technology absorption, research and development and foreign exchange earnings as required under Section 217 (1) (e) of the Companies Act, 1956, are given in the Annexure - I to this Report.

2. PARTICULARS OF EMPLOYEES

Information regarding employees in accordance with Section 217 (2A) of the Companies Act, 1956 is given in the Annexure – II to this Report.

3. SUBSIDIARY COMPANIES

The company has disposed off its entire stake (100%) in Gondwana Engineers Limited (GEL), specialized in Water and Sewage Treatment Plants, for a total consideration of ₹ 47.44 crores through execution of a Share Purchase Agreement, during May, 2011. The Company has sold its entire equity stake in GEL to Doshion Veolia Water Solutions Pvt. Ltd., a group company of Doshion Ltd, Ahmedabad.

During the period, the Company has subscribed to the Equity Shares in its wholly owned subsidiary viz. Hematic Motors Private Limited, at the aggregate cost of ₹ 30 crores and to Redeemable Preference Shares in its other wholly owned subsidiary company viz. Kirloskar Constructions and Engineers Limited to the tune of ₹ 25 crores.

During September, 2011, the Company through its wholly owned subsidiary in The Netherlands – Kirloskar Brothers International BV, established SPP Pumps (MENA) LLC in Cairo, Egypt. This limited liability company is established for Middle East and North Africa for assembly, packaging the pumps and the pumping systems of all kinds including their testing and maintenance.

The performance of the domestic and overseas subsidiary companies has been good, except in respect of one subsidiary company. The company is in the process of aligning the operations of its subsidiary companies.

The Financials of subsidiaries appear elsewhere in this annual report.

On February 8, 2011 the Government of India, Ministry of Corporate Affairs vide General Circular No. 2/2011, granted general exemption under section 212(8) of the Companies Act, 1956 for companies from attaching subsidiary companies' documents viz. Balance sheet, Profit and Loss account, Directors' and Auditors' Reports etc. to the Balance sheet of a holding Company.

As per the said general exemption, instead of the annual accounts of the subsidiary companies, we have attached certain information in respect of Company's subsidiaries for the respective financial years.

Further, we hereby undertake that annual accounts for the subsidiary companies and the related detailed information will be made available to the Shareholders, seeking such information. The annual accounts of the subsidiary companies will also be kept open for inspection for Shareholders.

The consolidated financial statement of subsidiaries prepared as per applicable provisions and duly audited by the statutory auditors, is presented elsewhere in this annual report.

4. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Board of Directors report that

- In the preparation of the annual accounts, the applicable accounting standards have been followed and there was no material departure from the accounting standards.
- Accounting policies have been selected and applied consistently and that the judgements and estimates made are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of the profit of the Company for the period April 1, 2011 to March 31, 2012.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- The annual accounts have been prepared on a going concern basis.

5. CASH FLOW

A cash flow statement for the year ended March 31, 2012 is attached to the Balance Sheet.

SAFETY, HEALTH AND ENVIRONMENT

As you are aware, all our manufacturing plants have been awarded with the OSHAS 18001 international certificate.

The company has formed Corporate Safety Committee. The Company has further prepared site safety manuals, corporate safety policy and safety check list. The Company continues its thrust on safety measures for employees with regular safety trainings and safety audits. All safety initiatives are reviewed periodically through committees and inspection is carried out in the plants.

As a commitment to environment, the Company has selected the sustainability model and formed a core group to address the relevant issues. The sustainability report has been prepared and company would measure performance for sustainability based on the globally accepted standards and continuously find ways to reduce the adverse impact on the environment. The said report is vetted by an accounting firm as per the prevailing practices. The said report is available on company's website.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreements with the Stock Exchanges, Management Discussion and Analysis Report, Report on Corporate Governance, Auditors' Certificate on Corporate Governance and the declaration by the Chairman and Managing Director regarding affirmations for compliance with the Company's Code of Conduct are annexed to this report.

EMPLOYEE STOCK OPTION SCHEME (ESOS)

As you are aware, during the year 2007-08, Company launched the Employees' "Share a Vision" Stock Option Scheme, 2007 (ESOS-2007).

The Management has formulated under ESOS – 2007, a proposal of providing stock options at ₹ 2/- per option to award employee for their outstanding, exemplary performance in getting sustainable results. During the year, 21750 options were granted to employees and 1250 equity shares of ₹ 2/- each have been allotted.

Consequent to allotment of above shares under ESOS, the issued and paid-up share capital of the Company, at the end of the year 2011-12, stands at ₹ 158,679,402/- i.e. 79,339,701 equity shares of ₹ 2/- each.

The disclosures required to be made under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and a certificate from the Statutory Auditors with regards to compliance of the guidelines, is provided as Annexure - III to this report.

FIXED DEPOSITS

The Company is neither accepting nor renewing the matured deposits since January, 2003. As on March 31, 2012, deposits from public and shareholders aggregating to ₹ 43,000/- have matured but have not been claimed.

CORPORATE SOCIAL RESPONSIBILITY

The company undertakes its social responsibility directly and also through trust – Vikas Charitable Trust. The main thrust of this Corporate Social Responsibility (CSR) initiative is on education and social health defined in a policy of CSR.

During the year, as a part of CSR and our obligation towards society at large, your company continued its efforts in implementing Community Programs in line with the Society Perception Survey with a thrust on health and education. The prime initiative undertaken by the company was participation in WASH (Water, Sanitation and Hygiene) program - organised by the Kirloskar Foundation, with the help of our employees who volunteered for the program. The Company also contributed to the Kirloskar Foundation's Clean and Beautiful School competition programme to encourage overall cleanliness.

Some of the activities carried out by the company are as under:

- Health check-up camps organised at Mahalunge village in a school – about 200 students covered.
- Implementation of earn and learn scheme for school drop out students.
- Organising Blood donation camps, sponsoring scholarships, tree plantation.
- Medical check-up for villagers, senior citizens and women in nearby villages of Kirloskarvadi factory conducted.
- Arranged various Health awareness programmes such as lectures, posters and so on.

NEW MANUFACTURING UNITS

A new plant at Kaniyur Village, Karumathampatti - PO near Coimbatore for small domestic pumps has commenced its production since end June, 2011. This new plant is spread over six acres with installed capacity of a 5 lac pumps a year. The initial investment in the unit is of about ₹ 14 crores and has state-of-the-art plant and machinery to manufacture different models of domestic pumps. It is worth to mention that 90% of the work force in this plant are women. This plant will strengthen company's distribution network in Southern India.

The Company has also set up new manufacturing units at Charodi Village, Sanand, Ahmedabad for the production of Submersible Pumps. The plant has commenced its test run.

The new plant is equipped with modern plant and machinery. The unit has some additional features such as formation of suppliers cluster, lean manufacturing process and so on. With this, the products would be competitive in cost and quality.

The production at the unit is expected to commence during current year. This will help the Company to cater to the increasing market demand for the products.

DIRECTORS

Mr. Gautam A. Kulkarni, Non-Executive Vice Chairman resigned from the Board of Directors with effect from April 25, 2012, due to his personal reasons.

Mr. Gautam Kulkarni has been actively associated with the Company for more than a decade. His expertise and guidance to the Board was of a great help to the Company on many occasions.

The Board places on record its gratitude for the guidance received from Mr. Gautam Kulkarni during his tenure as a Vice Chairman and also as a Member of Audit and Finance committee, Remuneration committee and Compensation Committee of the Company.

On completion of the term of Mr. R. K. Srivastava as a Whole Time Director of the Company on May 31, 2012, Mr. Srivastava ceases to be a Whole Time Director of the Company with effect from May 31, 2012. Further, Mr. R. K. Srivastava also ceases to be a Director of the Company with effect from May 31, 2012.

Mr. R. K. Srivastava has been associated with the Company for about 23 years. His knowledge and experience was of a great help to the Company. The Board also places on record its gratitude for the support received from Mr. R.K. Srivastava during his tenure with the Company.

Mr. Pratap B. Shirke, Mr. A. N. Alawani and Mr. S.N. Inamdar, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

On recommendation from the Remuneration Committee, subject to approval of the members of the Company, the Board of Directors of the Company has re-appointed Mr. J. R. Sapre as a Whole Time Director of the Company with effect from June 1, 2012 for the further period of three years.

AUDITORS

M/s. P. G. Bhagwat, the Auditors retire at the ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate pursuant to section 224 of the Companies Act, 1956 has been received. The Audit and Finance Committee has recommended their re-appointment and the annual audit fees.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the unstinted support and co-operation given by banks and financial institutions. Your Directors would further like to record their appreciation of the efforts of the employees of the Company.

For and on behalf of the Board of Directors,



SANJAY KIRLOSKAR
CHAIRMAN

Pune : May 31, 2012

ANNEXURE – I TO THE DIRECTORS' REPORT

A. Conservation of Energy

The Company continues to take steps for conservation of energy.

During the year, following major steps were initiated by the company towards Conservation of energy :

- Installation of LED lights in manufacturing and street lights
- Removed louvers at Foundry shop thus improved day lighting and ventilation
- Installation of PF controller and maintaining unity power factor
- Load factor incentive
- Installation of Solar water pump at ETP
- Portable biogas plant for individual household
- Avoid variation in pressure and avoid unload running of compressor
- Installing transparent roof sheets and side sheets

B. Technology Absorption

1. Research and Development (R&D)

a. Specific area in which R & D carried out by the Company

- Development of various types of Pumps viz. SS Fabricated submersible and Inline Pump, Secondary Heat Transfer Pump for nuclear application, axial flow pump, verticle turbine pumps, split case pumps (4 models) for water and HVAC application, Low weight and compact dewatering submersible pump
- Development of Mobile Based Pump Controller
- Development of Solar pumping system
- Development of off shore firefighting package
- Various sump model studies
- In-house development of 200 Ton capacity thrust bearing for high capacity concrete volute pumps
- Development of 9 sizes of butterfly valves of various pressure ratings, 3 sizes of multi door NRV of different ratings, 800 mm Sluice Valve, FM Approval of Sluice Valves (50 to 250mm)

b. Benefits

- Reduction in product lead time and cost
- Competitive edge through product positioning
- Improved performance of the product
- Import substitution
- Addition of new products in the range
- Technology upgradation

c. Future plan of action

- Development of horizontal split case pump for high head application
- Development of Lowest Life - Cycle Cost (LLC) pumps
- Development of Large flow pumps for various power plants
- Development of suction diffusers, rubber seated glandless sluice valves, butterfly valves, resilient seated sluice valves, dual plate check valves

d. Expenditure on R & D (Including new product development)

- a. Capital ₹ 18,734,505
- b. Recurring ₹ 171,242,119
- c. Total ₹ 189,976,624
- d. Total R & D Expenditure as a Percentage of total turnover 1.07%

2. Technology absorption, adaptation and innovation**a. Efforts, in brief, made towards technology absorption, adaptation and Innovation**

- Dolphin pump selection package
- Use of scanning technology for FM/UL pumps
- Fabrication technology in large vertical turbine pump components

b. Benefits derived as a result of the above efforts

- Technology Up-gradation
- Product range enhancement

c. Technology imported during the last 5 years

Technology Imported	Year of Import	Has technology been fully absorbed?	If not fully absorbed, areas where this has not taken place, reasons therefor and future plan of action
CV and MV Pumps Deep well Pumps	2008	Yes	Not applicable
Use of Math CAD for calculations and estimating weight of components from 2D drawings.	2008	Yes	Not applicable
SS fabricated impeller from Taiwan	2010	No	Partially completed
Dolphin package for pump selection	2011	Yes	-
Windchill package for documentation	2011	Yes	-

C. Foreign Exchange Earnings and Outgo

Exports Activities :

Your Company has achieved exports of about ₹ 1200 Million. Major orders executed were from Laos and Egypt for irrigation projects while those from the UK, USA, Europe and West Asia were for distribution and industrial business.

The Company's sustained efforts in spreading the message of "Food Sufficiency" by ushering in Green Revolution in Africa/Latin America and Asia continue unabated. Our success stories in Senegal, Laos and Egypt has attracted attention across the world markets for irrigation and water supply sectors. Our irrigation projects in Egypt, which were delayed by the uprising, have been commissioned successfully.

Your Company hosted delegations from India and from across the six continents. Notable amongst them were those from Zimbabwe, Switzerland, USA, UK & Members from Parliament - MP's – from 24 African countries.

The Company is looking forward to exponential growth in Exports for FY 2012-13.

Foreign exchange earnings and outgo:

Earnings ₹ 1,159,394,528/-

Outgo ₹ 1,074,383,223/-

ANNEXURE – II TO THE DIRECTORS' REPORT

Information under Section 217(2A) read with Companies (Particulars of employees) Rules, 1975, as amended and forming part of the Directors' Report for the year ended March 31, 2012.

Name & (Age)	Qualifications	Designation/ Nature of duties	Date of commencement of employment & (Experience)	Gross Remuneration ₹	Last employment
Dabi L.H.* (60)	B.E. (Mech)	Vice President – Corp. International Instit.	15/11/1975 (37)	3660310	-
Dey Ranbir Kumar* (59)	BE (Mech)	General Manager - Industry	10/01/1980 (32)	784763	Orissa Agro Industries, Bhubaneswar
Kirloskar Sanjay (55)	Bachelor of Science (M.E), Illinois Inst. of Tech. USA	Managing Director	02/05/1983 (34)	11601742	Manager, Kirloskar Cummins Ltd., Pune
Pattewar M.R.* (49)	B.E. (Mech), DIBM, DBM, MDBA (Mktg)	Vice President – Irrigation	27/08/1992 (27)	2420221	Executive Officer, KSB Pumps, Pune
Sapre J. R. (67)	Bachelor of Science	Whole Time Director	01/04/2002 (46)	4492736	Vice President - (MED) Marketing, Kirloskar Oil Engines Ltd., Pune
Srivastava R. K. (65)	M. Tech (I.I.T. Bombay)	Whole Time Director	15/05/1989 (40)	4209841	General Manager (Tech), Worthington Pump India Ltd., Kolkata
Uplenchwar Vijay P.* (44)	BE (Mech)	Associate Vice President Irrigation	01/11/1995 (21)	1529019	Demech Industries

* Employed for the part of the year

NOTES :

1. Designation denotes the nature of duties also.
2. Other terms and conditions are as per the service rules and conditions of the Company.
3. The nature of the employment of all the above employees is contractual.
4. Gross Remuneration comprises of salary, commission, allowance, medical, other perquisites and companies contribution to PF and Superannuation funds.
5. None of the above employee is a relative of a director of the Company, except Mr. Sanjay Kirloskar, who is a brother of Mr. Rahul Kirloskar.
6. None of the employees holds 2% or more of the paid-up equity share capital of the company, except Mr. Sanjay Kirloskar.

ANNEXURE – III TO THE DIRECTORS' REPORT

Disclosures under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 –

1	Particulars	Employees' "Share a Vision" Stock Option Scheme, 2007																						
a.	Number of Options granted	5,77,500 options																						
b.	Pricing Formula	5,52,250 options at ₹ 200/- and 25,250 options at ₹ 2/-																						
c.	Number of Options vested	1,46,700 Options																						
d.	Number of Options exercised	18,935 Options																						
e.	Total number of shares arising out of exercise of Options	18,935																						
f.	Number of Options lapsed	3,90,115 options																						
g.	Variation in the terms of the Options	No variations																						
h.	Money realized by exercise of Options	₹ 32,42,500/-																						
i.	Total number of Options in force	1,68,450 options																						
j.	Employee wise details of options granted to -																							
	i. Senior Management Personnel	<table><thead><tr><th>Name</th><th>Options Granted</th></tr></thead><tbody><tr><td>Ravindra Murthy</td><td>3,000</td></tr><tr><td>Aseem Srivastav</td><td>3,000</td></tr><tr><td>Vasant Shashikant Godbole</td><td>1,500</td></tr><tr><td>Anoop Tandon</td><td>1,500</td></tr><tr><td>Anant R Sathe</td><td>4,500</td></tr><tr><td>Gajanan Pandharinath Kulkarni</td><td>3,000</td></tr><tr><td>Vikas Agarwal</td><td>750</td></tr></tbody></table>	Name	Options Granted	Ravindra Murthy	3,000	Aseem Srivastav	3,000	Vasant Shashikant Godbole	1,500	Anoop Tandon	1,500	Anant R Sathe	4,500	Gajanan Pandharinath Kulkarni	3,000	Vikas Agarwal	750						
Name	Options Granted																							
Ravindra Murthy	3,000																							
Aseem Srivastav	3,000																							
Vasant Shashikant Godbole	1,500																							
Anoop Tandon	1,500																							
Anant R Sathe	4,500																							
Gajanan Pandharinath Kulkarni	3,000																							
Vikas Agarwal	750																							
	ii. Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during the year	None																						
	iii. Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	None																						
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 – Earnings Per Share	₹ 3.93																						
l.	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	<table><tbody><tr><td colspan="2">Net Profit</td></tr><tr><td>As reported</td><td>311,886,653</td></tr><tr><td>Add:– Intrinsic value</td><td>28,206,735</td></tr><tr><td>Less – Fair Value</td><td>(28,587,356)</td></tr><tr><td>As Adjusted</td><td>311,506,032</td></tr><tr><td colspan="2">Basic EPS</td></tr><tr><td>As reported</td><td>3.93</td></tr><tr><td>As adjusted</td><td>3.94</td></tr><tr><td colspan="2">Diluted EPS</td></tr><tr><td>As reported</td><td>3.93</td></tr><tr><td>As adjusted</td><td>3.93</td></tr></tbody></table>	Net Profit		As reported	311,886,653	Add:– Intrinsic value	28,206,735	Less – Fair Value	(28,587,356)	As Adjusted	311,506,032	Basic EPS		As reported	3.93	As adjusted	3.94	Diluted EPS		As reported	3.93	As adjusted	3.93
Net Profit																								
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Diluted EPS																								
As reported	3.93																							
As adjusted	3.93																							
m-1.	Weighted average exercise prices for options whose exercise price – i. equals market price ii. exceeds market price iii. is less than market price	Nil Nil ₹ 2																						
m.2.	Weighted fair values for options whose exercise price – i. equals market price ii. exceeds market price iii. is less than market price (as on grant date)	Nil Nil ₹ 141.33																						
n.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: 1. risk free rate 2. expected life 3. expected volatility 4. expected dividends and 5. the price of the underlying share in the market at the time of option grant.	Black Scholes Option Pricing Model using the following assumptions. 8.39% 2.50 yrs 52.06% 1.66% 149.00																						

AUDITORS' CERTIFICATE

We have examined the books of account and other relevant records and based on the information and explanations given to us, certify that in our opinion, the company has implemented the Employees' "Share a Vision" Stock Option Scheme, 2007, in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and resolution of the Company in the 87th Annual General Meeting held on July 20, 2007.

For M/s P. G. BHAGWAT
Chartered Accountants
Registration number of the Firm: 101118W

Abhijeet Bhagwat
Partner
Membership No. 136835

Pune : May 31, 2012

Management Discussion and Analysis

World Economy

The International Monetary Fund (IMF) estimates the world economy to grow by 3.3% in 2012. It also estimates a decline in commodity prices in 2012 on account of bigger harvests of food crops and slower economic growth. Global oil prices are expected to ease slightly in 2012 despite slowing world growth. Global inflation is also expected to ease in 2012. The global recovery is threatened by intensifying strains in Europe and economic challenges elsewhere. The current environment is characterised by fragile financial systems, high public deficits and debt, and interest rates close to the zero bound. In 2012, growth in emerging and developing economies is expected to be average of 5.75%. Developing Asia is projected to grow most rapidly at 6.5% on average in 2012. The impact of the global slow down on Sub – Saharan Africa has to date been limited to a few countries and the regions output is expected to expand by around 5.5% in 2012. The reason for this could be strong domestic demand and relatively weak trade and financial linkages with the European economies. Economic activity in the Middle East and North Africa is expected to accelerate in 2012, driven mainly by the recovery in Libya and the continued strong performance of other oil exporters. Economic activity in advanced economies is expected to expand by 1.5% on average in 2012.

Indian Economy

In 2011, the Indian economy has grown by around 7.5%, but IMF has lowered the economic growth rate forecasts for 2012 to 7%. USA and Western European countries

are the major trading partners of India. These countries are adversely affected by the debt crisis and euro area crisis, thus affecting the demand for Indian goods. In 2011, India's nominal Gross Domestic Product was around \$1.9 trillion while GDP by Purchasing Power Parity was around \$4.5 trillion. Inflation had touched 10% much higher than the Reserve Bank of India's comfort zone of 5 to 6%. In its bid to tame inflation, the Reserve Bank of India (RBI) hiked key interest rates more than 12 times since March 2010. As per the RBI forecast, inflation is expected to ease to 7% in 2012, but this may be at the cost of economic growth. Consistent hike in the interest rates has made the cost of borrowing high, which has resulted into reduction in the industrial output due to the reduction in demand for goods.

The overall economic situation remains quite challenging on the account of high inflation and revenue deficits. The forecasted higher borrowings of the government may limit the reduction in interest rates. Higher interest rates may affect private investments on account of tighter liquidity situation.

The advantage with the Indian economy is that more than half of the labour force by occupation is in agriculture. This means that a large population resides in rural India and has unmet needs which may drive the domestic demand.

Global Pump Market Outlook

The global market for fluid handling pumps is forecast to be around \$47 billion in 2012. Asia and Pacific region constitutes the largest demand for the fluid handling pumps. Latin America, Africa and the Middle East will

also register growth above the world average, but this will be less than the gain expected in parts of Asia. Population growth and improved standards of living in the Middle East have greatly increased the demand for water and sanitation services, along with the need for more water for agricultural purposes. Prospects are favourable in Eastern Europe where manufacturing output is expected to post handsome gains. Pump markets in the USA and Western Europe will register gains. Centrifugal pumps will continue to be the commonly used type due to their varied pressure and load handling capabilities including the ability to handle liquids with high solid content and relatively low maintenance costs.

The factors affecting the pump industry are:

- Process industries will be the fastest growing pump market. Pump manufacturing companies have started coming up with standardised product ranges to target process and chemical industry requirements
- The utilities market is also expected to record impressive growth, as spending on water transportation network and construction expands rapidly in many industrializing nations
- More stringent environmental regulations will help generate demand for more efficient and better performing fluid handling pumps, such as seal-less centrifugal models
- Energy crisis all over world has compelled Pump manufacturers to develop energy efficient pumps and systems
- The growing popularity of application specific pumps and a favourable waterworks construction outlook will increase demand for specialty pumps
- Increasing urbanization in growing economies is expected to attract investments to improve the availability of drinking water and sanitation. These investments are expected to enhance the growth prospects of pump types such as submersible, and single and multi-stage radial flow pumps
- Among the various applications for pumps in the water and wastewater industry, investment in the treatment of brackish water through reverse osmosis is gaining prominence
- The global pump-set market is forecasted to grow at an annual rate of around 6%

Indian Pump Industry

The Indian pump industry has contributed significantly to the nation's economy. It meets 95% of the domestic demand, since imports are not very significant in quantity terms. Customers seek to defer import of substitutes due to the cost-effectiveness of Indian pumps and better guarantee of support with respect to after-sales service. Almost all types of pumps, manufactured internationally, are also made in India. Most of the world-renowned technologies are available in the country. Amongst the notable achievements of Research and Development in India are the primary coolant pumps for nuclear power plant, large 2250 mm delivery-size vertical turbine pumps and concrete volute pumps for cooling water circulation in thermal and nuclear power generation. Indian manufacturers have also competently evolved motor designs to work against vagaries of power-supply. The pump industry has benefitted from the Bureau of Indian Standard's 42 specifications for indigenous pumps. No other country

has set specific norms for minimum efficiency for pumps. Agriculture sector uses 80% of the water in the country. With the scarcity of the resources like water and electricity in the country, there is need to bring in the norm which encourages the purchases of efficient pump and pumping systems. India currently has 17.3% of the world population. However, its pump business is just 1.75% of the global pump business. The gap is huge with good scope for business expansion. The Indian pump-set market is forecasted to grow at an annual rate of around 7%. Pump industry needs to invest in research and development to cater to the upcoming opportunities.

Strategy and Policy

In view of the changing marketing dynamics, we recently completed the review of company's long term strategy by launching a strategy building and monitoring program "Manthan". Kirloskar Brothers Limited will focus on its core competency of Centrifugal pumps and valves and strengthen it further. Based on the findings of Manthan initiative the company's mission and vision were redrafted as follows

Vision

We shall be amongst the first five pump companies in the world by year 2015 and become the preferred choice of customers as well as employees.

Mission

We shall be known globally as a reliable, innovative and cost effective solution provider in hydraulic machines and systems.

While strengthening our leadership position in Water, we will focus and position our capabilities in process industry market for handling fluids for all applications.

In the last year the management concentrated on improving the balance sheet and positive cash generation was taken as the most critical parameter to achieve. Therefore there was a control on the revenues as products were despatched only to customers who had the capacity to pay. Bids for new project orders were made selectively, and only for projects which were profitable and cash positive throughout the execution period. This has resulted in a decreasing order board. On the other hand the percentage of number of project orders with negative cash flows has decreased from 47% to 43%.

Product sales (even for projects) have been encouraged and hence gone up to 58% of turnover last year with positive cash generation. Steps have been taken at all our plants to increase capacity with minimal investment.

The investment in Gondwana Engineers was liquidated keeping in view the stated objective. Our company will focus on profit driven sales with good cash flow. The focus will continue to be on the company's own manufactured products rather than traded items. The action has comparatively reduced the top line, but has improved the cash flow.

Products with differentiated value proposition for the customers are being promoted. The goal is to provide customers with solutions which have better value for the money spent. The Lowest Life-Cycle Cost (LLC) range of pumps for sustainable higher efficiencies and multi stage multi outlet (MSMO) pump for space saving are examples of innovative and differentiated solution. KBL has promoted pumping system automation solutions in

the market for the industry sector and has already launched new mobile pump controller to cater to the automation needs of the small farmers.



Innovative mobile pump controller launched

We are strengthening the Customer Relationship Management process to provide world class after sales support with service and spares. The consultative selling approach has enabled the company to recommend appropriate products to customers for their specific applications. Our company is making efforts towards rationalisation of its product basket and strengthen its relationship with our channel partners. We have received various approvals and certifications which help us to serve the critical process application requirements.

We have initiated 12 major reform programs meant for improving the operational efficiency of Kirloskarvadi factory. This includes process optimization, cost reduction and layout changes for better material movement.

The pump manufacturing facility at Coimbatore has already been inaugurated and the submersible pumps

manufacturing facility at Sanand will be operational soon. We are in a good position to cater to the growing market for pumps with agricultural and household applications.

International Business Strategy

The export business achieved INR 1153 million in turnover. The global economic crisis made an adverse impact on the export business. In order to bring more focus and better coordination in the supply chain all international businesses have been reorganised under Kirloskar Brothers International B.V. We have adopted a multi brand strategy to enter new markets and segments. Production assets are being realigned to achieve synergy of scale and operations.

Sustainability and Growth Initiative

The company has released its second sustainability report for the year 2010-11. This report is as per the Global Reporting Initiatives (GRI) G3 guidelines. The report is externally assured and is declared at level A+ as per GRI-G3 guidelines. The report is also reviewed for compliance to Accountability standard of AA1000AS. The report provides details on economic, environmental and social parameters.

We have improved the monitoring and reporting of direct and indirect Green House Gas (GHG) emissions due to our business operations and have initiated steps to reduce them. We have developed an extensive network of suppliers and contractors who produce products and services for our company. We have decided to educate our suppliers to ensure compliances to human rights issues like prevention of child labour and provide a safe working environment to all people associated with our business activities. The

company organizes safety audits and safety training at its sites, factories and offices to further strengthen safety systems. Corporate Safety Committee reviews safety performances periodically to ensure an injury free work place. We plan to expand the scope of our sustainability report for the reporting period 2012-13.

Risks and Concerns

Risks of critical importance have been identified over a period. These risks are scored and ranked based on their impact on the company's business and likelihood of their occurrence. The risk management committee takes stock of these risks and calls for necessary mitigation measures from the concerned risk owners. These actions plans are reevaluated to ascertain whether they are yielding results which would impact their risk score downward accordingly. New risks are added with changes in the economic and business scenarios and undergo the same evaluation and mitigation process. The earlier identified risks are also taken up for scrutiny from time to time based on the need and situation to ensure whether the plans continue to be firmly in place to overcome them, or any other actions are required.

Identified risks include:

- Slowdown in GDP growth rate of India
- Shortage of funds delaying the infrastructure projects resulting in the recovery pressures
- Intensified competition in the Indian pump market with world leaders setting up manufacturing facilities in India
- Uncertainty in the power industry
- Stagnant economic growth affecting the flow of Foreign Direct Investment

Marketing Sectors:

Water Resource Management

The Government of India is giving a major thrust to improve water supply and sanitation facilities through JNNURM (Jawaharlal Nehru National Urban Renewal Mission) Phase II and UIDSSMT (Urban Infrastructure Development Scheme for Small and Medium Towns Schemes). Due to environmental concerns, Government is also giving priority to sewage and effluent facilities across India with a major thrust for recycling and water reuse to overcome water shortage. Government is also placing emphasis on revamping old pumping systems so as to conserve energy by using latest energy efficient technology and products like Lowest Life-Cycle Cost pumps.



Kerala Water Authority, Cherthala

Some of the projects commissioned during year 2011-12 include

- 125 Million Litres Daily (MLD) Water treatment plant for the Coimbatore Municipal Corporation
- Delhi Jal Board's Jeevan Park and Burari pumping

stations

- Sewage pumping stations of Sabarmati River Front Development Corporation
- A new suburban pumping station of the Ahmedabad Municipal Corporation with 100 Million Litres Daily (MLD) capacity for sewerage treatment
- Water supply schemes for Kerala Water Authority (KWA) at Cherthala, Kolkata Metropolitan Water and Sanitation Authority (KMWSA) Uluberia, Orissa Water Supply and Sewerage Board (OWSSB) Puri and Karnataka Urban Water Supply and Drainage Board (KUWS and DB) Madhugiri and Dharwad.

20 projects were completed in the year.

We have received a pumping machinery contract from the Public Works Department, Goa through SMC Infrastructures Private Limited-SPML Joint Venture. We have secured plant water supply orders from Tata Steel, Kalingnagar and Steel Authority of India Limited, Bolani respectively. The sector made its foray in the Desalination space by bagging first desalination pump order from Al Arar Gulf.

Irrigation

This business sector provides fluid handling solutions for lift irrigation schemes globally. Concept to commissioning is forte of the sector in the project sphere. With the strong knowledge of the techno-economical solution for pumping systems and prequalification for major requirements, the sector has good prospects and holds a strong market position. Government plans to give a major thrust in the 12th plan to the irrigation schemes to enhance food security and curtail inflation. We have commissioned numerous lift

irrigation schemes in India as well as in countries like Egypt and Laos.

Some of the prestigious projects commissioned during year 2011-12 include

- Upper Manar, Wakurde, Sonpur Tomta, Ainapur and Savalgi lift irrigation schemes
- Prestigious international projects such as Benban project in Egypt and a lift irrigation project in Lao PDR



Pumping station at Benban, Egypt

Power

KBL has been successful in providing total solution and system engineering to the Indian power industry. We are successful in adding new approvals from prestigious global consultants and engineering procurement companies like Toshiba and Flour Daniel, USA. Our leadership position in Indian market is further strengthened by developing a new series of condensate extraction packages. Our hydro business offers solutions for turnkey projects on a "Concept to Commissioning" framework. This year we have commenced hydro power plants generating power

equivalent to 240,000 certified emission reductions (CER).



Concrete volute pump ready to start at Coastal Gujarat Power Limited, Mundra

Some of the prestigious orders commissioned during year 2011-12 include

- World's largest cooling water system for 5 x 800 MW Coastal Gujarat Power Limited, Mundra with a capacity of 176388 litres of sea water per second
- Cooling water (CW) system on turnkey basis
 - 2 X 500 MW Unit III Simhadri Super Thermal Power Project of NTPC
 - 1 X 500 MW Unit III NTPC Farakka
- Our first indigenous concrete volute pump with capacity of 40,000 m³/hr commissioned for 2 x 600 MW Salaya Thermal power project of Essar Power
- Vertical Kaplan 1 x 3.6 Megawatt at Zho Suwei Hydropower, Taiwan

We have received new orders from BGR Energy and Larsen and Toubro taking our total tally of concrete

volute pumps to 175 sets. We have also received a new order for 2 x 520 MW Vizag thermal power project of Hinduja Power Limited.

The secondary heat transfer pump was developed indigenously for 1 X 500 MW prototypes Fast Breeder Reactor located at Bhavini, Kalpakkam.

Some of the prestigious international orders commissioned during year 2011-12 include

- Circulating water pumps for 2 X 800 MW Prairie State Energy Campus, Illinois USA for Bechtel Power Corporation
- Miscellaneous pump package for 477 MW Novai combined cycle power plant at Uzbekistan for Calik Enerji, Turkey
- Cooling water pumps for Delimara Power Station at Malta for Burmeister and Wain Scandinavian Contractor (BWSC), Denmark

Industry



LLC pump installation at National Peroxide Limited, Kalyan

The Industry sector's focus on process pumps and Lowest Life-Cycle Cost pumps yielded good business. The booking of process pumps grew by 20% and LLC by 15% in quantity terms. We took initiatives to establish ourselves as a reliable non-API process pump manufacturer in the market. We have received approvals from prestigious original equipment manufacturers and consultants like Siemens, Uhde, Aker Solutions, Mecon, AvantGarde, Linde, Encon Boilers, Thermax Heating and Cooling Division, Praj and others. Technical seminars and presentations were made to create awareness about our offerings and best practices. Two new process pump models were launched. We have executed export orders from Japan Gas Corporation (Japan), SNC Lavalin (Canada) and Danieli (Italy).

Gas, Oil and Defence

In the current year Oil and Gas and Marine and Defence business sectors were merged into one entity and renamed as Gas Oil and Defence sector.

Notable orders received are:

- Turnkey order from ITD Cementation for the wet basin built at Garden Reach and impounding pump house for Mazagaon Docks Limited
- A major break-through order for cooling water pumps received from Linde, Germany for their Map Ta Phut 3 project in Thailand
- Indian Oil Corporation Limited, Paradip for Fire-fighting Vertical Turbine pumps with all Super Duplex Stainless steel
- Repeat order from Royal Dutch Shell PLC for LLC vertical turbine pump-set

The efforts and the initiatives taken by the sector on the marketing, sales and execution front have started yielding benefits.



KBL's Impounding Pumphouse at Mazagon Dockyard Wet Basin

Building and Construction

KBL provides differentiating solutions to traditional offerings and addresses the customer needs. The replacement of standard split-case pumps by multi stage multi outlet pumps (for high rise buildings) for fire application bore rich dividends. Sustainable energy efficient solutions for HVAC systems are offered with total package solution under one roof with reliable service back-up across India.



Multi stage multi outlet pumps for fire-fighting applications save space

We received approvals for the Hydro-Pneumatic Systems from major Plumbing consultants in India.

Fire-fighting packages contributed a good portion of our total fire business in value terms. We were successful in receiving orders from the prestigious customers like Bangalore Metro, Kolkata Airport, Godrej Group, Tata Group and others.

Domestic and Agriculture

The business segment focused on 3 aspects for increasing its markets share:

- Operational efficiency
- Customer and Dealer intimacy
- New product development

An action plan was launched for deepening and widening our footprint so that we can take advantage of the emerging business opportunities. New channel partners contributed 20% in the overall business and proved to be more profitable.

The Dealer intimacy program launched to recognize performing channel partners. More than 400 top performing dealers are registered under this initiative. More than 1000 industrial customers were contacted through seminars and planned visits.



New Range of Borewell submersible pumps

The spotlight on new product development led to a new range of bore well submersibles. Several marketing initiatives for the new products were undertaken with success. Dual voltage pump sets were successfully launched. New products contributed around 24% of the total sales.

We conducted a large number of Energy Audits and emerged as one of the premium brands. Our solar business received approval from the Ministry of New and Renewable Energy (MNRE) as a channel partner for disbursement of subsidy. The International Electro-technical Commission standard of IEC 61683 approvals was granted to our controller used in the solar pumping system. The technological progress in solar pumping system was evident in the commissioning of India's largest solar pump at Patna in the state of Bihar with no battery system. The measure has helped to reduce the cost of solar pumping system.



The International Electro-technical Commission standard of IEC 61683 approvals was granted to the controller 'JALVERTER' used in the solar pumping system

Customer Service and Spares

We undertook various initiatives for enhancing customer satisfaction and to improve organizational effectiveness for quick and effective resolution of customer issues. We plan to have a dedicated warehouse for spares at Kirloskarvadi for the Small and Medium Pumps Division to improve market response. A Memorandum of Understanding for Kirloskar Refurbishment Centre (KRC) was signed with dealers at Kolkata and Baroda.



Kirloskar Refurbishment Centre (KRC) at Baroda

Kirloskarvadi

Kirloskarvadi factory integrated its environment, health and safety management system with sustainability reporting guidelines and the "CII-Code for ecologically sustainable business growth". This was certified to ISO:14001 and OHSAS:18001 in January 2012.

Kirloskarvadi factory received the "Energy Efficient Unit Award" from CII for Excellence in Energy Management-2011 and factory also received First prize at the 6th State level Energy Conservation in General Category from Maharashtra Energy Development Agency (MEDA). During the year, Kirloskarvadi plant filed 2 patents (under scrutiny) for innovation.

We have initiated the process of revamping manufacturing layouts to synchronise material flow and improve productivity. Tools and techniques like Multi machine, Low cost automation, 5S- Housekeeping, Single Piece flow and KANBAN to name a few were utilised to improve operator engagement. Improvements in shop-floor layouts of small and medium pumps were completed. This has resulted in improved productivity. We have revamped the painting and packaging process to meet the international customer expectations.



KBL Representatives receiving the MEDA Award for Kirloskarvadi

Dewas and Shirwal

Dewas and Shirwal factories have taken path of continuous improvement through lean practices, sustainability and innovation. Motor manufacturing has been shifted to our subsidiary Hematic Motors. Achievement in availability of the equipment and machines in manufacturing shop was at an impressive 99.2%. Projects based on lean manufacturing concepts were initiated. Several initiatives on sustainability front were taken and 100 % of the waste water is now recycled and reused for gardening purpose.

Our dedicated captive foundry is fully mechanized and upgraded to achieve high manpower productivity, conducive and safe work culture and friendly environment. Availability of equipment and machines in Foundry shop is 97.3%. Our foundry received the prestigious "Regional Productivity Championship Award" in October 2011 on account of the continuous improvement on Key Performance Indicators.

A radical path was undertaken by Dewas factory to reduce material cost. A dedicated cross functional team is working to achieve savings targeted in the material cost. A host of new products were developed by the Dewas and Shirwal factory to address the demands of Domestic, Agriculture and Industrial segments

- 5 Star rated series in 6 inch submersible
- 6 inch and 8 inch submersible motor design suitable for low voltage requirement
- Dual voltage mono-bloc pump sets which will be operated through dual voltage controller to address the voltage fluctuations at various geographical locations

Coimbatore



New manufacturing facility inaugurated at Coimbatore

A new plant at Coimbatore has been successfully commissioned for manufacturing mini pumps and production capacity has been ramped up to 20,000 pumps per month. Trial production has started at Ahmedabad plant for manufacturing bore-well submersible pumps in March 2012.

Kondhapuri

Investments were made to upgrade our Kondhapuri factory to gain from opportunities present in the market for valves and accessories. Sales improved over the previous year with execution of significant orders from prestigious customers like National Thermal Power Corporation and Jindal Steel. The plant has received vendor approval from FLUOR, USA and FM approval certification for gate valves.

Capacity enhancements to address demand were completed. Under the new product development program, manufacturing and testing were completed for 2.7 and 2.5 meters butterfly valve and 1.3 meter sluice valve. The plant made a significant contribution towards energy conservation and has received energy conservation award in Kirloskar group as well as at the state level.



2.5 meters butterfly valve

Research, Development and Engineering

Efforts were taken to replace old products by new innovative products. A new series for Condensate Extraction pumps was designed and developed. Emphasis was placed on the development of special products meant for nuclear applications. In line with our mission, we have developed energy efficient products with sustainable energy savings. This year, new pumps were developed in Lowest Life-Cycle Cost (LLC) range. For the domestic and agricultural sectors, 41 pump models in 5 Star rating from Bureau of Energy Efficiency were released.

Large size high pressure butterfly valves were developed to meet the requirement of water supply schemes. High pressure sluice valves and multi door non-return valves were developed for our customers in the water sector.

Global Marketing

The marketing department undertook several activities as a part of its drive for better customer relations and reach. These activities included the organization of an international conclave, domestic exhibitions and technical seminars. The communication department successfully launched a new company website. The usage of information technology tools like webinar capsules, audio-visual presentations and eBook were optimized for cost effectiveness and reach.

Customer perception surveys were conducted in India to assess the level of customer satisfaction with KBL's offerings. We have also completed market research

surveys for pumps with applications in steel and other process industries.

Financial Performance

Total sales are at ₹ 1,782 Crores as against ₹ 1,947 Crores during previous year

- Except Irrigation, Water and Power sectors, all other sectors have achieved their sales targets.
- Distribution sector crossed a significant milestone of ₹ 500 crores sale.
- Emphasis continues on reducing debtors.
- We continued to be selective with orders and execution to improve the sales mix, which resulted in share of own product sales to total sales going up to 58% as against 51% in the previous year
- Composite material cost as % to sales has increased to 71.6% in current year from 69.3% in previous year, mainly due to increase in input costs for foundry and shift in sales mix towards small and medium pumps from large engineered pumps (where material content is lower)

Total expenditure including Employee Related Expenses and Depreciation is ₹ 528 Crores as against ₹ 514 Crores in previous year.

- In the current year, increase in expenditure is mainly due to ERE of ₹ 14 Crores and Kirloskar Constructions Engineers Limited claims receivable written off / provided – ₹ 63 Crores
- Due to pressure on working capital throughout the year as well as rise in interest rates, finance costs have

increased to ₹ 63 Crores from ₹ 45 Crores in previous year

- PBT is at ₹ 34 Crores as against ₹ 103 Crores in previous year – reduction is primarily due to the KCEL claims receivable written-off / provided, compensated to a certain extent by profit on sale of Gondwana Engineers Limited

The Gross Current Assets and Net Current Assets have decreased by 16% and 10% over the previous year due to our thrust on improving the quality of the Balance Sheet through improved recovery and working capital reduction.

Human Resource

Our focus this year was to enhance employee engagement, build a leadership pipeline, enhance functional competencies, and improve productivity. We value our human capital and give utmost importance to employee engagement. In recent employee engagement survey conducted by AON Hewitt, KBL falls in category of Best Employer with the score of 74% on the parameters of employee engagement. There has been an appreciable increase in scores on the parameters of people, safety, senior leadership, training and communication.

Our strategy is to develop a leadership pipeline to address the requirements of succession planning. This year we conducted assessment centres to identify talent from consistent high performers for future leadership roles. Their career plans and individual development plans are designed for developing the talent pool for future leadership roles. Senior positions in KBL were filled from within.

Training modules specific to functions were developed to meet the requirements of functional competencies and develop the culture of knowledge sharing. The concept of project management office was introduced to enhance our productivity and attain operational excellence in project management. Specific training on Project Management Professional (PMP) was conducted for project coordinators and managers.

We inducted 90 trainees mainly Graduate and Post Graduates Engineers from prestigious institutions like Indian Institute of Technology and other campuses. We have designed and implemented a program to integrate young people in the fabric of our organisation. We have introduced various online systems for key human resource processes like E-PMS, E-KRA, E-HRIS, E-Recruitment and other administrative services. These processes were well received by employees and in line with the company's mission of GO-GREEN movement.

We revised our competency framework and have mapped competencies required for all positions companywide. We have also conducted "Executive Manpower Study" from National Productivity Council (NPC) for appropriate deployment and optimal utilisation of manpower in the company. On receipt of their report, appropriate steps shall be taken.

At all manufacturing locations the industrial scenario was harmonious and peaceful. New wage contracts linked with productivity were signed at Kirloskarvadi and The Kolhapur Steels Limited.

The state of employee relations at Dewas operations is cordial and morale of the employees is high which is reflected in the attrition rate of less than 5%.

The total permanent employee strength at KBL is 2390 as of March 31, 2012.



Margdarshan – Counselling training arranged for senior leaders

Internal Control Systems

Internal audits are regularly carried out as per the approved audit calendar and an Audit program and Risk Control Matrix are drawn at the beginning of the year. This is done to examine the efficacy of the internal controls. For this purpose, the company has continued the practice of appointing professional firms of chartered accountants. During the year, Internal Audit charter was approved by the Audit committee and circulated to all the company employees. During current year Information Technology system audit was done across all major functions and it resulted in strengthening the system based controls for critical business processes.

We have initiated benchmarking of audit processes across all KBL subsidiaries globally.

Cautionary Statement : Statements in the Management Discussion and Analysis describing the Company's projections and estimates are forward looking statements and progressive within the meaning of applicable security laws and regulations. Actual results may vary from those expressed and incidental factors.

REPORT ON CORPORATE GOVERNANCE

1. The Company's philosophy on Code of Corporate Governance :

The Company strongly believes that the system of Corporate Governance protects the interest of all the stakeholders by inculcating transparent business operations and accountability from management towards fulfilling the consistently high standard of Corporate Governance in all facets of the Company's operations.

2. Board of Directors :

The Board comprises of an optimal complement of independent professionals as well as Company executives having in-depth knowledge of business. As on March 31, 2012, there were thirteen directors of whom one is Managing Director, two Whole Time Directors and ten (77%) non executive directors of whom seven (54%) are independent directors.

During the financial year under review, five Board meetings were held on the following dates: April 26, 2011, July 23, 2011, October 20, 2011, January 24, 2012 and March 14, 2012.

None of the Directors on the Board holds the office of director in more than 15 companies or membership of committees of the Board in more than 10 committees or chairmanship of more than 5 committees.

The details are explained in the Table below:

Name of Director	Designation / Category of Directorship @	Board Meetings attended	Attendance at last AGM	No. of other Directorships held	No. of Committees of which Member / Chairman*
Mr. Sanjay Kirloskar	CMD	5	Present	11	1/0
Mr. Gautam Kulkarni	VC/NED	4	Present	6	2/0
Mr. Vikram Kirloskar	NED	2	Present	15	4/1
Mr. M.S. Kirloskar	NED (I)	1	-	0	0/1
Mr. S.N. Inamdar	NED (I)	5	Present	12	4/4
Mr. Rahul Kirloskar	NED	3	Present	10	2/0
Mr. R.K. Srivastava	WTD	5	Present	4	0/0
Mr. U.V. Rao	NED (I)	5	Present	4	1/2
Mr. P.S.Jawadekar	NED (I)	5	Present	4	1/1
Mr. J.R. Sapre	WTD	5	Present	8	1/0
Mr. A.N. Alawani	NED (I)	5	Present	6	3/3
Mrs. Lalita D. Gupte	NED (I)	4	Present	6	3/1
Mr. Pratap B. Shirke	NED (I)	4	Present	11	2/0

Mr. Sanjay Kirloskar and Mr. Rahul Kirloskar are brothers. None of the other directors is related to any other director.

@ CMD – Chairman and Managing Director, VC – Vice Chairman,
NED – Non Executive Director, I – Independent, WTD - Whole Time Director.

* Committee Membership of Audit Committee and Investors' Grievance Committee is considered for this purpose.

- (1) Directorships in Private Limited Companies, Foreign Companies are included in the above table.
- (2) Company while selecting independent directors on the Board inter alia considers his Qualification, Experience, Age and his other directorships etc. The company obtains an affirmative statement from each of the independent directors that they meet the criteria of independence.

An independent director is a non-executive director who, apart from receiving director's remuneration, does not have any material pecuniary relationship or transactions with the Company, its promoters or its management or its subsidiaries and associates which in the judgement of the Board, may affect his independence of judgement and complying with other conditions as prescribed under Clause 49 of the listing agreement.

- (3) All the relevant information suggested under Annexure 1A of Clause 49 of the Listing Agreement is furnished to the Board from time to time.

3. Code of Conduct :

The Company has introduced a Code of Conduct for Directors and members of Senior Management. The Code is made effective from April 1, 2005. It has been uploaded on the Company's website, www.kirloskarpumps.com. All Board members and senior management personnel have affirmed compliance with the code. A declaration to that effect signed by Mr. Sanjay Kirloskar, Chairman and Managing Director is appearing elsewhere in the Annual Report.

4. Audit and Finance Committee :

The Audit and Finance Committee was constituted in July, 2000. This committee is constituted in line with the provisions of Clause 49 of the Listing Agreement read with section 292A of the Companies Act, 1956. It comprised of five Directors viz. Mr. S. N. Inamdar as the Chairman, Mr. Gautam Kulkarni, Mr. U. V. Rao, Mr. P. S. Jawadekar and Mr. Pratap B. Shirke as the Members. Mr. S. N. Inamdar is a Non-Executive Independent Director. Thus the Company fulfils the requirements under the Clause 49 of the Listing Agreement. On April 25, 2012, Mr. Gautam Kulkarni has tendered his resignation from the Directorship of the Company and hence from that date he ceases to be a member of the Audit and Finance Committee.

The terms of reference of the Audit and Finance committee include the matters specified in clause 49 (II) of the Listing Agreement with the Stock Exchanges. The terms of reference of the Audit and Finance Committee includes the following:

A)

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending the appointment of external auditors, fix their remuneration.
- Reviewing with the management the quarterly & annual financial statements before submission to the Board focusing primarily on
 - Any change in the accounting policies & practices.
 - Major accounting entries based on exercise of judgement by management.
 - Significant adjustments arising out of audit.
- Qualifications in draft audit report.
- Compliance with Stock Exchanges legal and accounting requirements concerning financial statements.
- Any related party transactions.
- Structure & strength of internal audit department reporting structure, coverage and frequency of internal audit, financial & risk management policies particularly relating to foreign exchange exposure.
- Defaults in the payment to depositors, debenture-holders, shareholders & creditors.
- Reporting by management on key financial ratios.
- Reporting on recovery of dues, delays and reasons therefor.
- Statements accompanying Public Issue of any security.
- Reporting on branch audits, if any. Full access to information and data.
- To obtain outside legal or other professional advice.
- To secure attendance of outsiders with relevant expertise, if it considers necessary.
- Approval of payment to statutory auditors for any other services rendered by statutory auditors.
- Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
- Discussion with internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditor into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Carrying out any other function as per directions from the Board from time to time.

B)

- Power to investigate
- Power to summon officers
- Power to access information and data
- Power to review systems/controls

During the year, six Audit and Finance committee meetings were held on April 26, 2011, June 1, 2011, July 23, 2011, October 20, 2011, January 23, 2012 and January 24, 2012.

Attendance at Audit and Finance Committee meetings :

Member's Name	No. of Meetings attended	Member's Name	No. of Meetings attended
Mr. S. N. Inamdar	6	Mr. U. V. Rao	6
Mr. Gautam Kulkarni	5	Mr. Pratap B. Shirke	5
Mr. P. S. Jawadekar	6		

5. Remuneration of Directors :

Remuneration Committee

The Remuneration committee was constituted in the year 1999. It comprised of four Directors as under:

Mr. P. S. Jawadekar, Chairman, Mr. S. N. Inamdar, Mr. Gautam Kulkarni and Mr. A. N. Alawani.

On April 25, 2012, Mr. Gautam Kulkarni has tendered his resignation from the Directorship of the Company and hence from that date he ceases to be a member of the Remuneration Committee.

During the year, Remuneration Committee meeting was held on April 26, 2011.

Attendance at Remuneration Committee Meeting :

Member's Name	No. of Meetings attended	Member's Name	No. of Meetings attended
Mr. P. S. Jawadekar	1	Mr. S. N. Inamdar	1
Mr. Gautam Kulkarni	-	Mr. A. N. Alawani	1

Remuneration to Directors :

- The payments made to executive directors have been reviewed by the Remuneration Committee from time to time and confirmed by the Board of Directors.
- Non Executive Directors were paid a sitting fee of ₹ 10,000/- for every meeting of the Board and Committee attended by them. However, due to low profitability for the financial year 2011-12, no commission will be paid to any director including the non-executive directors for the year ended March 31, 2012.
- There are no pecuniary relationships or transactions of the non-executive directors' vis-a-vis the Company.
- All elements of remuneration package for all directors have been provided in the statement hereinafter.
- Except whatever is stated in the statement, there is no other fixed component or performance linked incentives to any director.

During the last year, under the Employees' "Share a Vision" – Stock Option Scheme, 2007 (ESOS-2007), 21750 options have been granted. Further, 1250 equity shares of ₹ 2/- each were issued and allotted to employees against stock options granted earlier, at an Exercise price of ₹ 2/- per share.

Subject to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the terms of the ESOS – 2007, the options granted earlier, after one year of the grant would vest in 3 annual instalments of 30%, 30% and 40% and the same should be exercisable within a period of 3 years from the date of vesting.

Ist tranche of options i.e. 30% of the total options vested on August 31, 2008 – which lapsed in the year 2011-12, due to expiry of exercise period for said tranche. The vesting of the IInd tranche (August 31, 2009) stands cancelled due to non achievement of the performance targets specified in the performance matrix. IIIrd tranche of options i.e. 40% of the total options stand vested on August 31, 2010.

Details of remuneration paid to Directors for the year 2011–12 are as follows :

Name of Director	Sitting Fees	Commission on Profits	Salary	Contribution to Statutory Funds	Perquisites	Others	Total
	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)	(₹)
Executive Directors							
Mr.Sanjay Kirloskar	-	-	6480000	1749600	3372142	-	11601742
Mr.R. K. Srivastava	-	-	2400000	648000	1161841	-	4209841
Mr. J.R. Sapre	-	-	2400000	648000	1444736	-	4492736
Non-Executive Directors							
Mr.Vikram Kirloskar	20000	-	-	-	-	-	20000
Mr. Gautam Kulkarni	100000	-	-	-	-	-	100000
Mr. M. S. Kirloskar	20000	-	-	-	-	283164*	303164
Mr. S. N. Inamdar	130000	-	-	-	-	250000	380000
Mr. Rahul Kirloskar	30000	-	-	-	-	-	30000
Mr. U. V. Rao	110000	-	-	-	-	-	110000
Mr. P.S.Jawadekar	130000	-	-	-	-	-	130000
Mr. A. N. Alawani	80000	-	-	-	-	-	80000
Mrs. Lalita D. Gupte	40000	-	-	-	-	-	40000
Mr. Pratap B. Shirke	90000	-	-	-	-	-	90000

*Includes pension as an ex-employee of the company.

Directors' Service Contracts' Details :

Executive Directors	Service Contract and Period	Severance Fees
Mr. Sanjay Kirloskar	Agreement dt.23.07.11 :: Period: 19.11.10 to 18.11.15	**
Mr. R. K. Srivastava#	Agreement dt.23.07.11 :: Period: 19.09.10 to 31.05.12	Nil
Mr. J. R. Sapre \$	Agreement dt.28.07.10 :: Period: 29.04.10 to 31.05.12	Nil

** Three years or unexpired period, whichever is less

Ceased to be a Whole Time Director with effect from May 31, 2012

\$ Subject to members approval, Board re-appointed as a Whole Time Director with effect from June 1, 2012 for three years

Statement showing number of Equity Shares of ₹ 2/- each of the Company, held by the present Non Executive Directors as on March 31, 2012 :

Non-Executive Directors	No. of shares	% to paid up capital
Mr. Gautam Kulkarni	435,012	0.55
Mr. M. S. Kirloskar	1,125	0.001
Mr. S. N. Inamdar	32,816	0.04
Mr. Rahul Kirloskar	404,501	0.51
Mr. Vikram S. Kirloskar	70,236	0.09
Mr. U. V. Rao	-	-
Mr. P.S. Jawadekar	3,000	0.004
Mr. A. N. Alawani	7,500	0.01
Mrs. Lalita D. Gupte	-	-
Mr. Pratap B. Shirke	10,000	0.01

6. Particulars of Directors to be re-appointed and appointed at an ensuing Annual General Meeting :**Mr. Pratap B. Shirke**

Mr. Pratap Baburao Shirke (64) is an Independent Director on the Board of Kirloskar Brothers Limited. He has a Degree in Civil Engineering from College Of Engineering, Pune and a Masters Degree from Stanford University. He has also done his MBA from Stanford University, USA. Mr. Shirke is based in London.

In 1974 he went to Dubai and founded the Pan Gulf Group of Companies for executing construction projects in Dubai, Saudi Arabia, Yemen, Iraq and Kuwait.

In 1983, he moved to London and formed Oak Group PLC, which owned a chain of Hotels in and around UK.

In 1987, he was involved in shipping business and purchased a number of Panamax dry bulk cargo vessels. Pan Gulf Group activities cover Ship Management, Hotels, Commercial Properties, Energy Management and Ship Ownership.

Mr. Pratap Shirke is a member of Audit and Finance Committee of the Company.

Other Directorships :

B. G. Shirke Construction Technology Private Limited, MAC Maritime Training and Research Institute, ASP Pacific Holdings Pty. Limited, British Naval Architects Limited, Grand Havre Holdings Limited, Marine Shipping Mutual Insurance Company Limited, North of England P&I Association Limited, Oak Group Limited, Pan Gulf Aviation Limited, SPP Pumps Limited, Northern Navigation Fund I LLC and Kirloskar Brothers International B.V.

Other Committee positions :

Company Name	Audit Committee	Shareholders' Grievance Committee
Marine Shipping Mutual Insurance Company Limited	Member	-

He is holding 10,000 (0.01%) Equity Shares of ₹ 2/- each of the Company. He is not related to any other director on the Board of the Company.

Mr. A.N. Alawani

Mr. Anil Narayan Alawani (66) is an Independent Director on the Board of Kirloskar Brothers Limited. He is a Chartered Accountant and has been associated with the Kirloskar Group of Companies since 1977. Prior to his appointment in Kirloskar Oil Engines Limited, he was working with Inex Engine Valves Limited, Kirloskar Consultants Limited and Kirloskar Ferrous Industries Limited. He retired as Director-Finance of Kirloskar Oil Engines Limited in August, 2005.

Besides his core area of Finance and Taxation, he has experience in Import Export and Labour Matters. His expertise in Corporate Tax Planning and Finance has helped the Kirloskar Group companies in financial restructuring and taxation matters.

Mr. A. N. Alawani is a member of Remuneration Committee, Investors' Grievance Committee and Committee for scheme of arrangement of the Company.

Other Directorships :

Kothrud Power Equipment Limited, Kirloskar Integrated Technologies Limited, Kirloskar Ferrous Industries Limited, Kirloskar Oil Engines Limited, Kirloskar Brothers Investments Limited and Kirloskar Industries Limited.

Other Committee positions :

Company Name	Audit Committee	Shareholders' Grievance Committee	Remuneration Committee
Kirloskar Industries Limited	Chairman	Chairman	-
Kirloskar Brothers Investments Limited	Chairman	-	Member
Kirloskar Integrated Technologies Ltd.	-	-	Chairman
Kirloskar Ferrous Industries Limited	Member	Member	Member

He is holding 7,500 (0.01%) Equity Shares of ₹ 2/- each of the Company. He is not related to any other director on the Board of the Company.

Mr. S.N. Inamdar

Mr. Shrikrishna Narhar Inamdar (67) is an Independent Director on the Board of Kirloskar Brothers Limited. He is a Commerce and a Law graduate and the Senior Advocate of the Bombay High Court. He has had a brilliant academic career having stood first in Pune and Bombay University for B.Com and LLB examinations respectively.

Mr. Inamdar has been in practice for more than three decades. He has specialization in Tax and allied laws.

He is on the Boards of several Public Limited Companies and is also associated with the various Charitable Institutions.

Mr. S. N. Inamdar is Chairman of Audit and Finance Committee and a Committee for scheme of arrangement and member of Remuneration Committee and Compensation Committee for ESOS of the Company.

Other Directorships :

Kirloskar Ferrous Industries Limited, Kirloskar Industries Limited, Finolex Industries Limited, Finolex Infrastructure Limited, Sudarshan Chemical Industries Limited, Force Motors Limited, The Ugar Sugar Works Limited, Kulkarni Power Tools Limited, Apple Hospitals and Research Institute Limited, Servalaxhmi Papers Limited, Kirloskar Proprietary Limited, Sakal Papers Private Limited.

Other Committee positions :

Company Name	Audit Committee	Shareholders' Grievance Committee	Remuneration Committee
Kirloskar Industries Limited	Member	-	-
Finolex Industries Limited	Chairman	Member	Chairman
Sudarshan Chemical Industries Ltd.	Member	-	-
Kirloskar Ferrous Industries Limited	Chairman	-	Chairman
The Ugar Sugar Works Limited	Chairman	-	Chairman
Force Motors Limited	-	-	Chairman
Servalaxmi Paper Limited	Member	-	-

He is holding 32,816 (0.04%) Equity Shares of ₹ 2/- each of the Company. He is not related to any other director on the Board of the Company.

Mr. J. R. Sapre

Mr. Jayant Raghunath Sapre (67) is a Whole Time Director on the Board Kirloskar Brothers Limited. He has served in various positions in Kirloskar Group for more than 30 years. He started his career with a Defence organization in Dehradun and joined Cummins Diesel Sales and Services in 1977. Subsequently, he served Kirloskar Cummins and Kirloskar Oil Engines Limited.

He began his career with 9 years in manufacturing and subsequently in reliability, marketing and setting up distribution network. Mr. J. R. Sapre is responsible for all the manufacturing plants in India and the marketing sectors Distribution, Industry, Building and Construction and the Customer Service support. He also is responsible for Corporate Global Marketing & Strategy, Corporate International Business Support and Corporate Information Centre.

Other Directorships :

Kirloskar Constructions and Engineers Limited, The Kolhapur Steel Limited, Kirloskar Corrocoat Private Limited, Kirloskar Brothers International B.V., The Netherlands, Kirloskar Brothers Europe B.V., Kirloskar Brothers (Thailand) Limited, Micawber 784 (Proprietary) Limited, South Africa, Braybar Pumps (Proprietary) Limited, South Africa and SPP Pumps (MENA) L.L.C., Egypt.

He is a member of Audit Committee of Kirloskar Constructions and Engineers Limited.

He is not holding any Equity Share of ₹ 2/- of the Company. He is not related to any other director on the Board of the Company.

7. Shareholders' / Investors' Grievance Committee :

Company has Share Transfer, Transmission and Investors' Grievance Committee.

Mr. M. S. Kirloskar, a non-executive independent Director is a Chairman of the Committee. Other members are Mr. A. N. Alawani and Mr. Sanjay Kirloskar.

During the year under the report, two Investors' Grievance committee meetings were held on October 20, 2011 and March 13, 2012.

Attendance at Investors' Grievance committee meetings :

Member's Name	No. of Meetings attended
Mr. M.S. Kirloskar	1
Mr. Sanjay Kirloskar	2
Mr. A. N. Alawani	2

Company has always valued its relationship with its stakeholders. This policy has been extended to Investor relationship. Company's secretarial department is continuously monitoring the complaints / grievances of the investors and is always taking efforts to reduce the response time in resolving the complaints / grievances.

Name and designation of Compliance Officer:

Mr. P. S. Vaishampayan, Dy. Company Secretary

No. of Shareholders' complaints received :

The total number of complaints received and replied to the satisfaction of the Shareholders during the year ended March 31, 2012 were 10 and there were no complaints / Share transfers outstanding / Pending as on March 31, 2012.

With reference to clause 47(f) of the Listing Agreement, Company has designated exclusive e-mail ID as grievance.redressal@kbl.co.in for investors to register their grievances, if any. This has been initiated by the Company to resolve such investors' grievances, immediately. The Company has displayed the said e-mail ID on its website for the use of investors.

8. General Body Meetings :

Details of last three Annual General Meetings held :

i)	89 th Annual General Meeting	July 17, 2009: 11.00 A. M. Yamuna, Survey No.98(3-7), Baner, Pune - 411 045
Special resolution passed:		
<ul style="list-style-type: none"> For approval of shareholders for holding and continue to hold an office or place of profit in the Company as Management Trainee – Corporate Global Marketing, Business Development and Strategy Department (CMBS) by Ms. Preeti J. Sapre, daughter of Mr. Jayant R. Sapre, Whole Time Director of the Company. 		
ii)	90 th Annual General Meeting	July 27, 2010: 11.00 A. M. Yamuna, Survey No.98(3-7), Baner, Pune - 411 045
Special resolutions passed:		
<ul style="list-style-type: none"> For approval of shareholders for payment and distribution of Commission to non executive Directors for five years from April 1, 2010 For approval of shareholders for allowing reimbursement of travelling and other expenses to Mr. M.S. Kirloskar, non executive independent Director, for five years from April 1, 2010 For approval of shareholders for holding and continue to hold an office or place of profit in the Company as Assistant Manager by Ms. Preeti J. Sapre, daughter of Mr. Jayant R. Sapre, Whole Time Director of the Company with effect from February 2, 2010 with other terms and conditions for her appointment. 		
iii)	91 st Annual General Meeting	July 23, 2011: 11.00 A. M. Yamuna, Survey No.98(3-7), Baner, Pune - 411 045
No Special resolution has been passed at this meeting.		

9. Disclosures :

- i. Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
There are no materially significant transactions made by the Company with its promoters, directors or the management, their subsidiaries or relatives etc. which have potential conflict with the interest of the Company at large.
- ii. Details of non compliance by the Company, penalties and strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the last three years.
None
- iii. a. Whistle Blower Policy :
The Company has formulated and implemented the Whistle Blower Policy ("the Policy"). This would inter alia provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit and Finance Committee; any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. Thus any employee has access to the Audit and Finance Committee.
The Policy has been communicated to all the Employees of the Company and other persons dealing with the Company, through circular/display on the Notice Board/ display on the Intranet and through training programmes from time to time. The policy has also been uploaded on the company website.
b. Policy for prevention of sexual harassment at work :
The company has also formulated and implemented the Policy for prevention of sexual harassment at work during the year 2008. This would inter alia provide a mechanism to prevent or deter the commission of acts of Sexual Harassment or inappropriate behaviour at work and to ensure that all employees are treated with respect and dignity. Under the said policy, the procedures for the resolution, settlement or prosecution of acts or instances of Sexual Harassment have also been provided for.
c. Code of Ethics :
The Company released company's "code of ethics" on December 7, 2009. This is one of the important documents of the company and a guide to ethical behaviour for personnel with the company.
- iv. All mandatory requirements of Clause 49 of the Listing Agreement have been complied with by the Company and the extent of adoption of non-mandatory requirements is given hereunder:

Non-Mandatory requirements :

The Board –

The Company has Executive Chairman and the office with required facilities is provided and maintained at the Company's expenses for use by the Chairman.

No policy has been fixed on tenure of Independent Directors.

Remuneration Committee –

Committee is already in place and complying with related non-mandatory requirements.

Shareholders' Rights –

The half-yearly financial results are published in the English and Vernacular newspapers and are also displayed on the Company's website and also have been separately circulated to the shareholders, since half year ended September, 2007.

Audit qualifications –

The Company is already in the regime of unqualified financial statements.

Training of Board Members –

The present Board of Directors is already comprised of well experienced and responsible members of the society and they themselves have represented as faculties to many training institutes.

Mechanism for evaluating Non-executive Board Members –

No specific mechanism is in place in the Company.

Whistle Blower Policy -

The Company has a Whistle Blower Policy. It inter alia provides a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit and Finance Committee; any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. It also provides for adequate safeguards against victimisation of such employees. Further, the existence of the mechanism has been appropriately communicated within the organisation.

In order to achieve excellence in the Corporate Governance, certain additional disclosures have been given elsewhere in the Annual Report viz. Top ten shareholders, Change in Equity Capital during the financial year, Vision Mission statements. Further, during the year, the Board has adopted certain policies viz. Code of Corporate Governance, Corporate Disclosure Policy, Dividend policy and Policy for placing Action Taken Report / Implementation Report at the Board Meeting.

10. Means of Communication :

- Half yearly reports to each household of shareholders –
The results of the Company are published in national and regional newspapers. The half yearly financial results have been separately circulated to each household of shareholders, since half year ended September, 2007.
- Quarterly results –
The quarterly results are generally published in the newspapers viz. Indian Express, Loksatta and The Hindu - Business Line. These are also displayed on the Company's website 'www.kirloskarpumps.com' shortly after its submission to the Stock Exchanges. The Company's website also displays official news releases.
- Presentation to Institutional Investors or to analysts -
Generally, presentations are made to analysts on quarterly basis. The presentations are uploaded on the Company's website.
- Whether the Management Discussion and Analysis Report is a part of Annual Report or not?
The Management Discussion and Analysis Report is a part of the Annual Report.

11. General Shareholders information :

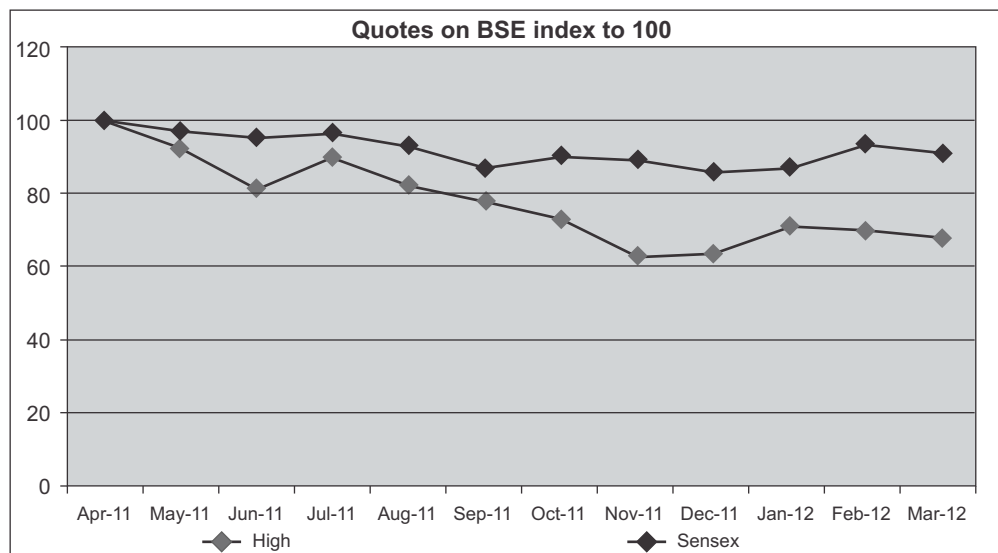
92nd Annual General Meeting

Day & Date :	Wednesday, July 18, 2012
Time :	11.00 A.M.
Venue :	"Yamuna" Survey No.98 (3-7) Baner, Pune - 411 045
Financial Year:	1st April to 31st March
Dates of book closure :	Saturday, July 14, 2012 to Wednesday, July 18, 2012 (Both days inclusive)
Dividend payment date :	On or before July 31, 2012, subject to shareholders' approval
Listing on Stock Exchanges :	The Company's equity shares are listed on Bombay Stock Exchange Limited and National Stock Exchange of India Limited, Mumbai
Listing fees payment :	The Annual Listing fees have been paid and there is no outstanding payment towards the stock exchanges, as on date
Stock codes / Symbol :	Bombay Stock Exchange Limited – 500241 National Stock Exchange of India Limited – KIRLOS BROS – EQ ISIN - INE732A01036

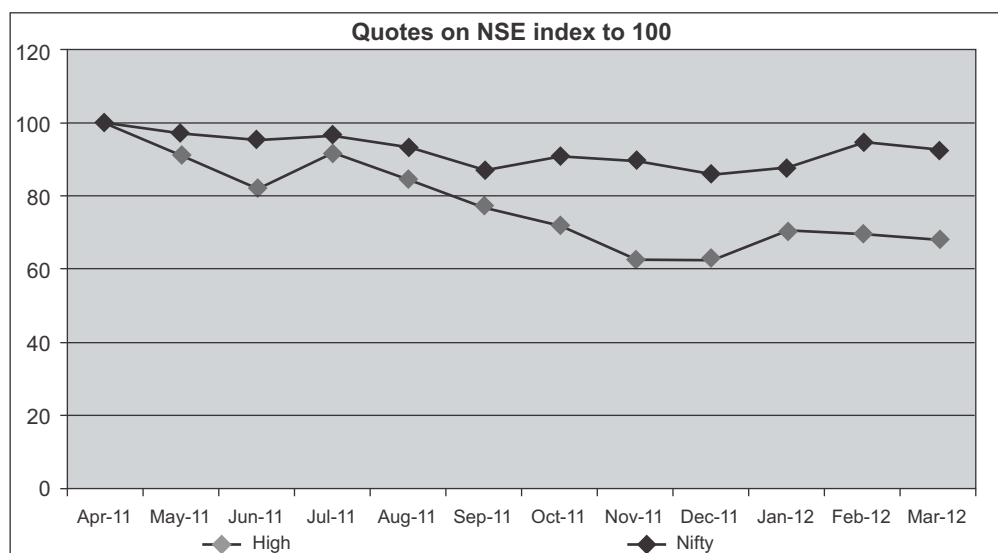
Market Price Data :

Month	Quotations on B S E		Quotations on N S E	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2011	205.50	133.00	207.00	133.10
May 2011	189.85	133.55	188.40	132.75
June 2011	167.00	140.00	169.45	142.00
July 2011	185.00	155.00	189.95	155.00
August 2011	169.05	140.35	174.95	142.20
September 2011	160.00	136.50	160.00	132.75
October 2011	149.95	125.10	149.00	121.95
November 2011	129.25	117.15	129.80	116.20
December 2011	131.00	108.00	130.00	106.80
January 2012	146.75	113.00	146.00	114.10
February 2012	143.75	124.00	144.00	123.90
March 2012	139.40	124.50	141.00	123.15

Performance in comparison to broad based indices - BSE sensex :



Performance in comparison to broad based indices - NSE S&P CNX Nifty :



Registrar and Transfer Agent :

The Company appointed Intime Spectrum Registry Limited, as its Registrar and Transfer Agent (R & T Agent) with effect from April 1, 2003. The name of the R & T Agent has been changed to "Link Intime India Private Limited" with effect from January 6, 2009, consequent to acquisition of stake in the Intime Spectrum by Link Market Services Group Pty Limited, Sydney, Australia. Share Transfers, dematerialisation of shares, dividend payment and all other investor related activities are attended and processed at the office of the Registrar and Transfer Agent at the following address:-

Link Intime India Private Limited,
(Unit: Kirloskar Brothers Limited),
Block No. 202, 2nd Floor, Akshay Complex,
Near Ganesh Temple, Off Dhole Patil Road,
Pune – 411 001
Tel. No. (020) 2616 0084 Fax No. (020) 2616 3503
E-mail : pune@linkintime.co.in

Share transfer system :

The authority to approve transfer of shares upto 10000 shares has been delegated to the Company Secretary and Deputy Company Secretary. The proposals for transfer of shares above 10000 shares are placed before the Investors' Grievance Committee/Board. The share transfers received are processed within 15 days from the date of receipt subject to the transfer instrument being valid and complete in all respects. In compliance with the Listing guidelines, every six months, a practising Company Secretary audits the system of transfer and a certificate to that effect is issued.

Out of total paid-up share capital, 92.69% share capital is held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited as on March 31, 2012.

The Company has established connectivity with both the Depositories through the Registrar, Link Intime India Private Limited.

Members are advised to notify to the Company or Registrar and Transfer Agent, any change of address, immediately.

For the benefit of members, certain information, procedures and forms, which are being asked for by the members frequently, viz. Letter about change of address, ECS form, Nomination Form, Indemnity/Affidavit etc. for issue of duplicate share certificates, Transmission form, information about shares of ₹ 2/- each after scheme alongwith general FAQs etc. are uploaded on the Company's website www.kirloskarpumps.com under section investors - "Information for Shareholders".

Change in Equity Capital during the financial year 2011-12

Particulars	No. of shares of ₹ 2/- each	Total share capital (₹)
Issued and Paid-up Equity as on March 31, 2011	79,338,451	158,676,902
Add: shares allotted under ESOP	1,250	2,500
Issued and Paid-up Equity as on March 31, 2012	79,339,701	158,679,402

Distribution of Shareholding as on March 31, 2012 :

Nominal value of shares (In ₹)		Number of Holders	% to Total Holders	Total Face Value (In ₹)	% to Total Face Value
From	To				
1	5000	17091	94.01	10809136	6.81
5001	10000	598	3.29	4139110	2.61
10001	20000	282	1.55	3901802	2.46
20001	30000	67	0.37	1657162	1.04
30001	40000	35	0.19	1253888	0.79
40001	50000	21	0.11	960650	0.61
50001	100000	32	0.18	2241404	1.41
100001	Above	54	0.30	133716250	84.27
TOTAL		18180	100.00	158679402	100.00

Shareholding Pattern as on March 31, 2012 :

Sr. No.	Category	No. of shares	% of shareholding
1	Promoters' Holding*		
	Indian Promoters	30843707	38.88
	Bodies Corporate	19250141	24.26
2	Non Promoters' Holding		
	Mutual Funds	6138768	7.74
	Financial Institutions / Banks	91143	0.11
	Insurance Companies	4012375	5.06
	Foreign Institutional Investors	1654896	2.09
	Bodies Corporate	3266635	4.12
	Indian Public	13936614	17.56
	Non Resident Indians	145422	0.18
	TOTAL	79339701	100.00

*Out of Promoter's holding, no share has been pledged by the Promoters or persons under Promoter Group.

Top Ten Shareholders other than Promoters as on March 31, 2012

Sr. No.	Name of the shareholders	No. of shares of ₹ 2/- each	% of holding
1	Reliance Capital Trustee Co. Ltd. A/c Reliance Diversified Power Sector Fund	2916022	3.68
2	ICICI Prudential Tax Plan	1753948	2.21
3	The New India Assurance Company Limited	1513002	1.91
4	General Insurance Corporation of India	1407434	1.77
5	ICICI Prudential Life Insurance Company Ltd.	1167510	1.47
6	The Oriental Insurance Company Limited	705761	0.89
7	Warburg Value Fund	705307	0.89
8	Acacia Partners, LP	563625	0.71
9	The Mysore Kirloskar Ltd.	562500	0.71
10	ICICI Prudential Dynamic Plan	435517	0.55

Outstanding GDRs/ ADRs / warrants or any convertible instruments etc. :

As of date, the Company has not issued these types of Securities.

Plant locations :

1.	Kirloskarvadi Kirloskarvadi – 416 308. Dist. Sangli. Maharashtra Tel No. (02346) 222301 – 05, 222361 To 222365	2.	Dewas Opposite Railway Station, Ujjain Road, Dewas – 455 001. Madhya Pradesh Tel No. (07272) 227302 - 04
3.	Shirwal Gat No. 117, Shindevadi, Tal. Khandala, Dist. Satara – 412 801. Maharashtra Tel No. (02169) 244360 / 244370 /244322	4.	Kondhapuri Gat No. 252/2 + 254/2, Kondhapuri, Tal : Shirur, Dist. Pune – 412 208. Maharashtra Tel No. (02137) 270217 / 270116 /270140
5.	Kaniyur Village, Karumathampatti - PO, Sulur Taluk, Coimbatore 641659 Tamil Nadu (India) Tel No. (0421) 2904699		

Investor contacts :

Company Address :	Registrar and Transfer Agent :
Secretarial Department, Kirloskar Brothers Limited, "Yamuna", Survey No. 98 (3-7) Baner, Pune – 411 045 Tel. No. (020) 2721 1030 Fax No. (020) 2721 1136 E-mail : grievance.redressal@kbl.co.in	Link Intime India Private Limited, (Unit: Kirloskar Brothers Limited), Block No. 202, 2 nd Floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune – 411 001 Tel. No. (020) 2616 0084 Fax No. (020) 2616 3503 E-mail : pune@linkintime.co.in
Addresses of stock exchanges :	
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Tel. No. (022) 2272 1233 Fax No. (022) 2272 2061	National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (East) Mumbai – 400 051 Tel. No. (022) 2659 8236 Fax No. (022) 2659 8237
Depositories for equity shares :	
National Securities Depository Limited Trade World – A Wing, Kamala Mills Compound, Lower Parel, Mumbai – 400 013 Tel. No. (022) 2499 4200 Fax No. (022) 2497 2993 / 6351	Central Depository Services (India) Ltd. Phiroze Jeejeebhoy Towers, 16 th Floor, Dalal Street, Mumbai - 400 001 Tel. No. (022) 2272 3333 Fax No. (022) 2272 3199 / 2072

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

To the members of **KIRLOSKAR BROTHERS LIMITED**

Pursuant to Clause 49 I (D) (ii) of the Listing Agreement, I hereby declare that all Board members and senior management personnel are aware of the provisions of the Code of Conduct laid down by the Board and made effective from April 1, 2005. All Board members and senior management personnel have affirmed compliance with the code of Conduct.

For Kirloskar Brothers Limited



Sanjay Kirloskar

Chairman and Managing Director

Pune : May 31, 2012

CERTIFICATE

To the members of **KIRLOSKAR BROTHERS LIMITED**

We have examined the compliance of conditions of Corporate Governance by **KIRLOSKAR BROTHERS LIMITED** for the year ended on 31st March 2012, as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For M/s P. G. BHAGWAT
Chartered Accountants
Firm's Registration No: 101118W

Abhijeet Bhagwat
Partner
Membership No. 136835

Pune : May 31, 2012

Disclosure under Clause 5All of the Listing Agreement in respect of unclaimed shares

The Securities and Exchange Board of India vide its circular dated December 16, 2010, effected certain amendments to the Equity Listing Agreement. Through new clause 5All certain provisions have been introduced, containing uniform procedure for dealing with unclaimed shares.

In compliance with the procedures, the company initiated action and forwarded two letters to such shareholders requesting them to forward correct addresses to avoid transfer of all such unclaimed shares in to one folio in the name of "Unclaimed Suspense Account", in Demat mode. We have received certain responses from shareholders on said communication and the details are provided hereinafter.

In compliance with present Clause 5All-(h), following details are provided in respect of such unclaimed shares:-

Sr. No.	Particulars	No. of Shareholders	No. of Shares
(i)	Aggregate number of shareholders and the outstanding shares considered to be transferred to the Unclaimed Suspense Account at the beginning of the year 2011-12	2677	1471406
(ii)	Number of shareholders who approached the company for transfer of shares from shares considered to be transferred to the Unclaimed Suspense Account during the year 2011-12	55	57076
(iii)	Number of shareholders to whom shares were transferred from shares considered to be transferred to the Unclaimed Suspense Account during the year 2011-12	52	47336
(iv)	Aggregate number of shareholders and the outstanding shares considered to be transferred to the Unclaimed Suspense Account at the end of the year 2011-12	2622	1414330

The further necessary actions, in compliance with clause 5All, will be taken in due course of time.

With reference to the General Circular No. 15/2011 – 52/5/CAB-2011 dated April 11, 2011 issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, New Delhi on revised procedure for appointment of Cost Auditor by the Companies - effective from the financial year commencing on or after April 1, 2011; disclosures on compliances made during FY 2011-12 are given below :

Particulars of the Cost Auditor :

Name of Firm : PARKHI LIMAYE & CO.
 Name of Partners : Mrs. Varsha S. Limaye (Membership No.12358)
 Ms. Sangita S. Kulkarni (Membership No.27105)
 Firm Registration No : 191
 PAN of Firm : AAJFP2875P
 Regd. Office of Firm : 'Aabha', Plot No 16, Siddhakala CHS, Warje,
 Pune - 411 058
 Address for Correspondence : 32, Navketan Society, Kothrud, Pune - 411 038
 Telephone : 020 - 2543 0388
 E-mail : parkhilimaye@hotmail.com

Filing of Cost Audit Report for FY 2010-11 by Cost Auditors :

Due date : September 27, 2011
 Filing date : September 16, 2011

AUDITOR'S REPORT TO THE MEMBERS OF KIRLOSKAR BROTHERS LIMITED

1. We have audited the attached balance sheet of Kirloskar Brothers Limited as at 31st March, 2012, the profit and loss statement and the cash flow statement of the company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 [as amended by Companies (Auditor's Report) (Amendment) Order, 2004] issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
 - (i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) in our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) the balance sheet, the profit and loss statement and cash flow statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the balance sheet, profit and loss statement and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - (v) on the basis of the written representations received from the directors as on 31st March, 2012, and taken on record by the board of directors, we report that none of the directors are disqualified as on 31st March, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the accounts, read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the balance sheet, of the state of affairs of the company as at 31st March, 2012 ;
 - (b) in the case of the profit and loss statement of the profit for the year ended on that date;
 - (c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For M/s P. G. BHAGWAT
Chartered Accountants
Firm's Registration No.: 101118W

Abhijeet Bhagwat
Partner
Membership No.: 136835

Pune : 25th April, 2012

ANNEXURE**Re: Kirloskar Brothers Limited**

Referred to in paragraph 3 of our report of even date :

- (i) (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
- (c) The company has not disposed off substantial part of its fixed assets during the current year.
- (ii) (a) Physical verification of inventory has been conducted by the management during the year. In our opinion, the interval of such verification is reasonable.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company is maintaining proper records of inventory and any material discrepancies noticed on physical verification have been properly dealt with in the books of account.
- (iii) (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b), (c) and (d) of the Order are not applicable to the company.
- (e) According to the information and explanation given to us, the company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (f) and (g) of the Order are not applicable to the company.
- (iv) In our opinion and according to the information and explanation given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit we have not observed any continuing failure or continuing failure to correct major weaknesses in internal control system.
- (v) (a) According to the information and explanation given to us, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanation given to us, the company has complied with the directives issued by the Reserve Bank of India and the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder. As informed to us no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determine whether they are accurate and complete.
- (ix) (a) The company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth Tax,

Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues applicable to it with the appropriate authorities.

According to the information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2012, for a period of more than six months from the date they became payable.

- (b) According to the information and explanation given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and cess which have not been deposited on account of any dispute other than those mentioned in the Appendix to this report.
- (x) The company has no accumulated losses at the end of 31st March, 2012. The company has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the company has not defaulted in repayment of dues to a financial institution or bank. The company does not have debenture holders.
- (xii) According to the information and explanation given to us the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund, nidhi, mutual benefit fund or society and thus the provisions of clause 4 (xiii) (a), (b), (c) and (d) of the Order are not applicable to the company.
- (xiv) According to the information and explanation given to us the company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from bank or financial institutions are not prejudicial to the interest of the company.
- (xvi) In our opinion and according to the information and explanation given to us, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanation given to us, the funds raised on short-term basis have not been used for long-term investment.
- (xviii) The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanation given to us, the company has not issued any debentures during the current year.
- (xx) According to the information and explanation given to us, the company has not raised money by any public issue during the current year.
- (xxi) According to the information and explanation given to us, no fraud on or by the company has been noticed or reported during the year.

For M/s P. G. BHAGWAT
Chartered Accountants
Firm's Registration No: 101118W

Abhijeet Bhagwat
Partner
Membership No.: 136835

Pune : 25th April, 2012

Appendix (Referred to in clause (ix) (b) of the annexure to the Auditors' Report.)

Sr. No.	Nature of Dues	Amount in ₹	Forum where dispute is pending
1	Central Sales Tax	240,513 244,203 1,310,219 4,791,506 411,716 14,424,941	Additional Commissioner Joint Commissioner of Sales Tax (Appeals) Assistant Commissioner (Appeals) Appellate Assistant Commissioner State High Court Deputy Commissioner (Appeals)
2	State Sales Tax	19,240,611 5,537,281 245,404 7,695,933	Appellate Tribunal High Court Assistant Commissioner Deputy Commissioner (Appeals)
3	Excise Duty	583,809 13,240,251 23,118,135 135,539 1,354,660	Assistant Commissioner Commissioner Appellate Tribunal Commissioner (Adjudication) Commissioner (Appeals)
4	Service Tax	170,837,723	Appellate Commissionerate

BALANCE SHEET AS AT MARCH 31, 2012

₹

Particulars		Note No.	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
I.	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	A-1	158,679,402	158,676,902
	(b) Reserves and surplus	A-2	7,377,619,153	7,275,704,884
	(c) Money received against share warrants		-	-
			7,536,298,555	7,434,381,786
2	Share application money pending allotment		-	-
3	Non-current liabilities			
	(a) Long-term borrowings	A-3	455,098,962	712,867,991
	(b) Deferred tax liabilities (net)	A-4	-	46,735,690
	(c) Other long term liabilities	A-5	979,756,889	958,795,809
	(d) Long-term provisions	A-6	152,817,271	135,177,585
			1,587,673,122	1,853,577,075
4	Current liabilities			
	(a) Short-term borrowings	A-7	2,773,656,954	2,503,035,327
	(b) Trade payables	C-24	4,124,518,937	5,579,842,122
	(c) Other current liabilities	A-8	2,870,617,052	3,326,579,442
	(d) Short-term provisions	A-9	456,356,400	587,109,951
			10,225,149,343	11,996,566,842
	TOTAL		19,349,121,020	21,284,525,703
II.	ASSETS			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	A-10	2,797,548,498	2,756,438,182
	(ii) Intangible assets	A-10	31,811,343	40,312,297
	(iii) Capital work-in-progress		360,070,923	200,303,596
	(iv) Intangible assets under development		-	-
	(b) Non-current investments	A-11	2,149,431,850	1,673,262,915
	(c) Deferred tax assets (net)	A-4	25,995,158	-
	(d) Long-term loans and advances	A-12	1,387,339,230	1,593,439,327
	(e) Other non-current assets	A-13	881,009,168	1,584,487,935
			7,633,206,170	7,848,244,252
2	Current assets			
	(a) Current investments		-	-
	(b) Inventories	A-14	2,099,615,506	1,927,488,065
	(c) Trade receivables	A-15	2,980,482,667	4,493,388,805
	(d) Cash and bank balances	A-16	205,335,573	576,634,978
	(e) Short-term loans and advances	A-17	2,536,000,016	3,001,739,908
	(f) Other current assets	A-18	3,894,481,088	3,437,029,695
			11,715,914,850	13,436,281,451
	TOTAL		19,349,121,020	21,284,525,703

Notes to accounts

Part- B & C

The notes referred to above and accompanying notes form an integral part of the Balance Sheet.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat
Chartered Accountants

SANJAY KIRLOSKAR
Chairman & Managing Director

S. N. INAMDAR
Director

ABHIJEET BHAGWAT
Partner

G. P. KULKARNI
Company Secretary

UMESH R. SHASTRY
Vice President (Finance)

PUNE : April 25, 2012

PUNE : April 25, 2012

PROFIT AND LOSS STATEMENT FOR YEAR ENDED MARCH 31, 2012

₹

Particulars		Note No.	Figures for current reporting period ending on March 31, 2012	Figures for previous reporting period ending on March 31, 2011
I.	Revenue from operations	A-19	17,818,761,202	19,468,850,138
II.	Other income	A-20	462,787,460	128,511,812
III.	Total Revenue (I + II)		18,281,548,662	19,597,361,950
IV.	Expenses:			
	Cost of materials consumed	A-21	8,104,179,524	8,859,198,470
	Purchases of Stock-in-Trade	C-14	4,681,228,508	4,737,339,563
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	A-21	(124,447,878)	(165,123,668)
	Employee benefits expense	A-22	1,489,682,898	1,351,464,790
	Finance costs	A-23	634,137,503	453,082,445
	Depreciation and amortization expense		302,616,890	300,144,006
	Other expenses	A-24	2,854,495,412	3,033,045,953
	Total expenses		17,941,892,857	18,569,151,559
V.	Profit before exceptional and extraordinary items and tax (III-IV)		339,655,805	1,028,210,391
VI.	Exceptional items		-	-
VII.	Profit before extraordinary items and tax (V - VI)		339,655,805	1,028,210,391
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII- VIII)		339,655,805	1,028,210,391
X.	Tax expense:			
	(1) Current tax		97,400,000	447,400,000
	(2) Deferred tax		(72,730,848)	(32,789,351)
	(3) Short provision of income tax on account of earlier years		3,100,000	-
			27,769,152	414,610,649
XI.	Profit/(Loss) for the period from continuing operations (IX-X)		311,886,653	613,599,742
XII.	Profit/(Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	Profit/(Loss) from discontinuing operations (after tax) (XII-XIII)		-	-
XV.	Profit/(Loss) for the period (XI + XIV)		311,886,653	613,599,742
XVI.	Earnings per equity share having nominal value of ₹ 2/- per share	C-9		
	(1) Basic		3.93	7.73
	(2) Diluted		3.93	7.73

Notes to accounts

Part- B & C

The notes referred to above and accompanying notes form an integral part of the profit and loss statement.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat
Chartered AccountantsSANJAY KIRLOSKAR
Chairman & Managing DirectorS. N. INAMDAR
DirectorABHIJEET BHAGWAT
PartnerG. P. KULKARNI
Company SecretaryUMESH R. SHASTRY
Vice President (Finance)

PUNE : April 25, 2012

PUNE : April 25, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

₹

	Particulars	Figures for current reporting period ending March 31, 2012	Figures for previous reporting period ending March 31, 2011
A	Cash flows from operating activities		
	Net profit before taxes and extraordinary items	339,655,805	1,028,210,391
	Adjustments for :-		
1	Depreciation / amortization	302,616,890	300,144,006
2	(Profit)/Loss on sale of fixed assets	284,594	6,533,858
3	Employees stock option - compensation debited to profit and loss account (net)	(28,197,282)	610,601
4	Provision for doubtful debts/advances	191,827,992	38,912,215
5	Interest income	(38,716,810)	(30,080,238)
6	Dividend income	(42,478,883)	(64,966,319)
7	Interest expenses	456,926,468	329,615,320
8	Unrealized exchange (gain)/ loss - Interest	75,763,227	21,637,828
9	Unrealized exchange (gain)/ loss - Others	1,905,263	65,104,906
10	Profit on sale of investment	(350,600,000)	-
11	Loss on sale of investment	-	13,288,951
12	Investment written off	-	1,406,250
	Operating profit before working capital changes	908,987,264	1,710,417,769
	Adjustments for :-		
1	(Increase)/ decrease in inventories	(172,127,441)	(137,176,264)
2	(Increase)/ decrease in trade and other receivables	2,252,757,347	(727,004,643)
3	Increase/ (decrease) in trade and other payables	(1,817,296,126)	404,023,193
	Cash generated from operations	1,172,321,044	1,250,260,055
4	Income tax (paid) / refunded	(359,090,844)	(830,134,014)
	Net cash from operating activities	813,230,200	420,126,041
B	Cash flows from investing activities		
1	Purchase of fixed assets	(498,164,812)	(528,038,710)
2	Sale of fixed assets	2,886,639	6,534,718
3	(Purchase)/sale of investments	(125,568,935)	215,031,050
4	Interest received	41,619,747	372,856
5	Dividend received	58,728,883	102,794,219
6	Advance / loans to subsidiaries	180,446,307	341,369,538
	Net cash from investment activities	(340,052,171)	138,063,671
C	Cash flows from financing activities		
1	Proceeds from borrowing	207,659,371	450,340,892
2	Repayment of borrowings	(270,570,000)	(557,375,760)
3	Interest paid	(462,625,907)	(313,303,631)
4	Dividend paid	(275,970,429)	(429,448,778)
5	Dividend distribution tax	(37,145,728)	(63,486,460)
6	Proceeds from issuance of share capital	2,500	15,370
7	Proceeds from share premium	-	1,224,630
	Net cash used in financing activities	(838,650,193)	(912,033,737)
	Unrealized exchange gain / (loss) in cash and cash equivalents	(5,827,241)	(35,429,310)
	Net increase in cash and cash equivalents	(365,472,164)	(353,844,025)
1	Cash & cash equivalents at beginning of period (refer note part A - 16)	576,634,978	965,908,313
2	Cash & cash equivalents at end of period (refer note part A - 16)	205,335,573	576,634,978

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat
Chartered Accountants

SANJAY KIRLOSKAR
Chairman & Managing Director

S. N. INAMDAR
Director

ABHIJEET BHAGWAT
Partner

G. P. KULKARNI
Company Secretary

UMESH R. SHASTRY
Vice President (Finance)

PUNE : April 25, 2012

PUNE : April 25, 2012

NOTES TO ACCOUNTS: PART A

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-1		
Share Capital		
Authorised		
250,000,000 (250,000,000) equity shares of ₹ 2/- each (₹ 2/-) each	500,000,000	500,000,000
Issued, subscribed & fully paid up		
79,339,701 (79,338,451) equity shares of ₹ 2/- each (₹ 2/-) each	158,679,402	158,676,902
TOTAL	158,679,402	158,676,902

a) Reconciliation of share capital

Particulars	Figures as at the end of current reporting period ending on March 31, 2012		Figures as at the end of previous reporting period ending on March 31, 2011	
	Number	₹	Number	₹
Shares outstanding at the beginning of the year	79,338,451	158,676,902	79,333,266	158,666,532
Shares Issued during the year under ESOS	1,250	2,500	7,685	15,370
Reduction in share capital (refer note part C-26)	-	-	2,500	5,000
Shares outstanding at the end of the year	79,339,701	158,679,402	79,338,451	158,676,902

b) Rights of equity shareholder:

The company has only one class of equity shares, having par value of ₹ 2/- per share. Each holder of equity share is entitled to one vote per share and has a right to receive dividend as recommended by the board of directors subject to the necessary approval from the shareholders. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

For the year ended March 31, 2012 the board of directors has proposed dividend of ₹ 2/- (₹ 3.50) per share subject to shareholders' approval.

c) Details of share holders holding more than 5% shares

Name of the shareholder	Figures as at the end of current reporting period ending on March 31, 2012		Figures as at the end of previous reporting period ending on March 31, 2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Industries Ltd.	18,988,038	23.93%	18,988,038	23.93%
Mr. Sanjay Chandrakant Kirloskar *	15,766,641	19.87%	15,156,631	19.10%
Mrs. Pratima Sanjay Kirloskar	13,732,300	17.31%	13,732,300	17.31%

* includes 1,589,603 (979,593), 2% (1.23%) shares held in the capacity of a trustee.

d) Shares reserved for Employee Stock Option Scheme (ESOS)

Particulars	No. of Shares	₹	No. of Shares	₹
Shares reserved for ESOS scheme (refer note part C-23)	5,231,065	10,462,130	5,232,315	10,464,630

NOTES TO ACCOUNTS: PART A (CONTD.)

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-2		
Reserves & Surplus		
(a) Capital Reserves	172,443	172,443
(b) Capital Redemption Reserve	4,000,000	4,000,000
(c) Securities Premium Reserve		
Opening balance	403,582,972	400,469,752
Add: Securities premium credited on share issue	327,875	3,113,220
Closing balance	403,910,847	403,582,972
(d) Share Options Outstanding Account		
Opening balance	68,663,405	69,941,394
Add: Current year transfer on issue of new options	3,265,730	327,875
Less: Written back in current year	31,790,887	1,605,864
Closing balance	40,138,248	68,663,405
(e) General Reserve		
Opening balance	5,656,817,035	5,595,452,061
Add: Current year transfer (includes ₹ Nil (₹ 5,000/-) on account of reduction in share capital)	31,188,665	61,364,974
Closing balance	5,688,005,700	5,656,817,035
(f) Surplus		
Opening balance	1,142,469,029	905,059,568
Add: Net profit for the current year	311,886,653	613,599,742
Balance available for appropriation	1,454,355,682	1,518,659,310
Less: Appropriations :		
Proposed dividend	158,679,402	277,684,579
Dividend distribution tax	23,095,700	37,145,728
Transfer to general reserve	31,188,665	61,359,974
	212,963,767	376,190,281
Closing balance	1,241,391,915	1,142,469,029
TOTAL	7,377,619,153	7,275,704,884

NOTES TO ACCOUNTS: PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-3		
Long Term Borrowings		
Secured		
(a) Term loans from banks		
External commercial borrowing from Credit Agricole Corporate & Investment Bank	400,668,052	658,437,081
Terms of loan: Loan is secured by first pari-passu charge on existing and future fixed assets (excluding land and buildings). Amount of loan borrowed is US\$ 20 million in March 2010 and carries interest rate of US\$ LIBOR + 2.55% p.a. Loan is repayable as under.		
1 st instalment - 30% US\$ 6 Million at the end of two years from the first drawdown		
2 nd instalment - 30% US\$ 6 Million at the end of three years from the first drawdown		
3 rd instalment - 40% US\$ 8 Million at the end of four years from the first drawdown		
Unsecured		
From others		
(a) Interest free loan under sales tax deferral scheme	54,430,910	54,430,910
Terms of loan: ₹ 2,579,302/- to be repaid in 5 equal yearly instalments of ₹ 515,861/- starting from March 2010 and ₹ 52,883,330/- to be repaid in 9 yearly instalments starting from April 2013.		
TOTAL	455,098,962	712,867,991

Note : A- 4		
Deferred Tax Assets / (Liabilities) (net)		
(a) Deferred Tax Liabilities		
i) On depreciation / amortization of fixed assets	178,601,837	176,696,704
ii) On other timing differences	-	-
TOTAL	178,601,837	176,696,704
(b) Deferred Tax Assets		
i) On employees voluntary retirement schemes	2,193,393	2,956,320
ii) On provision for doubtful debts / advances	137,803,826	75,565,234
iii) On provision for employee benefits	63,959,830	50,498,837
iv) On other timing differences	639,946	940,623
TOTAL	204,596,995	129,961,014
NET	25,995,158	(46,735,690)

NOTES TO ACCOUNTS: PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-5		
Other Long Term Liabilities		
(a) Trade Payables (refer note part C - 24)	72,659,401	70,301,045
(b) Others		
(i) Advances and deposits received from customers	801,449,190	829,125,829
(ii) Gross amount due to customers for project related contract work (refer note part C - 3)	105,648,298	59,368,935
TOTAL	979,756,889	958,795,809

Note : A-6		
Long Term Provisions		
(a) Provision for employee benefits		
(i) Leave encashment	128,539,257	108,981,326
(ii) Pension scheme	16,602,556	18,240,797
(b) Others		
(i) Provision for product warranty	7,675,458	7,955,462
TOTAL	152,817,271	135,177,585

Note : A-7		
Short Term Borrowings		
Secured		
(a) Loans repayable on demand from banks		
(i) Working capital demand Loans	-	100,000,000
(ii) Cash / export credit facilities	1,692,666,202	634,004,579
	1,692,666,202	734,004,579
Nature of security : Both the loans are secured by hypothecation of all current assets of the company.		
Unsecured		
(a) Foreign currency short term loans and advances from banks		
(i) Citibank N.A. - PCFC	-	224,100,000
(ii) Citibank N.A. - FCNRB	879,122,258	744,930,748
	879,122,258	969,030,748
(b) Rupee short term loans and advances from banks		
(i) Credit Agricole Corporate & Investment Bank	-	400,000,000
(ii) Bank of India	201,868,494	400,000,000
	201,868,494	800,000,000
TOTAL	2,773,656,954	2,503,035,327

NOTES TO ACCOUNTS: PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-8		
Other Current Liabilities		
(a) Current maturities of long-term debt	271,085,860	271,085,860
(b) Interest accrued but not due on borrowings	38,625,876	44,325,315
(c) Investor Education & Protection Fund (will be credited as and when due).		
(i) Unpaid dividends	57,176,102	55,461,952
(ii) Unpaid matured deposits and interest accrued thereon	43,000	390,000
(d) Other payables		
(i) Gross amount due to customers for project related contract work (refer note part C - 3)	470,125,705	460,880,562
(ii) Advances from customers	1,223,606,020	1,735,050,159
(iii) Salary & reimbursements	156,059,133	96,270,584
(iv) Contribution to PF & superannuation	22,928,808	21,641,289
(v) Statutory dues	149,300,677	174,644,264
(vi) Provision for expenses	481,665,871	466,829,457
TOTAL	2,870,617,052	3,326,579,442

Note : A-9		
Short Term Provisions		
(a) Provision for employee benefits		
(i) Gratuity	41,206,687	19,965,247
(ii) Leave encashment	162,614,400	135,278,149
(b) Others		
(i) Proposed dividend	158,679,402	277,684,579
(ii) Dividend distribution tax	23,095,700	37,145,728
(iii) Provision for income tax (net of advance tax)	-	62,116,616
(iv) Provision for product warranty	70,760,211	54,919,632
TOTAL	456,356,400	587,109,951

NOTES TO ACCOUNTS: PART A (CONTD.)
Note A 10: Tangible and Intangible Assets

₹

Particulars	Tangible Assets								Intangible Assets	
	Land (Free hold)	Buildings	Plant & Equipment	Furniture & Fixtures	Office Equipments	Vehicles	Railway Siding	Total	Computer Softwares	
Gross Block										
At 01.04.2010	209,902,536	1,019,030,055	2,844,160,506	109,452,629	2,641,158	63,963,012	1,536,325	4,250,686,221		99,438,292
Additions	108,884,307	70,657,893	128,115,140	7,318,575	755,722	5,928,685	-	321,660,322		38,707,051
Other adjustments - borrowing costs	-	-	22,951,943	-	-	-	-	22,951,943		-
Disposals	-	-	24,692,641	1,128,337	100,655	6,902,068	-	32,823,701		-
As at 31.03.2011	318,786,843	1,089,687,948	2,970,534,948	115,642,867	3,296,225	62,989,629	1,536,325	4,562,474,785		138,145,343
Additions	-	130,898,086	163,507,318	5,797,539	120,841	5,465,419	-	305,789,203		11,343,592
Other adjustments - borrowing costs	-	-	21,264,695	-	-	-	-	21,264,695		-
Disposals	-	-	14,788,991	2,212,682	375,181	2,082,738	-	19,459,592		-
As at 31.03.2012	318,786,843	1,220,586,034	3,140,517,970	119,227,724	3,041,885	66,372,310	1,536,325	4,870,069,091		149,488,935
Depreciation/ Amortisation										
At 01.04.2010	-	107,551,251	1,355,159,195	43,785,558	1,839,669	28,159,834	1,460,482	1,537,955,989		85,524,778
Charge for the year	-	23,527,158	252,714,147	6,418,296	92,403	5,052,648	31,086	287,835,738		12,308,268
Depreciation on disposal	-	-	15,069,074	500,687	89,953	4,095,410	-	19,755,124		-
At 31.03.2011	-	131,078,409	1,592,804,268	49,703,167	1,842,119	29,117,072	1,491,568	1,806,036,603		97,833,046
Charge for the year	-	24,267,426	245,939,204	6,992,578	107,321	5,457,093	8,722	282,772,344		19,844,546
Depreciation on disposal	-	-	13,057,576	1,349,780	374,436	1,506,562	-	16,288,354		-
At 31.03.2012	-	155,345,835	1,825,685,896	55,345,965	1,575,004	33,067,603	1,500,290	2,072,520,593		117,677,592
Net Block										
At 31.03.2011	318,786,843	958,609,539	1,377,730,680	65,939,700	1,454,106	33,872,557	44,757	2,756,438,182		40,312,297
At 31.03.2012	318,786,843	1,065,240,199	1,314,832,074	63,881,759	1,466,881	33,304,707	36,035	2,797,548,498		31,811,343

NOTES TO ACCOUNTS: PART A (CONTD.)
Note : A 11 : Non Current Investments

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
I Long term investments - at cost		
Trade investments		
(a) Investment in equity instruments	1,888,431,850	1,662,262,915
(b) Investments in preference shares	250,000,000	-
(c) Other non-current investments	11,000,000	11,000,000
TOTAL	2,149,431,850	1,673,262,915

Particulars	As at 31 March 2012	As at 31 March 2011
Aggregate amount of quoted investments	-	-
Aggregate amount of unquoted investments	2,149,431,850	1,673,262,915

₹

Details of Trade Investments									
Sr. No.	Name of the Body Corporate	Subsidiary / JV/ Others	No. of Shares / Units	Quoted / Unquoted	Partly Paid / Fully paid	Extent of Holding (%)	31.03.2012	31.03.2011	Amount
(a)	Investments in equity instruments								
1	Kirloskar Proprietary Ltd.	Others	2	Unquoted	Fully Paid	0%	0%	0%	200
2	Kirloskar Ebara Pumps Ltd.	Joint Venture	225,000	Unquoted	Fully Paid	45%	45%	45%	2,747,272
3	Kirloskar Constructions and Engineers Ltd.	Subsidiary	16,150,002	Unquoted	Fully Paid	100%	100%	100%	713,300,000
4	Gondwana Engineers Ltd.	Subsidiary	40,160	Unquoted	Fully Paid	-	-	-	76,360,000
5	The Kolhapur Steel Ltd.	Subsidiary	16,311,083	Unquoted	Fully Paid	96%	96%	96%	93,853,991
6	Kirloskar Systech Ltd.	Subsidiary	50,000	Unquoted	Fully Paid	100%	100%	100%	500,000
7	Hematic Motors Pvt. Ltd.	Subsidiary	29,358	Unquoted	Fully Paid	100%	100%	100%	217,371,299
8	Kirloskar Corrocoat Pvt. Ltd.	Subsidiary	3,250,000	Unquoted	Fully Paid	65%	65%	65%	94,000,000
9	Kirloskar Brothers International B V	Subsidiary	1,000	Unquoted	Fully Paid	100%	100%	100%	454,132,836
10	Kirloskar Brothers International B V	Subsidiary	2,000	Unquoted	Partly Paid	100%	100%	100%	10,007,717
							1,888,431,850		1,662,262,915
(b)	Investment in preference shares								
	Kirloskar Constructions and Engineers Ltd.	Subsidiary	-	Unquoted	Fully Paid	100%	100%	-	-
(c)	Other non-current investments								
	HDFC Group Unit Linked Option Plan B	Others	355,161	Unquoted	-				11,000,000
	Total		356,560				2,149,431,850		1,673,262,915

NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-12		
Long Term Loans and Advances		
(a) Capital advances		
Unsecured, considered good	174,522,125	158,393,973
(b) Security deposits		
Unsecured, considered good	269,208,466	268,655,190
Doubtful	5,327,267	-
	274,535,733	268,655,190
Less: Provision for doubtful deposits	5,327,267	-
	269,208,466	268,655,190
(c) Other loans and advances		
(i) Advances to suppliers and others		
Unsecured, considered good	123,546,631	343,185,748
(ii) Advance income tax net of provision	820,062,008	823,204,416
TOTAL	1,387,339,230	1,593,439,327

Note : A-13		
Other Non Current Assets		
(a) Long term trade receivables		
Unsecured, considered good	352,147,536	240,773,908
Doubtful	258,866,618	222,951,660
	611,014,154	463,725,568
Less: Provision for doubtful receivables	258,866,618	222,951,660
	352,147,536	240,773,908
(b) Others		
(i) Claims receivables		
Unsecured, considered good	80,235,513	764,490,954
Doubtful	147,725,744	-
	227,961,257	764,490,954
Less: Provision for doubtful claims	147,725,744	-
	80,235,513	764,490,954
(ii) Gross amount due from customers (refer note part C - 3)	446,126,119	576,723,073
(iii) Fixed deposits with bank for maturity of more than 12 months	2,500,000	2,500,000
TOTAL	881,009,168	1,584,487,935

NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A -14		
Inventories		
(a) Raw materials	524,840,727	478,659,800
(b) Work-in-progress (refer note part C - 17)	1,139,733,791	911,423,790
(c) Finished goods (refer note part C - 13)	232,239,184	350,555,812
(d) Stock-in-trade	171,189,718	156,735,213
(e) Stores and spares	31,612,086	30,113,450
Mode of valuation (refer note part B - 4) TOTAL	2,099,615,506	1,927,488,065
Note : A-15		
Trade receivables		
(i) Trade receivables outstanding for a period less than six months Unsecured, considered good	2,367,272,475	3,808,824,080
(ii) Trade receivables outstanding for a period exceeding six months Unsecured, considered good	613,210,192	684,564,725
TOTAL	2,980,482,667	4,493,388,805
Note : A-16		
Cash & Bank Balances		
(a) Cash & Cash Equivalents		
(i) Cash on hand	1,495,374	1,267,821
(ii) Balances with banks	146,664,097	519,905,205
(iii) Earmarked balances with banks Unpaid dividend accounts	57,176,102	55,461,952
TOTAL	205,335,573	576,634,978

NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-17		
Short term loans and advances		
(a) Loans and advances to related parties		
(i) Advances to subsidiary companies Unsecured, considered good	205,677,682	386,123,989
(b) Others		
(i) Security deposits Unsecured, considered good	1,067,213,300	986,296,814
(ii) Advances to suppliers and others Unsecured, considered good	1,063,492,398	1,629,319,105
(iii) Advance income tax (net of provision for tax)	199,616,636	-
TOTAL	2,536,000,016	3,001,739,908

Note : A-18		
Other current assets		
(i) Interest accrued on investments & deposits	-	2,902,937
(ii) Claims receivables	895,955,895	720,512,907
(iii) Gross amount due from customers (refer note part C - 3)	2,998,525,193	2,697,363,851
(iv) Dividend due from subsidiary companies (refer note part B - 2)	-	16,250,000
TOTAL	3,894,481,088	3,437,029,695

Note : A-19		
Revenue from operations (refer note part C -13 and C -14)		
Sale of products	11,933,031,528	11,257,009,627
Less: Excise duty	579,483,177	521,213,165
	11,353,548,351	10,735,796,462
Project related revenue	6,179,025,188	8,510,711,138
Sale of services	155,441,713	122,896,536
	17,688,015,252	19,369,404,136
Other operating revenues	130,745,950	99,446,002
TOTAL	17,818,761,202	19,468,850,138

NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-20		
Other Income		
(a) Interest income		
(i) from customers	6,679,361	5,477,263
(ii) from others	32,037,449	24,602,975
(b) Dividend income from long term investments		
(i) from subsidiary companies	16,311,083	48,707,983
(ii) from others	26,167,800	16,258,336
(iii) Gain on sale of long term investment	350,600,000	-
(iv) Other non-operating income	30,991,767	33,465,255
TOTAL	462,787,460	128,511,812

Note : A-21		
Cost of material consumed		
Raw material consumed (refer note part C - 16)	7,169,019,047	8,100,181,864
Stores and spares consumed	617,152,942	471,598,232
Processing charges	318,007,535	287,418,374
	8,104,179,524	8,859,198,470
Changes in inventories of finished goods work-in-progress and stock-in-trade		
Opening Stock		
Work-in- progress	911,423,790	1,036,813,733
Finished goods	507,291,025	216,777,414
	1,418,714,815	1,253,591,147
Closing Stock		
Work-in-progress	1,139,733,791	911,423,790
Finished goods	403,428,902	507,291,025
	1,543,162,693	1,418,714,815
TOTAL	(124,447,878)	(165,123,668)

Note : A-22		
Employee benefits expense		
Salaries, wages and bonus	1,302,036,037	1,151,434,583
Payment under voluntary retirement scheme	-	11,267,236
Contribution to provident fund and E.S.I.	65,330,947	65,610,729
Gratuity	21,241,440	35,022,285
Welfare expenses	128,297,997	82,669,837
Pension benefits	973,759	4,849,519
ESOS expenses	(28,197,282)	610,601
TOTAL	1,489,682,898	1,351,464,790

NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-23		
Finance costs		
Interest expense	376,820,277	329,615,319
Other borrowing costs	101,447,808	116,581,268
Applicable net (gain)/loss on foreign currency transactions and translation	155,869,418	6,885,858
TOTAL	634,137,503	453,082,445

Note : A-24		
Other expenses		
Power & fuel	183,092,741	152,416,552
Repairs and maintenance		
Plant and machinery	126,543,999	80,009,522
Buildings	17,406,590	20,263,514
Rent	61,043,065	47,824,543
Rates and taxes	11,989,563	11,712,324
Travel and conveyance	229,900,831	243,445,225
Postage and telephone	50,657,323	46,111,297
Insurance	117,501,829	138,412,828
Directors sitting fees	750,000	950,000
Director's remuneration	20,092,160	59,906,945
Royalties and fees	45,649,094	46,855,392
Cash discount	128,157,660	123,867,693
Freight and forwarding charges	266,109,397	276,247,347
Brokerage and commission	170,386,629	188,224,523
Advertisements and publicity	135,675,304	134,873,452
Provision for product warranty	85,261,424	71,785,827
Loss on sale/disposal of fixed assets	1,889,178	8,021,486
Loss on sale/disposal of investment	-	13,288,951
Provision for doubtful debts, advances & claims (refer note part C-28)	191,827,992	38,912,215
Bad debts, claims, and advances written off (refer note part C-28)	485,521,061	701,846,757
Investment written off	-	1,406,250
Auditor's remuneration (refer note part C-4)	5,135,095	3,982,862
Exchange difference (net)	(57,081,036)	31,467,632
Other miscellaneous expenses	576,985,513	591,212,816
TOTAL	2,854,495,412	3,033,045,953

NOTES TO ACCOUNTS : PART B

Significant Accounting Policies

1. Basis of preparation of financial statements

- a) The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India. The financial statements have been prepared to comply in all material respects with The Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956.
- b) The financial statements have been prepared under the historical cost convention on an accrual basis.
- c) The accounting policies applied by the Company are consistent with those used in the previous year except for the change in accounting policy explained below.

2. Change in Accounting Policy:

Presentation and disclosure of financial statements

During the year ended March 31, 2012 the revised schedule VI notified under the Companies Act, 1956 has become applicable to the company for preparation of its financial statements. Except accounting for dividend on investment in subsidiary companies the adoption of revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. The company has also reclassified the previous year figures in accordance with requirements applicable in current year.

Dividend on investment in subsidiary companies

Till the year end March 31, 2011 the company in accordance with the pre-revised schedule VI requirement, was recognizing dividend declared by the subsidiary companies after reporting date in the current year's financial statement of profit and loss if such dividend pertained to the period ending on or before the reporting date. The revised schedule VI applicable for financial year commencing from April 1, 2011 does not contain this requirement. Hence to comply with AS 9 Revenue Recognition, the company has changed its accounting policy for recognition of dividend from subsidiary companies. In accordance with the revised policy the company recognizes dividend as income only when the right to receive the same is established by the reporting date.

If the company had accrued dividend from subsidiary companies as per pre-revised schedule VI, its other income and other current assets for the current year would have been more by ₹ 9,934,500/-.

3. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumption that affect the reported amounts of revenue, expenses, current assets, non-current assets, current liabilities, non-current liabilities and disclosure of the contingent liabilities at the end of reporting period. Although these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets or liabilities in future periods.

4. Inventories

- a) Inventories are valued at the lower of cost and net realizable value.
- b) The cost is calculated on weighted average method.
- c) Cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

5. Cash and cash equivalents:

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO ACCOUNTS : PART B (CONTD.)

6. Depreciation

Depreciation on fixed assets has been provided in a manner that amortizes the cost of the assets over their estimated useful lives as detailed below:

- a) On assets acquired prior to 01.08.1987, on a straight-line method at the rates determined in the year of acquisition under section 205 (b) of the Companies Act, 1956. No depreciation is provided on assets scrapped or sold during the year.
- b) On assets other than patterns, acquired on or after 01.08.1987, on straight line method at the rates prescribed in schedule XIV to the Company's Act 1956.
- c) On patterns, on straight line method on the basis of estimated useful life as given below:

Sr. No	Particulars	Rate of Depreciation
1	Patterns with estimated useful life of less than one year & one-time use	100%
2	Patterns with estimated useful life of more than one year but less than eight years.	20%
3	Patterns with estimated useful life of more than eight years.	11.31%

7. Construction Contracts

- a) Contract revenue and contract costs arising from fixed price contracts are recognized in accordance with the percentage completion method.
- b) The stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract.
- c) Full provision is made for any loss in the year in which it is first foreseen.

8. Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

- a) Sale of products and services are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and when services are rendered.
- b) Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, revenue recognition is postponed to the extent of uncertainty involved. In such cases revenue is recognized only when it is reasonably certain that the ultimate collection will be made.
- c) Interest accrues on the time basis determined by the amount outstanding and the rate applicable.
- d) Dividend from investments in shares is not recognized in the statement of profit and loss until a right to receive payment is established in the reporting period.
- e) Royalties on an accrual basis in accordance with the terms of the relevant agreement.

9. Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment (if any). The cost of a fixed asset comprises its purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs attributable to construction or acquisition of qualifying fixed assets for the period up to the completion of construction or acquisition of such fixed assets are included in the gross book value of the asset to which they relate.

10. Foreign Currency Transactions

- a) Initial Recognition: A foreign currency transaction is recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

NOTES TO ACCOUNTS : PART B (CONTD.)

- b) Conversion: At the year end, monetary items denominated in foreign currencies are converted into rupee equivalents at the year-end exchange rates.
- c) Forward Exchange Contracts: In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate (premium) at the date of the transaction is recognized as income or expense over the life of the contract.
- d) Exchange Differences: All exchange differences arising on settlement/conversion on foreign currency transactions are included in the Profit and Loss Account.
- e) Foreign Entities: Assets and liabilities of non-integral foreign entities are translated into rupee equivalents using year-end spot foreign exchange rates. Revenues and expenses are translated monthly at average exchange rates.

11. Investments

Investments are classified as trade when investment is made in the shares or debentures of another company, for the purpose of promoting the trade or business of the company.

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investment is made are classified as current investments. All other investments are classified as long-term investments.

- a) Current investments are carried at lower of cost and fair value determined on an individual investment basis.
- b) Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.

12. Employee Benefits

Short term compensated absence benefits (both vesting and non-vesting) are accounted for on the basis of the actual valuation of the leave entitlement as on the balance sheet date.

The actuarial valuations in respect of post-employment defined benefit plans and long term employee benefits as at the balance sheet date are measured using Projected Unit Credit Method.

I. Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. Benefits such as salaries, wages, expected cost of bonus and short term compensated absences, etc. are recognized in the period in which the employee renders the related service.

II. Post-Employment Benefits:**a) Defined Contribution Plans:**

The Company's superannuation scheme, state governed provident fund scheme related to Dewas factory and employee state insurance scheme are defined contribution plans. The contribution paid/payable under the scheme is recognized during the period in which the employee renders the related service.

b) Defined Benefit Plans:

The employees' gratuity fund schemes, provident fund scheme managed by a Trust and pension scheme are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the Profit & Loss Account.

NOTES TO ACCOUNTS : PART B (CONTD.)

In case of funded plans, the fair value of the plan's assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expenses on a straight-line basis over the average period until the benefits become vested.

The Company pays contribution to a recognized provident fund trust in respect of all locations except Dewas factory. The guidance note on implementing AS 15, Employees Benefits (Revised 2006) as issued by the Institute of Chartered Accountants of India (ICAI) states that provident funds set up by employer, which requires interest shortfall to be met by the employer, needs to be treated as a defined benefit plan. In the absence of clear guidelines on the issue of actuarial valuation related to the interest shortfall to be made good by the employer, the Company's actuaries have expressed their inability to reliably measure the provident fund liability of the Company's recognized provident fund. Accordingly, the Company is unable to exhibit the related disclosures.

III. Long Term Employee Benefits:

The obligation for long term employee benefits such as long term compensated absences and leave travel compensations are recognized in the same manner as in the case of defined benefit plans as mentioned in note II (b) above.

Accumulated leave that is expected to be utilized within the next 12 months is treated as short term employee benefits.

IV. Termination Benefits:

Expenses of voluntary retirement scheme are charged to profit and loss account immediately.

13. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. It also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Other borrowing costs are recognized as an expense in the period in which they are incurred.

14. Segment Accounting

The company's business segment is a distinguishable component that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. The company's geographical segment is based on the location of its customers.

- a) The accounting policies for individual segments are in line with accounting policies of the company.
- b) Segment revenue from inter segment transactions is accounted on the basis of transfer price agreed between the segments. Such transfer prices are determined with reference to the desired margins.

15. Earnings per share

Basic earnings per share

For the purpose of calculating basic earnings per share, the net profit or loss for the period attributable to equity shareholders after deducting any attributable tax thereto for the period is divided by weighted number of equity shares outstanding during the period.

Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

NOTES TO ACCOUNTS : PART B (CONTD.)**16. Taxes on Income**

- a) Tax on income for the current period is determined on the basis of taxable income after considering the various deductions available under The Income Tax Act, 1961.
- b) Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or subsequently enacted regulations.
- c) Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. At each reporting date the company reassesses the unrecognized deferred tax assets and reviews the deferred tax assets recognized.

17. Intangible Assets

The company has only computer software as acquired intangible asset. It is amortized over a period of 3 years on straight line method.

Research and development costs are expensed out as and when incurred, except for development costs which relate to the design and testing of new or improved material, products or processes which are recognized as an asset, when is expected that such assets will generate future economic benefits.

18. Accounting for interests in Joint Ventures**Type of Joint Venture****A. Jointly controlled Operations**

Company's share of revenue, expenses, assets and liabilities are included in revenues, expenses, assets and liabilities respectively.

B. Jointly Controlled Entities

Investment in such Joint ventures is carried at cost after providing for any permanent diminution in value, if applicable. Income on investments in the reporting period in incorporated Jointly Controlled Entities is recognized when the right to receive the same is established.

19. Impairment Policy:

The company assesses at each balance sheet date whether there is any indication that an asset or cash generating unit (CGU) may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's or CGU's net selling price or its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

20. Provisions

A provision is recognized when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources is expected to settle the obligation, in respect of which a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Provision for warranty related costs are recognized when the product is sold. Provision is based on historical experience. The estimate of such warranty related costs is revised annually.

21. Employee Stock Option Scheme

In respect of stock options granted pursuant to the Company's Employee Stock Option Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period.

NOTES TO ACCOUNTS : PART C

₹

	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
C-1 Estimated amount of contracts remaining to be executed on capital account and not provided for	94,797,878	79,052,954
C-2 Contingent liabilities not provided for in respect of :		
a) Guarantees:		
By the company to ICICI Bank Ltd. on behalf of SPP Pumps Ltd., UK, (GBP 7,000,000)	570,192,000	506,170,000
By the company to Barclays Bank Ltd. on behalf of SPP Pumps Ltd., UK (GBP 4,000,000)	-	289,240,000
By the company to Citibank N. A. on behalf of SPP Pumps Ltd., UK (USD 10,500,000) (GBP 8,000,000)	534,135,000	578,480,000
By the company to Indian Overseas Bank Ltd. on behalf of Kirloskar Constructions and Engineers Ltd., Chennai	800,000,000	800,000,000
By the company to Bank of Maharashtra on behalf of Gondwana Engineers Limited	82,500,000	82,500,000
By the company to Citibank N. A. on behalf of Kirloskar Brothers (Thailand) Ltd., [(USD 3,000,000 (1,000,000)]	152,610,000	44,820,000
By the company to Citibank N. A. on behalf of Kirloskar Brothers Europe B V (USD 5,000,000)	254,350,000	-
By the company to Citibank N. A. on behalf of Braybar Pumps (Proprietary) Ltd.(USD 2,000,000)	101,740,000	-
By the company to Citibank N. A. on behalf of Hematic Motors Pvt Ltd. (USD 5,000,000)	254,350,000	-
b) Central Excise and Service tax (Matter Subjudice)	209,270,117	35,401,656
c) Sales Tax (Matter Subjudice)	89,608,533	91,450,224
d) Income Tax (Matter Subjudice)	871,135,476	861,935,476
e) Labour Matters (Matter Subjudice)	40,055,045	40,864,825
f) Other Legal Cases (Matter Subjudice)	560,307,661	535,279,635
g) Letters of Credit Outstanding	1,170,034,222	3,273,973,870
C-3 Construction contracts		
a) Contract revenue recognised as revenue for the year	6,179,025,188	8,510,711,138
b) Advances received	831,787,072	1,169,583,451
c) Amount of retentions	1,000,804,416	827,587,905
d) Gross amount due from customer		
Contract costs incurred	36,350,985,876	31,149,694,166
Add: Recognised profits less recognised losses	7,523,356,743	6,943,447,157
Less: Progress billing	40,429,691,307	34,819,054,399
* Net	3,444,651,312	3,274,086,924
*[Comprises of (note part A-13 (b) (ii) + note part A-18 (iii)]		
e) Gross amount due to customer		
Contract costs incurred	8,320,592,833	8,419,210,166
Add: Recognised profits less recognised losses	1,580,975,143	1,084,533,920
Less: Progress billing	10,477,341,979	10,023,993,583
** Net	(575,774,003)	(520,249,497)
**[Comprises of (note part A-5 (b) (ii) + note part A - 8 (d) (i)]		
C-4 Remuneration to Auditors		
Statutory Auditors :		
a) Audit fees	2,750,000	2,000,000
b) Tax audit fees	200,000	200,000
c) Certification and other services	1,673,305	1,527,000
d) Expenses reimbursed	511,790	255,862
	5,135,095	3,982,862

NOTES TO ACCOUNTS : PART C (CONTD.)

₹

	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
C-5 Expenditure in Foreign Currencies		
i) Interest	92,998,321	30,681,953
ii) Professional fees	20,776,680	21,191,806
iii) Other matters	231,266,480	288,475,463
C-6 Earnings in Foreign Currencies :		
i) F.O.B. value of goods exported	987,172,972	1,510,873,938
ii) Services rendered/civil work	165,853,531	315,730,096
iii) Others	6,368,025	6,622,238
C-7 C.I.F. Value of Imports		
i) Raw materials & components	698,600,563	1,979,699,748
ii) Capital goods	30,741,179	46,297,183
C-8 Expenditure incurred on Research and Development activities undertaken during the year		
i) Capital	22,037,953	34,351,015
ii) Revenue	164,260,037	94,343,902
C-9 Earning per Share (Basic and diluted)		
I - Basic		
a) Profit for the year before tax	339,655,805	1,028,210,391
Less : Attributable tax thereto	27,769,152	414,610,649
Profit after tax	311,886,653	613,599,742
b) Weighted average number of equity shares used as denominator	79,339,701	79,334,524
c) Basic earning per share of nominal value of ₹ 2/- each	3.93	7.73
II - Diluted		
a) Profit for the year before tax	339,655,805	1,028,210,391
Less : Attributable tax thereto	27,769,152	414,610,649
Profit after tax	311,886,653	613,599,742
b) Weighted average number of equity shares	79,339,701	79,334,524
c) Add : Weighted average number of potential equity shares on account of employee stock options	21,442	1,239
d) Weighted average number of shares outstanding used as denominator	79,361,143	79,335,763
e) Diluted earning per share of nominal value of ₹ 2/- each	3.93	7.73
C-10 Amount of Borrowing Cost Capitalised during the year	21,264,695	22,951,943
C-11 Prior Period Expenditure	-	14,588,181

NOTES TO ACCOUNTS : PART C (CONTD.)

C-12 Employee Benefits :

i Defined Contribution Plans:

Amount of ₹ 36,509,153/- (₹ 41,627,171/-) is recognised as an expense and included in "Employees benefits expense" (Part A-22) in the Profit and Loss Account.

ii Defined Benefit Plans:

a) The amounts recognised in Balance Sheet are as follows:

₹

Particulars	As at 31-03-2012		As at 31-03-2011	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
A. Amount to be recognised in balance sheet				
Present value of defined benefit obligation	238,873,033	16,602,556	220,307,329	18,240,797
Less: Fair value of plan assets	197,666,346	-	200,342,082	-
Amount to be recognised as liability or (asset)	41,206,687	16,602,556	19,965,247	18,240,797
B. Amounts reflected in the balance sheet				
Liabilities	41,206,687	16,602,556	19,965,247	18,240,797
Assets	-	-	-	-
Net Liability/(Assets)	41,206,687	16,602,556	19,965,247	18,240,797

b) The amounts recognised in Profit and Loss Account are as follows:

₹

Particulars	As at 31-03-2012		As at 31-03-2011	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
1 Current service cost	19,320,096	-	17,797,392	-
2 Past service cost	-	-	-	2,899,701
3 Interest cost	16,420,442	1,462,216	13,678,864	1,267,862
4 Expected return on plan assets	(17,149,791)	-	(17,769,771)	-
5 Actuarial losses/(gains)	2,650,694	(1,023,957)	21,315,800	681,956
6 Past service cost	-	-	-	-
7 Effect of any curtailment or settlement	-	-	-	-
8 Actuarial gain not recognised in books	-	-	-	-
9 Adjustment for earlier years	-	-	-	-
Total included in Part A-22 "Employee benefits expense"	21,241,441	438,259	35,022,285	4,849,519
Actual return on plan assets	9.00%	-	9.40%	-

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

₹

Particulars	As at 31-03-2012		As at 31-03-2011	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
1 Balance of the present value of Defined benefit obligation as at 01-04-2011	220,307,329	18,240,797	196,187,654	16,440,778
2 Add: Current service cost	19,320,096	-	17,797,392	-
3 Add: Past service cost	-	-	-	2,899,701
4 Add: Interest cost	16,420,442	1,462,216	13,678,864	1,267,862
5 Add/(less): Actuarial losses / (gains)	2,402,854	(1,023,957)	20,249,012	681,956
6 Less: Benefits paid	19,577,688	2,076,500	27,605,593	3,049,500
7 Balance of the present value of Defined Benefit Obligation as at 31-03-2012	238,873,033	16,602,556	220,307,329	18,240,797

NOTES TO ACCOUNTS : PART C (CONTD.)

- d) **Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:** ₹

Sr. No.	Particulars	Gratuity Plan (Funded)	
		31.03.2012	31.03.2011
1	Opening balance of the fair value of the plan assets as at 01-04-2011	200,342,082	211,244,691
2	Add: expected return on plan assets	17,149,791	17,769,771
3	Add/(less) : actuarial gains/(losses)	(247,840)	(1,066,788)
4	Add: contribution by the employer	-	-
5	Less: benefits paid	19,577,688	27,605,593
6	Closing balance of the plan assets as at 31-03-2012	197,666,345	200,342,081

- e) **The broad categories of plan assets as a percentage of total plan assets as at 31-03-2012 of Employee's Gratuity Scheme are as under:** ₹

Sr. No.	Particulars	Percentage	
		31.03.2012	31.03.2011
1	Central Govt. Securities	36.76	56.00
2	State Govt. Securities	11.83	0.00
3	Approved marketable securities	1.59	0.00
4	Bonds/Debentures etc.	43.11	36.00
5	Loans	0.12	0.00
6	Equity	3.46	6.00
7	Liquid Fund/Money Market Instrument	3.13	2.00
	TOTAL	100.00	100.00

Basis used to determine the overall expected return:

Life Insurance Corporation of India (LIC) manages the investments of Employee Gratuity Scheme. Expected rate of return on investments is determined based on the assessment made by the LIC at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on the portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities.

- f) **Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)**

- Discount rate as at 31-03-2012 - 8.5%
- Expected return on plan assets as at 31-03-2012 - 9.0%
- Salary growth rate : For Gratuity Scheme - 10%
- Attrition rate: For gratuity scheme the attrition rate is taken at 15%
- The estimates of future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

NOTES TO ACCOUNTS : PART C (CONTD.)

g) The amounts pertaining to defined benefit plans are as follows:

₹

Particulars	As at 31-03-2012		As at 31-03-2011	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
Defined Benefit Obligation	238,873,033	16,602,556	220,307,329	18,240,797
Plan Assets	197,666,345	-	200,342,082	-
Surplus/(Deficit)	(41,206,688)	(16,602,556)	(19,965,247)	(18,240,797)

h) General descriptions of defined plans:

1 Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service.

2 Company's Pension Plan:

The company operates a pension scheme for specified ex-employees wherein the beneficiaries are entitled to defined monthly pension.

C-13 Information in respect of Sales / inventory of finished goods of manufactured products :

₹

Particulars	Sales value	Closing inventory of finished goods	Opening inventory of finished goods
Power Driven Pumps	8,499,006,175 (9,200,028,183)	206,753,226 (259,709,381)	259,709,381 (112,321,900)
Valves	1,062,171,031 (814,448,875)	14 (14)	14 (13)
Turbines	69,316,826 (72,222,500)	- -	- -
Electric Motors	18,519,774 (64,739,752)	3,031,473 (10,397,394)	10,397,394 (14,849,819)
Alloy Iron Castings including Steel Castings & Cast Iron Castings }	13,085,536 (180,480,552)	- -	- -
Spare Parts and Others	1,345,683,043 (1,730,046,841)	22,454,471 (80,449,023)	80,449,023 (18,838,335)
Services and Job Order Receipts	701,208,221 (504,261,729)	- -	- -
Civil Receipts	1,573,892,497 (2,149,198,034)	- -	- -
TOTAL	13,282,883,103 (14,715,426,466)	232,239,184 (350,555,812)	350,555,812 (146,010,067)

NOTES TO ACCOUNTS : PART C (CONTD.)**C-14 Information in respect of Purchases and Sales of Trading Articles :**

₹

Particulars	Purchases	Sales
Pumps	758,988,358 (735,998,759)	1,022,782,936 (911,844,721)
Valves	60,471,895 (31,964,585)	59,632,260 (38,538,087)
Transformers	64,043,177 (121,870,322)	71,423,988 (193,500,869)
Alternators	212,157,921 (213,394,259)	276,350,263 (244,272,066)
Motors	721,953,112 (202,227,744)	567,343,659 (121,673,079)
Others	2,863,614,045 (3,431,883,894)	2,407,599,043 (3,144,148,848)
TOTAL	4,681,228,508 (4,737,339,563)	4,405,132,149 (4,653,977,670)

C-15 Consumption of Raw Materials :

Particulars	2011-12		2010-11	
	₹	Percentage	₹	Percentage
Imported	91,057,375	1.27	278,172,114	3.34
Indigenous	7,077,961,672	98.73	7,822,009,750	96.66
TOTAL	7,169,019,047	100.00	8,100,181,864	100.00

C-16 Details of Raw Materials Consumption :

₹

Particulars	2011-12	2010-11
a) Pig Iron	232,174,408	184,179,502
b) Castings	263,317,889	285,204,839
c) Stator stacks	608,438,951	338,653,972
d) Rotors	82,114,488	67,266,934
e) Motors	1,008,058,574	1,762,663,440
f) Engines	248,353,782	225,156,707
g) Motor frames	-	95,769,540
h) Others	4,726,560,955	5,141,286,930
TOTAL	7,169,019,047	8,100,181,864

C-17 Details of Work in Process

₹

Particulars	2011-12	2010-11
Power driven pumps	821,876,276	532,573,285
Valves	7,790,379	9,652,954
Turbines	20,957,000	31,010,000
Others	289,110,136	338,187,551
TOTAL	1,139,733,791	911,423,790

NOTES TO ACCOUNTS : PART C (CONTD.)

C-18 Related Party Disclosures

(A) Names of the related party and nature of relationship where control exists

Sr. No.	Name of the related party	Nature of relationship
1	Kirloskar Constructions and Engineers Limited	Subsidiary Company
2	The Kolhapur Steel Limited	Subsidiary Company
3	Kirloskar Systech Limited	Subsidiary Company
4	Hematic Motors Private Limited	Subsidiary Company
5	Kirloskar Corrocoat Private Limited	Subsidiary Company
6	SPP Pumps Limited	Subsidiary of Kirloskar Brothers International B.V.
7	SPP Pumps France EURL	Subsidiary of SPP Pumps Ltd.
8	Certified Engines Limited	Subsidiary of SPP Pumps Ltd.
9	SPP (South Africa) Pty. Limited	Subsidiary of SPP Pumps Ltd.
10	SPP Pumps Holdings LLC	Subsidiary of SPP Pumps Ltd.
11	SPP Pumps Management LLC	Subsidiary of SPP Pumps Ltd.
12	SPP Pumps LP	Subsidiary of SPP Pumps Ltd.
13	SPP France S A S	Subsidiary of SPP Pumps Ltd.
14	Kirloskar Brothers International B V	Subsidiary Company
15	Kirloskar Brothers Europe B.V	Subsidiary of Kirloskar Brothers International B.V.
16	Micawber 784 (Proprietary) Limited	Subsidiary of Kirloskar Brothers International B.V.
17	Braybar Pumps (Proprietary) Limited	Subsidiary of Micawber 784 (Proprietary) Ltd.
18	Kirloskar Brothers(Thailand) Limited	Subsidiary of Kirloskar Brothers International B.V.
19	SPP Pumps (MENA) L.L.C.	Subsidiary of Kirloskar Brothers International B.V.

NOTES TO ACCOUNTS : PART C (CONTD.)

(B) Disclosure of related parties transactions

₹

Sr. No.	Nature of transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount for major parties *	Amount	Amount for major parties *
1	Purchase of goods & services				
	Subsidiary/Fellow subsidiary Companies	1,644,027,616		1,182,958,746	
	Kirloskar Constructions and Engineers Limited		200,487,920		156,104,716
	Gondwana Engineers Limited		-		207,616,504
	The Kolhapur Steel Limited		171,806,915		205,957,184
	Hematic Motors Private Limited		1,191,682,441		424,396,605
	Joint Ventures	29,036,478		3,425,794	
	TOTAL	1,673,064,094		1,186,384,540	
2	Sale of goods/contract revenue & services				
	Subsidiary/Fellow subsidiary Companies	619,112,598		288,829,475	
	SPP Pumps Limited		260,545,621		173,936,343
	Kirloskar Brothers Europe B. V.		66,329,549		33,742,274
	Kirloskar Brothers(Thailand) Ltd.		62,832,984		67,658,447
	Hematic Motors Private Limited		115,478,809		6,919,732
	Kirloskar Constructions and Engineers Ltd.		94,401,462		-
	Joint Ventures	402,738		74,530	
	TOTAL	619,515,336		288,904,005	
3	Rendering Services				
	Subsidiary/Fellow subsidiary Companies	32,548,149		27,302,581	
	SPP Pumps Limited		5,038,280		6,872,168
	Kirloskar Corrocoat Private Limited		16,611,180		18,817,180
	Hematic Motors Private Limited		3,658,293		470,875
	Kirloskar Systech Limited		7,059,200		-
	Joint Ventures	606,650		5,387,727	
	TOTAL	33,154,799		32,690,308	
4	Receiving Services				
	Subsidiary/Fellow subsidiary Companies	54,815,647		13,918,266	
	Kirloskar Brothers Europe B. V.		11,967,766		7,326,442
	SPP Pumps Ltd.		-		5,828,907
	Kirloskar Brothers (Thailand) Ltd.		42,617,905		762,917
	Enterprises over which key managerial personnel or their relatives exercise significant influence	105,000		105,000	
	Key Management Personnel	630,000		645,000	
	Relatives of Key Management Personnel	2,796,260		2,793,900	
	Mrs. Pratima Kirloskar		1,566,260		1,533,900
	TOTAL	58,346,907		17,462,166	
5	Sale of Fixed Assets				
	Subsidiary/Fellow subsidiary Companies	49,968		-	
	Hematic Motors Private Limited		49,968		-
	TOTAL	49,968		-	

NOTES TO ACCOUNTS : PART C (CONTD.)

(B) Disclosure of related parties transactions

₹

Sr. No.	Nature of transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount for major parties *	Amount	Amount for major parties *
6	Sale of Shares Subsidiary/Fellow subsidiary Companies Pressmatic Electro Stampings Pvt. Limited Quadramatic Eng. Pvt. Ltd. Gondwana Engineers Limited TOTAL	426,960,000 426,960,000	- - 426,960,000	312,749,627 312,749,627	266,918,468 32,542,208 -
7	Investment made Subsidiary/Fellow subsidiary Companies Kirloskar Brothers International B. V. Hematic Motors Private Limited Kirloskar Constructions and Engineers Ltd. TOTAL	552,528,935 552,528,935	2,546,537 299,971,998 250,000,000	83,023,377 83,023,377	80,112,057 - -
8	Royalty Paid Enterprises over which key managerial personnel or their relatives exercise significant influence Kirloskar Proprietary Limited TOTAL	51,907,533 51,907,533	51,907,533	53,264,230 53,264,230	53,264,230
9	Dividend paid Key Management Personnel Mr. Sanjay Kirloskar Relatives of Key Management Personnel Mrs. Pratima Kirloskar TOTAL	49,630,133 48,118,798 97,748,931	49,619,633 48,063,050	82,945,040 98,671,227 181,616,267	82,928,540 76,312,500
10	Dividend received Subsidiary/Fellow subsidiary Companies Hematic Motors Private Limited Kirloskar Corrocoat Private Limited The Kolhapur Steel Ltd Joint Ventures Kirloskar Ebara Pumps Limited Enterprises over which key managerial personnel or their relatives exercise significant influence TOTAL	16,311,083 11,250,000 100 27,561,183	- - 16,311,083 11,250,000 100	48,707,983 15,750,000 100	16,146,900 16,250,000 16,311,083 15,750,000
11	Interest Received Subsidiary/Fellow subsidiary Companies Gondwana Engineers Limited The Kolhapur Steel Limited Hematic Motors Private Limited TOTAL	7,962,669 7,962,669	- 639,382 7,323,287	14,081,389 14,081,389	1,955,567 2,956,706 8,599,315

NOTES TO ACCOUNTS : PART C (CONTD.)

(B) Disclosure of related parties transactions

Sr. No.	Nature of transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount for major parties *	Amount	Amount for major parties *
12	Remuneration Paid				
	Key Management Personnel	19,147,268		52,461,945	
	Mr. Sanjay Kirloskar		11,192,640		29,787,117
	Mr. R. K. Srivastava		3,896,945		10,224,529
	Mr. J. R. Sapre		4,057,683		12,450,299
	Relatives of Key Management Personnel	3,149,097		1,468,123	
	Mr. Alok Kirloskar		2,868,629		875,143
	TOTAL	22,296,365		53,930,068	
13	Advances Written off				
	Subsidiary/Fellow subsidiary Companies	-		674,703,915	
	Kirloskar Constructions and Engineers Limited		-		674,703,915
	TOTAL	-		674,703,915	
14	Loan Given				
	Subsidiary/Fellow subsidiary Companies	295,050,407		1,204,540,270	
	Kirloskar Constructions and Engineers Limited		295,050,407		864,040,270
	Hematic Motors Private Limited		-		300,000,000
	TOTAL	295,050,407		1,204,540,270	
15	Payment received towards repayment of Loan				
	Subsidiary/Fellow subsidiary Companies	620,184,666		836,410,330	
	Kirloskar Constructions and Engineers Limited		295,050,407		735,118,217
	Gondwana Engineers Limited		-		33,700,000
	The Kolhapur Steel Limited		25,134,259		27,092,113
	Hematic Motors Private Limited		300,000,000		-
	TOTAL	620,184,666		836,410,330	
16	Reimbursement of Expenses				
	Subsidiary/Fellow subsidiary Companies	4,139,009		15,150,363	
	SPP Pumps Limited		1,589,832		2,263,611
	Kirloskar Constructions and Engineers Limited		-		1,104,087
	Gondwana Engineers Limited		-		428,820
	Kirloskar Systech Ltd		1,009,238		8,797,717
	Hematic Motors Private Limited		1,073,368		-
	Joint Ventures	1,462,820		-	
	Kirloskar Ebara Pumps Limited		1,462,820		-
	Enterprises over which key managerial personnel or their relatives exercise significant influence	896,236		595,357	
	TOTAL	6,498,065		15,745,720	

* "Major parties" denote entities who account for 10% or more of the aggregate for that category of transaction

NOTES TO ACCOUNTS : PART C (CONTD.)

(C) Amount due to/from related parties

Sr. No.	Nature of transaction / relationship / major parties	2011-12		2010-11	
		Amount	Amount for major parties*	Amount	Amount for major parties*
1	Accounts receivable				
	Subsidiary/Fellow subsidiary Companies	437,006,729		623,956,660	
	Kirloskar Constructions and Engineers Limited		161,164,041		200,058,094
	SPP Pumps Limited		166,691,390		85,589,465
	The Kolhapur Steel Limited		40,138,826		50,525,793
	Hematic Motors Private Limited		-		113,370,164
	Joint Ventures	1,057,875		468,164	
	Key Management Personnel	1,700,000		1,700,000	
	Relatives of Key Management Personnel	3,400,000		3,400,000	
	TOTAL	443,164,604		629,524,824	
2	Amount Due				
	Subsidiary/Fellow subsidiary Companies	324,534,361		175,563,320	
	Gondwana Engineers Limited		-		49,097,480
	Hematic Motors Private Limited		323,400,787		-
	Enterprises over which key managerial personnel or their relatives exercise significant influence	11,570,542		14,374,566	
	Key Management Personnel	-		34,000,000	
	Mr. Sanjay Kirloskar		-		20,000,000
	Relatives of Key Management Personnel	-		360,000	
	TOTAL	336,104,903		224,297,886	

* "Major parties" denote entities who account for 10% or more of the aggregate for that category of transaction

NOTES TO ACCOUNTS : PART C (CONTD.)**(D) Names of related parties with whom transactions have been entered into:**

1) Subsidiary Companies	Kirloskar Constructions and Engineers Limited The Kolhapur Steel Limited Kirloskar Systech Limited Hematic Motors Private Ltd. Kirloskar Corrocoat Private Ltd. SPP Pumps Ltd. SPP Pumps France EURL Certified Engines Limited SPP (South Africa) Pty. Ltd. SPP Pumps Holdings LLC SPP Pumps Management LLC SPP Pumps LP SPP France S A S Kirloskar Brothers International B.V. Kirloskar Brothers Europe B.V. Micawber 784 (Proprietary) Ltd. Braybar Pumps (Proprietary) Ltd. Kirloskar Brothers (Thailand) Ltd.	
2) Joint Ventures	Kirloskar Ebara Pumps Ltd.	
3) Key Management Personnel	Mr. Sanjay Kirloskar Mr.R.K.Srivastava Mr.J R Sapre	
4) Relatives of Key Management Personnel	Mrs.Pratima Kirloskar Mr.Alok Kirloskar Mrs.Suman Kirloskar Mrs.Vijayalaxmi Srivastava Mrs Asha J Sapre Ms. Preeti Sapre	Wife of Mr. Sanjay Kirloskar Son of Mr. Sanjay Kirloskar Mother of Mr. Sanjay Kirloskar Wife of Mr. R K Srivastava Wife of Mr. J R Sapre Daughter of Mr. J R Sapre
5) Enterprises over which key managerial personnel or their relatives exercise significant influence	Kirloskar Proprietary Ltd	

NOTES TO ACCOUNTS : PART C (CONTD.)

C-19 Disclosure pursuant to clause 32 of the listing agreement regarding loan and advances to subsidiary and associate companies:

A Loans and advances in the nature of loans:

₹

Sr. No.	Name of the Company	Balance as at		Maximum outstanding	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
	To Subsidiary Companies				
1	Kirloskar Constructions and Engineers Ltd.	-	-	124,124,737	1,138,394,461
2	The Kolhapur Steel Limited	45,714,020	70,848,279	70,848,279	97,940,392
3	Hematic Motors Private Ltd.	-	-	300,000,000	300,000,000
	TOTAL	45,714,020	70,848,279	494,973,016	1,536,334,853

B Loans and advances in the nature of loan where there is,

i) No repayment schedule:

₹

Sr. No.	Name of the Company	Balance as at		Maximum outstanding	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
1	Kirloskar Constructions and Engineers Ltd.	-	-	124,124,737	1,138,394,461
2	The Kolhapur Steel Limited	45,714,020	70,848,279	70,848,279	97,940,392
3	Hematic Motors Private Ltd.	-	-	300,000,000	300,000,000

ii) No interest charged:

₹

Sr. No.	Name of the Company	Balance as at		Maximum outstanding	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
1	Kirloskar Constructions and Engineers Ltd	-	-	124,124,737	1,138,394,461
2	The Kolhapur Steel Limited	45,714,020	57,500,000	57,500,000	57,500,000

C Loans and advances in the nature of loans to firms/companies in which directors are interested: NIL

D Investment by the loanee (borrower) in the shares of the Company or subsidiary of the Company : NIL

Note:- Loans to employees including directors under various schemes of the company (such as housing loan, furniture loan, education loan etc.) have been considered to be outside the purview of this disclosure requirements.

NOTES TO ACCOUNTS : PART C (CONTD.)**C-20 Particulars related to Joint Ventures :**

a) List of Joint Ventures

Sr. No.	Name of the Joint Venture	Description	Ownership Interest	Country of Incorporation
1	Kirloskar Ebara Pumps Ltd.	Jointly controlled entity	45%	India

b) Financial Interest in Jointly controlled entities

₹

Sr. No.	Name of the Joint Venture	Company's share in		
			As at March 31, 2012	As at March 31, 2011
1	Kirloskar Ebara Pumps Ltd.	Assets	831,758,752	801,048,393
		Liabilities	829,508,752	778,548,393
		Income	859,894,081	563,888,852
		Expenses	855,167,423	447,832,101

c) Contingent liabilities, if any, incurred in relation to interest in Joint Ventures NIL

d) Capital commitments, if any, in relation to interest in Joint Ventures NIL

e) List of Jointly Controlled Operations

Sr. No.	Name of the Joint Venture	Description	Ownership Interest	Country of Incorporation
1	HCC – KBL	Jointly controlled operations	N A	India
2	KBL – MCCL	Jointly controlled operations	N A	India
3	KCCPL – IHP – BRC – TAIPL – KBL JV	Jointly controlled operations	N A	India
4	IVRCL – KBL JV	Jointly controlled operations	N A	India
5	Maytas – KBL JV	Jointly controlled operations	N A	India
6	Larsen & Toubro – KBL JV	Jointly controlled operations	N A	India
7	KBL-MEIL-KCCPL JV	Jointly controlled operations	N A	India
8	KBL – PLR JV	Jointly controlled operations	N A	India
9	KBL – Koya – VA Tech JV	Jointly controlled operations	N A	India
10	KBL – PIL Consortium	Jointly controlled operations	N A	India
11	Larsen & Toubro – KBL – Maytas JV	Jointly controlled operations	N A	India
12	IVRCL – KBL – MEIL JV	Jointly controlled operations	N A	India
13	Pioneer – Avantica – ZVS – KBL JV	Jointly controlled operations	N A	India
14	AMR – Maytas – KBL – WEG JV	Jointly controlled operations	N A	India
15	Indu – Shrinivasa Constructions – KBL – WEG JV	Jointly controlled operations	N A	India
16	MEIL – KBL – IVRCL JV	Jointly controlled operations	N A	India
17	MEIL – Maytas – KBL JV	Jointly controlled operations	N A	India
18	KCCPL – TAIPL – KBL JV	Jointly controlled operations	N A	India
19	KBL-SPML JV	Jointly controlled operations	N A	India
20	MEIL - KBL JV	Jointly controlled operations	N A	India
21	KIRLOSKAR - MEMWPL JV	Jointly controlled operations	N A	India
22	MAYTAS – MEIL – KBL JV	Jointly controlled operations	N A	India
23	Gondwana - KBL JV	Jointly controlled operations	N A	India
24	MEIL -PRASAD-KBL CONSORTIUM	Jointly controlled operations	N A	India
25	JCPL - MEIL - KBL CONSORTIUM	Jointly controlled operations	N A	India

NOTES TO ACCOUNTS : PART C (CONTD.)

C-21 a) Details of Derivative Instruments (for hedging)

Particulars	Amount in FCY		Equivalent amount in ₹
Loans	14,000,000 (20,000,000)	USD	703,660,000 (990,010,000)

b) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise as on 31.03.2012

Particulars	Amount in FCY		Equivalent amount in ₹
Liability			
Sundry Creditors	- (3,289) 7,110,429 (19,867,131) 592,429 (3,420,536) 92,214 (294,951) 1,577,608 (61,987,609) 12,000 (12,000) - (525) 3,615,011 (16,539,376) 190,044,103 (1,055,091,103)	AED EGP EUR GBP JPY OMR SEK USD VND	- (44,402) 59,904,652 (148,102,864) 40,676,178 (217,204,039) 7,576,276 (21,327,882) 990,107 (33,696,464) 1,236,840 (1,236,840) - (3,600) 185,450,082 (741,294,826) 5,513,738 (7,621,216)
Loans	21,136,886 (21,620,499)	USD	1,084,322,257 (969,030,748)
Advances received from Customers	2,273,842 (9,304,599) 329,788 (1,732,680) 68,307 (95,793) 2,784,529 (2,829,418)	EGP EUR GBP USD	19,156,889 (69,362,691) 22,643,216 (110,025,149) 5,612,103 (6,926,827) 142,846,320 (126,814,512)

NOTES TO ACCOUNTS : PART C (CONTD.)

Particulars	Amount in FCY		Equivalent amount in ₹
Assets			
Advances to Suppliers	6,470,977 (22,454,513)	EGP	54,517,331 (167,390,933)
	38,334 (2,026,028)	EUR	2,590,611 (126,626,779)
	985 (75)	GBP	79,815 (5,348)
	- (80,000)	JPY	- (42,776)
	773,907 (929,670)	USD	39,360,910 (41,305,256)
	10,000,000 (875,047,000)	VND	22,500 (2,012,512)
Sundry Debtors	3,898,175 (4,073,555)	EGP	32,841,736 (30,366,996)
	3,489,131 (3,834,302)	EUR	235,795,445 (239,643,869)
	994,620 (472,016)	GBP	80,594,081 (33,659,462)
	128,799 (232,787)	SGD	5,176,440 (8,147,558)
	4,813,989 (7,528,645)	USD	244,839,482 (334,497,685)
	335,246,400 -	VND	819,108 -
Bank Accounts	3,941,037 (14,114,186)	EGP	33,202,842 (102,342,151)
	6,705 (38,073)	EUR	460,347 (2,404,369)
	18,600 (84,270)	GBP	1,528,198 (6,019,970)
	429,336 (2,089,767)	USD	22,024,928 (92,968,841)
	1,117,232 (247,082,717)	VND	2,730 (526,286)

NOTES TO ACCOUNTS : PART C (CONTD.)

C-22 Details of provisions and movements in each class of provision.

Particulars	As at March 31, 2012 Warranty
Carrying amount at the beginning of the year	62,875,094 (43,387,708)
Additional provision made during the year	78,435,669 (62,875,094)
Amount used during the year	62,875,094 (43,387,708)
Unused amounts reversed during the year	- (-)
Carrying amount at the end of the year	78,435,669 (62,875,094)

C-23 Employee Stock Option Scheme

Under the Employees' "Share a Vision" – Stock Option Scheme, 2007 (ESOS-2007), equity shares of ₹ 2/- each would be issued and allotted against stock options, at an Exercise price of ₹ 200/- ₹ 2/- per share based on performance and other eligibility criteria.

Subject to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the terms of the ESOS – 2007, the options granted would vest, after one year of the grant, in 3 annual instalments of 30%, 30% and 40% and the same would be exercisable within a period of 3 years from the date of vesting.

Ist tranche of options i.e. 30% of the total options have been vested on August 31, 2008. The vesting of the IInd tranche (August 31, 2009) stands cancelled due to non achievement of the performance targets specified in the performance matrix. IIIrd tranche of options i.e. 40% of the total options have been vested on August 31, 2010.

The details of the grants under the Stock Option Scheme are summarised below.

i) Details of Stock Options granted in previous year.

Sr. No.	Particulars	2011-12					
		Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI
1)	Exercise Price - ₹	200/-	200/-	2/-	2/-	2/-	2/-
2)	Grant Date	31/08/2007	19/01/2008	01/06/2009	06/10/2009	22/10/2009	14/05/2010
3)	Vesting Commences on	31/08/2008	19/01/2009	01/06/2010	06/10/2010	22/10/2010	14/05/2011
4)	Options granted and outstanding at the beginning of the year	253,800 (281,855)	10,220 (14,315)	- (750)	- (750)	- (750)	1,250 (Nil)
5)	Options granted during the year	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
6)	Options cancelled/ lapsed during the year	112,040 (21,870)	5,280 (4,095)	Nil (Nil)	Nil (Nil)	Nil (Nil)	Nil (Nil)
7)	Options exercised during the year	- (6,185)	- (Nil)	Nil (750)	Nil (750)	Nil (750)	1250 (Nil)
8)	Option outstanding at the end of year	141,760 (253,800)	4,940 (10,220)	Nil (Nil)	Nil (Nil)	Nil (Nil)	- (1,250)
9)	Options granted and outstanding at the end of the year of which						
a.	Options Vested	141,760 (253,800)	4,940 (10,220)	(Nil) (Nil)	(Nil) (Nil)	(Nil) (Nil)	(Nil) (Nil)
b.	Options yet to Vest	Nil -	Nil -	Nil -	Nil -	Nil -	Nil -

NOTES TO ACCOUNTS : PART C (CONTD.)

ii) The details of the grants under the Stock Option Scheme during the year are summarised below.

Sr No	Particulars	2011-12
		Grant VII
1)	Exercise Price	₹ 2/-
2)	Grant Date	08/08/2011
3)	Vesting Commences on	08/08/2012
4)	Options granted and outstanding at the beginning of the year	-
5)	Options granted during the year	21,750
6)	Options lapsed during the year	-
7)	Options exercised during the year	-
8)	Option outstanding at the end of year	21,750
9)	Options granted and outstanding at the end of the year of which	
	a. Options Vested	-
	b. Options yet to Vest	21,750

C-24 As per the information available with the Company till date; none of the suppliers have informed the company about their having registered themselves under the "Micro, Small and Medium Enterprises Development Act, 2006". As such, information as required under this Act, cannot be compiled and therefore, not disclosed for the year.

C-25 On September 13, 2011 the Company has formed a subsidiary company in Egypt namely SPP Pumps (MENA) LLC through its Wholly Owned Subsidiary - Kirloskar Brothers International B. V., Netherlands (KBI BV). KBI BV holds 100% equity in SPP Pumps (MENA) LLC.

C-26 In terms of the Scheme of Arrangement and in accordance with the Honorable Bombay High Court orders dated April 23, 2010, 2,500 equity shares of ₹ 2/- each were reduced against earlier 10,000 equity shares of ₹ 2/- each, earlier kept in abeyance.

C-27 On May 14, 2011, Company has sold its 100% investment in its subsidiary Gondwana Engineers Limited to Doshion Veolia Water Solution Pvt. Ltd., Ahmedabad for ₹ 474,400,000/-.

C-28 Kirloskar Construction and Engineers Ltd. had assigned claims of ₹ 735,118,217/- to Kirloskar Brothers Ltd. After all out efforts to recover the claims, the Company is of the view that claims of ₹ 65,117,000/- are recoverable, claims of ₹ 147,725,744/- are to be provided for in view of the pending legal cases and claims of ₹ 485,487,034/- are considered as irrecoverable at the year end.

The Company management has therefore decided to give effect to the above in its books of accounts.

C-29 The figures have been regrouped / rearranged wherever necessary. Figures in bracket relate to previous year.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES :

₹

Particulars	Names of the Subsidiaries					
	Kirloskar Constructions & Engineers Limited	Kirloskar Brothers International B. V. (Consolidated)	The Kolhapur Steel Limited	Hematic Motors Private Limited	Kirloskar Corrocoat Private Limited	Kirloskar Systech Limited
1. The Financial year of the Subsidiary Companies ended on	March 31st, 2012	December 31st, 2011	March 31st, 2012	March 31st, 2012	March 31st, 2012	March 31st, 2012
2. Holding Company's interest	Controls composition of the Board and also owns 100 % of equity share capital	Controls composition of the Board and also owns 100 % of equity share capital	Controls composition of the Board and also owns 95.95 % of equity share capital	Controls composition of the Board and also owns 100 % of equity share capital	Controls composition of the Board and also owns 65 % of equity share capital	Controls composition of the Board and also owns 100 % of equity share capital
3. Net aggregate amount of Subsidiary's Profits / (Losses) as far as it concerns members of the holding company not dealt with the Holding Company's accounts :						
(i) Profit / (Loss) for the Subsidiary's financial year end	(165,810,546)	307,121,958	8,540,071	140,944,682	14,164,579	3,166,385
(ii) Profits / (Losses) for its previous financial years since becoming subsidiary.	(166,321,134)	131,358,120	73,787,967	46,853,033	65,033,735	169,678
4. Net aggregate amount of Subsidiary's Profits / (Losses) dealt with in the Holding Company's accounts :						
(i) for the Subsidiary's financial year ended March 31st, 2012	Nil	Nil	Nil *	Nil *	Nil *	Nil
(ii) for its previous financial years	Nil	Nil	Nil **	Nil **	Nil **	Nil
* - except dividend	-	-	16,311,083	-	-	-
** - except dividend	-	-	16,311,083	24,954,300	48,750,000	-

For and on Behalf of the Board of Directors

SANJAY KIRLOSKAR
Chairman & Managing Director

S. N. INAMDAR
Director

G. P. KULKARNI
Company Secretary

UMESH R. SHASTRY
Vice President (Finance)

April 25, 2012

Statement showing information of subsidiary companies in terms of a general exemption granted by the Ministry of Corporate Affairs under section 212 (8) of the Companies Act, 1956 vide General Circular No. 2/2011 dt. February 8, 2011.

Sr. No.	Name of the Subsidiary Company	Reporting Currency	Exchange Rate	Capital	Reserves	Total Assets	Total Liabilities	Investment other than Investment in Subsidiary (Longterm)	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
1	Kirloskar Constructors & Engineers Limited	INR	N/A	411,500,020	(180,422,904)	787,323,513	787,323,513	5,100	562,744,155	(161,979,399)	3,831,147	(165,810,546)	-	India
2	Kirloskar Corrocoat Pvt. Ltd.	INR	N/A	50,000,000	81,520,414	229,340,883	229,340,883	-	288,839,888	23,464,631	9,300,052	14,164,579	5,000,000	India
3	Hematic Motors Pvt. Ltd.	INR	N/A	4,684,500	559,424,312	1,105,117,462	1,105,117,462	336,530	2,112,220,600	212,010,790	71,066,108	140,944,682	4,684,500	India
4	The Kolhapur Steel Limited	INR	N/A	17,001,563	46,500,935	284,756,139	284,756,139	-	335,802,800	12,940,868	4,400,797	8,540,071	4,250,000	India
5	Kirloskar Systech Limited	INR	N/A	500,000	1,011,613	11,364,954	11,364,954	5,241,150	31,052,445	4,322,554	1,156,169	3,166,385	2,000,000	India
6	SPP Pumps Ltd.	GBP	82.8975	161,650,125	836,478,858	2,748,859,903	2,748,859,903	-	4,659,852,253	398,686,319	111,036,551	287,649,768	-	U K
7	SPP Pumps France EURL	EURO	69.1593	26,485,107	(24,768,435)	43,964,429	43,964,429	-	150,137,302	(11,964,213)	-	(11,964,213)	-	France
8	SPP (South Africa) Pty. Ltd.	RAND	6.7402	674	60,444,230	133,554,886	133,554,886	-	327,339,746	22,588,952	6,554,681	16,034,271	-	South Africa
9	SPP Pumps LP	USD	51.8521	25,926,050	51,630,006	329,713,711	329,713,711	-	785,534,115	21,034,167	8,123,565	12,910,603	-	U S A
10	Kirloskar Brothers International B.V.	EURO	69.1593	20,637,135	972,264,608	995,201,497	995,201,497	-	79,769,236	74,349,221	-	74,349,221	-	The Netherlands
11	Kirloskar Brothers Europe B.V.	EURO	69.1593	13,831,860	38,167,427	132,502,779	132,502,779	-	227,618,747	30,957,501	1,151,848	29,805,653	-	The Netherlands
12	Micawber 784 (Proprietary) Ltd.	RAND	6.7402	674	128,162,577	129,006,936	129,006,936	-	3,119,678	2,603,936	729,102	1,874,833	-	South Africa
13	Braybar Pumps (Proprietary) Ltd.	RAND	6.7402	674	23,615,996	71,862,960	71,862,960	-	190,219,051	19,768,806	4,980,870	14,787,936	-	South Africa
14	Kirloskar Brothers (Thailand) Ltd.	BAHT	1.6775	16,775,000	(13,630,005)	88,276,378	88,276,378	-	179,126,062	10,346,600	4,514,584	5,832,017	-	Thailand
15	SPP Pumps (MENA) L.L.C. *	EGP	8.5595	503,250	(493,669)	9,374,699	9,374,699	-	-	(493,669)	-	(493,669)	-	Egypt

Note: Details of Certified Engines Limited, SPP Pumps Management LLC, SPP Pumps Holdings LLC and SPP France SAS are not provided, as they are dormant.

*Refer note no. part C - 25



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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF KIRLOSKAR BROTHERS LIMITED

We have audited the attached consolidated balance sheet of Kirloskar Brothers Limited (KBL) Group, as at 31st March 2012, the consolidated profit and loss statement and the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the generally accepted auditing standards in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management; as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of ₹ 5,544,944,334/- as at 31st March, 2012, the total revenue of ₹ 7,644,050,165/- and net cash outflow amounting to ₹ 23,444,272/- for the year then ended. These financial statements and other financial information have been audited by other auditors, whose reports have been furnished to us and our opinion is based solely on the reports of other auditors.

We report that the consolidated financial statements have been prepared by the management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures, prescribed by Companies (Accounting Standards) Rules, 2006.

We further report that the statutory auditors of Kirloskar Constructions and Engineers Limited (KCEL), subsidiary of KBL, have opined that the accounts read with the notes thereon give a true and fair view subject to the following qualifications in the auditor's report:

- i) *The processes and internal control system needs to be significantly strengthened so as to make them commensurate with the size of the company and nature of its operations and to ensure proper and complete accounting of transactions.*
- ii) *The company has not updated the inventory records, due to which the weighted average rates as on 31st March 2012 were not available for accounting of consumption of materials and valuation of inventory. Physical verification of inventories has not been conducted at all the project sites and hence discrepancies, if any, between physical inventories and inventories as per records have not been identified.*
- iii) *Sundry Debtors (including retention money with customers), loans and advances, bank balances of ₹ 6.30 lakhs in 44 bank accounts, cash in hand of ₹ 12.71 lakhs at 11 project sites, other current assets, sundry creditors, advances and deposits from customers, statutory dues (indirect taxes and duties collected and payable), provisions and other current liabilities are subject to confirmations, reconciliation and consequential adjustments if any.*
- iv) *No provision has been made for additional costs, losses, claims and liquidated damages, if any, as per requirements of accounting standard 7 on 'Construction contracts' and accounting standard 29 on 'Provisions, contingent liabilities and contingent assets'.*

- v) *Accounting has not been done of certain contract costs and revenue in respect of certain bills relating to various projects as the reconciliation of the same is under progress.*
- vi) *Accounting Standard 2 on 'Valuation of Inventories' issued under Companies (Accounting Standards) Rules, 2006 has not been compiled with.*
- vii) *Non- compliance of Accounting Standard 5 on 'Net profit or loss for the period, prior period items and changes in accounting policies' issued under Companies (Accounting Standards) Rules, 2006 in so far as it relates to the prior period items.*
- viii) *Non- compliance of Accounting Standard 7 on 'Construction contracts' in respect of recognition of losses up to the reporting date.*
- ix) *Disclosures have not been made as per Accounting Standard 15 on 'Employee Benefits' issued under Companies (Accounting Standards) Rules, 2006.*
- x) *We are unable to comment on the estimation of current tax liability and the compliance of Accounting Standard 22 on 'Taxes on Income'.*
- xi) *Non- compliance of Accounting Standard 29 on 'Provisions, contingent liabilities and contingent assets', in respect of provision of additional costs, losses, claims and liquidated damages in respect of projects discontinued or short closed.*

The overall impact of the qualifications on the financial statements, as reported by the auditors of KCEL, has not been ascertained, but taking into consideration the relatively small size of operations of KCEL, as against the size of consolidated operations of KBL Group, in our opinion the above mentioned qualifications are not considered to be material. The Director's report of KCEL gives detailed comments on the observations made by the auditors.

Based on our audit and on consideration of report of other auditors on separate financial statements and on the other financial information of the components, and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the consolidated balance sheet, of the state of affairs of KBL Group as at 31st March, 2012;
- b) in the case of consolidated profit and loss statement, of the profit for the year ended on that date; and
- c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For M/s P. G. BHAGWAT
Chartered Accountants
Firm's Registration No.: 101118W

Abhijeet Bhagwat
Partner
Membership No.: 136835

Pune : 25th April, 2012

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2012

Particulars		Note No.	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
I.	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	A -1	158,679,402	158,676,902
	(b) Reserves and surplus	A-2	8,639,327,578	8,337,316,000
	(c) Money received against share warrants		-	-
			8,798,006,980	8,495,992,902
2	Share application money pending allotment		-	-
3	Minority Interest			
	Capital		23,721,727	23,309,846
	Reserves and Surplus		49,287,454	31,136,343
			73,009,181	54,446,189
4	Non-current liabilities			
	(a) Long-term borrowings	A-3	516,424,376	746,233,450
	(b) Deferred tax liabilities (net)	A-4	31,180,737	84,717,756
	(c) Other long term liabilities	A-5	980,913,924	1,030,203,889
	(d) Long-term provisions	A-6	185,548,552	169,029,286
			1,714,067,589	2,030,184,381
5	Current liabilities			
	(a) Short-term borrowings	A-7	2,981,415,680	2,867,973,627
	(b) Trade payables		5,661,167,147	6,721,446,132
	(c) Other current liabilities	A-8	3,993,699,699	4,578,663,424
	(d) Short-term provisions	A-9	696,117,799	783,548,151
			13,332,400,325	14,951,631,334
	TOTAL		23,917,484,075	25,532,254,806
II.	ASSETS			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	A-10	4,140,711,574	4,082,500,882
	(ii) Intangible assets	A-10	757,687,775	823,426,109
	(iii) Capital work-in-progress		428,872,073	255,092,972
	(iv) Intangible assets under development		-	-
	(b) Non-current investments		11,341,838	11,364,835
	(c) Deferred tax assets (net)		-	-
	(d) Long-term loans and advances	A-11	1,405,741,993	1,730,050,980
	(e) Other non-current assets	A-12	1,028,470,783	1,585,771,450
			7,772,826,036	8,488,207,228
2	Current assets			
	(a) Current investments		5,241,150	40,912,475
	(b) Inventories	A-13	3,602,774,457	3,267,696,875
	(c) Trade receivables	A-14	5,141,215,374	6,187,044,662
	(d) Cash and bank balances	A-15	356,584,617	813,231,660
	(e) Short-term loans and advances	A-16	2,879,004,287	2,956,915,825
	(f) Other current assets	A-17	4,159,838,154	3,778,246,081
			16,144,658,039	17,044,047,578
	TOTAL		23,917,484,075	25,532,254,806

Notes to accounts

Part- B

The notes referred to above and accompanying notes form an integral part of the Balance Sheet.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat
Chartered Accountants

SANJAY KIRLOSKAR
Chairman & Managing Director

S. N. INAMDAR
Director

ABHIJEET BHAGWAT
Partner

G. P. KULKARNI
Company Secretary

UMESH R. SHASTRY
Vice President (Finance)

PUNE : April 25, 2012

PUNE : April 25, 2012

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR YEAR ENDED MARCH 31, 2012

			₹	
Particulars		Note No.	Figures for current reporting period ending on March 31, 2012	Figures for previous reporting period ending on March 31, 2011
I.	Revenue from operations	A-18	25,544,568,052	26,698,752,366
II.	Other income	A-19	489,477,311	189,455,965
III.	Total Revenue (I + II)		26,034,045,363	26,888,208,331
IV.	Expenses:			
	Cost of materials consumed	A-20	14,781,803,992	14,766,706,989
	Purchases of Stock-in-Trade		2,566,987,729	3,491,629,428
	Changes in inventories of finished goods work-in-progress and stock-in-trade	A-20	(270,017,439)	(288,994,694)
	Employee benefits expense	A-21	3,026,939,600	2,678,312,563
	Finance costs	A-22	725,219,672	567,022,025
	Depreciation and amortization expense		459,997,949	457,519,534
	Other expenses	A-23	3,990,846,134	3,621,229,061
	Total expenses		25,281,777,637	25,293,424,906
V.	Profit before exceptional and extraordinary items and tax (III-IV)		752,267,726	1,594,783,425
VI.	Exceptional items		-	-
VII.	Profit before extraordinary items and tax (V - VI)		752,267,726	1,594,783,425
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII- VIII)		752,267,726	1,594,783,425
X.	Tax expense:			
	(1) Current tax		293,821,778	655,327,234
	(2) Deferred tax		(52,916,871)	(37,890,967)
	(3) Short provision of income tax on account of earlier years		5,129,469	(455,467)
			246,034,376	616,980,800
XI.	Profit/(Loss) for the period from continuing operations (IX-X)		506,233,350	977,802,625
XII.	Profit/(Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	Profit/(Loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV.	Profit/(Loss) for the period (XI + XIV)		506,233,350	977,802,625
XVI.	Less : Minority Interest		18,151,066	7,617,477
XVII.	Profit/(Loss) for the period (XV- XVI)		488,082,284	970,185,148
XVIII.	Earnings per equity share having nominal value of ₹ 2/- per share	B-7		
	(1) Basic		6.15	12.23
	(2) Diluted		6.15	12.23

Notes to accounts

Part- B

The notes referred to above and accompanying notes form an integral part of the profit and loss statement.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat
Chartered AccountantsSANJAY KIRLOSKAR
Chairman & Managing DirectorS. N. INAMDAR
DirectorABHIJEET BHAGWAT
PartnerG. P. KULKARNI
Company SecretaryUMESH R. SHASTRY
Vice President (Finance)

PUNE : April 25, 2012

PUNE : April 25, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2012

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Particulars		Figures for current reporting period ending on March 31, 2012	Figures for previous reporting period ending on March 31, 2011
A	Cash flows from operating activities		
	Net profit before taxes and extraordinary items	752,267,726	1,594,783,425
	Adjustments for :-		
1	Depreciation / amortization	459,997,949	457,519,534
2	(Profit)/Loss on sale of fixed assets	(5,674,928)	102,770,136
3	Employees stock option - compensation debited to profit and loss account (net)	(28,197,282)	610,601
4	Provision for doubtful debts/advances	214,284,419	99,864,227
5	Sundry debit balances written off	(1,508,574)	-
6	Interest income	(44,529,325)	(11,938,040)
7	Dividend income	(27,709,496)	(20,618,315)
8	Interest expenses	507,871,038	370,472,133
9	Unrealized exchange (gain)/ loss - Interest	78,509,717	60,180,797
10	Unrealized exchange (gain)/ loss - Others	22,294,833	-
11	(Profit) / loss on sale of investment	(242,982,528)	(19,758,755)
12	Excess provision write back	(4,567,706)	(11,844,587)
13	Sundry credit balances written back	(1,167,777)	(628,822)
14	Depreciation write back	(41,387,643)	-
15	Impairment of assets write back	(2,500,000)	-
16	Prior period expenses	(1,739,024)	-
17	Preliminary expenses written off	1,599,016	320,840
18	Advances written off	-	14,745,000
19	Investment written off	-	1,474,120
	Operating profit before working capital changes	1,634,860,415	2,637,952,294
	Adjustments for :-		
1	(Increase)/ decrease in inventories	(287,430,451)	(383,493,487)
2	(Increase)/ decrease in trade and other receivables	1,677,583,181	134,492,669
3	Increase/ (decrease) in trade and other payables	(1,494,168,547)	751,205,092
4	Cash generated from operations	1,530,844,598	3,140,156,568
5	Income tax (paid) / refunded	(559,139,762)	(985,335,951)
	Net cash from operating activities	971,704,836	2,154,820,617
B	Cash flows from investing activities		
1	Purchase of fixed assets	(700,245,815)	(754,793,118)
2	Sale of fixed assets	122,523,284	12,802,500
3	(Purchase)/sale of investments	477,616,556	53,930,866
4	Interest received	48,109,564	12,496,071
5	Dividend received	60,270,579	107,154,198
	Net cash from investment activities	8,274,168	(568,409,483)
C	Cash flows from financing activities		
1	Proceeds from borrowings	273,952,356	126,238,706
2	Repayment of borrowings	(752,832,662)	(1,133,024,876)
3	Interest paid	(535,484,812)	(383,227,157)
4	Dividend paid	(305,967,591)	(555,048,475)
5	Dividend distribution tax	(41,754,382)	(77,230,336)
6	Proceeds from issuance of share capital	2,500	1,740,000
7	Preliminary expenses	-	(43,330)
	Net cash used in financing activities	(1,362,084,591)	(2,020,595,468)
	Unrealized exchange gain / (loss) in cash and cash equivalents	(5,827,240)	(5,512,718)
	Net increase in cash and cash equivalents	(387,932,827)	(439,697,052)
1	Cash & cash equivalents at beginning of period (refer note part A -15)	757,546,053	1,197,235,482
2	Due to acquisition of subsidiary	1,754,937	7,623
3	Due to sale / transfer of subsidiary	(21,382,102)	-
4	Cash & cash equivalents at end of period (refer note part A - 15)	349,986,061	757,546,053

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat
Chartered Accountants

SANJAY KIRLOSKAR
Chairman & Managing Director

S. N. INAMDAR
Director

ABHIJEET BHAGWAT
Partner

G. P. KULKARNI
Company Secretary

UMESH R. SHASTRY
Vice President (Finance)

PUNE : April 25, 2012

PUNE : April 25, 2012

NOTES TO CONSOLIDATED ACCOUNTS : PART A

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-1		
Share Capital		
Authorised		
250,000,000 (250,000,000) equity shares of ₹ 2/- each (₹ 2/-) each	500,000,000	500,000,000
Issued, subscribed & fully paid up		
79,339,701 (79,338,451) equity shares of ₹ 2/- each (₹ 2/-) each	158,679,402	158,676,902
TOTAL	158,679,402	158,676,902

a) Reconciliation of share capital

Particulars	Figures as at the end of current reporting period ending on March 31, 2012		Figures as at the end of previous reporting period ending on March 31, 2011	
	Number	₹	Number	₹
Shares outstanding at the beginning of the year	79,338,451	158,676,902	79,333,266	158,666,532
Shares Issued during the year under ESOS	1,250	2,500	7,685	15,370
Reduction in share capital (refer note B-10)	-	-	2,500	5,000
Shares outstanding at the end of the year	79,339,701	158,679,402	79,338,451	158,676,902

b) Rights of equity shareholder:

The company has only one class of equity shares, having par value of ₹ 2/- per share. Each holder of equity share is entitled to one vote per share and has a right to receive dividend as recommended by the board of directors subject to the necessary approval from the shareholders. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

For the year ended March 31, 2012 the board of directors have proposed dividend of ₹ 2/- (₹ 3.50) per share subject to shareholders' approval.

c) Details of share holders holding more than 5% shares

Name of the shareholder	Figures as at the end of current reporting period ending on March 31, 2012		Figures as at the end of previous reporting period ending on March 31, 2011	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Industries Ltd.	18,988,038	23.93%	18,988,038	23.93%
Mr. Sanjay Chandrakant Kirloskar *	15,766,641	19.87%	15,156,631	19.10%
Mrs. Pratima Sanjay Kirloskar	13,732,300	17.31%	13,732,300	17.31%

* includes 1,589,603 (979,593), 2% (1.23%) shares held in the capacity of a trustee.

d) Shares reserved for Employee Stock Option Scheme (ESOS)

Particulars	No. of Shares	₹	No. of Shares	₹
Shares reserved for ESOS scheme	5,231,065	10,462,130	5,232,315	10,464,630

NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-2		
Reserves & Surplus		
(a) Capital Reserves		
Opening balance	25,314,187	12,113,893
Less: Due to merger / transfer of subsidiaries	1,001,784	-
Less: Deduction *	17,725,199	13,200,294
Closing balance	6,587,204	25,314,187
(b) Capital Redemption Reserve		
Opening balance	5,275,000	5,275,000
Add: Current year transfer *	3,961,726	-
Closing balance	9,236,726	5,275,000
(c) Securities Premium Reserve		
Opening balance	403,583,034	400,469,752
Add: Securities premium credited on share issue	327,875	3,113,282
Closing balance	403,910,909	403,583,034
(d) Share Options Outstanding Account		
Opening balance	68,663,405	68,702,929
Add: Current year transfer on issue of new options	-	-
Less: Written back in current year	28,525,158	39,524
Closing balance	40,138,247	68,663,405
(e) Foreign currency translation reserve		
Opening balance	27,462,597	(127,068,512)
Add: Current year transfer *	69,259,765	154,531,109
Closing balance	96,722,362	27,462,597
(f) General Reserve		
Opening balance	6,627,787,787	6,725,162,823
Add: Current year transfer (includes ₹ Nil (₹ 5,000/-) on account of reduction in share capital)	-	5,000
Add: Transfer from Profit and Loss Account	78,070,463	110,848,770
Add /(Less): Due to merger / transfer of subsidiaries	1,001,784	(208,228,806)
Closing balance	6,706,860,034	6,627,787,787
(g) Surplus		
Opening balance	1,179,229,990	630,197,581
Add: Net Profit for the current year	488,082,284	970,185,148
Add: Due to transfer / merger of subsidiaries	-	37,532,736
Less: Due to transfer / merger of subsidiaries	-	-
Balance available for appropriation	1,667,312,274	1,637,915,465
Less: Appropriations :		
Proposed dividend	185,863,902	298,373,496
Dividend distribution tax	27,505,812	49,463,209
Transfer to general reserve	78,070,463	110,848,770
	291,440,177	458,685,475
Closing balance	1,375,872,097	1,179,229,990
TOTAL	8,639,327,578	8,337,316,000

* Current year transfer to foreign currency translation reserve includes effect of regrouping of Capital Reserve and Capital Redemption Reserve by the subsidiary companies.

NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-3		
Long Term Borrowings		
Secured		
(a) Term loans from banks	407,085,764	675,906,112
Unsecured		
From others		
i) Interest free loan under sales tax deferral scheme	60,053,023	61,006,383
ii) Long term maturities of finance lease obligations	28,928,054	5,500,536
iii) Other long term loans and advances	20,357,535	3,820,419
TOTAL	516,424,376	746,233,450

Note : A- 4		
Deferred Tax (Assets) / Liabilities (net)		
(a) Deferred Tax Liabilities		
i) On depreciation / amortization of fixed assets	250,354,812	245,229,170
ii) On other timing differences	9,335,026	519,638
TOTAL	259,689,838	245,748,808
(b) Deferred Tax Assets		
i) On employees voluntary retirement schemes	2,325,893	2,956,320
ii) On provision for doubtful debts / advances	140,037,082	78,405,875
iii) On provision for employee benefits	74,167,378	61,724,058
iv) On other timing differences	11,978,748	17,944,799
TOTAL	228,509,101	161,031,052
NET	31,180,737	84,717,756

Note : A-5		
Other Long Term Liabilities		
(a) Trade Payables	72,659,401	70,301,045
(b) Others		
i) Advances and deposits received from customers	802,606,225	900,533,909
ii) Gross amount due to customers for project related contract work (refer note part B - 5)	105,648,298	59,368,935
TOTAL	980,913,924	1,030,203,889

Note : A-6		
Long Term Provisions		
(a) Provision for employee benefits		
i) Leave encashment	141,323,906	117,293,107
ii) Pension scheme	34,899,177	34,770,456
(b) Others		
i) Provision for product warranty	9,325,469	10,058,326
ii) Provision for income tax	-	6,907,397
TOTAL	185,548,552	169,029,286

NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-7		
Short Term Borrowings		
Secured		
(a) Loans repayable on demand from banks		
i) Working capital demand Loans	-	100,000,000
ii) Cash / export Credit facilities	1,885,815,419	998,942,879
Sub Total	1,885,815,419	1,098,942,879
Nature of security : Both the loans are secured by hypothecation of all current assets of the company.		
Unsecured		
(a) Foreign currency short term loans and advances from banks		
Citibank N.A. - PCFC and FCNRB	879,122,257	969,030,748
Sub Total	879,122,257	969,030,748
(b) Rupee short term loans and advances from banks		
i) Credit Agricole Corporate & Investment Bank	-	400,000,000
ii) Bank of India	216,478,004	400,000,000
Sub Total	216,478,004	800,000,000
TOTAL	2,981,415,680	2,867,973,627

Note : A-8		
Other Current Liabilities		
(a) Current maturities of long-term debt	274,697,649	292,498,030
(b) Current maturities of long-term lease	-	9,893,284
(c) Interest accrued but not due on borrowings	40,218,691	45,093,166
(d) Investor Education & Protection fund (will be credited as and when due).		
i) Unpaid dividends	57,887,287	55,914,237
ii) Unpaid matured deposits and interest accrued thereon	43,000	390,000
(e) Other payables		
i) Gross amount due to customers for project related contract work (refer note part B-5)	470,125,705	465,471,801
ii) Advances from customers	1,408,143,423	1,983,804,924
iii) Salary & reimbursements	212,188,967	150,497,353
iv) Contribution to PF & superannuation	30,037,025	25,287,167
v) Other liabilities	992,813,671	1,067,022,442
vi) Provision for expenses	507,544,281	482,791,020
TOTAL	3,993,699,699	4,578,663,424

NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-9		
Short Term Provisions		
(a) Provision for employee benefits		
i) Gratuity	44,577,021	22,075,964
ii) Leave encashment	177,934,469	154,598,850
(b) Others		
i) Proposed dividend	185,863,902	298,373,496
ii) Dividend distribution tax	27,505,812	46,781,410
iii) Provision for income tax (net of advance tax)	120,713,535	159,218,531
iv) Provision for product warranty	109,668,167	89,352,839
v) Other short term provisions	29,854,893	13,147,061
TOTAL	696,117,799	783,548,151

NOTES TO ACCOUNTS: PART A (CONTD.)

Note A-10: Tangible and Intangible Assets

Note 16: Tangible and Intangible Assets											
Particulars	Tangible Assets					Intangible assets					
	Land Free/ Lease Hold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Railway Siding	Total	Goodwill	Computer Software	Technical Knowhow	Total
Gross Block											
At 01.04.2010	312,741,402	1,335,733,206	4,431,257,888	232,526,618	137,952,265	1,649,805	6,451,861,184	647,931,989	119,914,099	-	767,846,088
Additions											
Addition on account of acquisition of subsidiary	-	-	21,724,918	983,077	2,236,241	-	24,944,236	129,939,184	44,417,387	-	174,356,571
Additions during the year	112,410,613	86,277,083	350,266,796	11,698,233	15,578,178	21,960	576,252,863	-	-	-	-
	112,410,613	86,277,083	371,991,714	12,681,310	17,814,419	21,960	601,197,099	129,939,184	44,417,387	-	174,356,571
Deductions											
Deduction on account of reversal of Revaluation Reserve	9,834,332	-	137,473,500	-	-	-	147,307,832	-	-	-	-
Deductions during the year	5,500	1,787,210	186,739,185	1,373,603	9,539,527	-	199,445,025	-	-	-	-
	9,839,832	1,787,210	324,212,685	1,373,603	9,539,527	-	346,752,857	-	-	-	-
At 31.03.2011	415,312,183	1,420,223,079	4,479,036,917	243,834,325	146,227,157	1,671,765	6,706,305,426	777,871,173	164,331,486	-	942,202,659
Additions											
Addition on account of acquisition of subsidiary	-	-	3,749,126	2,442,845	706,462	-	6,898,433	-	2,027,820	-	2,027,820
Elimination on account of disposal of subsidiary	(1,790)	(9,206,464)	(12,734,231)	(4,141,433)	(5,965,329)	-	(32,049,247)	(10,239,894)	(1,764,730)	-	(12,004,624)
Additions during the year	7,824,628	190,183,610	325,273,552	7,303,562	15,075,588	-	545,660,940	6,741,806	13,314,171	14,371,340	34,427,317
Borrowing Cost	-	-	21,264,695	-	-	-	21,264,695	-	-	-	-
Exchange difference	(46,164,407)	53,403,662	97,484,661	(62,643,817)	3,527,590	-	45,607,689	-	(41,515)	-	(41,515)
Additions/ Assets acquired / transferred	(38,341,569)	234,380,808	435,037,803	(57,038,843)	13,344,311	-	587,382,510	(3,498,088)	13,535,746	14,371,340	24,409,998
Deductions	-	833,900	203,784,682	16,428,744	40,718,526	-	261,765,852	49,986,815	931,388	-	50,918,203
At 31.03.2012	376,970,614	1,653,769,987	4,710,290,038	170,366,738	118,852,942	1,671,765	7,031,922,084	724,386,270	176,935,844	14,371,340	915,693,454
Depreciation / Amortisation											
At 01.04.2010	219,476	171,546,602	1,871,840,141	118,384,229	86,039,032	1,493,373	2,249,522,853	-	99,036,382	-	99,036,382
Addition on account of acquisition of subsidiary	-	-	16,560,444	644,897	306,547	-	17,511,888	-	-	-	-
For the year	219,476	171,546,602	1,888,400,585	119,029,126	86,345,579	1,493,373	2,267,034,741	-	99,036,382	-	99,036,382
Recouped on account of reversal of Revaluation Reserve	716,911	33,950,455	387,117,873	10,975,046	11,510,612	43,965	444,314,862	2,456,377	17,283,791	-	19,740,168
For the year including on Assets Acquired	-	-	6,535,496	-	-	-	6,535,496	-	-	-	-
Recouped	716,911	33,950,455	380,582,377	10,975,046	11,510,612	43,965	437,779,366	2,456,377	17,283,791	-	19,740,168
Impairment	-	661,614	75,656,017	699,915	6,492,017	-	83,509,563	-	-	-	-
	-	-	2,500,000	-	-	-	2,500,000	-	-	-	-
At 31.03.2011	936,387	204,835,443	2,195,826,945	129,304,257	91,364,174	1,537,338	2,623,804,544	2,456,377	116,320,173	-	118,776,550
At 01.04.2011											
Addition on account of acquisition of subsidiary	-	-	1,087,876	603,622	152,427	-	1,843,925	-	326,570	-	326,570
Elimination on account of disposal of subsidiary	-	(2,415,640)	(7,557,756)	(1,350,305)	(3,978,504)	-	(15,302,205)	-	(281,603)	-	(281,603)
Change in the method of Depreciation [Refer note: Part B - 3(a)(i)]	-	(1,778,342)	(37,545,771)	(1,170,432)	(1,766,827)	-	(42,261,372)	-	873,729	-	873,729
For the year	-	(4,193,982)	(44,015,651)	(1,917,115)	(5,592,904)	-	(55,719,652)	-	918,696	-	918,696
Exchange difference	6,532,655	29,903,508	362,114,174	11,113,777	11,115,946	22,727	420,802,787	13,868,334	23,447,907	1,878,921	39,195,162
For the year including on Assets Acquired	(1,023,970)	4,712,301	76,334,250	(48,180,374)	664,752	-	32,506,959	-	46,659	-	46,659
Recouped	5,508,685	30,421,827	394,432,773	(38,983,712)	6,187,794	22,727	397,590,094	13,868,334	24,413,262	1,878,921	40,160,517
Reversal of impairment loss	-	34,344	81,139,078	10,769,669	35,741,037	-	127,684,128	-	931,388	-	931,388
	-	-	2,500,000	-	-	-	2,500,000	-	-	-	-
	-	34,344	83,639,078	10,769,669	35,741,037	-	130,184,128	-	931,388	-	931,388
	5,508,685	30,387,483	310,793,695	(49,753,381)	(29,553,243)	22,727	267,405,966	13,868,334	23,481,874	1,878,921	39,229,129
At 31.03.2012	6,445,072	235,222,926	2,506,620,640	79,550,876	61,810,931	1,560,065	2,891,210,510	16,324,711	139,802,047	1,878,921	158,005,679
Net Block											
As at 31.03.2011	414,375,796	1,215,387,636	2,283,209,972	114,530,068	54,862,983	134,427	4,082,500,882	775,414,796	48,011,313	-	823,426,109
As at 31.03.2012	370,525,542	1,418,547,061	2,203,669,398	90,815,862	57,042,011	111,700	4,140,711,574	708,061,559	37,133,797	12,492,419	757,687,775

NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-11		
Long Term Loans and Advances		
(a) Capital advances		
Unsecured, considered good	177,275,834	171,215,741
(b) Security deposits		
Unsecured, considered good	277,098,198	366,228,421
Doubtful	5,327,267	780,318
	282,425,465	367,008,739
Less: Provision for doubtful deposits	5,327,267	780,318
	277,098,198	366,228,421
(c) Other loans and advances		
i) Advances to suppliers and others		
Unsecured, considered good	116,850,008	343,185,748
ii) Advance income tax (net of provision)	834,517,953	849,421,070
TOTAL	1,405,741,993	1,730,050,980

Note : A-12		
Other Non Current Assets		
(a) Long term trade receivables		
Unsecured, considered good	467,239,930	209,723,398
Doubtful	293,866,618	235,451,660
	761,106,548	445,175,058
Less: Provision for doubtful receivables	293,866,618	235,451,660
	467,239,930	209,723,398
(b) Others		
i) Claims receivables		
Unsecured, considered good	81,485,691	765,980,915
ii) Gross amount due from customers (refer note part B-5)	446,126,119	576,723,073
iii) Fixed deposits with bank for maturity of more than 12 months	27,729,143	31,588,245
iv) Other non current assets	5,889,900	1,755,819
TOTAL	1,028,470,783	1,585,771,450

NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A -13		
Inventories		
(a) Raw materials	1,040,080,432	1,078,079,723
(b) Work-in-progress	1,549,348,204	1,352,192,258
(c) Finished goods	733,805,479	551,282,259
(d) Stock-in-trade	171,189,768	185,952,700
(e) Stores and spares	108,350,574	100,189,935
TOTAL	3,602,774,457	3,267,696,875

Note : A-14		
Trade receivables		
i) Trade receivables outstanding for a period less than six months Unsecured, considered good	4,489,686,379	5,467,112,116
ii) Trade receivables outstanding for a period exceeding six months Unsecured, considered good	651,528,995	719,932,546
TOTAL	5,141,215,374	6,187,044,662

Note : A-15		
Cash & Bank Balances		
(a) Cash & Cash Equivalents		
i) Cash on hand	6,218,159	6,063,840
ii) Balances with banks	285,909,110	695,589,800
iii) Earmarked balances with banks Unpaid dividend accounts	57,858,792	55,892,413
	349,986,061	757,546,053
(b) Other Bank Balances Fixed deposits (More than 3 months but less than 12 months)	6,598,556	55,685,607
TOTAL	356,584,617	813,231,660

Note : A-16		
Short term loans and advances		
(a) Others		
i) Security deposits Unsecured, considered good	1,074,998,238	1,035,774,264
ii) Advances to suppliers and others Unsecured, considered good	1,520,115,624	1,866,937,463
iii) Advance income tax (net of provision for tax)	283,890,425	54,204,098
TOTAL	2,879,004,287	2,956,915,825

NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-17		
Other current assets		
(i) Interest accrued on investments & deposits	2,815,138	6,647,336
(ii) Claims receivables	1,116,122,734	902,607,823
(iii) Gross amount due from customers (refer note part B -5)	3,040,900,282	2,868,990,922
TOTAL	4,159,838,154	3,778,246,081

Note : A-18		
Revenue from operations		
Sale of products	18,715,372,654	17,418,553,970
Less: Excise duty	1,053,615,025	775,672,768
	17,661,757,629	16,642,881,202
Project related revenue	6,699,394,254	9,059,157,065
Sale of services	921,059,735	736,566,573
	25,282,211,618	26,438,604,840
Other operating revenues	262,356,434	260,147,526
TOTAL	25,544,568,052	26,698,752,366

Note : A-19		
Other Income		
(a) Interest Income		
i) from Banks	4,424,020	8,370,745
ii) from customers	7,052,383	5,477,263
iii) from others	33,052,939	28,175,250
(b) Dividend income from long term investments		
from others	27,709,479	20,618,315
(c) Gain on sale of long term investment	256,271,479	573,276
(d) Other non operating income	160,967,011	126,241,116
TOTAL	489,477,311	189,455,965

NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-20		
Cost of material consumed		
Raw material consumed	12,951,692,793	12,897,161,036
Stores and spares consumed	800,403,630	702,336,026
Processing charges	1,029,707,569	1,167,209,927
	14,781,803,992	14,766,706,989
Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Opening Stock		
Work-in- progress	1,499,260,642	1,460,999,727
Finished goods	685,065,370	339,432,796
	2,184,326,012	1,800,432,523
Closing Stock		
Work-in-progress	1,549,348,204	1,352,192,258
Finished goods	904,995,247	737,234,959
	2,454,343,451	2,089,427,217
TOTAL	(270,017,439)	(288,994,694)

Note : A-21		
Employee benefits expense		
Salaries, wages and bonus	2,618,397,793	2,272,186,431
Contribution to provident fund and E.S.I.	188,070,396	189,924,696
Gratuity	27,053,465	43,611,486
Welfare expenses	167,304,004	119,584,172
Pension benefits	54,311,224	52,395,177
ESOS expenses	(28,197,282)	610,601
TOTAL	3,026,939,600	2,678,312,563

Note : A-22		
Finance costs		
Interest expense	424,960,562	402,686,755
Other borrowing costs	141,440,817	155,222,812
Applicable net (gain)/loss on foreign currency transactions and translation	158,818,293	9,112,458
TOTAL	725,219,672	567,022,025

NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2012	Figures as at the end of previous reporting period ending on March 31, 2011
Note : A-23		
Other expenses		
Power & fuel	291,577,306	248,134,517
Repairs and maintenance		
Plant and machinery	165,299,509	111,556,383
Buildings	22,441,165	44,328,721
Rent	186,121,290	147,630,518
Rates and taxes	13,435,930	40,847,819
Travel and conveyance	409,762,634	384,606,631
Postage and telephone	101,085,378	87,730,745
Insurance	168,732,535	180,342,119
Directors sitting fees	788,704	1,192,000
Director's remuneration	20,092,160	60,066,482
Royalties and fees	51,715,901	52,288,963
Cash discount	135,190,081	137,165,726
Freight and forwarding charges	405,246,156	397,285,457
Brokerage and commission	209,250,185	218,158,469
Advertisements and publicity	118,389,137	164,554,220
Provision for product warranty	85,644,592	71,522,227
Loss on sale/disposal of fixed assets	25,055,933	107,703,439
Loss on sale/disposal of investment	13,288,951	16,069,593
Bad debts, claims, and advances written off (refer note part B-12)	499,817,936	168,318,075
Provision for doubtful debts, advances & claims (refer note part B-12)	214,284,419	99,864,228
Exchange difference (net)	(42,723,189)	(5,129,284)
Other miscellaneous expenses	896,349,421	886,992,013
TOTAL	3,990,846,134	3,621,229,061

NOTES TO CONSOLIDATED ACCOUNTS : PART B

1 Accounting Policies

Principles of Consolidation

- (i) The consolidated financial statements relate to Kirloskar Brothers Limited (KBL) and
- a) its majority owned subsidiary companies, consolidated on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group transactions and the unrealised profit/ losses on intra-group transactions, and are presented to the extent possible, in the manner as the Company's independent financial statements.

The names of the subsidiary companies, country of incorporation, proportion of ownership interest and reporting dates considered in the consolidated financial statements are:

Name of the Company	Country of Incorporation	Proportion of Ownership Interest of KBL	Reporting Date
Kirloskar Constructions and Engineers Ltd	India	100%	31 st March, 2012
Kirloskar Brothers International B.V (Consolidated Financial Statements)	The Netherlands	100%	31 st December, 2011
The Kolhapur Steel Limited	India	95.95%	31 st March, 2012
Hematic Motors Private Ltd	India	100%	31 st March, 2012
Kirloskar Corrocoat Private Ltd.	India	65%	31 st March, 2012
Kirloskar Systech Ltd.	India	100%	31 st March, 2012

The excess of cost to the company of its investment in the subsidiary company over the parents' portion of equity is recognised in the consolidated financial statements as goodwill. The excess of company's share of equity of the subsidiary company over the cost of acquisition is treated as capital reserve.

- b) its jointly controlled joint venture company by using proportionate consolidation method which means the consolidated Balance Sheet of KBL includes its share of assets that it controls jointly and its share of liabilities for which it is jointly responsible and the consolidated statement of Profit & Loss of KBL includes its share of the income and expenses of its joint venture company. Under this method, separate line items of KBL's share of the assets, liabilities, income and expenses of joint venture company are included in its consolidated financial statements.

The jointly controlled joint venture company considered in the consolidated financial statements is :

Name of the Company	Country of Incorporation	Proportion of Ownership Interest of KBL	Reporting Date
Kirloskar Ebara Pumps Limited	India	45%	31 st March, 2012

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

Share of the assets and liabilities of the above joint venture company considered for proportionate consolidation :

Particulars	Kirloskar Ebara Pumps Limited ₹
Liabilities	
Reserves & Surplus	501,390,031
Non-current liabilities	
Long-term borrowings	5,622,112
Deferred tax liabilities (net)	16,234,501
Long-term provisions	6,600,666
Current liabilities	
Short-term borrowings	36,403,110
Trade payables	152,281,413
Other current liabilities	65,371,963
Short-term provisions	45,604,958
Assets	
Non-current assets	
Fixed assets	251,237,020
Long-term loans and advances	2,494,534
Current assets	
Current investments	-
Inventories	212,078,939
Trade receivables	296,661,752
Cash and bank balances	2,070,666
Short-term loans and advances	67,193,370
Other current assets	22,472

Share of the income and expenses of the above joint venture company considered for proportionate consolidation :

Particulars	Kirloskar Ebara Pumps Limited ₹
Income	
Sales and Other Income	859,894,081
Expenditure	
Materials consumed	594,604,086
Payments and benefits to employees	61,610,137
Operating and other expenses	162,267,846
Finance cost	7,872,964
Depreciation and amortization	28,812,390
Provision for tax	1,686,541

2 Other Accounting Policies :

- They are set out in Part B: Notes forming parts of accounts of the parent company.
- The financial statements of all Indian subsidiaries and joint venture company have been prepared to comply in all material respects with The Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956 and those of the foreign subsidiaries have been prepared in compliance with the local laws and applicable Accounting Standards.

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

c) **Foreign Currency Transactions**

The operations of the foreign subsidiary are not considered as an integral part of the operations of the parent company. Hence, all monetary and non monetary assets and liabilities have been translated at the exchange rate prevailing as on 31st March 2012.

Income and expenditure have been translated at the average rate of the exchange prevailing for the financial year. Gains and losses arising out of the translation are carried to "Foreign Exchange Translation Reserve."

3 Accounting policies other than those adopted by the parent company for the consolidated financial statements -

I Subsidiary Companies

a) Hematic Motors Pvt. Ltd.

- i) Till 31st March, 2011 depreciation on fixed assets was provided on Written Down Value method as against Straight Line Method followed by the Parent Company. The proportion of such depreciation in the consolidated statement was 7.74%. From April, 2011 the company has changed its accounting policy and depreciation is now charged on straight line method.
- ii) Finished goods, work in progress, raw materials, stores, spare and tools are valued at 'Cost or Net Realisable value whichever is lower', by using FIFO method as against the weighted average method followed by the parent company. The proportion of such inventory in the consolidated statement is 7.85 % (8.48%)

b) Kirloskar Brothers International BV

Goodwill is amortised over a period of 20 years.

II Joint Venture Company

Kirloskar Ebara Pumps Limited

- i) Work in progress, raw materials, stores, spare and tools are valued at 'Cost' as against 'Cost or Net Realisable value whichever is lower', followed by the parent company. The proportion of such inventory in the consolidated statement is 5.89 % (6.52%)

4 OTHER NOTES

1) The figures for the year ended 31st March, 2012 are not comparable with that of the previous year as the current year's figures :

- i) Include results of the operations of Micawber 784 (Proprietary) Ltd. and Braybar Pumps (Proprietary) Ltd. as subsidiary companies for the full financial year as against from 26th April, 2010 and 29th April, 2010 respectively to 31st December, 2010 in the previous year.
- ii) Include results of the operations of Kirloskar Systech Ltd. subsidiary company for the full financial year as against from 9th August, 2010 to 31st March, 2011 in the previous year.
- iii) Include results of the operations of SPP Pumps (MENA) LLC subsidiary company from 13th September, 2011 to 31st December 2011.
- iv) Excludes results of the operations of Gondwana Engineers Limited subsidiary company as it ceased to be a subsidiary from 1st April, 2011.

2) The effect of disposal and acquisition of subsidiary company:

- i) Disposal of Gondwana Engineers Limited has resulted in:
An increase of ₹ 257,362,663/ in the financial position of the company for the current year ended 31st March, 2012.
- ii) Formation of Kirloskar Systech Limited and acquisition of Micawber 784 (Proprietary) Ltd. & Braybar Pumps (Proprietary) Ltd. in the previous year had resulted in:
An increase of ₹ 3,226,204/- in the financial position of the company for previous year ended 2011 and an increase of ₹ 1,771,344/- in group profit net of minority interest for the previous year ended 2011.

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

		2012 ₹	2011 ₹
3)	Estimated amount of contracts remaining to be executed on capital account and not provided for:	99,419,058	95,196,001
4)	Contingent liabilities not provided for in respect of :		
	a) Guarantees:		
	By the company to ICICI Bank Ltd. on behalf of SPP Pumps Ltd. [GBP 7,000,000 (3,500,000)]	570,192,000	506,170,000
	By the company to Barclays Bank Ltd. on behalf of SPP Pumps Ltd. [GBP -, (4,000,000)]	-	289,240,000
	By the company to Citi Bank N. A. on behalf of SPP Pumps Ltd. [USD 10,500,000 (GBP 8,000,000)]	534,135,000	578,480,000
	By the company to Indian Overseas Bank Ltd. on behalf of Kirloskar Constructions and Engineers Ltd.	800,000,000	800,000,000
	By the company to Bank of Maharashtra on behalf of Gondwana Engineers Limited	82,500,000	82,500,000
	By the company to Citi Bank N.A. on behalf of Kirloskar Brothers (Thailand) Ltd. [USD 3,000,000 (1,000,000)]	152,610,000	44,820,000
	By the company to Citi Bank N.A. on behalf of Kirloskar Brothers Europe B V [USD 5,000,000, (-)]	254,350,000	-
	By the company to Citi Bank N.A. on behalf of Braybar Pumps (Proprietary) Ltd. [USD 2,000,000, (-)]	101,740,000	-
	By the company to Citi Bank N.A. on behalf of Hematic Motors Pvt. Ltd. [USD 5,000,000, (-)]	254,350,000	-
	b) Central Excise (Matter Subjudice)	212,221,687	38,353,226
	c) Sales Tax (Matter Subjudice)	89,608,533	91,771,224
	d) Income Tax (Matter Subjudice)	873,907,607	861,935,476
	e) Labour Matters (Matter Subjudice)	45,537,129	46,245,009
	f) Other Legal Cases (Matter Subjudice)	560,307,661	596,608,635
	g) Letters of Credit Outstanding	1,170,034,222	3,273,937,870
5)	Construction contracts		
	a) Contract revenue recognised as revenue for the year	6,699,394,254	9,059,156,138
	b) Advances received	945,594,381	1,307,500,451
	c) Amount of retentions	1,125,671,561	968,327,321
	d) Gross amount due from customer		
	Contract costs incurred	40,311,769,262	34,770,763,980
	Add: Recognised profits less recognised losses	7,523,356,743	6,943,447,157
	Less: Progress Billing	44,348,099,604	38,268,497,142
	* Net	3,487,026,401	3,445,713,995
	*[Comprises of (note part A-12 (b(ii)) + note part A-17 (iii)]		
	e) Gross amount due to customer		
	Contract costs incurred	8,320,592,833	8,419,210,166
	Add: Recognised profits less recognised losses	1,580,975,143	1,084,533,920
	Less: Progress Billing	10,477,341,979	10,028,584,822
	** Net	(575,774,003)	(524,840,736)
	**[Comprises of (note part A-5 (b(ii)) + note part A - 8 (d(i))		

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

6) Related Party Disclosures

(A) Names of the related party and nature of relationship where control exists

Sr. No.	Name of the related party	Nature of relationship
1	Kirloskar Constructions and Engineers Limited	Subsidiary Company
2	The Kolhapur Steel Limited	Subsidiary Company
3	Kirloskar Systech Limited	Subsidiary Company
4	Hematic Motors Private Ltd.	Subsidiary Company
5	Kirloskar Corrocoat Private Ltd.	Subsidiary Company
6	SPP Pumps Ltd.	Subsidiary of Kirloskar Brothers International B.V.
7	SPP Pumps France EURL	Subsidiary of SPP Pumps Ltd.
8	Certified Engines Limited	Subsidiary of SPP Pumps Ltd.
9	SPP (South Africa) Pty. Ltd.	Subsidiary of SPP Pumps Ltd.
10	SPP Pumps Holdings LLC	Subsidiary of SPP Pumps Ltd.
11	SPP Pumps Management LLC	Subsidiary of SPP Pumps Ltd.
12	SPP Pumps LP	Subsidiary of SPP Pumps Ltd.
13	SPP France S A S	Subsidiary of SPP Pumps Ltd.
14	Kirloskar Brothers International B V	Subsidiary Company
15	Kirloskar Brothers Europe B.V	Subsidiary of Kirloskar Brothers International B.V.
16	Micawber 784 (Proprietary) Ltd.	Subsidiary of Kirloskar Brothers International B.V.
17	Braybar Pumps (Proprietary) Ltd.	Subsidiary of Micawber 784 (Proprietary) Ltd.
18	Kirloskar Brothers (Thailand) Ltd.	Subsidiary of Kirloskar Brothers International B.V.
19	SPP Pumps (MENA) L.L.C.	Subsidiary of Kirloskar Brothers International B.V.

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

(B) Disclosure of related parties transactions

₹

Sr. No.	Nature of transaction / relationship / major parties	2011-2012		2010-2011	
		Amount	Amount for major parties*	Amount	Amount for major parties*
1	Purchase of goods & services				
	Enterprises over which key management personnel or their relatives exercise significant influence	20,140,530		19,405,483	-
	Pradhan Engineering Enterprises Karad		17,793,151		14,148,319
	Shrirang Industries		263,204		1,539,834
	Shree Enterprises		-		377,491
2	Niksan Agro Tech India Pvt. Ltd.		2,084,175		3,339,839
	Fellow Subsidiary Companies				
	Hematic Motors Private Limited		-		-
	Joint Ventures	29,036,478		3,425,794	
	Kirloskar Ebara Pumps Limited		29,036,478		3,425,794
	TOTAL	49,177,008		22,831,277	
2	Sale of goods/contract revenue & services				
	Enterprises over which key management personnel or their relatives exercise significant influence	4,744,671		21,543,711	
	Pradhan Engineering Enterprises, Karad		4,744,671		21,543,711
	Fellow Subsidiary Companies	-		-	
	Joint Ventures	402,738		74,530	
3	Kirloskar Ebara Pumps Limited		402,738		-
	TOTAL	5,147,409		21,618,241	
3	Rendering Services				
	Joint Ventures	606,650		5,387,727	
	Kirloskar Ebara Pumps Limited		606,650		5,387,727
	TOTAL	606,650		5,387,727	
4	Receiving Services				
	Key Management Personnel	660,000		645,000	
	Mr. Sanjay Kirloskar		660,000		645,000
	Relatives of Key Management Personnel	2,766,260		2,793,900	
	Mrs. Pratima Kirloskar		1,566,260		1,533,900
5	Mrs. Vijayalaxmi Srivastava		600,000		600,000
	Mrs. Asha J. Sapre		600,000		600,000
	Enterprises over which key management personnel or their relatives exercise significant influence	122,350		-	
	Kirloskar Proprietary Ltd.		105,000		-
	Pradhan Engineering, Karad		17,350		-
	TOTAL	3,548,610		3,438,900	
5	Reimbursement of Expences				
	Joint Ventures	1,462,820		-	
	Kirloskar Ebara Pumps Limited		1,462,820		-
	TOTAL	1,462,820		-	

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

(B) Disclosure of related parties transactions

Sr. No.	Nature of transaction / relationship / major parties	2011-2012		2010-2011	
		Amount	Amount for major parties*	Amount	Amount for major parties*
6	Royalty Paid Enterprises over which key management personnel or their relatives exercise significant influence Kirloskar Proprietary Limited TOTAL	51,907,533	51,907,533	53,369,230	53,369,230
7	Dividend paid Key Management Personnel Mr. Sanjay Kirloskar Relatives of Key Management Personnel Mrs. Pratima Kirloskar TOTAL	49,630,133	49,619,633	82,945,040	82,928,540
		48,118,798	48,063,050	98,671,227	76,312,500
		97,748,931		181,616,267	
8	Dividend received Joint Ventures Kirloskar Ebara Pumps Limited Enterprises over which key management personnel or their relatives exercise significant influence TOTAL	11,250,000	11,250,000	15,750,000	15,750,000
		100		100	
		11,250,100		15,750,100	
9	Remuneration Paid Key Management Personnel Mr. Sanjay Kirloskar Mr. R. K. Srivastava Mr. J. R. Sapre Mr. H. S. Gune Mr. Ganesh K. Iyer Relatives of Key Management Personnel Mr. Alok Kirloskar Ms. Preeti J Sapre TOTAL	25,485,757	11,192,640 3,896,945 4,057,683 2,800,000 3,538,489 2,868,629 280,467	61,337,945	29,787,117 10,244,529 12,450,299 2,800,000 2,934,000 875,143 232,980
		3,149,097		1,108,123	
		28,634,854		62,446,068	
10	Advances written off Enterprises over which key management personnel or their relatives exercise significant influence Pradhan Engineering Enterprises Pvt. Ltd. TOTAL	-	-	14,745,000	14,745,000
		-		14,745,000	
11	Reimbursement of Expenses Enterprises over which key managerial personnel or their relatives exercise significant influence Kirloskar proprietary Limited TOTAL	-	-	595,357	595,357
		-		595,357	

* "Major parties" denote entities who account for 10% or more of the aggregate for that category of transactions.

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

(C) Amount due to/from related parties

Sr. No.	Nature of transaction / relationship / major parties	2011-2012		2010-2011	
		Amount	Amount for major parties*	Amount	Amount for major parties*
1	Accounts receivable				
	Associates & Joint Ventures	1,057,875	1,057,875	-	-
	Kirloskar Ebara Pumps Limited				
	Key Management Personnel	1,700,000	1,700,000	1,700,000	1,700,000
	Mr. Sanjay Kirloskar				
	Relatives of Key Management Personnel	3,400,000	3,400,000	3,400,000	3,400,000
	Mrs. Pratima Kirloskar				
	TOTAL	6,157,875		5,100,000	
2	Amount Due				
	Enterprises over which key management personnel or their relatives exercise significant influence	11,570,542	11,570,542	14,374,566	14,374,566
	Kirloskar Proprietary Limited				
	Key Management Personnel	-	-	34,000,000	20,000,000
	Mr. Sanjay Kirloskar				
	Mr. Vikram Kirloskar				8,000,000
	Mr. J. R. Sapre				6,000,000
	Relatives of Key Management Personnel	-	-	360,000	
	TOTAL	11,570,542		48,734,566	

* "Major parties" denote entities who account for 10% or more of the aggregate for that category of transactions.

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

(D) Names of related parties with whom transactions have been entered into:

1) Subsidiary Companies	Kirloskar Constructions and Engineers Limited The Kolhapur Steel Limited Kirloskar Systech Limited Hematic Motors Private Ltd. Kirloskar Corrocoat Pvt. Ltd. SPP Pumps Ltd. SPP Pumps France EURL Certified Engines Limited SPP (South Africa) Pty. Ltd. SPP Pumps Holdings LLC SPP Pumps Management LLC SPP Pumps LP SPP France S A S Kirloskar Brothers International B V Kirloskar Brothers Europe B.V Micawber 784 (Proprietary) Ltd. Braybar Pumps (Proprietary) Ltd. Kirloskar Brothers (Thailand) Ltd.	
2) Joint Ventures	Kirloskar Ebara Pumps Ltd.	
3) Key Management Personnel	Mr. Sanjay Kirloskar Mr. R. K. Srivastava Mr. Ganesh Iyer Mr. H. S. Gune Mr. J. R. Sapre	
4) Relatives of Key Management Personnel	Mrs. Pratima Kirloskar Mr. Alok Kirloskar Mrs. Suman Kirloskar Mrs. Vijayalaxmi Srivastava Mrs. Asha J. Sapre Ms. Preeti Sapre	Wife of Mr. Sanjay Kirloskar Son of Mr. Sanjay Kirloskar Mother of Mr. Sanjay Kirloskar Wife of Mr. R. K. Srivastava Wife of Mr. J. R. Sapre Daughter of Mr. J. R. Sapre
5) Enterprises over which key managerial personnel or their relatives exercise significant influence	Kirloskar Proprietary Ltd Pradhan Engineering Enterprises Pvt. Ltd. Pradhan Engineering, Karad Shrirang Industries Shree Enterprises Niksan Agro Tech India Pvt. Ltd.	

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

7) Earning per Share (Basic and diluted)		In ₹
I - Basic	2012	2011
Profit for the year before tax	752,267,726	1,594,783,425
Less : Attributable tax thereto	246,034,376	616,980,800
Less : Minority Interest	18,151,066	7,617,477
Profit after tax	488,082,284	970,185,148
Total number of equity shares at the end of the year used as denominator	79,339,701	79,334,524
Basic earning per share of nominal value of ₹ 2/- each	6.15	12.23
II - Diluted		
Profit for the year before tax	752,267,726	1,594,783,425
Less : Attributable tax thereto	246,034,376	616,980,800
Less : Minority Interest	18,151,066	7,617,477
Profit after tax	488,082,284	970,185,148
Total number of equity shares at the end of the year	79,339,701	79,334,524
Add : Weighted average number of potential equity shares on account of employee stock option	21,442	1,239
Weighted average number of shares outstanding used as denominator	79,361,143	79,335,763
Diluted earning per share of nominal value of ₹ 2/- each	6.15	12.23

8) Particulars related to Joint Ventures :

List of Joint Ventures and Jointly Control Operations

Name of the Joint Venture	Description	Country of Incorporation
Kirloskar Ebara Pumps Ltd.	Jointly controlled entity	India
HCC – KBL Joint Venture	Jointly controlled operations	India
KBL – MCCL Joint Venture	Jointly controlled operations	India
KCCPL – IHP – BRC – TAIPPL – KBL JV	Jointly controlled operations	India
IVRCL – KBL JV	Jointly controlled operations	India
Maytas – KBL JV	Jointly controlled operations	India
Larsen & Toubro – KBL JV	Jointly controlled operations	India
KBL-MEIL-KCCPL JV	Jointly controlled operations	India
KBL – PLR JV	Jointly controlled operations	India
KBL – Koya – VA Tech JV	Jointly controlled operations	India
KBL – PIL Consortium	Jointly controlled operations	India
Larsen & Toubro – KBL – Maytas JV	Jointly controlled operations	India
IVRCL – KBL – MEIL JV	Jointly controlled operations	India
Pioneer – Avantica – ZVS – KBL JV	Jointly controlled operations	India
AMR – Maytas – KBL – WEG JV	Jointly controlled operations	India
Indu – Shrinivasa Constructions – KBL – WEG JV	Jointly controlled operations	India
MEIL – KBL – IVRCL JV	Jointly controlled operations	India
MEIL – Maytas – KBL JV	Jointly controlled operations	India
KCCPL – TAIPPL – KBL JV	Jointly controlled operations	India
KBL-SPML JV	Jointly controlled operations	India
MEIL - KBL JV	Jointly controlled operations	India
KIRLOSKAR - MEMWPL JV	Jointly controlled operations	India
Aban-Coastal Joint Venture	Jointly controlled operations	India
Asian Techs Ltd.- ABCI Infrastructures (P) Ltd	Jointly controlled operations	India

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

- B-9** On September 13, 2011 the Company has formed a subsidiary company in Egypt namely SPP Pumps (MENA) LLC through its Wholly Owned Subsidiary - Kirloskar Brothers International B. V., Netherlands (KBI BV). KBI BV holds 100% equity in SPP Pumps (MENA) LLC.
- B-10** In terms of the Scheme of Arrangement and in accordance with the Honorable Bombay High Court orders dated April 23, 2010, 2,500 equity shares of ₹ 2/- each were reduced against earlier 10,000 equity shares of ₹ 2/- each, earlier kept in abeyance.
- B-11** On May 14, 2011, Company has sold its 100% investment, in its subsidiary Gondwana Engineers Limited to Doshion Veolia Water Solution Pvt. Ltd., Ahmedabad for ₹ 474,400,000/-.
- B-12** Kirloskar Construction and Engineers Ltd. had assigned claims of ₹ 735,118,217/- to Kirloskar Brothers Ltd. After all out efforts to recover the claims, the Company is of the view that claims of ₹ 65,117,000/- are recoverable, claims of ₹ 147,725,744/- are to be provided for in view of the pending legal cases and claims of ₹ 485,487,034/- are considered as irrecoverable at the year end.
The Company management has therefore decided to give effect to the above in its books of accounts.
- B-13** The figures have been regrouped / rearranged wherever necessary. Figures in bracket relate to previous year.

NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

B-14 Segment Information in respect of KBL and its Subsidiaries and Joint Venture Company

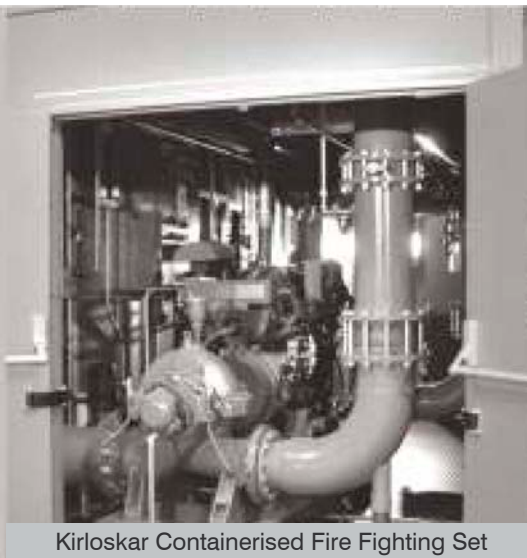
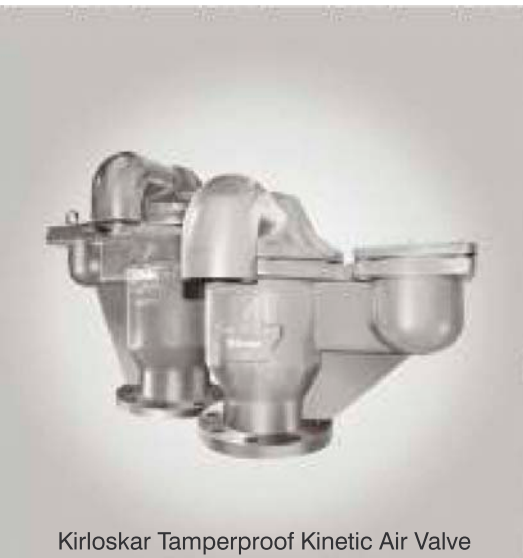
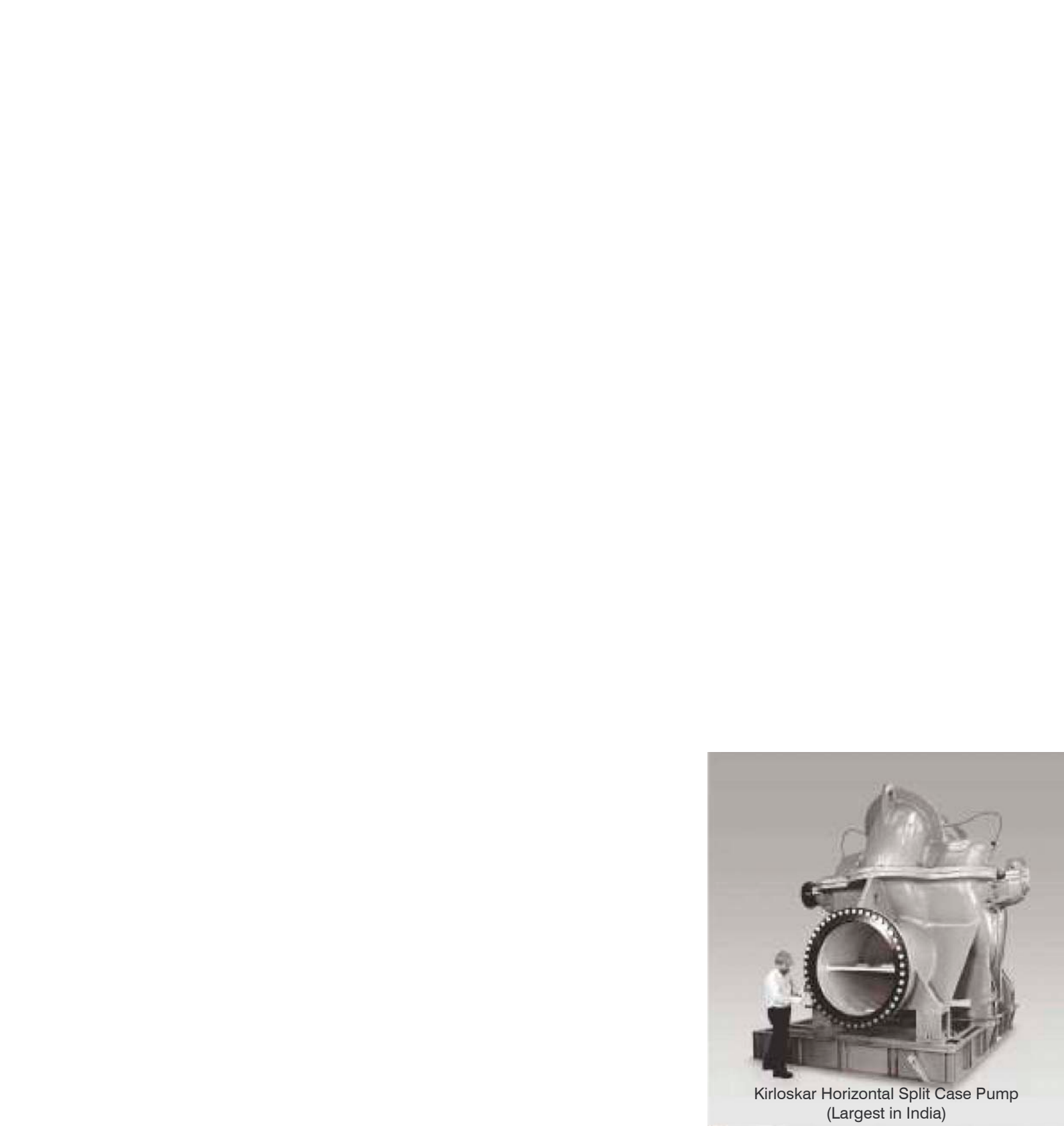
₹

(A) Primary Segments - Business Segments	Pumps	Others	Eliminations	Total
a) Segment Revenue				
Sales to External Customers	17,140,442,331	8,404,125,721	-	25,544,568,052
	(23,352,152,186)	(3,346,600,180)	-	(26,698,752,366)
Inter Segment Revenue	-	(279,059,110)	(279,059,110)	-
	-	(216,181,522)	(216,181,522)	-
Total Segment Revenue	17,140,442,331	8,125,066,611	(279,059,110)	25,544,568,052
	(23,352,152,186)	(3,562,781,702)	(216,181,522)	(26,698,752,366)
b) Segment Result	1,515,246,153	860,488,773	-	2,375,734,926
	(2,874,128,681)	(510,325,398)	-	(3,384,454,079)
Less :				
I) Finance Costs				725,219,672
				(567,022,023)
II) Unallocable corporate expenditure (net of other income)				1,244,110,618
				(1,268,986,967)
Add :				
I) Income from Investments				345,863,090
				(46,338,336)
Total profit before tax				752,267,726
				(1,594,783,425)
Less : Provision for tax				298,951,247
				(654,871,767)
Less : Deferred tax				(52,916,871)
				(37,890,967)
Net Profit				506,233,350
				(977,802,625)
c) Segment Assets	16,229,123,117	2,545,077,573	-	18,774,200,690
	(16,798,832,548)	(2,950,701,067)	-	(19,749,533,615)
Unallocable corporate assets				5,143,283,385
				(5,782,721,191)
Total				23,917,484,075
				(25,532,254,806)
d) Segment Liabilities	9,708,936,932	1,386,978,820	-	11,095,915,752
	(11,049,876,177)	(1,786,924,317)	-	(12,836,800,494)
Unallocable corporate liabilities				3,950,552,162
				(4,145,015,221)
Total				15,046,467,914
				(16,981,815,715)
e) Cost Incurred during the period to acquire Segment Fixed Assets	467,818,302	78,281,484		
	(488,943,220)	(84,850,661)		
f) Depreciation / Amortisation/Impairment	300,676,943	83,582,835		
	(232,045,250)	(155,530,694)		
g) Non Cash Expenses other than Depreciation / Amortisation	662,740,283	23,164,791		
	(81,786,931)	(193,868,126)		

B) Secondary Segment -	Domestic	Export	Total
a) Segment Revenue Geographic Segment by location of customer	20,043,195,108	5,501,372,944	25,544,568,052
	(22,008,122,533)	(4,690,629,833)	(26,698,752,366)
b) Carrying Amount of Segment Assets by location of assets	22,369,113,693	1,548,370,382	23,917,484,075
	(24,903,639,911)	(628,614,895)	(25,532,254,806)
c) Cost Incurred during the period to acquire Segment Fixed Assets	521,228,179	24,871,607	546,099,786
	(560,915,352)	(12,878,529)	(573,793,881)



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Enriching Lives

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