

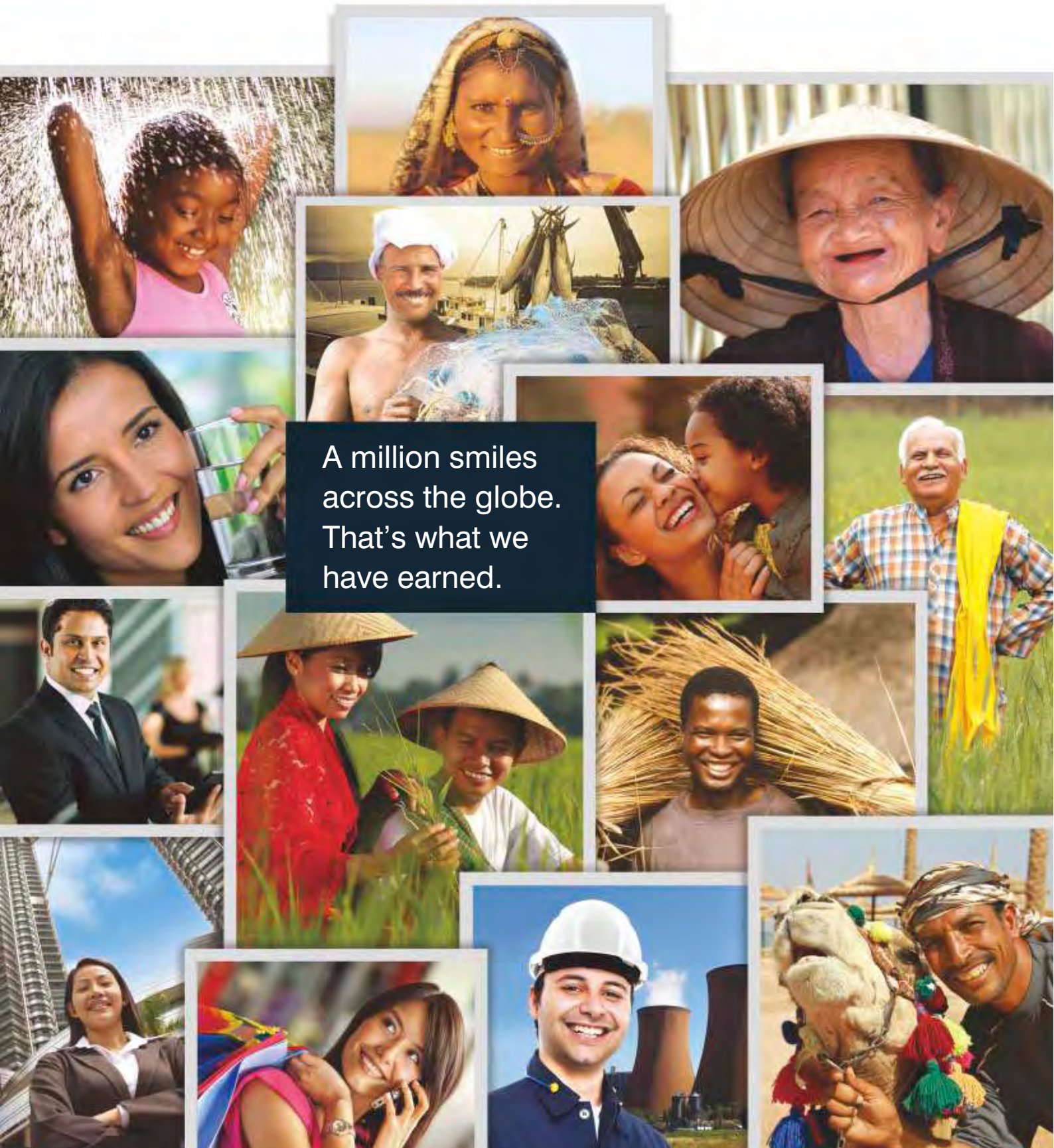


Enriching Lives


# KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

94<sup>th</sup> ANNUAL REPORT 2013 - 2014



A million smiles  
across the globe.  
That's what we  
have earned.



Bringing about a positive change has been our mission as well as our driving force. The smile on millions of faces is a testimony that we have not just achieved it but enriched lives the world over.

Through our critical engineering solutions across industries - from cooling mega power plants to powering countless applications across industries, from saving a million tonnes of food stock to providing standby power to telecom and defence sectors, and from castings that house automobile engines to greening deserts, quenching thirsts and fuelling CNG vehicles - Kirloskar has made a significant difference across continents. To garner the most valuable asset - a smile of satisfaction.

#### Your Company has earned smiles by:

- Generating revenue from international business that contributed 33% of the consolidated Kirloskar Brothers Limited (KBL) revenues.
- Continuing overseas expansion with the commissioning of a new facility in South Africa and acquisition of SyncroFlo Inc. near Atlanta, USA.
- Achieving the indigenous development of primary and secondary heat transfer pumps for the development of India's first fast breeder nuclear reactor.
- Incorporating structured planning and effective execution resulting in engagement of more than 15,000 quality registered retailers.
- Making it to 'Limca Book of Records' 2013 -14 for the 100% women-operated plant in Kaniyur, Coimbatore for 'cycle time reduction from 63 seconds to 20 seconds'.

## Board of Directors

Sanjay C. Kirloskar	Chairman & Managing Director
Vikram S. Kirloskar	
S. N. Inamdar	
Rahul Kirloskar	(up to April 22, 2014)
U. V. Rao	
P. S. Jawadekar	
J. R. Sapre	Whole Time Director
A. N. Alawani	
Lalita D. Gupte	
Pratap B. Shirke	
Alok S. Kirloskar	

**Company Secretary** Sandeep Phadnis

**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) 24440770 Fax : (020) 24402083  
E-mail : [kblin@kbl.co.in](mailto:kblin@kbl.co.in)  
Website : [www.kirloskarpumps.com](http://www.kirloskarpumps.com)  
Group Website : [www.kirloskar.com](http://www.kirloskar.com)

**Corporate office** "YAMUNA", Survey No. 98 (3-7), Baner,  
Pune – 411 045, Maharashtra (India)  
Phone : (020) 27214444 Fax : (020) 27211136  
E-mail : [kblin@kbl.co.in](mailto:kblin@kbl.co.in)  
Website : [www.kirloskarpumps.com](http://www.kirloskarpumps.com)  
Group Website : [www.kirloskar.com](http://www.kirloskar.com)

**Works** Kirloskarvadi, Dewas, Shirwal, Kondhapuri, Coimbatore, Ahmedabad

### Information for Shareholders

Annual General Meeting :

Day & Date : Thursday, September 25, 2014

Time : 11.00 a. m.

Venue : "YAMUNA", Survey No.98 (3-7)  
Baner, Pune – 411 045

Dates of Book

Closure : July 18, 2014 to July 22, 2014  
(both days inclusive)

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## DECADE AT A GLANCE

(₹ in Million)

Particulars	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net Sales	7,309	9,246	13,400	15,251	18,309	20,178	19,469	17,819	18,724	17,516
Other Income	132	750	2,408	430	359	479	129	463	70	55
Material Cost	4,859	6,093	9,290	11,126	13,927	14,987	13,431	12,661	13,204	11,695
Other Expenses	1,896	1,965	2,563	2,704	3,249	3,341	4,385	4,441	4,108	4,423
Interest	48	55	84	169	303	336	453	537	443	409
Depreciation	100	97	121	182	207	265	300	303	320	346
Profit before tax	538	1,786	3,750	1,500	982	1,730	1,028	340	719	698
Income tax provision	31	63	385	399	312	554	415	28	285	221
Net Profit after tax	507	1,723	3,365	1,101	670	1,175	614	312	434	477
Share Capital	71	212	212	212	212	159	159	159	159	159
Reserves	1,832	2,932	5,808	6,409	6,879	6,975	7,276	7,378	7,627	7,842
Net Worth	1,903	3,144	6,020	6,621	7,091	7,134	7,434	7,536	7,786	8,001
Imports	261	606	987	1,152	2,084	5,073	2,026	729	473	671
Exports	1,005	685	2,266	1,483	2,291	1,694	1,827	1,153	1,544	1,184
Basic Earnings per Share (₹) (Face Value of ₹ 2/-)	14.17	15.42	31.82	10.41	6.34	14.81	7.73	3.93	5.47	6.01
Basic Earnings per Share (₹) (Face Value of ₹ 2/-) (Excluding Extraordinary Income Expense)	14.17	10.70	14.76	10.41	6.34	14.81	7.73	3.93	5.47	6.01
Dividend %	300%	200%	200%	200%	100%	275%	175%	100%	100%	*125%
Book Value per Share (₹)	53.97	** 29.69	**56.92	**62.60	**67.05	**89.92	**93.70	**94.99	**98.11	**100.82
Debt Equity Ratio	0.18	0.06	0.08	0.09	0.03	0.06	0.12	0.06	0.01	-

### Notes :

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

\* Final Dividend Recommended 125%

\*\* 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 94<sup>th</sup> Annual Report and the Audited Annual Accounts of the Company for the year ended March 31, 2014.

### FINANCIAL RESULTS

The financial results of the Company for the year 2013-14 as compared with the previous year are as under: -

	Year ended March 31, 2014 (₹)	Year ended March 31, 2013 (₹)
Revenue from Operations	<b>17,516,340,754</b>	18,723,978,939
Other income	<b>54,616,152</b>	69,995,455
Total	<b>17,570,956,906</b>	18,793,974,394
Profit before tax	<b>697,546,094</b>	719,478,435
Tax Expense	<b>220,671,149</b>	135,001,177
Profit for the period from continuing operations	<b>476,874,945</b>	584,477,258
Short Provision of income tax on account of earlier years	-	150,000,000
Profit for the period	<b>476,874,945</b>	434,477,258
Surplus in Profit & Loss Account brought forward from previous year	<b>1,449,112,037</b>	1,241,391,915
Available surplus	<b>1,925,986,982</b>	1,675,869,173

### DIVIDEND

Directors are pleased to recommend a dividend of 125% (₹ 2.50 per equity share) for the year.

### APPROPRIATIONS

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

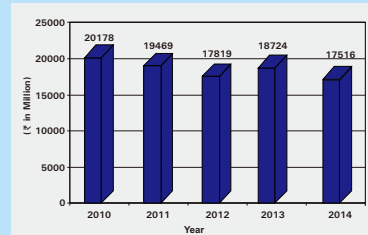
Dividend of ₹ 2.50 @ 125% (100%) on 79,358,451 (79,358,451) equity shares of ₹ 2/- each	<b>198,396,128</b>	158,716,902
Dividend distribution tax	<b>32,132,101</b>	24,592,508
Transfer to General Reserve	<b>47,687,495</b>	43,447,726
Balance carried to Balance Sheet	<b>1,647,771,258</b>	1,449,112,037
<b>Total</b>	<b>1,925,986,982</b>	1,675,869,173

### OPERATIONS

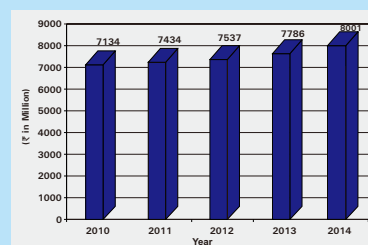
The revenue from operations for the year under review was ₹ 1752 Crores, which is less than 6.85% compared to the previous year.

The Company focused on improving operational efficiencies across the supply chain to increase productivity. Assembly of a pump in a record time of 20 seconds at Kaniyur (Coimbatore) plant, exemplifies our productivity improvement measures. Information Technology tools and processes were

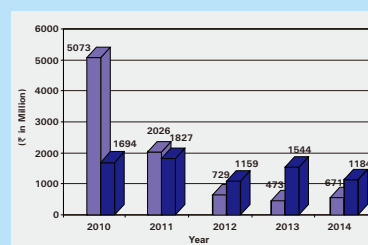
#### Net Sales



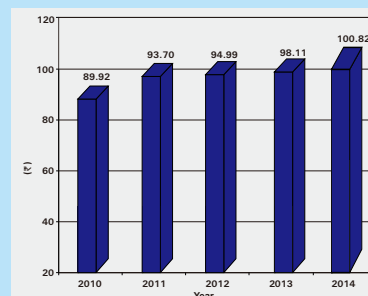
#### Net Worth



#### Import & Export



#### Book Value per Share



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leveraged to streamline and enhance effectiveness of business functions like marketing, manufacturing, after sales support and human resource.

Product business was promoted by enhancing the channel network across India and introduction of new products for different market segments. We now have more than 15,000 retailers as a part of our channel network. We marketed value added products like solar pump, hydel turbines and energy saving Lowest Life-Cycle Cost (LLC™) pumps in line with our strategy to promote sustainability. We developed primary and secondary heat transfer pumps for the nuclear industry.

In the projects business, leveraging of financial control led to the improvement in balance sheet. Our strategy of being selective in projects business continued and we are glad to report that our customers have appreciated our organization's stand on payment terms since it is of mutual benefit. Institutionalization of best in class project management practices helped in better project control and closure of the projects ahead of time with healthy cash flows.

## **STATUTORY DISCLOSURES**

### **1. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE**

Details of energy conservation, technology absorption, research and development and foreign exchange earnings and outgo 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**

As per provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Directors' Report and Accounts are being sent to the shareholders excluding the statement giving particulars of employees under Section 217 (2A) of the said Act. Any shareholder interested in obtaining a copy of the statement, may write to the Company Secretary at the Registered Office of the Company.

### **3. SUBSIDIARY COMPANIES**

During the year, Kirloskar Brothers International B.V., Netherlands (KBI BV), a wholly owned subsidiary company of the Company, has acquired balance 40% holdings in Kirloskar Brothers Europe B.V., Netherlands (KBE BV). As a result, KBE BV has now become a wholly owned subsidiary of KBI BV.

During the year, SPP Pumps LP, Georgia, USA, has acquired SyncroFlo Inc., Georgia, USA. SyncroFlo is a pioneer in the domestic water booster industry. SPP Pumps LP is owned by SPP Pumps Limited, UK, which is a wholly owned subsidiary of Kirloskar Brothers International B. V., Netherlands, a wholly owned subsidiary of the Company.

As you were aware, the Scheme of Arrangement and Amalgamation of erstwhile, Hematic Motors Private Limited with Kirloskar Constructions and Engineers Limited (the 'Scheme'), was sanctioned by the Honourable High Court of the Judicature at Bombay on March 1, 2013. During the year 2013-14, the Honourable High Court at the Judicature at Madras, by its orders dated June 23, 2013, has also sanctioned the Scheme and subsequently, the same was made effective on July 29, 2013. Also, in terms of the said Scheme, the name of the erstwhile Kirloskar Constructions and Engineers Limited was changed as 'Karad Projects and Motors Limited'.

During the year Company has executed an agreement for the transfer of Corporate Information Centre (CIC) division of the Company to Kirloskar Systech Limited (KSL), a wholly owned subsidiary of the Company. CIC supported the Company for IT hardware and software maintenance, e-mail, internet and intranet facilities and other IT related services. All the existing assets of CIC shall now vest in KSL.

KSL is engaged in providing engineering design and information technology related services to the Company, its subsidiaries and external parties. Transfer of assets from CIC will help KSL expand its business activities and become one of the competent players in the IT Industry.

The Kolhapur Steel Limited (TKSL), Company's subsidiary, has incurred losses for the year ended March 31, 2014, exceeding the net worth as on that date. TKSL has, thus, become sick as per Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985. TKSL is in the process of filing a reference to the Board set up under the said Act. TKSL has plans of revival. The Company has already initiated some measures to revive TKSL. The Company is considering infusing some fresh capital in TKSL in order to make it a viable entity.

The Government of India, Ministry of Corporate Affairs vide General Circular No. 2/2011, has granted general exemption under Section 212 (8) of Companies Act, 1956 to 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.

Accordingly, we have attached certain information in respect of the 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 shareholders seeking such information. The annual accounts of the subsidiary companies will also be kept open for inspection of shareholders.

The consolidated financial statement of subsidiaries prepared as per the 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, 2014 and of the profit of the Company for the period April 1, 2013 to March 31, 2014;
- Proper and sufficient care has been taken for the maintenance of adequate accounting records, in accordance with the provisions of 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, 2014 is attached to the Balance Sheet.

### **SAFETY, HEALTH AND ENVIRONMENT**

#### **Safety and Health**

All our manufacturing plants are certified for Occupational Health and Safety Assessment Series (OHSAS) standards ISO 18001.

Periodic safety audits of all our manufacturing units and project sites including corporate office, ensures compliances to safety norms. Review of audit findings is conducted and actions are initiated to improve the safety performance. 'Safety Committees' at corporate and manufacturing units have been formed to monitor the intent of

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safety throughout the organisation. Periodic emergency evacuation training programs and mock drills are conducted at corporate office, project sites and manufacturing locations to ensure preparedness to face the eventualities.

Safety scorecard is reviewed on regular basis. Contractors' employees at sites and operation units are provided training on safety. Actions required in improving safety conditions are communicated to the relevant site through safety manager. EHS bulletins and safety guidelines are periodically circulated all across the organisation for sharing and creating awareness on safety related matters. Corporate safety committee guides and monitors all sites and manufacturing units, to improve near miss, accident and implementation of all statutory requirements related to safety, so as to achieve our goal of zero accident and zero man days lost.

Occupation health centre (OHC) at corporate office and major manufacturing units provide immediate medical needs and support to the employees in keeping their good health. Training programs on health awareness and food habits are organized for the benefit of employees. We also conduct First Aid training programs for creating awareness and developing basic skills amongst our employees to deal in emergency conditions.

As part of preventive measure, all employees above 30 years of age undergo annual medical check-up. Counselling sessions are conducted for employees based on their medical check-up.

A joint committee of workmen and management governs the canteen activities to ensure that hygienic and nutritious food is provided to employees.

## **Environment**

All our manufacturing plants are certified for the Environment Management System (ISO 14000). Our Kondhapuri plant has also received certification for Energy Management System (ISO 50001). It is the first Company in Pune region to achieve this certification.

Our plants at Kaniyur, Kondhapuri and Dewas have applied for 'GreenCo' certification of Confederation of Indian Industries. We are happy to inform you that our Dewas plant has achieved 'Silver' rating in its first attempt on GreenCo and has become the first Indian Pump manufacturing plant to achieve this rating. We monitor our direct and indirect energy consumptions which are reported in our annual sustainability reports. Energy Conservation (ENCON) competition encourages all our manufacturing plants to reduce the overall energy consumption.

Pumping systems consume around 30% energy in industries. The Energy Audit services launched by the Company have helped industries in replacing old pumping systems by energy efficient pumping systems. Our energy efficient pumping solutions and LLC™ pumps have significantly reduced the energy consumption.

## **CORPORATE GOVERNANCE**

Pursuant to Clause 49 of the listing agreement 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 for providing stock options at ₹ 2/- per option to award employee for their outstanding, exemplary performance in getting sustainable results. During the year, 35975 options have been granted.



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 regard to compliance of the guidelines, is provided as Annexure II to this report.

## **FIXED DEPOSITS**

The Company neither accepts nor renews matured deposits since January, 2003. The amount of the unclaimed matured deposits has been transferred to the Investor Education & Protection Fund Account as and when due and at present, there is no outstanding unclaimed deposit as on March 31, 2014.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Company considers the society as one of the most important stakeholders. We continue to support the communities close to our manufacturing plants. Society related initiatives are implemented based on the needs and expectations of society which are collected through structured society perception survey and also feedbacks received through other forums of engagement.

We have continued our focus on development activities in the areas of education, health, sanitation and hygiene, combating diseases, promoting maternal health and employability.

### **Activities in Manufacturing plants**

In the area of education, support was provided to upgrade school buildings and other facilities. Notebooks were distributed to children in schools near Dewas plant. School children were provided guidance for competitive examinations. Earn & Learn scheme for ITI apprentices in collaboration with Yashaswi Institute, Pune continued this year to improve employability of these apprentices. For empowering women, various training sessions on skill development were organized. Self-help groups have been created to address employment of women at Kirloskarvadi and Dewas. 40 schools near Kirloskarvadi participated in Adarsha Shala competition.

Health related initiatives for the community around Kirloskarvadi and Dewas plants included free medical check-up camps with free medicine distribution. These check-ups were conducted for anaemia, HIV, bone marrow density etc. To improve health of expecting mothers and eliminate infant mortality, antenatal care, Garbhsanskar check-up camps were organized for women. Blood donation camps were also organized at Kirloskarvadi and Dewas manufacturing units. Awareness sessions were conducted for life style management and overcoming addictions. Skits and rallies were organized to create awareness about AIDS in the local communities.

We have continued our efforts to communicate importance of sanitation and hygiene to school children through our initiative WASH (Water Sanitation and Hygiene). The awareness programs were conducted in municipal schools around Kirloskarvadi, Pune and Dewas. The programs included enactment of skits, cartoon videos and lectures on adolescent hygiene, distribution of water purifier systems for schools, etc.

Various awareness programs were organized under the aegis of Vasundhara Festival in the schools and nearby communities.

## **DIRECTORS**

In terms of the provisions of Companies Act, 2013 and rules thereof ('the Act'), certain class of companies are mandatorily required to appoint at least 1/3<sup>rd</sup> of its total directors, who are complying with the requirements as mentioned in the Act, as Independent Directors of the company.

As per the existing composition of the Board of Directors of the Company. Mr. U. V. Rao, Mr. S. N. Inamdar, Mr. P. S. Jawadekar, Mrs. Lalita D. Gupte and Mr. Pratap B. Shirke are existing Independent Directors of the Company

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complying with the requirements of the Act. These Directors have given their declarations regarding fulfilment of conditions as given under the Act.

Their brief profiles along with other details, are included in the Explanatory Statement attached to the notice of the Annual General Meeting.

The Board proposes the appointment of these directors as Independent Directors at the ensuing Annual General Meeting, not liable to retire by rotation.

Mr. Vikram S. Kirloskar will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

His brief profile is appearing in the Report on Corporate Governance of this Annual Report.

Mr. Rahul C. Kirloskar resigned from the Board of Directors with effect from April 22, 2014, due to personal reasons.

Mr. Rahul C. Kirloskar has been actively associated with the Company for more than a decade. The Board places on record its appreciation for contribution of Mr. Rahul C. Kirloskar during his tenure as a director of the Company.

### **AUDITORS**

M/s. P. G. Bhagwat, the Statutory Auditors, retire at the ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate as required under the Companies Act, 2013 has been received. The Audit and Finance Committee has recommended their re-appointment for the year 2014-15.

### **ACKNOWLEDGMENTS**

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

**For and on behalf of the Board of Directors**



**Sanjay C. Kirloskar**  
**Chairman and Managing Director**

Ahmedabad: April 22, 2014

## **ANNEXURE – I TO THE DIRECTORS' REPORT**

### **A. Conservation of Energy**

The Company continues to take additional steps for conservation of energy using wind energy and maintaining power factor. After the successful launch in European Market, the Company introduced Lowest Life Cycle Cost (LLC™) series of Pumps in India for Industrial, Water supply and Irrigation Pumping solutions. This enabled the Company to provide the Highly Efficient Pumps with benefit of savings in running and maintenance costs. Similarly, the Company introduced an Energy Efficient Monobloc Pump sets and received excellent responses from Industries as well as Government Projects.

During the year, the Company has supplied Solar Pumping systems with special controller in earlier module of Jalverter™ (Hybrid). This initiative will give boost to future business and steps towards use of green energy.

During the year, the Company has undertaken following further measures for conservation of energy:

- Use of wind energy, increased reliance on renewable energy;
- Maintaining power factor above 0.99;
- Converted dry paint booth with water curtain type, for addressing MPCB norms with additional control system;
- Maintaining, in manufacturing, the compressed air leakage upto 10%;
- Optimised KOS Assembly line loading & unloading cycle time, reduced by approximate cycle time 8 sec./cycle;
- Installed new temperature controller for CT – Fan;
- Developing of Pumps meeting BEE certification requirements;
- Rain water harvesting;
- More energy conservation audit;
- More LLC™ product.

### **B. Technology Absorption**

#### **1. Research and Development (R&D)**

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

- Sump Model tests for various customers;
- Development of 3D laser scanning of components ;
- Successful completion of test e.g. performance NPSHR and inclined test of Primary Heat Transfer Pump;
- Development of Hybrid Jalverter™;
- Development of Air cooled pumps for thermic fluids;
- Development of largest self-priming pumps;
- Development of valves for HVAC applications;
- CE marking of various valves.

##### **b. Benefits**

- Reduction in product development time and cost;
- Capability enhancement by investing in capital equipments for advanced technology products;
- Enhancement of product range and fulfil the product gaps;
- Competitive edge over other pump manufacturers.

##### **c. Future plan of action**

- Design, development and commissioning of performance test rig;
- Design and development of Pump as Turbine;

- Design and development of Valves for high pressure & temperature applications;
- Design and development of Gate / Globe / Check Valves.

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

- |  |                        |
|--|------------------------|
| a. Capital   | ₹ 22,018,392/-         |
| b. Recurring   | ₹ 117,300,578/-        |
| c. <b>Total</b>  | <b>₹ 139,318,970/-</b> |
| d. Total R & D expenditure as a percentage of total turnover | 0.8%.                  |

**2. Technology absorption, adaptation and innovation**

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

- Air cooled pumps for Thermic fluid;
- Development of Pelton turbine.

**b. Benefits derived as a result of the above efforts**

- Competitive edge over other pump / turbine manufacturers;
- Addition of new product in range.

**c. Technology imported during 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 thereof and future plan of action
SS Fabricated impeller	2010	No	Partially completed
Pump Selection Software	2011	Yes	-
Documentation package	2011	Yes	-
Magnetic drive pumps – Technology	2013	No	Absorption is in initial stage

**C. Foreign Exchange Earnings and Outgo**

**Exports Activities**

The Company has achieved total exports of about ₹ 960 million.

The Company continues to receive orders from the American, Europe and African countries for Water Supply Projects, Irrigation and Process industries. Our efforts have led to establishing OE approvals and supplies to many of the Globally, well known Engineering Procurement and Construction (EPC) companies like Bechtel, UDHE, Danieli, Air Products etc. Our focus has also increased on the neighbouring countries like Nepal, Bhutan, Bangladesh, Myanmar, Vietnam and Sri Lanka for export of the smaller range of pumps.

We continue our “Focus Africa” programme, embarking upon “Food Sufficiency Programme” across Africa with innovative solutions for concept to commissioning under our ‘Triple A’ philosophy of – Appropriate, Adaptable & Affordable pumping solutions. Malawi and Zimbabwe are the specific countries on our radar and work is in progress here.

In the ASEAN region our footprint has been increasing over the years and our reach in the countries has strengthened. During the past year, our special focus has been on Laos and Vietnam.

We are also pursuing Latin American markets. While the Company has been successful in bagging repeat stock orders from specific countries from the region, efforts are being made to spread its reach to other countries. We consider Latin America of great importance for the quantum leap in our export turnover.

**Foreign exchange earnings and outgo**

Earnings	₹ 1,183,501,806/-
Outgo	₹ 932,906,519/-

**ANNEXURE – II TO THE DIRECTORS' REPORT**

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

	Particulars	Employees' "Share a Vision" Stock Option Scheme, 2007																								
a.	Number of Options granted	613,475 options																								
b.	Pricing Formula	552,250 options at ₹ 200/- and 61,225 options at ₹ 2/-																								
c.	Number of Options vested	0																								
d.	Number of Options exercised	37,685 Options																								
e.	Total number of shares arising out of exercise of Options	37,685																								
f.	Number of Options lapsed	540,465 Options																								
g.	Variation in the terms of the Options	No variations																								
h.	Money realized by exercise of Options	₹ 3,280,000																								
i.	Total number of Options in force	35,225 Options																								
j.	Employee wise details of options granted to -																									
	i. Senior Management Personnel	<table border="0"> <thead> <tr> <th style="text-align: left;">Name</th> <th style="text-align: right;">Options Granted</th> </tr> </thead> <tbody> <tr> <td>Jayant Sapre</td> <td style="text-align: right;">16,725</td> </tr> <tr> <td>Ashish Srivastava</td> <td style="text-align: right;">750</td> </tr> <tr> <td>Sayaji Shinde</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>Umesh Ulavi</td> <td style="text-align: right;">2,000</td> </tr> <tr> <td>Dattatraya Vetal</td> <td style="text-align: right;">3,000</td> </tr> <tr> <td>Ragunathan Kannan</td> <td style="text-align: right;">750</td> </tr> <tr> <td>Ravindra Birajdar</td> <td style="text-align: right;">1,500</td> </tr> </tbody> </table>	Name	Options Granted	Jayant Sapre	16,725	Ashish Srivastava	750	Sayaji Shinde	2,000	Umesh Ulavi	2,000	Dattatraya Vetal	3,000	Ragunathan Kannan	750	Ravindra Birajdar	1,500								
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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	₹ 6.01																								
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 border="0"> <thead> <tr> <th></th> <th style="text-align: right;">(₹)</th> </tr> </thead> <tbody> <tr> <td><b>Net Profit</b></td> <td></td> </tr> <tr> <td>As reported</td> <td style="text-align: right;">476,874,945</td> </tr> <tr> <td>Add – Intrinsic value</td> <td style="text-align: right;">31,284,442</td> </tr> <tr> <td>Less – Fair Value</td> <td style="text-align: right;"><u>(31,589,480)</u></td> </tr> <tr> <td>As Adjusted</td> <td style="text-align: right;">476,569,907</td> </tr> <tr> <td><b>Basic EPS</b></td> <td></td> </tr> <tr> <td>As reported</td> <td style="text-align: right;">6.01</td> </tr> <tr> <td>As adjusted</td> <td style="text-align: right;">6.01</td> </tr> <tr> <td><b>Diluted EPS</b></td> <td></td> </tr> <tr> <td>As reported</td> <td style="text-align: right;">6.01</td> </tr> <tr> <td>As adjusted</td> <td style="text-align: right;">6.01</td> </tr> </tbody> </table>		(₹)	<b>Net Profit</b>		As reported	476,874,945	Add – Intrinsic value	31,284,442	Less – Fair Value	<u>(31,589,480)</u>	As Adjusted	476,569,907	<b>Basic EPS</b>		As reported	6.01	As adjusted	6.01	<b>Diluted EPS</b>		As reported	6.01	As adjusted	6.01
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	Particulars	Employees' "Share a Vision" Stock Option Scheme, 2007
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 options pricing model, with the following assumptions -  8.08% 2.50 years 40.69% 1.25% ₹ 160.05

### 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 87<sup>th</sup> Annual General Meeting held on July 20, 2007.

**For M/s P. G. BHAGWAT**

Chartered Accountants

Firm's Registration Number : 101118W

**Abhijeet Bhagwat**

Partner

Membership No. 136835

Ahmedabad: April 22, 2014

## MANAGEMENT DISCUSSION AND ANALYSIS 2013-14

### World Economy

The global economy witnessed growth in the later part of 2013. Annual growth was 3 percent in 2013 which is better than the estimate of International Monetary Fund (IMF). IMF forecast for the year 2014 is higher in comparison to the previous year. The advanced economies in Europe are expected to come out of recession. Global economic growth projection in 2014 is around 3.7 percent which may rise to 3.9 percent in 2015. However, these forecasts need to be vetted against the fragilities in some economies and downside risks.

The United States economy is expected to grow from 1.9 percent in 2013 to 2.8 percent in 2014. The progress is on account of increasing domestic demand backed by the recent budget agreement. The European Union (EU) will recover to achieve a growth rate of around 1 percent in 2014. Recovery in the continent is not going to be uniform. European economies under stress may witness a modest rise with respect to last year's growth. The inhibiting factors are high public and private debt along with financial constraints in some countries. Nevertheless, the exception may be United Kingdom's growth which is expected to be more than 2 percent in 2014-15. The reasons are better credit conditions and confidence. In Japan, growth is likely to be more than 1 percent. Fiscal stimulus may balance the strain from consumption tax increase in early 2014.

The growth in developing economies is anticipated to increase to 5.1 percent in 2014. Growth in China will remain strong because of investments. However, this phenomenon is temporary owing to the policy measures meant for slowing credit growth and raising the cost of capital. Growth is estimated to moderate around 7 percent in 2014. Emerging market economies started to profit from robust external demand in advanced economies. Conversely, domestic demand remains weaker than expected in these economies. The reasons are tougher financial conditions and policies coupled with political uncertainty and holdups. These factors affected investment in the emerging economies like Brazil and Russia. The Middle East and North Africa region may witness a rebound with increasing oil output from Libya. But political uncertainties continue to affect the economic prospects in some parts of the region.

### Indian Economy

The Central Statistical Organisation's (CSO) initial estimate shows the economic growth rate of India to be around 4.9 percent in 2013-14. Growth in India picked up after a strong agricultural performance on the base of a good monsoon and higher export growth. The growth rate may firm further on restoration of macroeconomic and financial stability. However, structural obstacles to growth and high inflation are concerns which need to be addressed. IMF projects growth at 5.4 percent in 2014-15. The higher growth estimate is on assumptions of improved world economy, export competitiveness, good agricultural performance and a positive business sentiment. Consequently, the IMF in its report stressed on the need for further structural reforms in the fields of energy, agriculture and the labour market to achieve earlier growth trajectory of 8 percent.

### Global Pump Market Outlook

The European Industrial Foundation (EIF) estimates the global pump market to be around \$ 41 billion. The centrifugal pump market is around \$ 25 billion. The global pump market is estimated to grow at a compounded annual growth rate of nearly 7 percent for the period 2013-18. The key markets of oil and gas, power generation, chemical and other general industries will drive a significant portion of the overall pump demand globally. The oil and gas industry is likely to get refining capacity additions in the Middle East, Brazil, Russia, India and China. This development is expected on account of stable markets and price levels which generally encourage investment. The power generation industry is expected to see addition of new coal fired plants in Asia. Gas fired plants and renewables will hold the sway in North America, Western Europe and Middle East. Chemical industry comprising petrochemicals may see capacity additions in Middle East and developing countries of China, India and Brazil. North America will be a key market owing to low cost feedstock. New mining projects are supposed to be launched in Latin America because of demand for new copper production. Pumps meant for mining related desalination will see good demand in South America. Waste water and sewerage projects are predicted to grow in South Asia and China. The Engineering Procurement and Construction (EPC) projects market is expected to see a pressure on margins owing to surplus supply capacity. The trend in the EPC market is towards insistence on local content, increase in obligation on suppliers for operational and projects risk and after sales support in award of contracts. There is an increase in participation of the Korean, Chinese and Indian EPC's on projects in the Middle East and Latin America.

### Indian Pump Industry

The organised pump market in India in 2013 was ₹ 10,500 Crores and is expected to reach ₹ 13,419 Crores in 2018 at a compounded annual growth rate of 5 percent. The market is projected to grow in 2014 on account of investments in Real Estate, Chemicals, Sugar, Refineries, Liquefied Natural Gas (LNG) Terminals, Steel, Thermal and Nuclear Power Plants, Wastewater and Infrastructure. Agriculture growth is expected to hold sway over the small pumps market. Emerging technologies such as solar driven water pump may see a huge demand because of non-availability of electricity in some parts of the country. The economy is expected to gather momentum after the conclusion of national elections in May 2014. Revival will support upswing in the pump market. Capacity additions coupled with aggressive marketing is leading to intense competition in the Indian pump industry.

### Strategy and Policy

Globalisation and increased emphasis on international business yielded good results. Revenues from international business contributed 33 percent of the consolidated Kirloskar Brothers Limited (KBL) revenues. KBL's subsidiary, SPP Pumps Limited, commissioned a new plant in Atlanta, United States. This is the seventh manufacturing facility of the company outside India. KBL acquisition of SyncroFlo Inc. in Atlanta,

Georgia boosted our product portfolio offerings and reach in the North American market. The acquisition will strengthen packaged offerings for Heating Ventilation Air Conditioning and Refrigeration System (HVACR) market in the North American region. The long term strategy program, Manthan, continued in the year.

The focus on niche application markets was evident in the development of primary heat transfer pumps for the 1 X 500 Megawatt (MW) BHAVINI Prototype Fast Breeder Reactor (PFBR). The development strengthens our presence in the segment of nuclear power generation. The GK-W pump series conforming to ISO 5199 and complying with the Minimum Efficiency Index (MEI) as per Euro norms of 2015 and 2017 was launched. Sustainability is the underlying theme of KBL's strategy. Therefore, the company persisted with its efforts towards promotion of the Lowest Life Cycle Cost (LLC™) pumps, which consume least energy throughout the product life cycle, solar pumps, energy audit services and hydro turbine business. Emphasis was laid on growing the valves business. Our market share in new markets such as HVACR continues to grow. We restructured our marketing organisation for the purpose of product and service differentiation.

In the project business, leveraging financial control led to improvement in the balance sheet. We pursued the strategy of being selective in project business and are glad to report that customers have begun to appreciate our organisation's stand on payment terms since it is of mutual benefit. Institutionalisation of best in class project management practices helped in better project control and closure of the projects ahead of time with healthy cash flows.

The small pump business strengthened its network of partners across the country. The Company's supply chain processes were strengthened to ensure availability and reduce inventory. Small pump business continues to perform with Return on Capital Employed in excess of 100 percent. Our focus is on growing submersible pump business supported by the Sanand factory and a dedicated marketing organisation. The "Chhotu pump" was introduced for household applications in the price sensitive markets.

KBL continues to stress on enhancing the gamut of after sales support. A group was formed to support the refurbishment requirements of our institutional customers. The measure was in addition to the refurbishment centers working across the country.

Information technology based tools were leveraged across the organisation to streamline processes in functions like marketing, after sales and supply chain and deliver incremental value to customers.

## International Business Strategy

The exports business inclusive of Information Technology (IT) Services was ₹ 96 Crores. Resources were placed in key international regions like South Korea, Canada and USA. Supplier of Choice agreement was signed with SNC Lavalin, Canada, for supply of pumps for their global projects. Marketing efforts helped in getting more Original Equipment Manufacturers (OEM) approvals. Breakthrough orders from global Engineering Procurement and Construction (EPC) companies, namely Taprogge and Samsung were received.

KBL was successful in securing repeat orders from Global EPC's like Bechtel, Linde, UHDE, Air Products, Samsung and SMS Simag. In January 2014, SPP South Africa and Braybar production facilities were moved in to a new and combined manufacturing facility outside of Johannesburg.

## Sustainability and Growth Initiative

KBL believes that in addition to economic sustainability, environmental and social sustainability is equally important. In order to improve its sustainability performance, the company started monitoring its environmental and social performance as per the Global Reporting Initiative (GRI) guidelines. KBL started publishing its annual sustainability report in 2009-10 and the fourth such report was released in July 2013. In addition to GRI - G3.1 guidelines, the report also conforms to the Accountability Standards AA1000 AS. The report of 2012-13 included the Kaniyur plant and the current year's Sustainability Report will include the Sanand Plant.

In order to reduce the environmental impact, KBL uses renewable energy consisting of wind and solar. 38 percent of energy consumed by the company was from renewable sources. The year saw increase in contribution of renewable energy in comparison to the previous year. Wind energy contributed 49 percent and 32 percent of the total energy consumed by the Kirloskarvadi and Dewas plant respectively. As usual, KBL undertook plantation of trees at various locations. For reduction of use of materials, principle of 3R's - Reduce, Reuse and Recycle is being encouraged. Sustainability related practices were promoted for the conservation of energy, water and other resources in business's supply chain.

All factories are certified for OHSAS 18000 standards. To strengthen the safety systems, safety audits and safety trainings were organised at all KBL locations including project sites, manufacturing locations, corporate office and regional offices. Safety performance is reviewed periodically to ensure an injury free work place.

A new concept of Integrated Reporting is emerging at the Global level. International Integrated Reporting Council (IIRC) developed a framework for the process of Integrated Reporting and value creation for all the six forms of capital namely, Financial, Human, Manufactured, Intellectual, Natural and Social. IIRC launched a pilot program for Integrated Reporting and KBL is one of the two Indian companies to participate in this program at international level.

A decision was taken to implement Energy Management System (ISO 50001) at all manufacturing locations. Kondhapuri factory is the first factory to get certified to this standard. In addition, as part of the enterprise wide commitment towards environment, three of six manufacturing plants in India are participating in GreenCo certification of Confederation of Indian Industries. Dewas plant has been awarded silver rating while Kaniyur and Sanand plant are under assessment.

In continuation of the tradition of last 24 years, manufacturing plants of KBL participated in Kirloskar Group Energy Conservation competition. Dewas and Kondhapuri factories won awards in large industry and small industry category respectively.



## Risks and Concerns

The Company undertook the activity of reassessing risks of critical importance with the support of an external agency. The brainstorming workshops where all senior leaders participated were organised for the purpose. Based on the outcome of the workshops, strategic and operational risks were identified and subsequently prioritised for being acted upon. All these risks have clearly outlined root causes, action plans, key performance indicators, risk owner and teams. The Risk Management Committee meets regularly and discusses the prioritised risks as well as the mitigation actions put in place by the identified Risk Owners and their teams.

### Identified risks

- Slowdown in GDP growth
- Conformity to international laws and regulations especially in the light of various international operations of the company
- Working Capital Management
- Talent Pool Management
- Leakage of Critical Information
- Intellectual Property
- Disaster Recovery Planning
- Delays in closing of old projects

## Water Resource Management

Municipal corporations and government entities laid stress on improving water management practices, which includes refurbishment of existing water supply systems. The modalities of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) are under review and guidelines will be issued after formation of the new Government. However, availability of funds with the municipal bodies and policy related logjams is an area of concern. We consolidated our position in the sewerage treatment market by better customer connect and project management practices. Energy audit in the municipal water establishments is being promoted to enhance energy efficiency of the existing pumping systems. Positioning of Lowest Life Cycle Cost (LLC™) Pump is being emphasised in line with the objective of sustainability.

Water Resource Management sector successfully commissioned 24 projects during the year.

### Prestigious orders commissioned

- Turnkey project of Bangalore Water Supply and Sewage Board (BWSSB), Kaveri Phase IV with 540 Million Litres Daily (MLD) capacity comprising 30 horizontal split case pumps with electro-mechanical equipment
- Design and construction of 20.5 MLD Sewage Treatment Plant based on Sequencing Batch Reactor (SBR) technology for Ahmedabad Municipal Corporation, Sanand
- Supply, installation and commissioning of electrical and mechanical equipment consisting of 8 large horizontal split case pumps for 900 MLD pumping station at Bhandup Complex of Municipal Corporation of Greater Mumbai



Kirloskar Lowest Life-Cycle Cost (LLC™) pump

## Irrigation

Considering dynamics of the market, one of the major strategies considered and implemented by the company is to be selective in participating in projects and tenders. Having evolved into a total solution provider with capabilities to conceptualise and implement irrigation projects from concept to commissioning, KBL learnt important lessons while executing and closing projects. There were several instances where projects have been delayed for reasons beyond the control of KBL. Several times these delays have also been beyond the control of the customer which is the State's Irrigation Ministry. Reasons for delays are mainly associated with environmental clearances, land acquisition and associated compensations. As a result closure of projects has been a challenge in the past.

Various check points were established to enable decisions pertaining to bidding of projects. Rigorous risk assessment process to identify and mitigate project risks has been put in place which helped to focus on select projects and execute them within the time and cost budgets. KBL rolled out special terms and conditions which are the pre-requisites while finalising orders from EPC contractors who happen to be the lead contractors on government tenders. There has been increasing attention on the business from the products and international markets. Product marketing with terms acceptable to the company paid dividends.

### Achievement in terms of the closure of old projects

- 12 Projects successfully closed by proactively driving the customer to provide fronts and complete contractual obligations by deploying a dedicated task force for completing the work. This resulted in stoppage of expenses at the site, collection of work in progress payments and return of bank guarantees submitted to clients as performance bank guarantees
- 5 Rural Electrification Projects closed successfully stopping month on month expenses
- Saurashtra Branch Canal project of the Sardar Sarovar Narmada Nigam Limited closed successfully and work in progress payment collected
- The sector is proceeding well towards generating business which will be profitable as well as technology driven, thereby maintaining our company's image as a total solution provider in the field of pumping solutions in irrigation.

## Power

KBL maintained its leadership position in the Indian power market despite facing severe challenges in the power industry. Progress of power projects has been hampered due to issues of fuel linkage and land clearances.

Our belief and commitment towards the power market is reflected in the initiatives like development of primary and secondary heat transfer pump for fast breeder nuclear reactors and commissioning of Pelton turbines. KBL augmented its capability and is ready for the upturn in the market. References in the new markets such as Georgia and Venezuela were created. KBL has been qualified for circulating water packages of National Thermal Power Corporation (NTPC) projects up to 800 MW capacity units on the basis of its proven track record. Project Sampark was undertaken to enhance focus on replacement and refurbishment market.

### Prestigious orders commissioned

- The supply of 3 sets of primary heat transfer pumps for the 500 MW Prototype Fast Breeder Reactor (PFBR). The PFBR is being set up at Kalpakkam, Tamil Nadu. The indigenous development of primary and secondary heat transfer pumps is an achievement for the development of India's first fast breeder reactor technology. This is a milestone in the three stage nuclear development programme of the Government of India.
- 12 sets of Circulating Water Pumps for 5 x 660 MW Tiroda thermal power project of Adani Power Limited with capacity of 40,000 m<sup>3</sup>/ hour for each pump. This is the largest installation of Vertical Turbine Pumps for circulating water application at single location in the world.
- The Circulating Water system for 2 x 800 MW Shri Damodaram Sanjevaiah thermal power project of Andhra Pradesh Power Development Corporation Limited, through Tata Projects Limited was commissioned by KBL. Eight sets of Concrete Volute type CW Pumps each of 33,333 m<sup>3</sup>/hour capacity for India's second 800 MW project were installed.
- India's first indigenously developed condensate extraction pumps for 2 x 800 MW Shri Damodaram Sanjevaiah thermal power project of Andhra Pradesh Power Development Corporation Limited, through Larsen and Turbo Limited were commissioned.

### Hydro-electric power (HEP) projects commissioned

- 2 x 5.5 MW Konal HEP project of Mahalaxmi Vidyut at Dodamarg, Sindhudurg, Maharashtra
- 2x 2 MW Ranni - Perunad HEP project of Kerala State Electricity Board
- 2 x 2.5 MW Darna HEP project of Ascent Hydro Power near Nashik, Maharashtra



Primary Heat transfer pump for the 500 MW Prototype Fast Breeder Reactor (PFBR) at Kalpakkam, Tamil Nadu

## Industry

Slowdown in the economy affected growth of the business segment. Several upcoming projects were postponed because of liquidity crunch and negative business sentiment. Nevertheless there are signs of revival and economy may perform better in the coming fiscal year. We created a dedicated channel partners network for process market in strategic locations. For standard products, a new business model of Authorised Pump-set Original Equipment Manufacturer (APOEM) was introduced. This has resulted in a shift from commodity sale to branded sale which ensures integration of products as per KBL standards. The new business model ensures availability of products at the doorstep of customers in least possible time. Market presence was strengthened on account of original equipment manufacturer, end user and consultant approvals. We promoted the cause of energy efficiency in industry with offerings such as the energy audit and Lowest Life Cycle Cost (LLC™) Pumps. The approvals by international organisations included Hitachi Japan, OMB Austria and Technimont ICB Italy.

### Prestigious orders commissioned

#### India

- Auto prime pump set for Trimax Industries, Vizag, Andhra Pradesh
- Hydro-Pneumatic System (HYPN) with KPDS pumps for Grasim Vilayat, Bharuch, Gujarat
- Pumps for spin bath application for Century Rayon, Mumbai, Maharashtra

#### International

- Pumps for Vinechem, Vietnam for acidic water application through Toyo Thailand
- Vertical Turbine pumps for Kanshashi Mining Company, Zambia through Worley Parsons, United States

## Gas, Oil and Defence

The oil and gas market is expected to witness investments in exploration and addition of refining capacity. KBL is the only Indian offshore fire pump package supplier in offshore oil and gas segment. We commissioned nine offshore fire water pump packages at ONGC's eight offshore platforms replacing old fire water pump packages. Fire water pump packages were supplied to Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL) and other customers for land based applications. Cooling water pump packages were delivered to BPCL Mahul and Kochi, and Indian Oil Corporation Limited (IOCL), Mathura. These orders enabled us to reinforce our position in fire-fighting and cooling water packages segment. The effort on replacement business led to orders from public sector oil companies and fertilizer plants.

One of the prestigious projects for Garden Reach Ship Builder and Engineers Limited, Kolkata through ITD Cementation for design, engineering, supply, installation, testing and commissioning of dock and drainage system for modernisation of dock was executed. Axial flow pumps were designed and supplied to Vehicle Research Development Establishment (VRDE) for the Amphibian tank.



Offshore fire-fighting pump package for the ONGC platforms

## Building and Construction

Investments in the infrastructure projects like metro rail and commercial space development will provide opportunities for business growth. KBL continues to be the leader in the Indian fire market. We successfully promoted Factory Mutual (FM) approved and Underwriters Laboratories (UL) listed fire pumps. We differentiated ourselves from other players in the market by offering energy efficient products and by positioning products which save space. Subsequently, the revenue share of Multi Stage Multi Outlet (MSMO) pumps increased from 4 to 11 percent and Factory Mutual approved and Underwriters Laboratories listed products increased from 8 to 14 percent. Such value added products contributed 40 percent to the overall fire business. Our market share in the Heating Ventilation Air-Conditioning (HVAC) and plumbing market increased on account of increase in the foot print and focused marketing efforts such as creation of references for the HVAC variable speed pumping system in the year.

### Prestigious orders commissioned

- 21 pumps with energy saving coating for 15,000 tonne capacity HVAC plant room at Mumbai International Airport Limited
- 5 FM/UL pumps and 3 vertical turbine pumps for fire protection and dewatering application respectively at Mumbai Metro One Private Limited, Versova Depot



Largest Pump for secondary HVAC system for India's first district cooling HVAC application at Gujarat International Finance Tec-City (GIFT)

## Distribution

KBL laid emphasis on capitalising its Manthan success through the Synchronized Manufacturing and Distribution System (SMDS) and deepening and widening the foot print of company's channel network. Structured planning and effective execution resulted in engagement of more than 15000 quality registered retailers. We focused on development of channel partners and strengthening the supply chain. The outcome was a business with Return on Capital Employed above 100 percent.

Measures were taken to improve workforce productivity by deploying information technology enabled systems for real time traceability of secondary market. Channel Loyalty Programmes such as Kirloskar Family Bonanza, Anmol Rishtey, Kirloskar Dhamaka and other schemes ensured motivated channel partners.

The Chhotu pump is an economy pump launched to cater to the demand of price sensitive consumers. The pump was well received in its test marketing phase. Innovation related efforts culminated in the launch of new variants and products contributing to more than 25 percent of the turnover of the sector.

## Customer Service and Spares

Customer Service and Spares leveraged Information Technology enabled tools and processes for providing customer delight. Smart application guides were provided on smart phones and the internet to equip service teams for faster issue resolution. For better customer connect, service engineers were deployed at more than 18 client locations. SAP Customer Relationship Marketing (CRM) 7.1 was leveraged across KBL service channel network for efficient and real time order management. CRM is being used effectively for tracking complaints and issues till their resolution. Two Authorised Refurbishment Centres (ARC) were inaugurated at Surat and Bellary taking the total number of ARCs to five. The ARC provides services such as pump refurbishment for life and performance enhancement.



Authorised Refurbishment Center at Bellary

## FACTORIES

### Kirloskarvadi

Kirloskarvadi factory made improvements to make manufacturing processes lean, green and productive. The factory implemented a supplier improvement programme with the objective to align the supply chain processes in order to meet increasing needs and expectations of the customers.

We upgraded manufacturing infrastructure to improve effectiveness. The infrastructure of Advanced Technology Products Division (ATPD) was strengthened to focus on manufacturing of special pumps. The Small and Medium Pump Division (SMPD) layout was revamped for the purpose of unidirectional material flow. The benefits associated with the revamping of the layout include minimum material movement and optimum space utilisation. Machines were relocated to simplify processes, eliminate non-value adding activities and to reduce fatigue of operators. In order to not only meet, but exceed the on time delivery expectations of customers, an improvement project named Kuber was undertaken in SMPD.

The factory imparted Out Bound Training (OBT) by the name of Parivartan, a self-soul seeking programme for employees comprising staff and workmen. The programme aims to transform behaviour and thought process of employees.

The management systems at Kirloskarvadi factory are certified to ISO: 9001, ISO: 14001 and OHSAS: 18001. These systems were upgraded based on findings of internal and external audits, and feedback from customers and stakeholders. Manufacturing capability and products were approved by Factory Mutual and Underwriters Laboratories, USA and PSB (TUVSUD) Singapore to meet specific market requirements.

Kirloskarvadi factory received the National Award for Excellence in Energy Management 2013 from Confederation of Indian Industries. The factory won the Global CSR Excellence and Leadership Award in category of the Best Corporate Social Responsibility practices by World CSR Congress comprising 180 companies and Non-governmental organisations. The implementation of O-Soji concept with total employee involvement helped improve work environment using '5 S' principles.



Largest Vertical Turbine pump for sea water intake package of 2 x 520 MW Vizag Power Project of Hinduja National Corporation Limited (HNPC).

### Dewas

Dewas factory implemented a cost reduction project based on SAP Kanban concept. The initiative helped in reduction of the raw material and work in progress inventory from ₹ 22 Crores in 2012-13 to less than ₹ 10 Crores in 2013-14. Processes were improved by implementing Work in Progress Monitoring Tool (WIPET), an information technology (IT) tool to manage work in progress inventory. The process and tool put control and discipline on material movement in the shop floor and brought shortage to almost zero. Dewas earned 68 percent marks in the study done by Kaizen Institute and was adjudged as a unit with good manufacturing practices. Dewas plant won "Best project for renewal energy" in the Kirloskar Group. The factory also won the award of "The Best Corporate Social Responsibility Practices" organised by World CSR Congress, Mumbai. The plant won the Asia Award for best corporate social responsibility practice at the 3rd Asia's Best CSR Practices Awards event held in Singapore. Dewas secured Gold award certification and Trophy for Management of Best Safety Practices in Engineering Industry in 12th Annual Greentech Safety Award.

Teams were formed to achieve the objectives of process improvement, cost optimisation, vendor development and sustainability practices for the plant. Cross functional teams were formed for the horizontal deployment of good practices at other manufacturing plants.

### Kaniyur

The plant reached its peak capacity crediting 34,000 pumps in May 2013. Cycle time got reduced from 63 Seconds to 20 Seconds. 17 new versions of MINI pumps were launched in the market and one particular series "Jalraaj" sold more than 85,000 units this year. Our factory implemented SAP Kanban system for Materials, Work in Progress Monitoring Tool (WIPET) for inventory and barcoding in production. The plant received 17 awards including ASSOCHAM, African Women Talent Development, Energy Conservation Award (ENCON) award and National record in "Limca Book of Records" for MM20 Project.



KBL Kaniyur Plant featured in the Limca Book of Records

## Sanand

The plant produced 8000 units per month in its very first year of inception. Complete series of Submersible pump-sets ranging from 3 to 8 inches were developed. New sand fighter series were developed for sandy areas and longer life. The plant received star marking certificate of the Bureau of Energy Efficiency (BEE) standards for energy efficient products. Sanand plant is a centralised source for all types of submersible pumps. Our factory has implemented processes and systems like Synchronised Manufacturing and Distribution System (SMDS) for product availability in the market place, SAP Kanban for Materials and Work in Progress Monitoring Tool (WIPET) and barcoding in case of the production system. The Kaizen Institute assessed Sanand factory for manufacturing excellence. The plant received a score of 75 percent and was adjudged as a unit having very good manufacturing practices.

## Kondhapuri

With ISO 50001:2011 Energy Management System accreditation, Kondhapuri valve manufacturing plant became the first factory in the Pune industrial hub to receive the certification. Investments were made in the Kondhapuri factory for capacity enhancement and capability building. They led to better space utilisation, optimisation in material handling and reduction in machining allowances. The overall benefit of investments is reduction in cycle time. A new hydro test rig for the butterfly valves was installed. Close coordination with vendors, monitoring of orders and capacity utilisation, resolving commercial constraints during planning helped to improve On Time in Full (OTIF) delivery from 71 to 81 percent. Competitive buying along with value addition and engineering worked well.

Valve Vendor Meet was conducted at the corporate office. The event recognised and appreciated the effort and contribution of vendors towards business. The factory is ready to meet future requirements of the valve market by continuously developing products. The design and development of Dual Plate Check Valve and Resilient Seated Gate Valve helped in achieving better cost, quality and delivery performance. The commitment to sustainable environment is reinforced at Kondhapuri with reduction in diesel consumption. The factory won the second prize in the eighth state level Energy Conservation award from MEDA for the year 2011-12 and the first prize for the best performance in energy conservation under Small Manufacturing Unit category in Kirloskar Group ENCON awards 2012-13.



Kondhapuri Team receiving ENCON Awards 2012-13

## Research, Engineering and Development

The concentration on new areas led to design and development of Shut Down Cooling Pump, Primary Coolant Pump and development of special products for high pressure and high temperature applications. The department developed largest vertical turbine pump for circulating water application in a thermal power plant. A large self-priming pump for dewatering and sewage application was also developed. New product lines like Triple Duty Valves and Suction Diffuser Valves were developed to cater to customer segments of Building and Construction and Industry for domestic and international markets like USA. A new range of star rated pumps were developed towards our efforts for promoting sustainable and energy efficient products. The company started offering Pump as Turbine (PaT) to tap small hydro turbine market.

## Global Marketing

The objective of the department is to position and build KBL as a global brand. The strategy of using appropriate media vehicles was adopted by the organisation. We continue to leverage KBL's brand promise as a "trusted solutions provider" offering sustainable pumping solutions. The company enhanced brand visibility through increased usage of Web, e-marketing tools and print media coupled with participation in exhibitions and seminar at national and international forums. The company was covered in print media 560 times in the year. We organised special events like the Dewas Plant Golden Jubilee Celebrations and the completion of 10 years of the SPP Pumps Limited acquisition.



KBL-SPP 10 year celebration at Coleford, UK

## Financial Performance

- Revenue from operations is ₹ 1,752 Crores as against ₹ 1,872 Crores in previous year thus depicting a fall of 7 percent. Project and product sector sales dropped by 7 percent each
- KBL followed the policy of despatch only against recovery of money with respect to projects business. The emphasis is on reducing debtors and inventory
- Company was selective with orders and execution to improve sales mix. The strategy resulted in sale of manufactured products going up to 66 percent as against 60 percent in FY 2012-13
- Composite material cost as percentage to sales decreased to 67.6 percent from 71 percent in the previous year

- Total expenditure including depreciation is ₹ 477 Crores as against ₹ 443 Crores in the previous year. The increase is mainly due to the forex loss booked on foreign currency loans
- Total finance cost including bank charges and foreign exchange loss on borrowings is ₹ 41 Crores as against ₹ 44 Crores in previous year
- For the year 2013-14, profit before tax (PBT) is ₹ 70 Crores as against PBT of ₹ 72 Crores in FY 2012-13. This is despite a fall of 7 percent in revenue over the previous year. Focused efforts at improving contribution and bottom-line led to the outcome
- There is a reduction in Gross Current Assets by ₹ 149 Crores and Gross Current Liabilities by ₹ 162 Crores over FY 12-13 due to concentrated efforts at improving quality of the balance sheet
- Despite major reduction in trade payables, borrowings also reduced by ₹ 44 Crores over FY12-13

## Human Resource

Human Resource department laid emphasis on leadership development, competency building and talent pipeline management. The competency mapping exercise using different tools and processes namely the 360 degree feedback, assessment centre, talent acquisition and development provided an objective understanding of the organisation's strengths and opportunities. The understanding helped in creating development opportunities for employees. Focused learning and development initiatives were taken up to make employees ready for enhancing their performance effectiveness and enlarging their area of responsibility. The intervention supported efforts for succession planning with respect to senior management levels in the company and making way for developing second line of the organisation. KBL Values and Ethics are continuously reinforced amongst employees through regular workshops and online self-certification test. The Internal Complaint Committee (ICC) as per The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013 has been constituted for all locations and informed to all employees. In the current year's Employee Engagement Survey (EES) conducted through AON Hewitt, KBL was classified in the "Best Employer" category with score of 73 percent. The continuous effort of engaging with our employees enabled the company to maintain overall attrition at healthy level of 6.4 percent. The industrial relations scenario remained harmonious and peaceful at all manufacturing locations. The attention remained on sustaining market leadership and becoming employer of choice. On the employee front, managing growth aspirations, ethical dealing with all stakeholders, recognition of high performers and career development remained top people priorities.

The Corporate Social Responsibility (CSR) initiatives are focused on addressing key community needs of education and health in the vicinity of the company's operations and offices. KBL employees volunteered for CSR activities and devoted an average of 2.25 man days per employee during the

year in societal work. The actions include career guidance to students, WASH (Water, Sanitation and Hygiene), prenatal courses, women health check-up, medical care facility for the society, distribution of school aids to children including physically challenged ones and tree plantations.

## Awards and Accolades

- Best organisation for Women Talent Development Award by the 3<sup>rd</sup> Africa Women Leadership in Mauritius
- ASSOCHAM's innovation Excellence Gold Award 2013 in Business Development category

## Internal Control Systems

The company has Internal Audit Charter specifying the mission, scope of work, independence, accountability, responsibility and authority of Internal Audit Department.

Internal audits are regularly carried out as per the approved audit calendar. An Audit program and Risk Control Matrix are drawn at beginning of the year. The audits are conducted to examine the efficiency and effectiveness of internal controls. For this purpose, the company has continued the practice of appointing professional firms of chartered accountants. The internal audit reports are initially presented to executive committee of the management consisting of Chairman and Whole Time Director. Significant audit observations and follow up actions thereon are reported to the Audit Committee. The Audit Committee reviews adequacy and effectiveness of the company's internal control environment and monitors the implementation of audit recommendations. Corporate Internal Audit (CIA) department monitors implementation status of internal audit recommendation through web based tool (Issue tracking System). During the current year CIA department has initiated the continuous monitoring system for repetitive issues across all plants. The company continues to benchmark the audit process of KBL and its subsidiary companies.

*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, 2014, there were eleven directors consisting of a Managing Director and a Whole Time Director and nine (82%) non-executive directors of whom six (55%) are independent directors including one woman director.

During the financial year under review, five Board meetings were held on the following dates: May 27, 2013, July 24, 2013, October 24, 2013, January 28, 2014 and March 13, 2014.

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 C. Kirloskar	CMD	5	Present	9	1/0
Mr. Vikram S. Kirloskar	NED	2	Present	16	6/1
Mr. S. N. Inamdar	NED (I)	4	Present	10	3/4
Mr. Rahul C. Kirloskar	NED	4	Present	9	3/0
Mr. U. V. Rao	NED (I)	5	Present	3	1/2
Mr. P. S. Jawadekar	NED (I)	5	Present	1	1/0
Mr. J. R. Sapre	WTD	5	Present	8	0/0
Mr. A. N. Alawani	NED (I)	4	Present	6	3/5
Mrs. Lalita D. Gupte	NED (I)	5	Present	6	4/1
Mr. Pratap B. Shirke	NED (I)	4	Present	12	2/0
Mr. Alok S. Kirloskar	NED	5	Present	3	0/0

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

@ CMD – Chairman and Managing Director, 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 / her qualification, experience, age and other directorships etc. The Company obtains an affirmative statement from each of the independent director that he / she fulfils 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 / her 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](http://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 C. 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 comprises of four Directors viz. Mr. S. N. Inamdar as the Chairman, 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.

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) The terms of reference :

- 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 and annual financial statements before submission to the Board focusing primarily on
  - Any change in the accounting policies and 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 and strength of internal audit department reporting structure, coverage and frequency of internal audit, financial and risk management policies particularly relating to foreign exchange exposure.
- Defaults in the payment to depositors, debenture-holders, shareholders and 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.
  - Approval of appointment of Chief Financial Officer after assessing the qualifications, experience and background of the candidate.
- B) Powers:
- To investigate
  - To summon officers
  - To access information and data
  - To review systems/controls

During the financial year, four Audit and Finance Committee meetings were held on May 27, 2013, July 24, 2013, October 24, 2013 and January 28, 2014.

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	3	Mr. U. V. Rao	4
Mr. P. S. Jawadekar	4	Mr. Pratap B. Shirke	3

## 5. Remuneration of Directors :

Remuneration Committee

The Remuneration Committee was constituted in the year 1999. It comprised of three directors as under:-

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

During the year, Remuneration Committee meeting was held on May 27, 2013.

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. 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. Based on their membership of various committees and their time devoted for the Company, the non-executive directors will be paid up to an aggregate amount of ₹ 5,150,000/- for the year ended March 31, 2014, by way of commission.

- There are no material 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), 19250 stock options have been granted to the eligible employees.

Mr. J. R. Sapre – Whole Time Director has been granted 16725 options during the year. In addition, the Compensation Committee of the Directors at its meeting held on April 22, 2014, has granted 20000 options to Mr. J. R. Sapre as a part of the commission over and above the amount mentioned below.

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.

**Details of remuneration paid to Directors for the year 2013-14 are as follows:**

₹

Name of Director	Sitting Fees	Commission on Profits	Salary	Contribution to Statutory Funds	Perquisites	Others	Total
<b>Executive Directors</b>							
Mr. Sanjay C. Kirloskar	-	25,000,000	6,480,000	1,749,600	3,205,394	-	36,434,994
Mr. J. R. Sapre	-	12,500,000	4,200,000	972,000	354,976	-	18,026,976
<b>Non-Executive Directors</b>							
Mr. Vikram S. Kirloskar	20,000	150,000	-	-	-	-	170,000
Mr. S. N. Inamdar	100,000	825,000	-	-	-	1,000,000	1,925,000
Mr. Rahul C. Kirloskar	40,000	300,000	-	-	-	-	340,000
Mr. U. V. Rao	90,000	975,000	-	-	-	-	1,065,000
Mr. P. S. Jawadekar	120,000	1,050,000	-	-	-	-	1,170,000
Mr. A. N. Alawani	60,000	350,000	-	-	-	-	410,000
Mrs. Lalita D. Gupte	50,000	375,000	-	-	-	-	425,000
Mr. Pratap B. Shirke	70,000	750,000	-	-	-	-	820,000
Mr. Alok S. Kirloskar	50,000	375,000	-	-	-	-	425,000

**Directors' Service Contracts' Details :**

Executive Directors	Service Contract and Period	Severance Fees
Mr. Sanjay C. Kirloskar	Agreement dt. 23.07.11 :: Period: 19.11.10 to 18.11.15	*
Mr. J. R. Sapre	Agreement dt. 18.07.12 :: Period: 01.06.12 to 31.05.15	Nil

\* Three years or unexpired period, whichever is less.

**Statement showing number of Equity Shares of ₹ 2/- each of the Company, held by the Non - Executive Directors as on March 31, 2014:**

<b>Non-Executive Directors</b>	<b>No. of shares</b>	<b>% to paid up capital</b>
Mr. S. N. Inamdar	32816	0.04
Mr. Rahul C. Kirloskar	404501	0.51
Mr. Vikram S. Kirloskar	70236	0.09
Mr. U. V. Rao	-	-
Mr. P. S. Jawadekar	6000	0.01
Mr. A. N. Alawani	7500	0.01
Mrs. Lalita D. Gupte	-	-
Mr. Pratap B. Shirke	20000	0.03
Mr. Alok S. Kirloskar	6187	0.01

**6. Particulars of Director to be re-appointed at ensuing Annual General Meeting :**

**Mr. Vikram S. Kirloskar**

Mr. Vikram Shreekant Kirloskar (55), is a Non-Executive Director. He graduated from Massachusetts Institute of Technology, USA with a Bachelor of Science in Mechanical Engineering and has been trained in various companies in India and abroad in different capacities.

Mr. Vikram S. Kirloskar is responsible for setting up successful joint venture companies like Kirloskar Toyota Textile Machinery Private Limited, Toyota Kirloskar Motor Private Limited (the manufacturer of the Toyota Corolla and Toyota Qualis vehicles, of which he is the Vice Chairman) and Toyota Kirloskar Auto Parts Private Limited (of which he is the Vice Chairman). He is also the Chairman and Managing Director of Kirloskar Systems Limited.

**Other Directorships:**

Kirloskar Pneumatic Company Limited, Kirloskar Systems Limited, Quadrant Communication Limited, Kirloskar Proprietary Limited, Kirloskar Technologies Private Limited, Kirloskar Toyota Textile Machinery Private Limited, Toyota Kirloskar Motor Private Limited, Toyota Kirloskar Auto Parts Private Limited, VikramGeet Investments and Holdings Private Limited, Denso Kirloskar Industries Private Limited, Asara Sales and Investment Private Limited, Takshasila Healthcare and Research Service Private Limited, Toyota Material Handling India Private Limited, Global Innovation & Technology Alliance, Takshasila Hospitals Operating Private Limited and VSK Holdings Private Limited.

**Other Committee positions:**

<b>Company Name</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>
Kirloskar Systems Limited	Member	-
Denso Kirloskar Industries Private Limited	Member	Chairman
Kirloskar Toyota Textile Machinery Private Limited	Chairman	Member
Toyota Kirloskar Auto Parts Private Limited	Member	Chairman
Toyota Kirloskar Motor Private Limited	Member	-
Toyota Material Handling India Private Limited	Member	-
Takshasila Healthcare and Research Service Private Limited	Chairman	-

He is holding 70236 (0.09%) equity shares of ₹ 2/- each of the Company. Out of these shares, 2625 equity shares are held by him as a Karta of Vikram S. Kirloskar HUF and 67611 equity shares as a trustee of Rooplekha Life Interest Trust. He is not related to any other director of the Company.

## 7. Shareholders' / Investors' Grievance Committee :

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

Committee members as on March 31, 2014 were Mr. A. N. Alawani, Mr. Sanjay C. Kirloskar and Mr. Rahul C. Kirloskar.

Mr. A. N. Alawani, a Non-Executive Director is the Chairman of the Shareholders' / Investors' Grievance Committee. Mr. Rahul C. Kirloskar, a Non-Executive Director, was co-opted as a member of the Committee on January 28, 2014.

On April 22, 2014 Mr. Rahul C. Kirloskar has resigned as a Director of the Company and consequently, has ceased to be a member of the Committee from that date.

During the year under the report, a Shareholders' / Investors' Grievance Committee meeting was held on October 24, 2013.

Attendance at Investors' Grievance committee meeting:

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

The 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. Sandeep Phadnis, Company Secretary,

Associate Vice President and Head – Corp. Secretarial and Legal

No. of Shareholders' complaints received:

There were 3 complaints received from the shareholders during the year ended March 31, 2014, which were resolved and there were no complaints / share transfers outstanding / pending as on March 31, 2014.

With reference to clause 47(f) of the listing agreement, Company has designated exclusive e-mail ID as [grievance.redressal@kbl.co.in](mailto: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)	91 <sup>st</sup> Annual General Meeting	July 23, 2011: 11.00 A. M. Yamuna, Survey No.98 (3-7), Baner, Pune - 411 045
No special resolution was passed at this meeting.		
ii)	92 <sup>nd</sup> Annual General Meeting	July 18, 2012: 11.00 A. M. Yamuna, Survey No.98 (3-7), Baner, Pune - 411 045
Special resolution passed: For approval of shareholders for re-appointment of Mr. Jayant R. Sapre as a Whole Time Director with effect from June 1, 2012 for a period of three years with other terms and conditions for his appointment.		
iii)	93 <sup>rd</sup> Annual General Meeting	July 24, 2013: 11.00 A. M. Yamuna, Survey No.98(3-7), Baner, Pune - 411 045
No special resolution was 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.

Disclosure under the “Sexual Harassment of Woman at Workplace (Prevention, Prohibition and Redressal) Act, 2013” -

In terms of section 22 of the above mentioned Act, read with Sexual Harassment of Woman at Workplace (Prevention, Prohibition and Redressal) Rule, 2013, we report that there was no complaint received and no case was filed, during the year ended on March 31, 2014.

c. Code of Ethics :

The Company released its “Code of Ethics” on December 7, 2009. This is a guide to ethical behaviour for employees of 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.

As on March 31, 2014, there was no policy 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 newspaper and are also displayed on the Company’s website and also have been separately circulated to the shareholders.

• Audit qualifications –

The Audit Report on Company’s financial statements are unqualified / unmodified.

• 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 as on March 31, 2014, was in place.

• Whistle Blower Policy -

The Company has a Whistle Blower Policy. The details are mentioned earlier.

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.

Further, 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 shareholders –  
The results of the Company are published in national and vernacular newspaper. The half yearly financial results have been separately circulated to the shareholders.
- Quarterly results –  
The quarterly results are generally published in the newspapers viz. Business Standard and Loksatta. These are also displayed on the Company's website 'www.kirloskarpumps.com' immediately after its submission to the Stock Exchanges. The Company's website also displays official news releases.
- Presentation to Institutional Investors or analysts.  
Periodically, presentations are made to analysts, which are uploaded on the Company's website.
- The Management Discussion and Analysis Report is a part of the Annual Report.

#### 11. General Shareholders information :

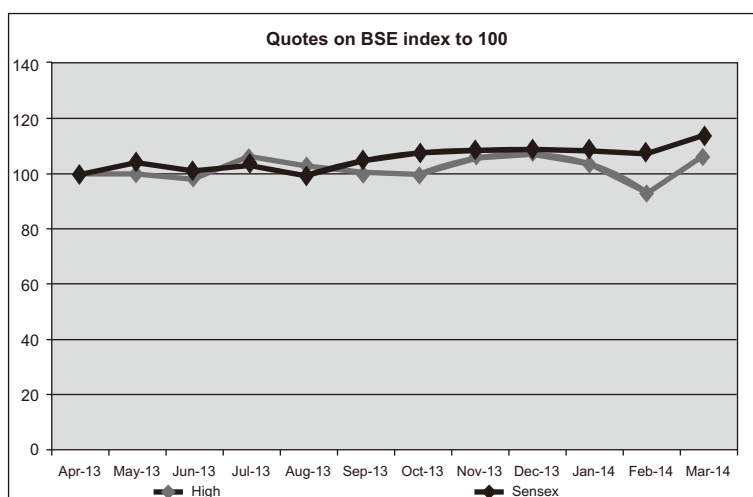
94<sup>th</sup> Annual General Meeting

Day and Date	: Thursday, September 25, 2014
Time	: 11.00 A.M.
Venue	: "Yamuna" Survey No.98 (3-7) Baner, Pune – 411 045
Financial Year	: 1 <sup>st</sup> April to 31 <sup>st</sup> March
Dates of book closure	: Friday, July 18, 2014 to Tuesday, July 22, 2014 (Both days inclusive)
Dividend payment date	: On or before October 25, 2014, subject to shareholders' approval.
Listing on Stock Exchanges	: The Company's equity shares are listed on BSE 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.
Corporate Identification No. (CIN)	: <b>L29113PN1920PLC000670</b>
Stock codes / Symbol	: BSE Limited – <b>500241</b> National Stock Exchange of India Limited – <b>KIRLOSBROS – EQ</b> ISIN - <b>INE732A01036</b>

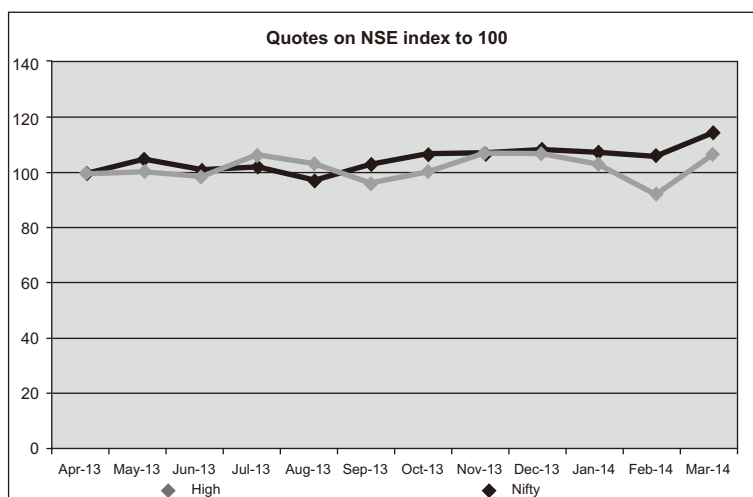
**Market Price Data :**

Month	Quotations on B S E		Quotations on N S E	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2013	159.35	141.65	159.35	141.85
May 2013	159.70	146.00	159.95	145.00
June 2013	156.90	136.00	157.70	139.00
July 2013	169.00	149.55	168.05	150.00
August 2013	164.40	140.40	164.40	141.00
September 2013	160.00	143.50	154.45	143.45
October 2013	158.90	135.00	159.90	128.00
November 2013	170.00	151.00	170.00	149.00
December 2013	171.90	150.30	170.50	150.00
January 2014	165.00	138.00	164.45	138.05
February 2014	148.00	138.60	148.90	139.85
March 2014	169.60	141.00	169.20	141.05

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 has appointed Link Intime India Private Limited as its Registrar and Transfer Agent (R & T). Share transfers, dematerialisation of shares, dividend payment and all other investor related activities are attended and processed at their office at following address:-

Link Intime India Private Limited  
(Unit: Kirloskar Brothers Limited)  
Block No. 202, 2<sup>nd</sup> 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. 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, 93.09% share capital is held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited as on March 31, 2014.

The Company has established connectivity with both the Depositories through its R & T.

Members are advised to notify to the Company or its R & T, 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 certificates, Transmission procedure, 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".

During the year, the Company has communicated to its shareholders the details regarding unclaimed dividend lying with the Company. Also an appeal was made to claim the same along with availing of various facilities viz. Nomination, NECS registration and e-mail registration.

**Change in Equity Capital during the financial year 2013-14:**

There is no change in the paid-up equity capital of the Company, during the year.

Particulars	No. of shares of ₹ 2/- each	Total share capital (₹)
Issued and Paid-up Equity as on March 31, 2013	79358451	158,716,902
Add: shares allotted	-	-
Issued and Paid-up Equity as on March 31, 2014	79358451	158,716,902

**Distribution of Shareholding as on March 31, 2014:**

Nominal value of shares (In ₹)		Number of Holders	% to Total Holders	Total Face Value (In ₹)	% to Total Face Value
From	To				
1	5000	15154	93.97	9859824	6.21
5001	10000	541	3.35	3738950	2.36
10001	20000	241	1.50	3336396	2.10
20001	30000	56	0.35	1371798	0.86
30001	40000	33	0.21	1171746	0.74
40001	50000	23	0.14	1055124	0.67
50001	100000	29	0.18	2032622	1.28
100001	Above	49	0.30	136150442	85.78
<b>TOTAL</b>		<b>16126</b>	<b>100.00</b>	<b>158716902</b>	<b>100.00</b>

**Shareholding Pattern as on March 31, 2014:**

Sr. No.	Category	No. of shares	% of shareholding
<b>1</b>	<b>Promoters' Holding*</b>		
	Indian Promoters	30931657	38.98
	Bodies Corporate	19329956	24.36
<b>2</b>	<b>Non Promoters' Holding</b>		
	Mutual Funds	3659652	4.61
	Financial Institutions / Banks	91210	0.11
	Insurance Companies	3788389	4.77
	Foreign Institutional Investors	6481762	8.17
	Bodies Corporate	2232844	2.81
	Indian Public	12640660	15.93
	Non Resident Indians	202321	0.26
	<b>TOTAL</b>	<b>79358451</b>	<b>100.00</b>

\*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, 2014:**

Sr. No.	Name of the shareholders	No. of shares of ₹ 2/- each	% of holding
1	Amansa Capital Pte. Limited A/c Amansa Holdings Private Limited	4298110	5.42
2	Reliance Capital Trustee Co. Limited	3659652	4.61
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 Limited	1160140	1.46
6	Warburg Value Fund	1000000	1.26
7	The Oriental Insurance Company Limited	676775	0.85
8	The Mysore Kirloskar Limited	562500	0.71
9	Acacia Partners LP	408925	0.52
10	B. R. Gopalakrishna	262362	0.33

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

As on 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 – 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 Tel No. (0421) 2904699	6.	Sanand Sr. No. 254/1, Ahmedabad-Viramgam Highway, Village Chharodi, Tal. Sanand, Dist. Ahmedabad - 382170 Tel No. (02717) 273310

**Investor contacts :**

<b>Company Address :</b>	<b>Registrar and Transfer Agent :</b>
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 <sup>nd</sup> 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 :**

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001 Tel. No. (022) 2272 1233 / 34 Fax No. (022) 2272 1919	National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1 G Block Bandra- Kurla Complex, Bandra (East) Mumbai – 400 051 Tel. No. (022) 2659 8100 / 8144 Fax No. (022) 2659 8120
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**Depositories for equity shares :**

National Securities Depository Limited Trade World – A Wing, 4 <sup>th</sup> and 5 <sup>th</sup> Floor, Kamala Mills Compound, Lower Parel, Mumbai – 400 013 Tel. No. (022) 2499 4200 Fax No. (022) 2497 6351	Central Depository Services (India) Ltd. Phiroze Jeejeebhoy Towers, 17 <sup>th</sup> Floor, Dalal Street, Fort, Mumbai - 400 001 Tel. No. (022) 2272 3333 Fax No. (022) 2272 3199
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## 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 C. Kirloskar**  
**Chairman and Managing Director**

Ahmedabad: April 22, 2014

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## 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 31<sup>st</sup> March 2014, 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

Ahmedabad : April 22, 2014

**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:-

<b>Sr. No.</b>	<b>Particulars</b>	<b>No. of Shareholders</b>	<b>No. of Shares</b>
(i)	Aggregate number of shareholders and the outstanding shares considered to be transferred to the Unclaimed Suspense Account at the beginning of the year 2013 - 14	2571	1340935
(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 2013 - 14	16	14041
(iii)	Number of shareholders to whom shares were transferred from shares considered to be transferred to the Unclaimed Suspense Account during the year 2013 - 14	16	14041
(iv)	Aggregate number of shareholders and the outstanding shares considered to be transferred to the Unclaimed Suspense Account at the end of the year 2013 - 14	2555	1326894

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 2013-14 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 : 020-25430388  
E-mail : parkhilimaye@hotmail.com

**Filing of Cost Audit Report under XBRL for FY 2012-13 by Cost Auditors :**

Due date : September 27, 2013  
Filing date : September 2, 2013

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIRLOSKAR BROTHERS LIMITED**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kirloskar Brothers Limited, which comprise the Balance Sheet as at March 31<sup>st</sup>, 2014, the Profit and Loss Statement and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 March 31<sup>st</sup>, 2014;
- (b) in the case of the Profit and Loss Statement, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. 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;

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- c. the Balance Sheet, Profit and Loss Statement, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Profit and Loss Statement, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - e. on the basis of written representations received from the directors as on March 31st,2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31st,2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

**Abhijeet Bhagwat**  
Partner  
Membership No. 136835

Ahmedabad : April 22, 2014



## ANNEXURE

### Re: Kirloskar Brothers Limited

Referred to in paragraph 1 under the heading, "Report on Other Legal and Regulatory Requirements" of our report on 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 are physically verified by the management at regular intervals based on the programme of verification which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. During the current year no physical verification of assets was undertaken.
- (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) In our opinion, 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. Discrepancies noticed on physical verification were not material and have been properly dealt with in the books of account.
- (iii) (a) According to the information and explanation given to us, 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 Act during the current year. The balance of loan given in the earlier years is mentioned below

Name of Party	Relationship with Company	Year End Balance (₹)	Maximum balance (₹)
The Kolhapur Steel Limited	Subsidiary	13,214,020/-	15,714,020/-

- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions of the unsecured loan given by the Company is prima facie not prejudicial to the interest of the Company
- (c) In our opinion and according to the information and explanation given to us, the receipt of the principal amount and interest are as per the terms of the loan agreement.
- (d) According to the information and explanations given to us, there is no overdue amount on account of the principal or interest.
- (e) The Company has taken unsecured loans from its subsidiary Company and joint venture during the current year.

Name of Party	Amount (₹)	Year End Balance (₹)	Maximum balance (₹)
Kirloskar Corrocoat Private Limited	15,000,000/-	15,000,000/-	15,000,000/-
Kirloskar Ebara Pumps Limited	145,000,000/-	Nil	145,000,000/-

- (f) In our opinion and according to the information and explanations given the rate of interest and other terms and conditions of the unsecured loans taken by the Company is prima facie not prejudicial to the interest of the Company.
- (g) In our opinion and according to the information and explanation given to us, the payment of the principal amount and interest are as per the terms of the loan agreements.
- (iv) In our opinion and according to the information and explanations 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 major weaknesses or continuing failure to correct major weaknesses in internal control system.

- (v) (a) According to the information and explanations 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 explanations given to us by the management, 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 explanations given to us, the Company has not accepted any deposits from the public during the current year and does not have any outstanding public deposits, hence the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the rules framed thereunder and the directives issued by the Reserve Bank of India are not applicable to the Company.
- (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 explanations given to us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31st March, 2014, for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, 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 are mentioned below:

Name of the Statute	Nature of Dues	Amount (₹)	Period to which the amount relates	Forum where dispute is pending
Sales Tax Act of various states	Sales tax	1,547,100/- 90,294,591/- 8,061,546/- 10,311,908/- 570,452/- 4,791,506/- 47,836,003/- 24,419,974/-	2002-04 1989-93, 1994-96 & 2004-09 2006-07 & 2008-10 2005-07 & 2008-10 1993-94, 2000-2001 1992-93 2012-13 2009-10	Appellate Tribunal High Court Appellate Commissioner Commissioner Assistant Commissioner Appellate Assistant Commissioner Commercial Tax officer Deputy Commissioner (Appeals)
Central Sales Tax Act, 1956	Central Sales Tax	411,716/- 1,310,219/- 3,734,848/- 78,010/-	1993-94 2008-11 2007-08 & 2010-11 2009-11	High Court Assistant Commissioner (Appeals) Assistant Commissioner Deputy Commissioner
Finance Act, 1994	Service Tax	1,073,346,705/- 11,36,792/-	2011-13 2012-13	Appellate Tribunal Commissioner
Central Excise Act, 1944	Excise Duty	24,050,737/- 1,125,847/- 503,201/- 439,391/- 144,418/-	2003-04 & 2006-10 2005-06 1995-96 & 2010-13 2008-09 1990-91	CESTAT Appellate Tribunal Commissioner Assistant Commissioner Deputy Commissioner

- (x) The Company has no accumulated losses at the end of 31st March, 2014. The Company has not incurred cash losses in the current financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and according to the information and explanations given to us by the management, 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 any debenture holders.
- (xii) According to the information and explanations 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. Accordingly, 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 explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, provisions of clause (xiv) of the Order are not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by subsidiary companies from banks and financial institutions are not prima facie; prejudicial to the interests of the Company.
- (xvi) According to the information and explanations given to us by the management, term loans availed by the Company were, prima facie; applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, the funds raised on short-term basis on an overall 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 explanations given to us, the Company has not issued any debentures during the current year and does not have any outstanding debentures. Accordingly, clause (xix) of the Order is not applicable to the Company.
- (xx) According to the information and explanations given to us, the Company has not raised money by any public issue during the current year.
- (xxi) According to the information and explanations given to us by the management, 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

Ahmedabad : April 22, 2014

## BALANCE SHEET AS AT MARCH 31, 2014

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Particulars		Note No.	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
I.	<b>EQUITY AND LIABILITIES</b>			
1	<b>Shareholders' funds</b>			
	(a) Share capital	A-1	158,716,902	158,716,902
	(b) Reserves and surplus	A-2	7,841,921,196	7,626,858,921
	(c) Money received against share warrants		-	-
			<b>8,000,638,098</b>	7,785,575,823
2	<b>Share application money pending allotment</b>		-	-
3	<b>Non-current liabilities</b>			
	(a) Long-term borrowings	A-3	40,191,329	49,684,384
	(b) Deferred tax liabilities (net)	A-4	-	-
	(c) Other long term liabilities	A-5	844,911,465	810,965,010
	(d) Long-term provisions	A-6	120,745,185	157,649,958
			<b>1,005,847,979</b>	1,018,299,352
4	<b>Current liabilities</b>			
	(a) Short-term borrowings	A-7	2,192,717,741	2,233,363,664
	(b) Trade payables	C-23	3,663,676,611	4,522,466,843
	(c) Other current liabilities	A-8	2,321,533,902	3,107,267,698
	(d) Short-term provisions	A-9	475,332,797	414,804,150
			<b>8,653,261,051</b>	10,277,902,355
	<b>TOTAL</b>		<b>17,659,747,128</b>	19,081,777,530
II.	<b>ASSETS</b>			
1	<b>Non-current assets</b>			
	(a) Fixed assets			
	(i) Tangible assets	A-10	3,090,486,522	3,070,444,047
	(ii) Intangible assets	A-10	12,491,599	19,725,602
	(iii) Capital work-in-progress		28,760,330	74,258,244
	(iv) Intangible assets under development		4,716,417	-
	(b) Non-current investments	A-11	2,149,447,800	2,149,437,050
	(c) Deferred tax assets (net)	A-4	30,822,832	40,993,981
	(d) Long-term loans and advances	A-12	1,607,518,162	1,415,644,868
	(e) Other non-current assets	A-13	507,488,565	595,486,670
			<b>7,431,732,227</b>	7,365,990,462
2	<b>Current assets</b>			
	(a) Current investments		-	-
	(b) Inventories	A-14	1,320,734,099	1,833,055,577
	(c) Trade receivables	A-15	3,414,414,695	3,552,749,362
	(d) Cash and bank balances	A-16	209,443,519	175,234,015
	(e) Short-term loans and advances	A-17	1,695,077,226	2,113,273,599
	(f) Other current assets	A-18	3,588,345,362	4,041,474,515
			<b>10,228,014,901</b>	11,715,787,068
	<b>TOTAL</b>		<b>17,659,747,128</b>	19,081,777,530

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

**SANDEEP PHADNIS**  
Company Secretary

**UMESH R. SHASTRY**  
Vice President (Finance)

Ahmedabad : April 22, 2014

Ahmedabad : April 22, 2014

**PROFIT AND LOSS STATEMENT FOR YEAR ENDED MARCH 31, 2014**

₹

Particulars		Note No.	Figures for current reporting period ending on March 31, 2014	Figures for previous reporting period ending on March 31, 2013
I.	Revenue from operations		<b>18,331,406,738</b>	19,550,733,157
	Less: Excise duty		<b>815,065,984</b>	826,754,218
		A-19	<b>17,516,340,754</b>	18,723,978,939
II.	Other income	A-20	<b>54,616,152</b>	69,995,455
III.	<b>Total Revenue (I + II)</b>		<b>17,570,956,906</b>	18,793,974,394
IV.	Expenses:			
	Cost of materials consumed	A-21	<b>7,610,627,139</b>	8,895,404,073
	Purchases of Stock-in-Trade	C-13	<b>3,679,383,949</b>	3,968,531,722
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	A-21	<b>405,433,376</b>	340,490,025
	Employee benefits expense	A-22	<b>1,523,633,063</b>	1,496,763,826
	Finance costs	A-23	<b>408,540,690</b>	442,722,410
	Depreciation and amortization expense		<b>346,169,961</b>	320,461,724
	Other expenses	A-24	<b>2,775,561,586</b>	2,550,989,854
	<b>Total expenses</b>		<b>16,749,349,764</b>	18,015,363,634
V.	Profit before exceptional and extraordinary items and tax (III-IV)		<b>821,607,142</b>	778,610,760
VI.	Exceptional items	C-24	<b>124,061,048</b>	59,132,325
VII.	Profit before extraordinary items and tax (V - VI)		<b>697,546,094</b>	719,478,435
VIII.	Extraordinary Items		-	-
IX.	<b>Profit before tax (VII- VIII)</b>		<b>697,546,094</b>	719,478,435
X.	Tax expense:			
	(1) Current tax		<b>210,500,000</b>	150,000,000
	(2) Deferred tax		<b>10,171,149</b>	(14,998,823)
			<b>220,671,149</b>	135,001,177
XI.	Profit/(Loss) for the period from continuing operations (IX-X)		<b>476,874,945</b>	584,477,258
XII.	Short provision of income tax on account of earlier years	C-24	-	150,000,000
XIII.	Profit/(Loss) from discontinuing operations		-	-
XIV.	Tax expense of discontinuing operations		-	-
XV.	Profit/(Loss) from discontinuing operations (after tax) (XIII-XIV)		-	-
XVI.	<b>Profit/(Loss) for the period (XI - XII + XV)</b>		<b>476,874,945</b>	434,477,258
XVII.	Earnings per equity share having nominal value of ₹ 2/- per share	C-8		
	(1) Basic		<b>6.01</b>	5.47
	(2) Diluted		<b>6.01</b>	5.47

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 Accountants

**SANJAY KIRLOSKAR**  
Chairman & Managing Director

**S. N. INAMDAR**  
Director

**ABHIJEET BHAGWAT**  
Partner

**SANDEEP PHADNIS**  
Company Secretary

**UMESH R. SHASTRY**  
Vice President (Finance)

Ahmedabad : April 22, 2014

Ahmedabad : April 22, 2014

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

₹

	Particulars	Figures for current reporting period ending March 31, 2014	Figures for previous reporting period ending March 31, 2013
<b>A</b>	<b>Cash flows from operating activities</b>		
	Net profit before taxes and extraordinary items	697,546,094	719,478,435
	Adjustments for :-		
1	Depreciation / amortization	346,169,961	320,461,724
2	(Profit)/Loss on sale of fixed assets	75,285,956	7,401,834
3	Employees stock option - compensation debited to profit and loss account (net)	(31,284,441)	(1,928,079)
4	Bad debts, advances and claims written off	16,003,121	65,913,321
5	Provision for doubtful debts/advances	65,048,958	7,928,870
6	Interest income	(14,273,545)	(6,938,825)
7	Dividend income	(9,328,261)	(33,986,395)
8	Interest expenses	337,607,997	359,021,957
9	Unrealized exchange (gain)/ loss - Interest	-	69,644,444
10	Unrealized exchange (gain)/ loss - Others	(52,201,251)	(23,598,117)
	Operating profit before working capital changes	1,430,574,589	1,483,399,169
	Adjustments for :-		
1	(Increase)/ decrease in inventories	512,321,478	266,559,929
2	(Increase)/ decrease in trade and other receivables	660,290,554	(24,305,346)
3	Increase/ (decrease) in trade and other payables	(1,243,302,521)	306,629,513
4	Cash generated from operations	1,359,884,100	2,032,283,265
5	Income tax (paid) / refunded	(221,310,679)	(300,637,734)
	Net cash from operating activities	1,138,573,421	1,731,645,531
<b>B</b>	<b>Cash flows from investing activities</b>		
1	Purchase of fixed assets	(423,000,515)	(306,927,726)
2	Sale of fixed assets	29,517,622	4,067,039
3	Purchase of investments in subsidiaries	(10,750)	(5,200)
4	Sale of investments in subsidiaries	-	-
5	Interest received	13,545,299	6,938,825
6	Dividend received	9,328,261	33,986,395
7	Advance / loans to subsidiaries	223,325,538	(57,646,668)
	Net cash from investment activities	(147,294,545)	(319,587,335)
<b>C</b>	<b>Cash flows from financing activities</b>		
1	Proceeds from borrowing	566,212,000	120,312,804
2	Repayment of borrowings	(1,010,952,097)	(1,005,287,996)
3	Interest paid	(323,639,158)	(368,686,435)
4	Dividend paid	(165,636,263)	(165,041,847)
5	Dividend distribution tax	(24,592,508)	(23,095,700)
6	Proceeds from issuance of share capital	-	37,500
	Net cash used in financing activities	(958,608,026)	(1,441,761,674)
	<b>Unrealized exchange gain / (loss) in cash and cash equivalents</b>	1,538,654	(398,080)
	Net increase in cash and cash equivalents	32,670,850	(29,703,478)
1	Cash & cash equivalents at beginning of period (refer note part A - 16)	175,234,015	205,335,573
2	Cash & cash equivalents at end of period (refer note part A - 16)	209,443,519	175,234,015

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

**SANDEEP PHADNIS**  
Company Secretary

**UMESH R. SHASTRY**  
Vice President (Finance)

Ahmedabad : April 22, 2014

Ahmedabad : April 22, 2014

**NOTES TO ACCOUNTS: PART A**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014		Figures as at the end of previous reporting period ending on March 31, 2013	
	No. of Shares	₹	No. of Shares	₹
<b>Note : A-1</b>				
<b>Share Capital</b>				
<b>Authorised</b>				
250,000,000 ( 250,000,000 ) equity shares of ₹ 2/- each (₹ 2/-) each		<b>500,000,000</b>		500,000,000
<b>Issued, subscribed &amp; fully paid up</b>				
79,358,451 (79,358,451) equity shares of ₹ 2/- each (₹ 2/-) each		<b>158,716,902</b>		158,716,902
<b>TOTAL</b>		<b>158,716,902</b>		158,716,902

**a) Reconciliation of share capital**

Particulars	Figures as at the end of current reporting period ending on March 31, 2014		Figures as at the end of previous reporting period ending on March 31, 2013	
	Number	₹	Number	₹
Shares outstanding at the beginning of the year	<b>79,358,451</b>	<b>158,716,902</b>	79,339,701	158,679,402
Shares Issued during the year under ESOS	-	-	18,750	37,500
Shares outstanding at the end of the year	<b>79,358,451</b>	<b>158,716,902</b>	79,358,451	158,716,902

**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, 2014 the board of directors have proposed dividend of ₹ 2.50 (₹ 2/-) 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, 2014		Figures as at the end of previous reporting period ending on March 31, 2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Industries Limited	<b>18,988,038</b>	<b>23.93</b>	18,988,038	23.93
Mr. Sanjay Chandrakant Kirloskar *	<b>15,850,121</b>	<b>19.97</b>	15,801,653	19.91
Mrs. Pratima Sanjay Kirloskar	<b>13,736,770</b>	<b>17.31</b>	13,732,300	17.30
Amansa Capital Pte. Ltd.	<b>4,298,110</b>	<b>5.42</b>	882,493	1.11

\* includes 1,624,615 (1,624,615), 2.05% (2.05%) shares held in the capacity of a trustee.

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

Particulars	Figures as at the end of current reporting period ending on March 31, 2014		Figures as at the end of previous reporting period ending on March 31, 2013	
	No. of Shares	₹	No. of Shares	₹
Shares reserved for ESOS scheme (refer note part C-22)	<b>5,212,315</b>	<b>10,424,630</b>	5,212,315	10,424,630

**NOTES TO ACCOUNTS: PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-2</b>		
<b>Reserves &amp; Surplus</b>		
<b>(a) Capital Reserves</b>	172,443	172,443
<b>(b) Capital Redemption Reserve</b>	4,000,000	4,000,000
<b>(c) Securities Premium Reserve</b>		
Opening balance	406,726,159	403,910,847
Add : Securities premium credited on share issue	-	2,815,312
Closing balance	406,726,159	406,726,159
<b>(d) Share Options Outstanding Account</b>		
Opening balance	35,394,856	40,138,248
Less : Written back in current year	31,284,441	4,743,392
Closing balance	4,110,415	35,394,856
<b>(e) General Reserve</b>		
Opening balance	5,731,453,426	5,688,005,700
Add : Transfer from Surplus	47,687,495	43,447,726
Closing balance	5,779,140,921	5,731,453,426
<b>(f) Surplus</b>		
Opening balance	1,449,112,037	1,241,391,915
Add : Net Profit for the current year	476,874,945	434,477,258
Balance available for appropriation	1,925,986,982	1,675,869,173
Less : Appropriations		
Proposed dividend	198,396,128	158,716,902
Dividend distribution tax	32,132,101	24,592,508
Transfer to general reserve	47,687,495	43,447,726
	278,215,724	226,757,136
Closing balance	1,647,771,258	1,449,112,037
<b>TOTAL</b>	<b>7,841,921,196</b>	<b>7,626,858,921</b>



**NOTES TO ACCOUNTS: PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-3</b>		
<b>Long Term Borrowings</b>		
<b>Unsecured</b>		
<b>Deferred payment liabilities</b>		
<b>(a) Interest free loans under sales tax deferral scheme</b>	<b>40,191,329</b>	49,684,384
Terms of loans: ₹ 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.		
<b>TOTAL</b>	<b>40,191,329</b>	49,684,384

<b>Note : A- 4</b>		
<b>Deferred Tax Assets / (Liabilities) (net)</b>		
<b>(a) Deferred Tax Liabilities</b>		
i) On depreciation / amortization of fixed assets	<b>190,376,508</b>	202,373,117
<b>TOTAL</b>	<b>190,376,508</b>	202,373,117
<b>(b) Deferred Tax Assets</b>		
i) On employees voluntary retirement schemes	<b>765,947</b>	1,531,893
ii) On provision for doubtful debts / advances	<b>149,012,165</b>	147,060,936
iii) On provision for employee benefits	<b>71,421,228</b>	94,103,850
iv) On other timing differences	-	670,419
<b>TOTAL</b>	<b>221,199,340</b>	243,367,098
<b>NET</b>	<b>30,822,832</b>	40,993,981

## NOTES TO ACCOUNTS: PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-5</b>		
<b>Other Long Term Liabilities</b>		
<b>(a) Trade Payables</b> (refer note part C - 23)	<b>262,355,646</b>	236,494,011
<b>(b) Others</b>		
(i) Advances and deposits received from customers	<b>437,844,415</b>	488,896,478
(ii) Gross amount due to customers for project related contract work (refer note part C - 3)	<b>144,711,404</b>	85,574,521
<b>TOTAL</b>	<b>844,911,465</b>	810,965,010
<b>Note : A-6</b>		
<b>Long Term Provisions</b>		
<b>(a) Provision for employee benefits</b>		
(i) Leave encashment	<b>88,460,752</b>	139,796,615
(ii) Pension scheme	<b>23,243,530</b>	15,758,335
<b>(b) Others</b>		
(i) Provision for product warranty	<b>9,040,903</b>	2,095,008
<b>TOTAL</b>	<b>120,745,185</b>	157,649,958
<b>Note : A-7</b>		
<b>Short Term Borrowings</b>		
<b>Secured</b>		
<b>(a) Loans repayable on demand from banks</b>		
(i) Cash / export credit facilities	<b>277,717,741</b>	962,415,664
(ii) Working capital demand loans Terms of loans: Loan carries interest @ 10.5% per annum	<b>200,000,000</b>	217,160,000
<b>(b) Rupee short term loans and advances from banks</b> Credit Agricole Corporate & Investment Bank Terms of loans: Loan carries interest @ 10.4% per annum	<b>200,000,000</b>	-
Nature of security : The loans are secured by hypothecation of all current assets of the Company		
<b>Unsecured</b>		
<b>(a) Foreign currency short term loans and advances from banks</b>		
(i) Citibank NA - FCNRB	-	933,788,000
<b>(b) Rupee short term loans and advances from banks</b>		
(i) Citi Financial Consumer Finance India Ltd. Terms of loans: Loan carries interest @ 11.2% per annum	<b>1,000,000,000</b>	-
(ii) Bank of India Terms of loans: Loan carries interest @ 10.7% per annum	<b>500,000,000</b>	-
	<b>1,500,000,000</b>	-
<b>(c) Loans and advances from related parties</b>		
(i) Loan from subsidiary company Terms of loans: Loan carries interest @ 10% per annum	<b>15,000,000</b>	120,000,000
<b>TOTAL</b>	<b>2,192,717,741</b>	2,233,363,664

**NOTES TO ACCOUNTS: PART A (CONTD.)**

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Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-8</b>		
<b>Other Current Liabilities</b>		
(a) Current maturities of long-term debt	<b>6,861,860</b>	401,462,979
(b) Interest accrued but not due on borrowings	<b>42,930,238</b>	28,961,398
(c) Investor Education & Protection fund (will be credited as and when due).		
(i) Unpaid dividends	<b>43,894,296</b>	50,813,657
(d) Other payables		
(i) Gross amount due to customers for project related contract work (refer note part C - 3)	<b>578,818,898</b>	665,905,018
(ii) Advances from customers	<b>801,288,471</b>	1,147,881,511
(iii) Trade deposits	<b>74,342,426</b>	75,498,515
(iv) Salary & reimbursements	<b>178,928,866</b>	223,839,843
(v) Contribution to PF & Superannuation	<b>26,311,864</b>	23,237,179
(vi) Statutory dues	<b>187,116,716</b>	70,933,773
(vii) Payables on account of purchases of fixed assets	<b>35,384,517</b>	48,910,077
(viii) Provision for expenses	<b>345,655,750</b>	369,823,748
<b>TOTAL</b>	<b>2,321,533,902</b>	3,107,267,698

<b>Note : A-9</b>		
<b>Short Term Provisions</b>		
<b>(a) Provision for employee benefits</b>		
(i) Gratuity	<b>31,085,373</b>	23,197,736
(ii) Leave encashment	<b>98,419,957</b>	129,619,919
<b>(b) Others</b>		
(i) Proposed dividend	<b>198,396,128</b>	158,716,902
(ii) Dividend distribution tax	<b>32,132,101</b>	24,592,508
(iii) Provision for product warranty	<b>115,299,238</b>	78,677,085
<b>TOTAL</b>	<b>475,332,797</b>	414,804,150

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

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Particulars	Tangible Assets						Intangible Assets		
	Land Free hold	Buildings	Plant & Equipment	Furniture & Fixtures	Office equipments	Vehicles	Railway Siding	Total	Computer Softwares
Gross Block									
At 01.04.2012	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
Additions	-	247,284,184	317,617,309	9,233,056	1,619,193	1,888,796	-	577,642,478	9,431,820
Other adjustments									
- borrowing costs	-	-	5,666,108	-	-	-	-	5,666,108	-
Disposals	-	73,861	153,858,199	9,294,262	375,305	11,726,970	8,008	175,336,605	-
As at 31.03.2013	318,786,843	1,467,796,357	3,309,943,188	119,166,518	4,285,773	56,534,076	1,528,317	5,278,041,072	158,920,755
Additions	-	71,138,363	366,505,249	8,326,741	60,373	10,102,059	-	456,132,785	7,649,226
Disposals	-	-	168,973,944	359,717	-	9,046,699	-	178,380,360	-
<b>As at 31.03.2014</b>	<b>318,786,843</b>	<b>1,538,934,720</b>	<b>3,507,474,493</b>	<b>127,133,542</b>	<b>4,346,146</b>	<b>57,589,436</b>	<b>1,528,317</b>	<b>5,555,793,497</b>	<b>166,569,981</b>
Depreciation/ Amortisation									
At 01.04.2012	-	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
Charge for the year	-	29,153,798	256,720,429	7,570,735	108,546	5,384,910	5,745	298,944,163	21,517,561
Depreciation on disposal	-	73,861	147,158,712	6,603,922	368,102	9,655,126	8,008	163,867,731	-
At 31.03.2013	-	184,425,772	1,935,247,613	56,312,778	1,315,448	28,797,387	1,498,027	2,207,597,025	139,195,153
Charge for the year	-	34,407,818	284,949,032	7,145,723	171,725	4,607,008	5,426	331,286,732	14,883,229
Depreciation on disposal	-	-	65,515,200	84,157	-	7,977,425	-	73,576,782	-
<b>At 31.03.2014</b>	<b>-</b>	<b>218,833,590</b>	<b>2,154,681,445</b>	<b>63,374,344</b>	<b>1,487,173</b>	<b>25,426,970</b>	<b>1,503,453</b>	<b>2,465,306,975</b>	<b>154,078,382</b>
At 31.03.2013	318,786,843	1,283,370,585	1,374,695,575	62,853,740	2,970,325	27,736,689	30,290	3,070,444,047	19,725,602
<b>At 31.03.2014</b>	<b>318,786,843</b>	<b>1,320,101,130</b>	<b>1,352,793,048</b>	<b>63,759,198</b>	<b>2,858,973</b>	<b>32,162,466</b>	<b>24,864</b>	<b>3,090,486,522</b>	<b>12,491,599</b>

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

Particulars	Figures as at the end of current reporting period ending on March 31, 2014		Figures as at the end of previous reporting period ending on March 31, 2013				
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013			
Long term investments - at cost							
Trade Investments							
(a) Investment in equity instruments	2,138,447,800	1,888,437,050					
(b) Investments in preference shares	-	250,000,000					
(c) Other non-current investments	11,000,000	11,000,000					
<b>TOTAL</b>	<b>2,149,447,800</b>	<b>2,149,437,050</b>					
<b>Particulars</b>	<b>As at March 31, 2014</b>	<b>As at March 31, 2013</b>					
Aggregate amount of quoted investments	-	-					
Aggregate amount of unquoted investments	2,149,447,800	2,149,437,050					
<b>Details of Trade Investments</b>							
Sr. No.	Name of the Body Corporate	Subsidiary / JV/ Others	No. of Shares / Units	Quoted / Unquoted	Partly Paid / Fully paid	Extent of Holding (%)	Amount
			31.03.2014	31.03.2013		31.03.2014	31.03.2013
<b>(a)</b>	<b>Investment in equity instruments</b>						
1	Kirloskar Proprietary Limited	Others	2	Unquoted	Fully Paid	0%	200
2	Kirloskar Ebara Pumps Limited	Joint Venture	225,000	Unquoted	Fully Paid	45%	2,747,272
3	Kirloskar Constructions & Engineers Limited *	Subsidiary	16,150,002	Unquoted	Fully Paid	-	-
4	The Kolhapur Steel Limited	Subsidiary	16,312,643	Unquoted	Fully Paid	96%	93,869,941
5	Kirloskar Systech Limited	Subsidiary	50,000	Unquoted	Fully Paid	100%	500,000
6	Hematic Motors Private Limited *	Subsidiary	46,845	Unquoted	Fully Paid	100%	517,343,297
7	Kirloskar Corrocoat Private Limited	Subsidiary	3,250,000	Unquoted	Fully Paid	65%	94,000,000
8	Kirloskar Brothers International B.V. **	Subsidiary	1,384	Unquoted	Fully Paid	100%	456,679,373
9	Kirloskar Brothers International B.V.	Subsidiary	2,000	Unquoted	Partly Paid	100%	10,007,717
10	Karad Projects & Motors Ltd. *	Subsidiary	-	Unquoted	Fully Paid	100%	1,480,643,297
<b>(b)</b>	<b>Investments in Preference Shares</b>						
	Kirloskar Constructions & Engineers Limited *	Subsidiary	25,000,000	Unquoted	Fully Paid	100%	250,000,000
<b>(c)</b>	<b>Other non-current investments</b>						
	HDFC Group Unit Linked Option Plan B	Others	357,919	Unquoted	-	-	11,000,000
	<b>TOTAL</b>		<b>359,253</b>			<b>11,000,000</b>	<b>2,149,437,050</b>

\* Consequent to the merger of Hematic Motors Private Ltd. with Kirloskar Constructions and Engineers Ltd. as per the orders of the Honourable High Courts of Mumbai and Madras dated March 1, 2013 and June 23, 2013 respectively, the investment standing in the name of these companies for the year ended March 31, 2013 is now reflected in the name of merged entity namely Karad Projects and Motors Ltd.

\*\* During the year received 58,340 as bonus shares

## NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-12</b>		
<b>Long Term Loans and Advances</b>		
<b>(a) Capital advances</b>		
Unsecured, considered good	<b>225,547,993</b>	142,411,974
<b>(b) Security deposits</b>		
Unsecured, considered good	<b>236,692,572</b>	300,384,159
Doubtful	<b>8,160,304</b>	5,327,267
	<b>244,852,876</b>	305,711,426
Less Provision for doubtful deposits	<b>8,160,304</b>	5,327,267
	<b>236,692,572</b>	300,384,159
<b>(c) Loans and advances to related parties</b>		
(i) Advances to subsidiary companies		
Unsecured, considered good	-	71,203,606
<b>(d) Other loans and advances</b>		
(i) Advances to suppliers and others		
Unsecured, considered good	<b>124,500,803</b>	143,668,986
Doubtful	<b>51,148,055</b>	54,688,290
	<b>175,648,858</b>	198,357,276
Less Provision for doubtful advances	<b>51,148,055</b>	54,688,290
	<b>124,500,803</b>	143,668,986
(ii) Advance income tax (net of provision)		
Unsecured, considered good	<b>1,020,776,794</b>	757,976,143
<b>TOTAL</b>	<b>1,607,518,162</b>	1,415,644,868

<b>Note : A-13</b>		
<b>Other Non Current Assets</b>		
<b>(a) Long term trade receivables</b>		
Unsecured, considered good	<b>123,991,467</b>	253,693,743
Doubtful	<b>245,814,248</b>	224,918,116
	<b>369,805,715</b>	478,611,859
Less: Provision for doubtful receivables	<b>245,814,248</b>	224,918,116
	<b>123,991,467</b>	253,693,743
<b>(b) Others</b>		
(i) Claims receivables		
Unsecured, considered good	<b>91,000,519</b>	76,674,994
Doubtful	<b>192,585,767</b>	147,725,744
	<b>283,586,286</b>	224,400,738
Less: Provision for doubtful claims	<b>192,585,767</b>	147,725,744
	<b>91,000,519</b>	76,674,994
(ii) Gross amount due from customers (refer note part C - 3)	<b>292,496,579</b>	262,617,933
(iii) Fixed deposits with bank having maturity of more than 12 months		
Unsecured, considered good	-	2,500,000
<b>TOTAL</b>	<b>507,488,565</b>	595,486,670

**NOTES TO ACCOUNTS : PART A (CONTD.)**

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Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A -14</b>		
<b>Inventories</b>		
(a) Raw Materials *	<b>352,710,716</b>	467,932,822
(b) Work-in-progress (refer note part C - 16)	<b>466,262,054</b>	839,744,407
(c) Finished goods (refer note part C - 12)	<b>304,092,831</b>	276,747,627
(d) Stock-in-trade (refer note part C - 13) **	<b>147,900,905</b>	207,197,132
(e) Stores and spares	<b>49,767,593</b>	41,433,589
Mode of valuation (refer note part B - 3)		
* Include goods in transit - ₹ 6,466,855 (PY ₹ Nil)		
** Include goods in transit - ₹ 5,371,048 (PY ₹ Nil)		
<b>TOTAL</b>	<b>1,320,734,099</b>	1,833,055,577
<b>Note : A-15</b>		
<b>Trade receivables</b>		
(i) Trade receivables outstanding for a period exceeding six months Unsecured, considered good	<b>1,000,263,853</b>	766,575,791
(ii) Trade receivables outstanding for a period less than six months Unsecured, considered good	<b>2,414,150,842</b>	2,786,173,571
<b>TOTAL</b>	<b>3,414,414,695</b>	3,552,749,362
<b>Note : A-16</b>		
<b>Cash &amp; Bank Balances</b>		
<b>(a) Cash &amp; Cash Equivalents</b>		
(i) Cash on hand	<b>1,737,749</b>	1,630,761
(ii) Balances with banks	<b>163,811,474</b>	122,789,597
(iii) Earmarked balances with banks Unpaid dividend accounts	<b>43,894,296</b>	50,813,657
<b>TOTAL</b>	<b>209,443,519</b>	175,234,015

## NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-17</b>		
<b>Short term loans and advances</b>		
<b>(a) Loans and advances to related parties</b>		
(i) Advances to subsidiary companies Unsecured, considered good	<b>76,783,410</b>	228,905,342
<b>(b) Others</b>		
(i) Security Deposits Unsecured, considered good	<b>1,163,180,470</b>	1,070,715,037
(ii) Advances to suppliers and others Unsecured, considered good	<b>444,763,083</b>	551,312,985
(iii) Advance income tax (net of provision for tax) Unsecured, considered good	<b>10,350,263</b>	262,340,235
<b>TOTAL</b>	<b>1,695,077,226</b>	2,113,273,599

<b>Note : A-18</b>		
<b>Other current assets</b>		
(i) Claims receivables Unsecured, considered good	<b>1,153,319,910</b>	1,189,934,151
(ii) Interest Accrued Unsecured, considered good	<b>728,246</b>	-
(iii) Gross amount due from customers (refer note part C - 3)	<b>2,434,297,206</b>	2,851,540,364
<b>TOTAL</b>	<b>3,588,345,362</b>	4,041,474,515

<b>Note : A-19</b>		
<b>Revenue from operations (refer note part C -12 and C -13)</b>		
Sale of products	<b>14,251,725,766</b>	14,665,754,654
Less: Excise duty	<b>815,065,984</b>	826,754,218
	<b>13,436,659,782</b>	13,839,000,436
Project related revenue	<b>3,667,734,830</b>	4,591,218,601
Sale of services	<b>196,889,927</b>	156,781,435
	<b>17,301,284,539</b>	18,587,000,472
Other operating revenues	<b>215,056,215</b>	136,978,467
<b>TOTAL</b>	<b>17,516,340,754</b>	18,723,978,939



**NOTES TO ACCOUNTS : PART A (CONTD.)**

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Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-20</b>		
<b>Other Income</b>		
<b>(a) Interest Income</b>		
(i) From customers	4,701,256	3,214,168
(ii) From others	9,572,289	3,724,657
<b>(b) Dividend income from long term investments</b>		
(i) From subsidiary companies	9,328,161	14,012,531
(ii) From others	100	19,973,864
<b>(c) Other non-operating income</b>	31,014,346	29,070,235
<b>TOTAL</b>	<b>54,616,152</b>	<b>69,995,455</b>

<b>Note : A-21</b>		
<b>Cost of material consumed</b>		
Raw material consumed (refer note part C -14 & 15 )	6,830,579,281	8,028,909,159
Stores and spares consumed	570,971,671	619,966,952
Processing charges	209,076,187	246,527,962
	<b>7,610,627,139</b>	<b>8,895,404,073</b>
<b>Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
<b>Opening Stock (refer note part C -12,13 and 16)</b>		
Finished goods	276,747,627	232,239,184
Work-in- progress	839,744,407	1,139,733,791
Stock in trade	207,197,132	292,206,216
	<b>1,323,689,166</b>	<b>1,664,179,191</b>
<b>Closing Stock</b>		
Finished goods	304,092,831	276,747,627
Work-in- progress	466,262,054	839,744,407
Stock in trade	147,900,905	207,197,132
	<b>918,255,790</b>	<b>1,323,689,166</b>
	<b>405,433,376</b>	<b>340,490,025</b>

<b>Note : A-22</b>		
<b>Employee benefits expense</b>		
Salaries, wages and bonus	1,339,787,620	1,310,527,027
Contribution to provident fund, super annuation fund and E.S.I	80,071,890	71,250,779
Gratuity	31,085,373	22,020,619
Welfare expenses	93,420,977	93,688,701
Pension benefits	10,551,644	1,204,779
ESOS expenses	(31,284,441)	(1,928,079)
<b>TOTAL</b>	<b>1,523,633,063</b>	<b>1,496,763,826</b>

## NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-23</b>		
<b>Finance costs</b>		
Interest expense	313,209,268	328,971,828
Other borrowing costs	70,932,693	83,700,453
Applicable net (gain) / loss on foreign currency transactions and translation	24,398,729	30,050,129
<b>TOTAL</b>	<b>408,540,690</b>	<b>442,722,410</b>

<b>Note : A-24</b>		
<b>Other expenses</b>		
Power & fuel	213,365,715	220,137,837
Repairs and maintenance		
Plant and machinery	101,492,342	103,888,589
Buildings	29,180,894	14,767,245
Other	25,615,879	21,222,818
Rent	67,387,542	71,797,495
Rates and taxes	98,858,046	58,863,775
Travel and conveyance	273,772,767	241,967,288
Postage and telephone	52,915,707	51,920,443
Insurance	130,429,865	119,427,215
Directors' sitting fees	600,000	710,000
Non executive directors' remuneration	5,150,000	5,655,000
Royalties and fees	44,072,198	47,973,327
Cash discount	143,929,113	176,075,662
Freight and forwarding charges	262,228,222	287,016,905
Brokerage and commission	200,029,741	192,064,399
Advertisements and publicity	152,841,021	122,519,542
Provision for product warranty	124,913,181	74,724,590
Loss on sale / disposal of fixed assets	77,042,658	8,724,697
Provision for doubtful debts, advances and claims	65,048,958	7,928,870
Bad debts, advances and claims written off	16,003,121	65,913,321
Auditor's remuneration (refer note part C -4 )	4,984,952	4,669,072
Legal expenses and Consulting fees	187,890,654	202,255,218
Watch and Ward expenses	32,283,285	25,772,804
Computer Services	55,608,775	61,185,607
Stationery & Printing	17,067,389	18,395,705
Training course expenses	7,649,137	8,206,202
Other miscellaneous expenses	385,200,424	337,206,228
<b>TOTAL</b>	<b>2,775,561,586</b>	<b>2,550,989,854</b>

## NOTES TO ACCOUNTS : PART B

### Significant Accounting Policies

#### Corporate information

Kirloskar Brothers Limited (KBL) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. KBL is engaged in providing global fluid management solutions and is the largest manufacturer and exporter of centrifugal pumps and valves from India. The core businesses of the company are large infrastructure projects (Water Supply, Power Plants and Irrigation), Project and Engineered Pumps, Industrial Pumps, Agriculture and Domestic Pumps, Valves, Motors and Hydro turbines.

#### B-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.

#### B-2 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.

#### B-3 Inventories :

- a) Inventories are valued at the lower of cost and net realizable value.
- b) The cost is calculated on moving 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.

#### B-4 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 which are subject to an insignificant risk of changes in value.

#### B-5 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 (2) (b) of the Companies Act, 1956. No depreciation is provided on assets scrapped or sold during the year.

## NOTES TO ACCOUNTS : PART B (CONTD.)

- 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 Companies 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	100.00
2	Patterns with estimated useful life of more than one year but less than eight years.	20.00
3	Patterns with estimated useful life of more than eight years.	11.31

### B-6 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

### B - 7 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 profit and loss statement until a right to receive payment is established in the reporting period.
- e) Income from royalties is recognized on an accrual basis in accordance with the terms of the relevant agreement.

### B - 8 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.

## **NOTES TO ACCOUNTS : PART B (CONTD.)**

### **B - 9. 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.
- 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 Statement.
- 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.

### **B - 10 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.

### **B - 11 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 benefit 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, leave travel allowance etc. are recognized in the period in which the employee renders the related service.

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## NOTES TO ACCOUNTS : PART B (CONTD.)

### 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 Statement.

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 actuary 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 Benefit

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

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

## **NOTES TO ACCOUNTS : PART B (CONTD.)**

### **B - 12 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.

### **B - 13 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.

### **B - 14 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.

### **B - 15 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.

### **B - 16 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.

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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 it is expected that such assets will generate future economic benefits.

#### **B - 17 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 incorporated Jointly Controlled Entities is recognized when the right to receive the same is established in the reporting period.

#### **B - 18 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.

#### **B - 19 Provisions and contingent liabilities :**

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.

Provision for warranty related costs are recognized when the product is sold. Provision is based on historical experience.

Contingent liability is disclosed in case of

- a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation,
- b) a present obligation arising from past events, when no reliable estimate is possible,
- c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognized, nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

#### **B - 20 Employee Stock Ownership 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**

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		<b>Figures as at the end of current reporting period ending on March 31, 2014</b>	Figures as at the end of previous reporting period ending on March 31, 2013
<b>C-1</b>	<b>Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)</b>	<b>187,675,288</b>	124,923,085
<b>C-2</b>	<b>Contingent liabilities not provided for in respect of :</b>		
	<b>a) Guarantees:</b>		
	By the Company to Citibank N A. on behalf of SPP Pumps Ltd., UK [USD- 10,500,000]	<b>629,055,000</b>	572,775,000
	By the Company to Weatherford Oil Tool Middle East Ltd. on behalf of SPP Pumps Ltd.,UK [GBP- 89,785]	<b>8,934,416</b>	-
	By the Company to Citibank N. A. on behalf of Kirloskar Brothers (Thailand) Ltd. [USD- 3,000,000]	<b>179,730,000</b>	163,650,000
	By the Company to Citibank N. A. on behalf of Kirloskar Brothers Europe B.V. [USD- 5,000,000]	<b>299,550,000</b>	272,750,000
	By the Company to Citibank N. A. on behalf of Braybar Pumps (Proprietary) Ltd. [USD- 2,000,000]	<b>119,820,000</b>	109,100,000
	By the Company to Citibank N. A. on behalf of erstwhile Hematic Motors Pvt. Ltd. (Now Karad Projects and Motors Ltd.) [USD-6,000,000]	<b>359,460,000</b>	327,300,000
	By the Company to Indian Overseas Bank Ltd. on behalf of erstwhile Kirloskar Constructions & Engineers Ltd., Chennai (Now Karad Projects and Motors Ltd.)	<b>500,000,000</b>	500,000,000
	<b>b) Other money for which the Company is contingently liable for</b>		
	i) Central Excise and Service tax (Matter Subjudice)	<b>1,104,102,095</b>	667,822,343
	ii) Sales Tax (Matter Subjudice)	<b>193,552,873</b>	83,439,571
	iii) Income Tax (Matter Subjudice)	<b>738,708,203</b>	738,172,539
	iv) Labour Matters (Matter Subjudice)	<b>48,119,314</b>	42,793,722
	v) Other Legal Cases ( Matter Subjudice )	<b>72,590,410</b>	560,307,661
	vi) Letters of Credit Outstanding	<b>629,139,241</b>	677,131,468
<b>C-3</b>	<b>Construction contracts :</b>		
	a) Contract Revenue recognised as revenue for the year	<b>3,667,734,830</b>	4,591,218,601
	b) Advances received	<b>449,215,093</b>	703,073,423
	c) Amount of retentions	<b>1,030,772,370</b>	1,119,847,076
	d) Gross amount due from customer		
	Contract costs incurred	<b>38,686,358,508</b>	37,586,374,571
	Recognised Profits less recognised Losses	<b>5,653,420,369</b>	6,947,282,171
	Less: Progress Billing	<b>(41,612,985,092)</b>	(41,419,498,445)
	Net [ Note A-13 (b) (ii) + A -18 (iii)]	<b>2,726,793,785</b>	3,114,158,297
	e) Gross amount due to customer		
	Contract costs incurred	<b>13,756,429,918</b>	11,265,953,994
	Recognised Profits less recognised Losses	<b>3,938,655,231</b>	2,567,518,460
	Less: Progress Billing	<b>(18,418,615,451)</b>	(14,584,951,993)
	Net [ Note A- 5 (b) (ii) + A-8 (d) (i)]	<b>(723,530,302)</b>	(751,479,539)
<b>C-4</b>	<b>Remuneration to Auditors :</b>		
	Statutory Auditors :		
	a) Audit Fees	<b>2,750,000</b>	2,750,000
	b) Tax Audit Fees	<b>200,000</b>	200,000
	c) Certification services	<b>283,500</b>	164,000
	d) Other services	<b>1,550,430</b>	1,507,500
	e) Expenses reimbursed	<b>201,022</b>	47,572

## NOTES TO ACCOUNTS : PART C (CONTD.)

₹

	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>C-5 Expenditure in foreign currencies :</b>		
i) Interest	70,472,247	105,976,099
ii) Professional Fees	20,640,855	13,546,380
iii) Other Matters	170,858,842	150,763,458
<b>C-6 Earnings in Foreign Currencies :</b>		
i) F.O.B. Value of goods exported	854,479,635	803,792,742
ii) Services rendered / Civil work	61,978,820	129,165,642
iii) Others	267,043,351	611,489,081
<b>C-7 C.I.F. Value of Imports</b>		
i) Raw Materials & components	610,494,879	410,198,389
ii) Capital Goods	60,439,696	62,669,727
<b>C-8 Earning per Share ( Basic and diluted )</b>		
<b>I - Basic</b>		
a) Profit for the year before tax	697,546,094	719,478,435
Less : Attributable Tax thereto	220,671,149	285,001,177
Profit after Tax	476,874,945	434,477,258
b) Weighted average number of equity shares used as denominator	79,358,451	79,358,451
c) Basic earning per share of nominal value of ₹ 2/- each	6.01	5.47
<b>II - Diluted</b>		
a) Profit for the year before tax	697,546,094	719,478,435
Less : Attributable Tax thereto	220,671,149	285,001,177
	476,874,945	434,477,258
b) Weighted average number of equity shares	79,358,451	79,358,451
c) Add : Weighted average number of potential equity shares on account of employee stock options	34,764	-
d) Weighted average number of shares outstanding used as denominator	79,393,215	79,358,451
e) Diluted earning per share of nominal value of ₹ 2/- each	6.01	5.47
<b>C-9 Amount of Borrowing Cost Capitalised during the year</b>	-	5,666,108
<b>C-10A Research and Development expenditure incurred at Kirloskarvadi eligible for weighted average deduction under section 35(2AB) of the Income Tax Act, 1961</b>		
A Revenue expenditure		
Manufacturing expenses:		
Raw Material , Store , Spares & Tools consumed	3,757,245	90,436,405
Payments to and Provision for Employees:		
Salaries , Wages , Bonus , Allowances etc.	18,047,810	19,621,415
Other Expenses:		
EDP expenses (Softwares)	-	1,265,000
Power charges	20,568	14,304,079
Travelling & Conveyance Expenses	208,272	790,749
Other Expenses	-	7,731,692
Repairs	682,599	-
Total	22,716,494	134,149,340
B Capital Expenditure	14,003,202	9,257,300
Total eligible Research & Development Expenditure (A + B)	36,719,696	143,406,640
<b>C-10B Research and Development expenditure incurred at other locations</b>		
A Revenue expenditure	94,584,083	61,541,439
B Capital expenditure	8,015,190	17,022,167
<b>Total</b>	<b>102,599,273</b>	<b>78,563,606</b>

**NOTES TO ACCOUNTS : PART C (CONTD.)**

**C-11 Employee Benefits :**

**i Defined Contribution Plans:**

Amount of ₹ 47,093,714/- (₹ 41,338,375 /-) 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 31-03-2014		As at 31-03-2013	
	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	287,454,777	23,243,530	252,700,192	15,758,335
Less: Fair Value of Plan Assets	256,369,404	-	229,502,456	-
Amount to be recognised as liability or (asset)	31,085,373	23,243,530	23,197,736	15,758,335
B. Amounts reflected in the Balance Sheet				
Liabilities	31,085,373	23,243,530	23,197,736	15,758,335
Assets	-	-	-	-
Net Liability / (Assets)	31,085,373	23,243,530	23,197,736	15,758,335

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

₹

Particulars	As at 31-03-2014		As at 31-03-2013	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
1 Current Service Cost	23,404,299	-	20,458,018	-
2 Past Service Cost	-	-	-	-
3 Interest Cost	19,246,085	1,166,459	19,164,940	1,324,135
4 Expected Return on Plan Assets	(20,882,021)	-	(18,385,018)	-
5 Actuarial losses / (gains)	10,261,926	9,385,185	782,679	(119,356)
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"	32,030,289	10,551,644	22,020,619	1,204,779
Actual Return on Plan Assets	9.00%	-	9.00%	-

**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 31-03-2014		As at 31-03-2013	
	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 01-04-2013	252,700,192	15,758,335	238,873,033	16,602,556
2 Add: Current service cost	23,404,299	-	20,458,018	-
3 Add: Past service cost	-	-	-	-
4 Add: Interest cost	19,246,085	1,166,459	19,164,940	1,324,135
5 Add/(less): Actuarial losses / (gains)	10,261,926	9,385,185	1,010,512	(119,356)
6 Less: Benefits paid	(18,157,725)	(3,066,449)	(26,806,311)	(2,049,000)
7 Balance of the present value of Defined Benefit Obligation as at 31-03-2014	287,454,777	23,243,530	252,700,192	15,758,335

## 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)	
		31.03.2014	31.03.2013
1	Opening balance of the fair value of the plan assets as at 01-04-2013	<b>229,502,455</b>	197,666,345
2	Add: Expected return on plan assets	<b>20,882,021</b>	18,385,018
3	Add/(less) : Actuarial gains/(losses)	<b>944,916</b>	227,833
4	Add: Contribution by the employer	<b>23,197,737</b>	40,029,570
5	Less: Benefits paid	<b>18,157,725</b>	26,806,311
6	Closing balance of the plan assets as at 31-03-2014	<b>256,369,404</b>	229,502,455

**e) The broad categories of plan assets as a percentage of total plan assets as at 31-03-2014 of Employee's Gratuity Scheme are as under:** ₹

Sr. No.	Particulars	Percentage	
		31.03.2014	31.03.2013
1	Central Government Securities	<b>31.35</b>	31.35
2	State Government Securities	<b>10.71</b>	10.71
3	Other Approved Securities (Government Guaranteed Securities)	<b>1.35</b>	1.35
4	Bonds and Debentures	<b>42.85</b>	42.85
5	Fixed Deposits	<b>8.35</b>	8.35
6	Equity Shares	<b>5.23</b>	5.23
7	Money Market Instruments	<b>0.16</b>	0.16
	<b>Grand Total</b>	<b>100.00</b>	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)**

- 1 Discount rate as at 31-03-2014 - 9.20%
- 2 Expected return on plan assets as at 31-03-2014 - 9%
- 3 Salary growth rate : For Gratuity Scheme - 11%
- 4 Attrition rate: For gratuity scheme the attrition rate is taken at 6%
- 5 The estimates of future salary increase 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 31-03-2014		As at 31-03-2013	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
Defined Benefit Obligation	<b>287,454,777</b>	<b>23,243,530</b>	252,700,192	15,758,335
Plan Assets	<b>256,369,404</b>	-	229,502,456	-
Surplus/(Deficit)	<b>(31,085,373)</b>	<b>(23,243,530)</b>	(23,197,736)	(15,758,335)

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.

i) The Company expects to fund ₹ 31,085,373/- (₹ 23,197,736/-) towards its gratuity plan in the year 2014-15.

C-12 Information in respect of Sales and inventory of manufactured finished goods :

₹

Particulars	Sales value	Closing inventory of finished goods	Opening inventory of finished goods
Power Driven Pumps	<b>9,396,409,093</b> (9,215,397,600)	<b>259,714,264</b> (226,474,772)	<b>226,474,772</b> (206,753,226)
Valves	<b>1,174,081,167</b> (1,051,648,011)	<b>23,942,426</b> (31,180,201)	<b>31,180,201</b> (14)
Spare Parts and Others	<b>1,608,454,821</b> (2,581,668,745)	<b>20,436,141</b> (19,092,654)	<b>19,092,654</b> (25,485,944)
Services and Job Order Receipts	<b>75,331,358</b> (74,221,322)	-	-
Civil Receipts	<b>1,060,772,840</b> (1,064,106,396)	-	-
<b>TOTAL</b>	<b>13,315,049,278</b> (13,987,042,074)	<b>304,092,831</b> (276,747,627)	<b>276,747,627</b> (232,239,184)

## NOTES TO ACCOUNTS : PART C (CONTD.)

### C-13 Information in respect of Sales and inventory of trading goods :

₹

Particulars	Purchases	Sales	Closing inventory of trading goods	Opening inventory of trading goods
Pumps	<b>702,709,005</b> (709,714,617)	<b>1,103,771,860</b> (1,237,765,875)	<b>96,055,663</b> (81,434,456)	<b>81,434,456</b> (133,175,616)
Transformers	<b>60,515,195</b> (58,346,316)	<b>144,020,740</b> (69,206,100)	- -	- (36,376)
Alternators	<b>130,013,586</b> (314,268,867)	<b>199,189,283</b> (410,804,207)	<b>9,332,439</b> (16,353,475)	<b>16,353,475</b> (11,434,381)
Motors	<b>550,398,639</b> (529,064,851)	<b>516,533,094</b> (571,520,196)	<b>15,671,202</b> (17,882,505)	<b>17,882,505</b> (121,016,498)
Others	<b>2,235,747,525</b> (2,357,137,072)	<b>2,022,720,284</b> (2,310,662,021)	<b>26,841,601</b> (91,526,696)	<b>91,526,695</b> (26,543,346)
<b>TOTAL</b>	<b>3,679,383,949</b> (3,968,531,722)	<b>3,986,235,261</b> (4,599,958,398)	<b>147,900,905</b> (207,197,132)	<b>207,197,132</b> (292,206,216)

### C-14 Consumption of Raw Materials :

Particulars	2013-14		2012-13	
	₹	Percentage	₹	Percentage
Imported	<b>87,505,983</b>	<b>1.28</b>	69,478,299	0.79
Indigenous	<b>6,743,073,298</b>	<b>98.72</b>	7,959,430,860	99.21
<b>TOTAL</b>	<b>6,830,579,281</b>	<b>100.00</b>	8,028,909,159	100.00

### C-15 Details of Raw Materials Consumption :

₹

Particulars	2013-14	2012-13
a) Castings	<b>1,813,563,539</b>	2,119,853,872
b) Stator Stacks	<b>466,646,513</b>	425,090,961
c) Motors	<b>807,181,285</b>	1,313,863,626
d) Engines	<b>379,476,639</b>	374,244,957
e) Civil Construction Material	<b>1,065,872,135</b>	1,388,968,997
f) Others	<b>2,297,839,171</b>	2,406,886,748
<b>TOTAL</b>	<b>6,830,579,281</b>	8,028,909,159

### C-16 Details of Work in Process :

₹

Particulars	2013-14	2012-13
Power driven pumps	<b>295,116,444</b>	540,992,282
Valves	<b>10,038,961</b>	24,246,828
Others	<b>161,106,649</b>	274,505,297
<b>TOTAL</b>	<b>466,262,054</b>	839,744,407

## NOTES TO ACCOUNTS : PART C (CONTD.)

### C-17 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	Karad Projects and Motors Limited *	Subsidiary Company
2	The Kolhapur Steel Limited	Subsidiary Company
3	Kirloskar Systech Limited	Subsidiary Company
4	Kirloskar Corrocoat Private Limited	Subsidiary Company
5	Kirloskar Brothers International B.V.	Subsidiary Company
6	Micawber 784 (Proprietary) Limited	Subsidiary of Kirloskar Brothers International B.V.
7	Kirloskar Brothers(Thailand) Limited	Subsidiary of Kirloskar Brothers International B.V.
8	SPP Pumps Limited	Subsidiary of Kirloskar Brothers International B.V.
9	Kirloskar Brothers Europe B.V.	Subsidiary of Kirloskar Brothers International B.V.
10	SPP Pumps (MENA) LLC	Subsidiary of Kirloskar Brothers International B.V.
11	SPP Pumps France EURL	Subsidiary of SPP Pumps Limited
12	SPP France S A S	Subsidiary of SPP Pumps Limited
13	Certified Engines Limited	Subsidiary of SPP Pumps Limited
14	SPP Pumps (South Africa) (Pty.) Limited	Subsidiary of SPP Pumps Limited
15	SPP Pumps Holdings LLC	Subsidiary of SPP Pumps Limited
16	SPP Pumps Management LLC	Subsidiary of SPP Pumps Limited
17	Braybar Pumps (Proprietary) Limited	Subsidiary of Micawber 784 ( Proprietary) Limited
18	SPP Pumps LP (doing business as SPP Pumps Inc.)	Owned by Partnership firm of SPP Pumps Holding LLC and SPP Pumps Management LLC
19	SPP Pumps Real Estate LLC	Owned by SPP Pumps LP
20	SyncroFlo Inc.	Owned by SPP Pumps LP (w.e.f. 28.02.2014)

\* Consequent to the merger of Hematic Motors Private Ltd. with Kirloskar Constructions and Engineers Ltd. as per the orders of the Honourable High Courts of Mumbai and Madras dated March 1, 2013 and June 23, 2013 respectively, the merged entity was renamed as Karad Projects and Motors Ltd.

## NOTES TO ACCOUNTS : PART C (CONTD.)

### (B) Disclosure of related parties transactions

₹

Sr. No.	Nature of transaction/ relationship/major parties	2013-14		2012-13	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
1	<b>Purchase of goods &amp; services</b>	<b>1,861,200,338</b>		2,110,565,637	
	Subsidiary/Fellow subsidiary companies				
	The Kolhapur Steel Limited		<b>168,665,160</b>		271,449,824
	Hematic Motors Private Limited		-		1,482,769,166
	Karad Projects and Motors Limited		<b>1,496,405,939</b>		-
2	<b>Sale of goods/contract revenue &amp; services</b>	<b>764,080,702</b>		675,027,627	
	Subsidiary/Fellow subsidiary companies				
	SPP Pumps Limited		<b>114,120,733</b>		247,721,933
	Kirloskar Brothers Europe B. V.		<b>69,794,537</b>		156,414,696
	SPP Pumps LP		<b>415,915,864</b>		120,471,988
3	<b>Rendering Services</b>	<b>41,642,988</b>		52,095,216	
	Subsidiary/Fellow subsidiary companies				
	SPP Pumps Limited		<b>10,046,252</b>		1,323,063
	Kirloskar Corrocoat Private Limited		<b>14,763,282</b>		16,921,416
	Hematic Motors Private Limited		-		6,328,424
	Kirloskar Systech Limited		<b>7,545,261</b>		7,415,760
4	<b>Receiving Services</b>	<b>43,961,226</b>		41,085,204	
	Subsidiary/Fellow subsidiary companies				
	Kirloskar Brothers Europe B. V.		<b>1,942,274</b>		9,916,001
	Kirloskar Brothers (Thailand) Limited		<b>36,768,385</b>		27,497,903
5	<b>Sale of Fixed Assets</b>	<b>325,750</b>		752,765	
	Subsidiary/Fellow subsidiary companies				
	Kirloskar Systech Limited		-		629,699
	The Kolhapur Steel Limited		-		123,065
	Karad Projects and Motors Limited		<b>325,750</b>		-
6	<b>Purchase of Fixed Assets</b>	<b>147,287,334</b>		-	
	Subsidiary/Fellow subsidiary companies				
	Karad Projects and Motors Limited		<b>145,779,584</b>		-
7	<b>Investment made</b>	<b>10,750</b>		5,200	
	Subsidiary/Fellow subsidiary companies				
	The Kolhapur Steel Limited		<b>10,750</b>		5,200
8	<b>Royalty paid</b>	<b>49,226,445</b>		53,621,552	
	Enterprises over which key managerial personnel or their relatives exercise significant influence				
	Kirloskar Proprietary Limited		<b>49,226,445</b>		53,621,552
9	<b>Dividend paid</b>	<b>59,098,616</b>		55,836,944	
	Key Management Personnel				
	Mr. Sanjay Kirloskar		<b>31,603,306</b>		28,354,076
	Relatives of Key Management Personnel				
	Mrs. Pratima Kirloskar		<b>27,464,600</b>		27,464,600



**NOTES TO ACCOUNTS : PART C (CONTD.)**

**(B) Disclosure of related parties transactions**

₹

Sr. No.	Nature of transaction/ relationship/major parties	2013-14		2012-13	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
10	<b>Dividend received</b>	<b>9,328,361</b>		25,262,631	
	Subsidiary/Fellow subsidiary companies				
	Hematic Motors Private Limited		-		4,684,500
	Kirloskar Corrocoat Private Limited		<b>3,250,000</b>		3,250,000
	The Kolhapur Steel Ltd		<b>4,078,161</b>		4,078,031
Kirloskar Systech Limited		<b>2,000,000</b>		-	
Joint Ventures	-		11,250,000		
Kirloskar Ebara Pumps Limited		-		11,250,000	
11	<b>Interest paid</b>	<b>13,171,506</b>		10,886,783	
	Subsidiary/Fellow subsidiary companies				
	Karad Projects and Motors Limited		<b>9,731,507</b>		-
	Hematic Motors Private Limited		-		9,534,247
	Enterprises over which key managerial personnel or their relatives exercise significant influence				
Kirloskar Proprietary Limited		-		1,247,536	
Joint Ventures	<b>3,170,136</b>		-		
Kirloskar Ebara Pumps Limited		<b>3,170,136</b>		-	
12	<b>Remuneration paid</b>	<b>55,375,062</b>		49,284,717	
	Key Management Personnel				
	Mr. Sanjay Kirloskar		<b>36,434,994</b>		31,592,393
	Mr. R. K. Srivastava		-		1,737,095
Mr. J. R. Sapre		<b>18,026,976</b>		15,638,415	
13	<b>Deposit paid</b>	<b>2,000</b>		-	
	Subsidiary/ Fellow Subsidiary company				
	Kirloskar Corrocoat Pvt Limited		<b>500</b>		-
Kirloskar Systech Limited		<b>1,500</b>		-	
14	<b>Deposit refunded</b>	<b>2,000</b>		-	
	Subsidiary/ Fellow Subsidiary company				
	Kirloskar Corrocoat Pvt Limited		<b>500</b>		-
Kirloskar Systech Limited		<b>1,500</b>		-	
15	<b>Loan / Advances given</b>	<b>90,946,805</b>		122,054,135	
	Subsidiary/Fellow subsidiary companies				
	Kirloskar Constructions and Engineers Limited		-		122,054,135
	The Kolhapur Steel Limited		<b>60,000,000</b>		-
Karad Projects and Motors Limited		<b>30,946,805</b>		-	
16	<b>Loan taken</b>	<b>160,000,000</b>		120,000,000	
	Subsidiary/ Fellow Subsidiary company				
	Hematic Motors Private Limited		-		120,000,000
	Joint Venture	<b>145,000,000</b>		-	
Kirloskar Ebara Pumps Limited		<b>145,000,000</b>		-	

## NOTES TO ACCOUNTS : PART C (CONTD.)

### (B) Disclosure of related parties transactions

₹

Sr. No.	Nature of transaction/ relationship/major parties	2013-14		2012-13	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
17	<b>Payment made towards repayment of Loan</b>	<b>265,000,000</b>		-	
	Subsidiary/ Fellow Subsidiary company Karad Projects and Motors Limited		<b>120,000,000</b>	-	-
	Joint Venture Kirloskar Ebara Pumps Limited		<b>145,000,000</b>	-	-
18	<b>Payment received towards repayment of Loan</b>	<b>2,500,000</b>		30,000,000	
	Subsidiary/Fellow subsidiary companies The Kolhapur Steel Limited		<b>2,500,000</b>		30,000,000
19	<b>Reimbursement of Expenses</b>	<b>30,276,409</b>		15,267,842	
	Subsidiary/Fellow subsidiary companies Kirloskar Systech Limited		<b>1,243,912</b>		1,673,518
	Hematic Motors Private Limited		-		4,352,822
	Kirloskar Brothers Europe B. V.		<b>4,691,548</b>		2,792,566
	SPP Pumps Limited		<b>16,470,878</b>		1,323,063
	Kirloskar Brother (Thailand) Limited		<b>3,835,369</b>		-
	Joint Ventures Kirloskar Ebara Pumps Limited		<b>4,958,797</b>		3,371,153

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

### (C) Amount due to/from related parties

₹

Sr. No.	Nature of transaction/ relationship/major parties	2013-14		2012-13	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
1	<b>Accounts receivable</b>	<b>100,928,297</b>		382,045,593	
	Subsidiary/Fellow subsidiary companies Kirloskar Constructions and Engineers Limited		-		283,219,790
	SPP Pumps Limited		-		41,116,901
	The Kolhapur Steel Limited		<b>60,794,322</b>		2,512,933
	SPP Pumps LP		<b>14,703,144</b>		-
2	<b>Amount due</b>	<b>338,861,122</b>		541,988,178	
	Subsidiary/Fellow subsidiary companies Hematic Motors Private Limited		-		465,735,079
	Kirloskar Brothers Europe B.V.		<b>40,804,819</b>		1,081,493
	Kirloskar Brother (Thailand) Limited		<b>59,825,503</b>		-
	Karad Projects and Motors Limited		<b>129,758,457</b>		-

\* "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-17 (D) Names of related parties with whom transactions have been entered into:**

1) Subsidiary companies	Karad Projects and Motors Limited The Kolhapur Steel Limited Kirloskar Systech Limited Kirloskar Corrocoat Private Limited SPP Pumps Limited SPP Pumps (South Africa) (Pty.) Limited SPP Pumps (MENA) LLC SPP Pumps LP (doing business as SSP Pumps, INC) Kirloskar Brothers Europe B.V. Braybar Pumps (Proprietary) Limited Kirloskar Brothers (Thailand) Limited	
2) Joint Venture	Kirloskar Ebara Pumps Limited	
3) Key Management Personnel	Mr. Sanjay Kirloskar Mr. J R Sapre	
4) Relatives of Key Management Personnel	Mrs. Pratima Kirloskar Mr. Alok Kirloskar Mrs. Suman Kirloskar Ms. Preeti Sapre	Wife of Mr. Sanjay Kirloskar Son of Mr. Sanjay Kirloskar Mother of Mr. Sanjay Kirloskar Daughter of Mr. J R Sapre
5) Enterprises over which key managerial personnel or their relatives exercise significant influence	Kirloskar Proprietary Limited	

## NOTES TO ACCOUNTS : PART C (CONTD.)

**C-18 Disclosure pursuant to clause 32 of the Listing Agreement regarding loans and advances to subsidiary and associate companies:**

**A Loans and advances in the nature of loans:**

₹

Name of the company	Balance as at		Maximum outstanding	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
<b>To Subsidiary companies</b>				
The Kolhapur Steel Limited	<b>73,214,020</b>	15,714,020	<b>73,214,020</b>	45,714,020

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

**i) No repayment schedule:**

Name of the Company	Balance as at		Maximum outstanding	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
The Kolhapur Steel Limited	73,214,020	15,714,020	73,214,020	45,714,020

**ii) No interest charged:**

Name of the Company	Balance as at		Maximum outstanding	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
The Kolhapur Steel Limited	73,214,020	15,714,020	73,214,020	45,714,020

**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-19 Particulars related to Joint Ventures :**

a) List of Joint Venture :

Sr. No.	Name of the Joint Venture	Description	Ownership Interest	Country of Incorporation
1	Kirloskar Ebara Pumps Limited	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, 2014	As at March 31, 2013
1	Kirloskar Ebara Pumps Limited	Assets	676,353,797	634,659,607
		Liabilities	223,757,482	155,694,042
		Income	378,690,609	575,146,876
		Expenses	405,530,234	597,433,039

c) Contingent liabilities, if any, incurred in relation to interest in Joint Ventures : ₹ 1,052,807/- (₹ 1,052,807/-)

d) Capital commitments, if any, in relation to interest in Joint Ventures : ₹ 11,539,847/- (₹ 4,809,255/-)

e) List of Jointly Controlled Operations :

Sr. No.	Name of the Jointly controlled operation	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 – TAIPPL – 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 – TAIPPL – 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
26	KBL -PTIL UJV	Jointly controlled operations	N A	India
27	KBL - RATNA - JOINT VENTURE	Jointly controlled operations	N A	India
28	MEIL-KBL-WEG CONSORTIUM	Jointly controlled operations	N A	India
29	MEIL-KBL- ( KDWSP ) JV	Jointly controlled operations	N A	India
30	KBL and TC IPL JOINT VENTURE	Jointly controlled operations	N A	India
31	ACPL & KBL JV	Jointly controlled operations	N A	India

## NOTES TO ACCOUNTS : PART C (CONTD.)

### C-20 a) Details of Derivative Instruments ( for hedging ):

Particulars	Currency	Amount in FCY		Equivalent amount in ₹	
		2014	2013	2014	2013
Forward cover for loan	USD	-	8,000,000	-	408,880,000

### b) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise:

Particulars	Currency	Amount in FCY		Equivalent amount in ₹	
		2014	2013	2014	2013
<b>Liability</b>					
Sundry Creditors					
	EGP	<b>7,687,118</b>	6,302,608	<b>66,096,914</b>	50,218,360
	EUR	<b>172,250</b>	199,863	<b>14,166,725</b>	13,748,584
	GBP	<b>61,730</b>	29,348	<b>6,142,667</b>	2,396,225
	JPY	<b>1,255,129</b>	1,386,395	<b>734,376</b>	793,157
	OMR	<b>9,404</b>	21,404	<b>1,460,956</b>	3,019,462
	SEK	-	848,124	-	6,980,063
	USD	<b>3,215,758</b>	3,095,056	<b>192,656,058</b>	167,380,606
	VND	<b>189,989,100</b>	190,044,103	<b>539,035</b>	493,025
Loans	USD	-	21,200,000	-	1,146,496,000
Advances received from Customers					
	EGP	<b>838,906</b>	914,227	<b>7,213,252</b>	7,284,440
	EUR	<b>1,212,452</b>	411,751	<b>99,718,154</b>	28,324,344
	GBP	<b>96,958</b>	59,278	<b>9,648,164</b>	4,840,076
	USD	<b>2,460,889</b>	2,947,003	<b>147,431,870</b>	159,373,923
	VND	<b>335,246,400</b>	335,246,400	<b>951,158</b>	876,445

**NOTES TO ACCOUNTS : PART C (CONTD.)**

Particulars	Currency	Amount in FCY		Equivalent amount in ₹	
		2014	2013	2014	2013
<b>Assets</b>					
Advances to Suppliers	EGP	<b>5,965,797</b>	3,479,990	<b>51,296,305</b>	27,728,105
	EUR	<b>424,626</b>	86,456	<b>34,923,345</b>	6,042,389
	GBP	<b>3,043</b>	18,025	<b>302,798</b>	1,492,330
	SEK	-	737,081	-	6,184,113
	USD	<b>216,640</b>	1,980,124	<b>12,978,886</b>	108,114,767
Sundry Debtors	EGP	<b>722,037</b>	4,195,997	<b>6,208,367</b>	33,433,156
	EUR	<b>2,255,792</b>	2,401,393	<b>185,527,623</b>	167,833,357
	GBP	<b>75,169</b>	321,540	<b>7,479,998</b>	26,620,322
	SGD	<b>128,799</b>	128,799	<b>6,115,258</b>	5,676,181
	USD	<b>5,001,053</b>	6,921,644	<b>299,613,071</b>	377,921,744
Bank Accounts	EGP	<b>2,880,392</b>	3,912,274	<b>24,766,763</b>	31,172,605
	EUR	<b>8,598</b>	115,495	<b>707,180</b>	8,071,916
	GBP	<b>167,695</b>	110,901	<b>16,687,186</b>	9,181,514
	USD	<b>1,685,156</b>	609,776	<b>100,957,692</b>	33,293,759
	VND	<b>852,630</b>	978,902	<b>2,419</b>	2,545

EGP- Egyptian Pound, GBP - Great Britain Pound, EUR- Euro, SEK- Swedish Krona, USD - US Dollar, VND- Vietnamese Dong, SGD- Singapore Dollar, JPY - Japanese Yen, OMR - Omani Rial

## NOTES TO ACCOUNTS : PART C (CONTD.)

### C-21 Details of provisions and movements in each class of provisions:

Particulars	As at March 31, 2014
	Warranty
Carrying amount at the beginning of the year	<b>80,772,093</b> (78,435,669)
Provision made during the year	<b>124,340,141</b> (80,772,093)
Amount used during the year	<b>80,772,093</b> (78,435,669)
Unused amounts reversed during the year	- (-)
Carrying amount at the end of the year	<b>124,340,141</b> (80,772,093)

Particulars	As at March 31, 2014
	Leave encashment
Carrying amount at the beginning of the year	<b>261,099,123</b> (269,493,419)
Provision made during the year	- (22,533,901)
Amount used during the year	<b>54,982,346</b> (30,928,197)
Unused amounts reversed during the year	<b>19,236,068</b> (-)
Carrying amount at the end of the year	<b>186,880,709</b> (261,099,123)

### C-22 Employees Stock Option Schemes:

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/- or ₹ 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.

I<sup>st</sup> tranche of options i.e. 30% of the total options have been vested on August 31, 2008. The vesting of the II<sup>nd</sup> tranche (August 31, 2009) stands cancelled due to non achievement of the performance targets specified in the performance matrix. III<sup>rd</sup> 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	2013-14								
		Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII	Grant VIII	Grant IX
1)	Exercise Price - `	200/-	200/-	2/-	2/-	2/-	2/-	2/-	2/-	2/-
2)	Grant Date	31/8/2007	19/1/2008	01/06/2009	06/10/2009	22/10/2009	14/05/2010	08/08/2011	28/05/2013	24/07/2013
3)	Vesting Commences on	31/8/2008	19/1/2009	01/06/2010	06/10/2010	22/10/2010	14/05/2011	08/08/2012	28/05/2014	24/07/2014
4)	Options granted and outstanding at the beginning of the year	131,980 (141,760)	4,560 (4,940)	-	-	-	-	-	(21,750)	-
5)	Options granted during the year	-	-	-	-	-	-	-	16,725	19,250
6)	Options cancelled/ lapsed during the year	131,980 (9,780)	4,560 (380)	-	-	-	-	-	(3,000)	750
7)	Options exercised during the year	-	-	-	-	-	-	-	(18,750)	-
8)	Option outstanding at the end of year	- (131,980)	- (4,560)	-	-	-	-	-	-	16,725 18,500
9)	Options granted and outstanding at the end of the year of which									
a	Options Vested	- (131,980)	- (4,560)	-	-	-	-	-	-	16,725 18,500
b	Options yet to Vest	-	-	-	-	-	-	-	-	-

**C-23** 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-24** Exceptional item represents net foreign exchange loss.

**C-25** During the year, Company has executed an agreement with Kirloskar Systech Ltd. (KSL), a Company's wholly owned subsidiary company for transfer of certain assets as a part of business strategy.

**C-26** 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 :**

₹

<b>Names of the Subsidiaries</b>	<b>Karad Project &amp; Motors Pvt. Ltd.</b>	<b>Kirloskar Brothers International B V (Consolidated)</b>	<b>The Kolhapur Steels Limited</b>	<b>Kirloskar Corrocoat Private Ltd.</b>	<b>Kirloskar Systech Limited</b>
1. The Financial year of the Subsidiary Companies ended on	March 31, 2014	December 31, 2013	March 31, 2014	March 31, 2014	March 31, 2014
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 95.96 % 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	(65,763,563)	366,255,149	(153,472,081)	55,323,386	1,974,023
(ii) Profits / (Losses) for its previous financial years since becoming subsidiary	-	438,480,077	82,328,038	79,198,314	3,336,063
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 31, 2014 / December 31, 2013	Nil	Nil	Nil *	Nil *	Nil
(ii) for its previous financial years	Nil	Nil	Nil **	Nil **	Nil
* - except dividend	-	-	4,078,031	3,250,000	2,000,000
** - except dividend	-	-	36,700,197	52,000,000	2,000,000

For and on behalf of the Board of Directors

**SANJAY KIRLOSKAR**  
Chairman & Managing Director

**S. N. INAMDAR**  
Director

**SANDEEP PHADNIS**  
Company Secretary

**UMESH R. SHASTRY**  
Vice President (Finance)

Ahmedabad : April 22, 2014

**Statement showing information for 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 (Long term)	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
1	Karad Projects and Motors Ltd.	INR	1.0000	139,524,500	516,578,556	1,435,234,357	1,435,234,357	349,129	1,997,995,126	(72,208,771)	(6,445,208)	(65,763,563)	-	India
2	Kirloskar Corrocoat Pvt. Ltd.	INR	1.0000	50,000,000	67,918,776	279,062,789	279,062,789	-	365,704,808	82,190,573	26,867,187	55,323,386	50,000,000	India
3	The Kolhapur Steel Ltd.	INR	1.0000	17,001,563	(104,813,007)	186,778,580	186,778,580	-	220,601,343	(153,706,607)	(234,526)	(153,472,081)	-	India
4	Kirloskar Systech Ltd.	INR	1.0000	500,000	3,109,476	18,192,127	18,192,127	-	26,303,222	3,071,347	1,097,324	1,974,023	1,000,000	India
5	SPP Pumps Ltd.	GBP	99.7820	194,574,900	1,436,321,079	3,613,372,139	3,613,372,139	-	6,311,384,123	466,904,125	115,361,961	351,542,164	-	U K
6	SPP Pumps France EUROL	EURO	82.7590	31,693,221	(54,080,193)	60,263,449	60,263,449	-	126,068,274	(8,211,596)	16,552	(8,228,148)	-	France
7	SPP Pumps (South Africa) (Pty.) Ltd.	RAND	5.6595	566	57,214,574	166,722,729	166,722,729	-	361,296,521	(12,356,958)	-	(12,356,958)	-	South Africa
8	SPP Pumps LP	USD	59.9100	29,955,000	171,836,583	842,406,205	842,406,205	-	1,904,376,323	117,011,262	44,516,802	72,494,460	-	U S A
9	SPP Pumps Real Estate LLC	USD	59.9100	-	(290,886)	365,495,009	365,495,009	-	29,474,436	(290,886)	-	(290,886)	-	U S A
10	Kirloskar Brothers International B. V.	EURO	82.7590	507,511,292	932,260,272	1,440,676,721	1,440,676,721	-	149,728,134	143,238,098	-	143,238,098	-	The Netherlands
11	Kirloskar Brothers Europe B.V	EURO	82.7590	16,551,800	57,122,662	269,300,269	269,300,269	-	314,536,421	13,521,414	1,781,387	11,740,026	-	The Netherlands
12	Micawber 784 (Proprietary) Ltd.	RAND	5.6595	566	107,217,926	141,428,698	141,428,698	-	6,473,053	(39,068)	112,058	(151,126)	-	South Africa
13	Braybar Pumps (Proprietary) Ltd.	RAND	5.6595	566	46,515,883	122,455,416	122,455,416	-	237,014,942	11,602,405	3,253,913	8,348,493	-	South Africa
14	Kirloskar Brothers (Thailand) Ltd.	Baht	1.8526	18,526,000	(28,388,687)	215,653,161	215,653,161	-	259,728,199	8,627,790	2,763,964	5,773,826	-	Thailand
15	SPP Pumps (MENA) L.L.C.	EGP	8.6121	555,780	(17,818,391)	17,535,317	17,535,317	-	37,074	(9,226,360)	(1,625)	(9,226,735)	-	Egypt

Details of Certified Engines Limited, SPP Pumps Management LLC, SPP Pumps Holdings LLC and SPP France SAS are not provided, since dormant.

# **CONSOLIDATED FINANCIAL STATEMENTS**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**INDEPENDENT AUDITORS' REPORT**  
**TO THE BOARD OF DIRECTORS OF KIRLOSKAR BROTHERS LIMITED**

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Kirloskar Brothers Limited ("the Company") and its subsidiaries (collectively referred to as "The Group"), which comprise the consolidated Balance Sheet as at March 31<sup>st</sup>, 2014, the consolidated Profit and Loss Statement and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India including Accounting Standards referred to in sub section (3C) of the section 211 of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the 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 the Group as at March 31<sup>st</sup>, 2014;
- (b) in the case of the 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

**Other Matter**

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs. 6,686,977,124/- as at March 31, 2014, total revenues of Rs. 9,368,230,112/- and net cash inflows amounting to Rs. 78,466,238/- for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

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

**Abhijeet Bhagwat**  
Partner

Membership No.: 136835

Ahmedabad : April 22, 2014

## CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2014

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Particulars		Note No.	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>I.</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>			
	(a) Share capital	A -1	158,716,902	158,716,902
	(b) Reserves and surplus	A-2	9,798,641,992	9,149,814,384
	(c) Money received against share warrants		-	-
			<b>9,957,358,894</b>	9,308,531,286
<b>2</b>	<b>Share application money pending allotment</b>		-	-
	<b>Minority Interest</b>			
	Capital		18,188,500	23,761,540
	Reserves and Surplus		19,526,710	41,998,142
			<b>37,715,210</b>	65,759,682
<b>3</b>	<b>Non-current liabilities</b>			
	(a) Long-term borrowings	A-3	324,092,353	555,303,307
	(b) Deferred tax liabilities (net)	A-4	-	-
	(c) Other long term liabilities	A-5	845,628,745	812,122,045
	(d) Long-term provisions	A-6	163,096,498	200,487,409
			<b>1,332,817,596</b>	1,567,912,761
<b>4</b>	<b>Current liabilities</b>			
	(a) Short-term borrowings	A-7	2,625,045,499	2,371,238,913
	(b) Trade payables		5,736,539,782	5,840,522,883
	(c) Other current liabilities	A-8	3,785,769,693	4,255,222,624
	(d) Short-term provisions	A-9	644,435,913	600,115,054
			<b>12,791,790,887</b>	13,067,099,474
	<b>TOTAL</b>		<b>24,119,682,587</b>	24,009,303,203
<b>II.</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
	(a) Fixed assets			
	(i) Tangible assets	A-10	4,637,571,849	4,576,191,031
	(ii) Intangible assets	A-10	788,745,286	756,168,621
	(iii) Capital work-in-progress		99,341,950	166,406,264
	(iv) Intangible assets under development		4,716,417	-
	(b) Non-current investments		11,349,329	11,349,329
	(c) Deferred tax assets (net)		21,945,363	21,109,670
	(d) Long-term loans and advances	A-11	1,688,860,156	1,416,478,632
	(e) Other non-current assets	A-12	650,237,748	753,764,486
			<b>7,902,768,098</b>	7,701,468,033
<b>2</b>	<b>Current assets</b>			
	(a) Current investments		104,568,570	27,499,145
	(b) Inventories	A-13	2,740,548,694	3,603,181,386
	(c) Trade receivables	A-14	6,794,585,643	5,644,144,267
	(d) Cash and bank balances	A-15	716,591,620	692,857,431
	(e) Short-term loans and advances	A-16	2,153,237,512	2,160,289,616
	(f) Other current assets	A-17	3,707,382,450	4,179,863,325
			<b>16,216,914,489</b>	16,307,835,170
	<b>TOTAL</b>		<b>24,119,682,587</b>	24,009,303,203

Notes to accounts

Part- B

The notes referred to above and accompanying notes form an integral part of the consolidated 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

**SANDEEP PHADNIS**

Company Secretary

**UMESH R. SHASTRY**

Vice President (Finance)

Ahmedabad : April 22, 2014

Ahmedabad : April 22, 2014

**CONSOLIDATED PROFIT AND LOSS STATEMENT FOR YEAR ENDED MARCH 31, 2014**

Particulars		Note No.	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
I.	Revenue from operations	A-18	<b>28,006,194,732</b>	27,428,456,226
	Less: Excise duty		<b>1,182,826,007</b>	1,303,688,108
			<b>26,823,368,725</b>	26,124,768,118
II.	Other income	A-19	<b>121,050,478</b>	158,090,584
III.	<b>Total Revenue (I + II)</b>		<b>26,944,419,203</b>	26,282,858,702
IV.	Expenses:			
	Cost of materials consumed	A-20	<b>14,279,703,018</b>	15,011,612,053
	Purchases of Stock-in-Trade		<b>1,333,601,479</b>	1,527,631,962
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	A-20	<b>951,162,275</b>	141,715,526
	Employee benefits expense	A-21	<b>3,619,735,809</b>	3,353,342,524
	Finance costs	A-22	<b>513,783,587</b>	549,967,730
	Depreciation and amortization expense		<b>548,394,930</b>	489,067,954
	Other expenses	A-23	<b>4,481,243,672</b>	4,025,948,636
	<b>Total expenses</b>		<b>25,727,624,770</b>	25,099,286,385
V.	Profit before exceptional and extraordinary items and tax (III-IV)		<b>1,216,794,433</b>	1,183,572,317
VI.	Exceptional items	B-9	<b>163,638,779</b>	63,994,700
VII.	<b>Profit before extraordinary items and tax (V - VI)</b>		<b>1,053,155,654</b>	1,119,577,617
VIII.	Extraordinary Items		-	-
IX.	<b>Profit before tax (VII- VIII)</b>		<b>1,053,155,654</b>	1,119,577,617
X.	Tax expense:			
	(1) Current tax		<b>392,357,572</b>	362,746,777
	(2) Deferred tax		<b>6,618,225</b>	(52,711,561)
			<b>398,975,797</b>	310,035,216
XI.	Profit / (Loss) for the period from continuing operations (IX-X)		<b>654,179,857</b>	809,542,401
XII.	Short provision of income tax on account of earlier years		<b>291,238</b>	151,573,179
XIII.	Profit/(Loss) from discontinuing operations		-	-
XIV.	Tax expense of discontinuing operations		-	-
XV.	Profit/(Loss) from discontinuing operations (after tax) (XIII-XIV)		-	-
XVI.	<b>Profit / (Loss) for the period (XI - XII-XV)</b>		<b>653,888,619</b>	657,969,222
XVII.	<b>Less : Minority Interest</b>		<b>13,147,566</b>	(1,561,848)
XVIII.	<b>Profit / (Loss) for the period (XVI- XVII)</b>		<b>640,741,053</b>	659,531,070
XIX.	Earnings per equity share having nominal value of ₹ 2/- per share	B-7		
	(1) Basic		<b>8.07</b>	8.31
	(2) Diluted		<b>8.07</b>	8.31

Notes to accounts

Part- B

The notes referred to above and accompanying notes form an integral part of the consolidated 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 Accountants

**SANJAY KIRLOSKAR**  
Chairman & Managing Director

**S. N. INAMDAR**  
Director

**ABHIJEET BHAGWAT**  
Partner

**SANDEEP PHADNIS**  
Company Secretary

**UMESH R. SHASTRY**  
Vice President (Finance)

Ahmedabad : April 22, 2014

Ahmedabad : April 22, 2014

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>A Cash flows from Operating Activities</b>		
Net Profit before Taxes and Extraordinary Items	1,053,155,654	1,119,577,617
Adjustments for :-		
1 Depreciation / Amortization	548,394,930	489,067,954
2 (Profit)/Loss on sale of Fixed Assets	86,211,440	33,411,517
3 Employees Stock Option-Compensation debited to Profit and Loss Account (net)	(31,284,441)	(1,928,079)
4 Provision for doubtful debts / advances	107,609,629	14,203,016
5 Sundry debit balances written off	61,832,352	80,630,261
6 Interest income	(34,435,347)	(26,423,514)
7 Dividend income	(3,126,763)	(20,267,377)
8 Interest expenses	401,415,157	368,786,698
9 Unrealized exchange (gain) / loss - interest	-	88,519,444
10 Unrealized exchange (gain) / loss - others	(12,481,224)	(37,818,796)
11 (Profit) / loss on sale of investment	(267,403)	(4,193,076)
12 Excess provision written back	(4,353,574)	(2,122,968)
13 Sundry credit balances written back	(242,579)	(687,606)
14 Depreciation written back	-	(384,608)
Operating profit before working capital changes	2,172,427,831	2,100,370,483
Adjustments for :-		
1 (Increase) / decrease in inventories	1,107,876,533	23,711,275
2 (Increase) / decrease in trade and other receivables	(873,948,271)	232,731,321
3 Increase / (decrease) in trade and other payables	(148,058,142)	38,504,111
4 Cash generated from operations	2,258,297,951	2,395,317,190
5 Income tax (paid) / refunded	(367,697,862)	(492,135,344)
Net cash from operating activities	1,890,600,089	1,903,181,846
<b>B Cash flows from Investing Activities</b>		
1 Purchase of fixed assets	(685,889,220)	(773,363,276)
2 Sale of fixed assets	34,020,436	73,996,344
3 (Purchase) / sale of investments	(143,499,927)	(14,849,935)
4 Interest received	44,582,749	37,259,316
5 Dividend received	9,346,511	34,279,908
Net cash from investment activities	(741,439,451)	(642,677,643)
<b>C Cash Flows from Financing Activities</b>		
1 Proceeds from borrowing	810,446,449	810,905,755
2 Repayment of borrowings	(1,325,841,505)	(1,127,139,712)
3 Interest paid	(402,574,769)	(390,772,433)
4 Dividend paid	(177,584,060)	(193,537,292)
5 Tax on dividend	(25,728,083)	(26,056,306)
6 Proceeds from issuance of share capital	-	37,500
Net cash used in financing activities	(1,121,281,968)	(926,562,488)
Unrealized exchange gain / (loss) in cash and cash equivalents	1,538,654	(398,080)
Net increase in cash and cash equivalents	29,417,324	333,543,635
1 Cash & cash equivalents at beginning of period (refer note part A -15 (a))	683,529,696	349,986,061
2 Cash & cash equivalents at end of period (refer note part A - 15 (a))	712,947,020	683,529,696

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

**SANDEEP PHADNIS**  
Company Secretary

**UMESH R. SHASTRY**  
Vice President (Finance)

Ahmedabad : April 22, 2014

Ahmedabad : April 22, 2014



**NOTES TO CONSOLIDATED ACCOUNTS : PART A**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014		Figures as at the end of previous reporting period ending on March 31, 2013	
	No. of Shares	₹	No. of Shares	₹
<b>Note : A-1</b>				
<b>Share Capital Authorised</b> 250,000,000 ( 250,000,000 ) equity shares of ₹ 2/- each (₹ 2/- each)		<b>500,000,000</b>		500,000,000
<b>Issued, subscribed &amp; fully paid up</b> 79,358,451 (79,358,451) equity shares of ₹ 2/- each (₹ 2/- each)		<b>158,716,902</b>		158,716,902
<b>Total</b>		<b>158,716,902</b>		158,716,902

**a) Reconciliation of share capital**

Particulars	Figures as at the end of current reporting period ending on March 31, 2014		Figures as at the end of previous reporting period ending on March 31, 2013	
	Number	₹	Number	₹
Shares outstanding at the beginning of the year	79,358,451	158,716,902	79,339,701	158,679,402
Shares Issued during the year under ESOS	-	-	18,750	37,500
Shares outstanding at the end of the year	79,358,451	158,716,902	79,358,451	158,716,902

**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, 2014 the board of directors have proposed dividend of ₹ 2.50 (₹ 2/-) 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, 2014		Figures as at the end of previous reporting period ending on March 31, 2013	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Industries Limited	18,988,038	23.93	18,988,038	23.93
Mr. Sanjay Chandrakant Kirloskar *	15,850,121	19.97	15,801,653	19.91
Mrs. Pratima Sanjay Kirloskar	13,736,770	17.31	13,732,300	17.30
Amansa Capital Pte. Ltd.	4,298,110	5.42	882,493	1.11

\* includes 1,624,615 (1,624,615), 2.05% (2.05%) shares held in the capacity of a trustee.

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

Particulars	Figures as at the end of current reporting period ending on March 31, 2014		Figures as at the end of previous reporting period ending on March 31, 2013	
	No. of Shares	₹	No. of Shares	₹
Shares reserved for ESOS scheme (refer note C -22)	5,212,315	10,424,630	5,212,315	10,424,630

**NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-2</b>		
<b>Reserves &amp; Surplus</b>		
<b>(a) Capital Reserves</b>	<b>6,587,204</b>	6,587,204
<b>(b) Capital Redemption Reserve</b>	<b>9,236,726</b>	9,236,726
<b>(c) Securities Premium Reserve</b>		
Opening balance	<b>406,726,221</b>	403,910,909
Add: Securities premium credited on share issue	-	2,815,312
Closing balance	<b>406,726,221</b>	406,726,221
<b>(d) Share Options Outstanding Account</b>		
Opening balance	<b>35,394,855</b>	40,138,247
Less: Written back in current year	<b>31,284,441</b>	4,743,392
Closing balance	<b>4,110,414</b>	35,394,855
<b>(e) Foreign currency translation reserve</b>		
Opening balance	<b>116,663,061</b>	96,722,362
Add: Current year transfer	<b>269,899,225</b>	19,940,699
Closing balance	<b>386,562,286</b>	116,663,061
<b>(f) General Reserve</b>		
Opening balance	<b>6,751,378,811</b>	6,706,860,034
Add: Transfer from surplus	<b>51,480,917</b>	44,518,777
Closing balance	<b>6,802,859,728</b>	6,751,378,811
<b>(g) Surplus</b>		
Opening balance	<b>1,823,827,506</b>	1,392,124,623
Add: Net Profit for the current year	<b>640,741,053</b>	659,531,070
Balance available for appropriation	<b>2,464,568,559</b>	2,051,655,693
Less: Appropriations :		
Proposed dividend	<b>198,396,128</b>	158,716,902
Tax on dividend	<b>32,132,101</b>	24,592,508
Transfer to general reserve	<b>51,480,917</b>	44,518,777
	<b>282,009,146</b>	227,828,187
Closing balance	<b>2,182,559,413</b>	1,823,827,506
<b>TOTAL</b>	<b>9,798,641,992</b>	9,149,814,384

**NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-3</b>		
<b>Long Term Borrowings</b>		
<b>Secured</b>		
(a) Term loans from banks	267,522,357	204,881,881
(b) Long term maturities of finance lease obligations	149,858	-
<b>Unsecured</b>		
<b>From others</b>		
(i) Interest free loan under sales tax deferral scheme	43,174,796	54,005,650
(ii) Long term maturities of finance lease obligations	13,245,342	296,415,776
<b>TOTAL</b>	<b>324,092,353</b>	<b>555,303,307</b>

<b>Note : A- 4</b>		
<b>Deferred Tax (Assets) / Liabilities (net)</b>		
<b>(a) Deferred Tax Liabilities</b>		
(i) On depreciation / amortization of fixed assets	239,023,631	273,501,363
(ii) On other timing differences	2,585,634	343,073
<b>TOTAL</b>	<b>241,609,265</b>	<b>273,844,436</b>
<b>(b) Deferred Tax Assets</b>		
(i) On employees voluntary retirement schemes	2,008,239	1,531,893
(ii) On provision for doubtful debts / advances	159,093,183	149,390,440
(iii) On provision for employee benefits	83,609,649	108,491,823
(iv) On other timing differences	18,843,557	35,539,950
<b>TOTAL</b>	<b>263,554,628</b>	<b>294,954,106</b>
<b>NET</b>	<b>21,945,363</b>	<b>21,109,670</b>

<b>Note : A-5</b>		
<b>Other Long Term Liabilities</b>		
<b>(a) Trade Payables</b>	262,355,645	236,494,011
<b>(b) Others</b>		
(i) Advances and deposits received from customers	438,561,696	490,053,513
(ii) Gross amount due to customers for project related contract work (refer note part B - 5)	144,711,404	85,574,521
<b>TOTAL</b>	<b>845,628,745</b>	<b>812,122,045</b>

<b>Note : A-6</b>		
<b>Long Term Provisions</b>		
<b>(a) Provision for employee benefits</b>		
(i) Leave encashment	106,360,690	162,019,550
(ii) Pension scheme	23,243,530	15,758,335
(iii) Gratuity	23,819,122	19,595,638
<b>(b) Others</b>		
(i) Provision for product warranty	9,673,156	3,113,886
<b>TOTAL</b>	<b>163,096,498</b>	<b>200,487,409</b>

**NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-7</b>		
<b>Short Term Borrowings</b>		
<b>Secured</b>		
<b>(a) Loans repayable on demand from banks</b>		
(i) Working capital demand loans	<b>302,190,735</b>	315,845,125
(ii) Cash / export credit facilities	<b>524,875,935</b>	1,104,533,719
(ii) Other loans and advances	<b>200,000,000</b>	-
<b>Unsecured</b>		
<b>(a) Foreign currency short term loans and advances from banks</b>		
(i) Citibank N.A. FCNRB	-	933,788,000
<b>(b) Rupee short term loans and advances from banks</b>		
(i) Bank of India	<b>500,000,000</b>	17,072,069
(ii) Citibank N.A.	<b>50,000,000</b>	-
(iii) Citi Financial Consumer Finance India Ltd.	<b>1,000,000,000</b>	-
<b>(c) Other loans and advances</b>	<b>47,978,829</b>	-
<b>TOTAL</b>	<b>2,625,045,499</b>	2,371,238,913

<b>Note : A-8</b>		
<b>Other Current Liabilities</b>		
<b>(a) Current maturities of long-term debt</b>	<b>17,239,371</b>	413,748,702
<b>(b) Interest accrued but not due on borrowings</b>	<b>43,660,134</b>	30,755,271
<b>(c) Investor Education &amp; Protection fund (will be credited as and when due)</b>		
(i) Unpaid dividends	<b>44,810,253</b>	51,663,405
<b>(d) Other payables</b>		
(i) Gross amount due to customers for project related contract work (refer note part B-5)	<b>578,818,898</b>	665,905,018
(ii) Advances from customers	<b>1,174,940,739</b>	1,347,437,294
(iii) Salary & reimbursements	<b>380,302,935</b>	310,749,950
(iv) Contribution to PF & superannuation	<b>29,350,657</b>	24,211,751
(v) Statutory dues	<b>700,350,080</b>	689,095,870
(vi) Provision for expenses	<b>816,296,626</b>	721,655,363
<b>TOTAL</b>	<b>3,785,769,693</b>	4,255,222,624

**NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-9</b>		
<b>Short Term Provisions</b>		
<b>(a) Provision for employee benefits</b>		
(i) Gratuity	<b>37,714,740</b>	40,631,866
(ii) Leave encashment	<b>108,978,166</b>	146,160,164
<b>(b) Others</b>		
(i) Proposed dividend	<b>215,896,128</b>	160,639,024
(ii) Dividend distribution tax	<b>34,971,038</b>	24,904,329
(iii) Provision for income tax (net of advance tax)	<b>87,251,743</b>	86,798,268
(iv) Provision for product warranty	<b>152,631,678</b>	111,040,098
(v) Other short term provisions	<b>6,992,420</b>	29,941,305
<b>TOTAL</b>	<b>644,435,913</b>	600,115,054

## NOTES TO ACCOUNTS: PART A (CONTD.)

Note A-10: Tangible and Intangible Assets

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Particulars	Tangible Assets							Intangible assets				Total	
	Land Free/ Lease Hold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Railway Siding	Total	Goodwill	Computer Software	Technical Knowhow			
<b>Gross Block</b>													
At 01.04.2012	414,538,879	1,616,201,735	4,531,093,812	349,562,951	118,852,942	1,671,765	7,031,922,084	724,386,270	176,935,844	14,371,340	915,693,454		
<b>Additions</b>													
Additions during the year	841,600	542,324,819	390,272,709	56,770,370	10,362,590	-	1,000,572,088	5,200	19,957,958	-	19,963,158		
Borrowing Cost	-	-	5,666,108	-	-	-	5,666,108	-	-	-	-		
Exchange difference	1,590,827	3,324,091	5,550,804	(1,166,259)	(1,519,043)	-	7,780,420	7,704,906	52,715	-	7,757,621		
	2,432,427	545,648,910	401,489,621	55,604,111	8,843,547	-	1,014,018,616	7,710,106	20,010,673	-	27,720,779		
<b>Deductions</b>													
Deductions during the year	-	2,499,661	320,020,235	11,934,062	30,262,462	8,008	364,724,428	-	9,172	-	9,172		
At 31.03.2013	416,971,306	2,159,350,984	4,612,563,198	393,233,000	97,434,027	1,663,757	7,681,216,272	732,096,376	196,937,345	14,371,340	943,405,061		
Reorganisation of opening block	-	-	(6,808,495)	6,808,495	-	-	-	-	-	-	-		
As on 1.04.2013	416,971,306	2,159,350,984	4,605,754,703	400,041,495	97,434,027	1,663,757	7,681,216,272	732,096,376	196,937,345	14,371,340	943,405,061		
<b>Additions</b>													
Additions during the year	-	147,111,467	545,487,919	10,529,511	14,296,902	-	717,425,799	40,518,536	14,241,792	-	54,760,328		
Borrowing Cost	-	-	64,941,870	85,610,547	(5,741,202)	-	221,729,145	-	277,595	-	277,595		
Exchange difference	107,775,333	(30,857,403)	610,429,789	96,140,058	8,555,700	-	939,154,944	40,518,536	14,519,387	-	55,037,923		
Additions/ Assets acquired / transferred	107,775,333	116,254,064	371,918,155	914,538	17,378,375	17,355	390,228,423	-	3,297,652	-	3,297,652		
<b>Deductions</b>													
Impairment	-	-	12,200,000	-	-	-	12,200,000	-	-	-	-		
At 31.03.2014	524,746,639	2,275,605,048	4,832,066,337	495,267,015	88,611,352	1,646,402	8,217,942,793	772,614,912	208,159,080	14,371,340	995,145,332		
<b>Depreciation / Amortisation</b>													
At 01.04.2012	527,472	241,140,703	2,387,455,705	198,715,634	61,810,931	1,560,065	2,891,210,510	16,324,711	139,802,047	1,878,921	158,005,679		
For the year	83,720	42,114,092	361,346,209	45,009,076	11,269,107	19,750	459,841,954	-	25,827,785	3,398,215	29,226,000		
Exchange difference	-	1,595,986	7,648,352	(3,841,686)	(83,131)	-	5,319,521	-	318,659	(308,744)	9,915		
For the year including on Assets Acquired	83,720	43,710,078	368,994,561	41,167,390	11,185,976	19,750	465,161,475	-	26,146,444	3,089,471	29,235,915		
Recouped	-	148,944	222,802,375	7,374,727	21,012,690	8,008	251,346,744	-	-	5,154	5,154		
Reversal of impairment loss	-	148,944	222,802,375	7,374,727	21,012,690	8,008	251,346,744	-	-	-	5,154		
	83,720	43,561,134	146,192,186	33,792,663	(9,826,714)	11,742	213,814,731	-	26,146,444	3,084,317	29,230,761		
At 31.03.2013	611,192	284,701,837	2,533,647,891	232,508,297	51,994,217	1,571,807	3,105,025,241	16,324,711	165,948,491	4,963,238	187,236,440		
For the year	408,589	54,915,910	437,780,659	10,658,222	10,145,677	19,367	513,928,424	-	18,960,615	3,305,891	22,266,506		
Impairment	-	-	12,200,000	-	-	-	12,200,000	-	-	-	-		
Exchange difference	-	13,834,147	9,559,888	75,749,311	(5,480,934)	-	93,662,412	-	191,540	-	191,540		
For the year including on Assets Acquired	408,589	68,750,057	459,540,547	86,407,533	4,664,743	19,367	619,790,836	-	19,152,155	3,305,891	22,458,046		
Recouped	-	-	131,147,199	236,277	13,047,863	13,794	144,445,133	-	3,294,440	-	3,294,440		
	408,589	68,750,057	328,393,348	86,171,256	(8,383,120)	5,573	475,345,703	-	15,857,715	3,305,891	19,163,606		
At 31.03.2014	1,019,781	353,451,894	2,855,613,742	325,107,050	43,601,097	1,577,380	3,580,370,944	16,324,711	181,806,206	8,269,129	206,400,046		
<b>Net Block</b>													
As at 31.03.2013	416,360,114	1,874,649,147	2,078,915,307	160,724,703	45,449,810	91,950	4,576,191,031	715,771,665	30,988,854	9,408,102	756,168,621		
As at 31.03.2014	523,726,858	1,922,153,154	1,976,452,595	170,159,965	45,010,255	69,022	4,637,571,849	756,290,201	26,352,874	6,102,211	768,745,266		

**NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-11</b>		
<b>Long Term Loans and Advances</b>		
<b>(a) Capital advances</b>		
Unsecured, considered good	<b>251,120,657</b>	147,969,347
<b>(b) Security deposits</b>		
Unsecured, considered good	<b>253,346,503</b>	311,759,902
Doubtful	<b>8,160,304</b>	5,327,267
	<b>261,506,807</b>	317,087,169
Less: Provision for doubtful deposits	<b>8,160,304</b>	5,327,267
	<b>253,346,503</b>	311,759,902
<b>(c) Other loans and advances</b>		
(i) Advances to suppliers and others		
Unsecured, considered good	<b>128,362,141</b>	146,866,986
Doubtful	<b>51,148,055</b>	54,688,290
	<b>179,510,196</b>	201,555,276
Less: Provision for doubtful advances	<b>51,148,055</b>	54,888,290
	<b>128,362,141</b>	146,666,986
(ii) Advance income tax (net of provision)		
Unsecured, considered good	<b>1,056,030,855</b>	809,882,397
<b>TOTAL</b>	<b>1,688,860,156</b>	1,416,478,632

<b>Note : A-12</b>		
<b>Other Non Current Assets</b>		
<b>(a) Long term trade receivables</b>		
Unsecured, considered good	<b>239,827,105</b>	361,918,900
Doubtful	<b>338,299,039</b>	303,445,857
	<b>578,126,144</b>	665,364,757
Less : Provision for doubtful receivables	<b>338,299,039</b>	303,445,857
	<b>239,827,105</b>	361,918,900
<b>(b) Others</b>		
(i) Claims receivables		
Unsecured, considered good	<b>91,000,519</b>	78,634,063
Doubtful	<b>192,585,767</b>	147,725,744
	<b>283,586,286</b>	226,359,807
Less : Provision for doubtful claims	<b>192,585,767</b>	147,725,744
	<b>91,000,519</b>	78,634,063
(ii) Gross amount due from customers (refer note part B-5)		
Unsecured, considered good	<b>292,496,578</b>	262,617,933
(iii) Fixed deposits with bank for maturity of more than 12 months		
Unsecured, considered good	<b>26,913,546</b>	50,593,590
<b>TOTAL</b>	<b>650,237,748</b>	753,764,486

**NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A -13</b>		
<b>Inventories</b>		
(a) Raw materials	<b>1,144,300,771</b>	1,065,961,890
(b) Work-in-progress	<b>831,390,541</b>	1,536,121,147
(c) Finished goods	<b>521,694,745</b>	706,115,178
(d) Stock-in-trade	<b>147,952,283</b>	209,963,519
(e) Stores and spares	<b>95,210,354</b>	85,019,652
<b>TOTAL</b>	<b>2,740,548,694</b>	3,603,181,386

<b>Note : A-14</b>		
<b>Trade receivables</b>		
(i) Trade receivables outstanding for a period exceeding six months Unsecured, considered good	<b>1,158,617,269</b>	1,230,358,954
(ii) Trade receivables outstanding for a period less than six months Unsecured, considered good	<b>5,635,968,374</b>	4,413,785,313
<b>TOTAL</b>	<b>6,794,585,643</b>	5,644,144,267

<b>Note : A-15</b>		
<b>Cash &amp; Bank Balances</b>		
<b>(a) Cash &amp; cash equivalents</b>		
(i) Cash on hand	<b>2,896,104</b>	2,951,742
(ii) Balances with banks	<b>665,240,663</b>	628,944,902
(iii) Earmarked balances with banks Unpaid dividend accounts	<b>44,810,253</b>	51,633,052
	<b>712,947,020</b>	683,529,696
<b>(b) Other bank balances</b>		
Fixed deposits (more than 3 months but less than 12 months)	<b>3,644,600</b>	9,327,735
<b>TOTAL</b>	<b>716,591,620</b>	692,857,431

<b>Note : A-16</b>		
<b>Short term loans and advances</b>		
<b>(a) Others</b>		
(i) Security deposits Unsecured, considered good	<b>1,169,592,953</b>	1,081,118,830
(ii) Advances to suppliers and others Unsecured, considered good	<b>894,241,251</b>	795,194,806
(iii) Advance income tax (net of provision for tax) Unsecured, considered good	<b>89,403,308</b>	283,975,980
<b>TOTAL</b>	<b>2,153,237,512</b>	2,160,289,616



**NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-17</b>		
<b>Other current assets</b>		
(i) Interest accrued on investments & deposits Unsecured, considered good	<b>1,625,591</b>	1,454,146
(ii) Claims receivables Unsecured, considered good	<b>1,187,229,084</b>	1,268,305,351
(iii) Gross amount due from customers (refer note part B -5)	<b>2,518,527,775</b>	2,910,103,828
<b>TOTAL</b>	<b>3,707,382,450</b>	4,179,863,325

<b>Note : A-18</b>		
<b>Revenue from operations</b>		
Sale of products	<b>23,533,805,703</b>	21,565,910,203
Less: Excise duty	<b>1,182,826,007</b>	1,303,688,108
	<b>22,350,979,696</b>	20,262,222,095
Project related revenue	<b>3,750,258,489</b>	4,708,573,430
Sale of services	<b>421,432,272</b>	980,612,549
	<b>26,522,670,457</b>	25,951,408,074
Other operating revenues	<b>300,698,268</b>	173,360,044
<b>TOTAL</b>	<b>26,823,368,725</b>	26,124,768,118

<b>Note : A-19</b>		
<b>Other Income</b>		
<b>(a) Interest Income</b>		
(i) from banks	<b>6,336,949</b>	5,850,390
(ii) from customers	<b>4,985,209</b>	3,611,311
(iii) from others	<b>23,536,025</b>	16,961,813
<b>(b) Dividend income from long term investments</b>		
(i) from others	<b>3,126,763</b>	20,267,377
<b>(c) Gain on sale of long term investment</b>	<b>416,110</b>	4,197,652
<b>(d) Other non operating income</b>	<b>82,649,422</b>	107,202,041
<b>TOTAL</b>	<b>121,050,478</b>	158,090,584

**NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-20</b>		
<b>Cost of material consumed</b>		
Raw material consumed	<b>12,925,678,293</b>	13,549,674,030
Stores and spares consumed	<b>833,091,219</b>	891,313,371
Processing charges	<b>520,933,506</b>	570,624,652
	<b>14,279,703,018</b>	15,011,612,053
<b>Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
<b>Opening stock</b>		
Finished goods	<b>706,115,178</b>	752,360,900
Work-in- progress	<b>1,536,121,147</b>	1,549,348,204
Stock in trade	<b>209,963,519</b>	292,206,266
	<b>2,452,199,844</b>	2,593,915,370
<b>Closing stock</b>		
Finished goods	<b>831,390,541</b>	706,115,178
Work-in- progress	<b>521,694,745</b>	1,536,121,147
Stock in trade	<b>147,952,283</b>	209,963,519
	<b>1,501,037,569</b>	2,452,199,844
	<b>951,162,275</b>	141,715,526

<b>Note : A-21</b>		
<b>Employee benefits expense</b>		
Salaries, wages and bonus	<b>3,148,727,275</b>	2,887,606,071
Contribution to provident fund and E.S.I.	<b>234,939,534</b>	224,732,285
Gratuity	<b>36,242,644</b>	34,656,910
Welfare expenses	<b>149,081,794</b>	146,263,845
Pension benefits	<b>82,029,003</b>	62,011,492
ESOS expenses	<b>(31,284,441)</b>	(1,928,079)
<b>TOTAL</b>	<b>3,619,735,809</b>	3,353,342,524

<b>Note : A-22</b>		
<b>Finance costs</b>		
Interest expense	<b>353,919,293</b>	373,685,123
Other borrowing costs	<b>112,444,132</b>	127,687,554
Applicable net (gain) / loss on foreign currency transactions and translation	<b>47,420,162</b>	48,595,053
<b>TOTAL</b>	<b>513,783,587</b>	549,967,730

**NOTES TO CONSOLIDATED ACCOUNTS : PART A (CONTD.)**

₹

Particulars	Figures as at the end of current reporting period ending on March 31, 2014	Figures as at the end of previous reporting period ending on March 31, 2013
<b>Note : A-23</b>		
<b>Other expenses</b>		
Power & fuel	340,815,852	349,659,207
Repairs and maintenance		
Plant and machinery	152,248,952	14,930,789
Buildings	42,681,758	150,284,510
Others	30,982,984	24,938,841
Rent	244,324,747	239,335,860
Rates and taxes	109,725,472	64,293,980
Travel and conveyance	547,047,918	490,758,537
Postage and telephone	139,163,370	123,564,347
Insurance	213,378,349	183,895,234
Directors sitting fees	697,000	776,300
Royalties and fees	53,063,748	52,926,063
Cash discount	152,018,487	184,193,006
Freight and forwarding charges	414,384,547	483,391,106
Brokerage and commission	230,933,506	191,990,251
Advertisements and publicity	201,490,060	162,202,708
Provision for product warranty	128,345,026	78,458,137
Loss on sale/disposal of fixed assets	88,117,311	33,411,517
Loss on sale/disposal of investment	145,777	4,576
Bad debts, claims, and advances written off	61,832,352	80,630,261
Provision for doubtful debts, advances & claims	107,609,629	14,203,016
Watch and ward expenses	39,062,198	34,735,816
Legal expenses and consulting fees	308,101,796	293,603,351
Computer services	56,384,555	71,618,130
Stationery & printing	22,456,800	21,468,841
Training course expenses	32,801,183	32,765,998
Other miscellaneous expenses	763,430,295	647,908,254
<b>TOTAL</b>	<b>4,481,243,672</b>	4,025,948,636

## NOTES TO CONSOLIDATED ACCOUNTS : PART B

### 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 Brothers International B.V. (Consolidated Financial Statements)	The Netherlands	100.00%	31 <sup>st</sup> December, 2013
The Kolhapur Steel Limited	India	95.96%	31 <sup>st</sup> March, 2014
Kirloskar Corrocoat Private Limited	India	65.00%	31 <sup>st</sup> March, 2014
Kirloskar Systech Limited	India	100.00%	31 <sup>st</sup> March, 2014
Karad Projects and Motors Limited	India	100.00%	31 <sup>st</sup> March, 2014

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	45.00%	31 <sup>st</sup> March, 2014

**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
<b>Sources of Funds</b>	
Reserves & Surplus	450,346,316
<b>Non-current liabilities</b>	
Long-term borrowings	2,983,467
Deferred tax liabilities (net)	16,426,768
Long-term provisions	7,380,031
<b>Current liabilities</b>	
Short-term borrowings	-
Trade payables	73,418,837
Other current liabilities	113,367,564
Short-term provisions	10,180,814
<b>Application of Funds</b>	
<b>Non-current assets</b>	
Fixed assets	223,387,173
Long-term loans and advances	12,470,862
<b>Current assets</b>	
Current investments	104,568,570
Inventories	122,328,682
Trade receivables	110,765,201
Cash and bank balances	8,216,190
Short-term loans and advances	94,496,297
Other current assets	120,822

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

Particulars	Kirloskar Ebara Pumps Limited
<b>Income</b>	
Revenue and Other Income	378,690,609
<b>Expenditure</b>	
Materials consumed	182,387,385
Payments and benefits to employees	81,700,563
Operating and other expenses	105,280,017
Finance costs	3,529,224
Depreciation and amortization	32,633,045
Provision for tax	(470,375)

**B-2 Other Accounting Policies :**

**Significant accounting policies**

- a) They are set out in Part B: Notes forming parts of accounts of the parent company.
- b) 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 subsidiaries are not considered as an intergral 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 31<sup>st</sup> March, 2014.

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

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	<b>Figures as at the end of current reporting period ending on March 31, 2014</b>	Figures as at the end of previous reporting period ending on March 31, 2013
<b>B-3</b>	<b>Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances):</b>	
	<b>248,483,520</b>	153,082,284
<b>B-4</b>	<b>Contingent liabilities not provided for in respect of :</b>	
	<b>a) Guarantees:</b>	
	By the company to Citibank N.A. on behalf of SPP Pumps Ltd., UK [USD 10,500,000]	
	<b>629,055,000</b>	572,775,000
	By the company to Citibank N.A. on behalf of Kirloskar Brothers (Thailand) Ltd. [USD 3,000,000]	
	<b>179,730,000</b>	163,650,000
	By the company to Citibank N.A. on behalf of Kirloskar Brothers Europe B.V. [USD 5,000,000]	
	<b>299,550,000</b>	272,750,000
	By the company to Citibank N.A. on behalf of Braybar Pumps (Proprietary) Ltd. [USD 2,000,000]	
	<b>119,820,000</b>	109,100,000
	By the company to Weatherford Oil Tool Middle East Ltd. on behalf of SPP Pumps Ltd., UK [GBP 89,785]	
	<b>8,934,416</b>	-
	By the company to Citibank N.A. on behalf of erstwhile Hematic Motors Pvt Ltd. (Now Karad Projects and Motors Ltd.) [USD 6,000,000 (5,000,000)]	
	<b>359,460,000</b>	327,300,000
	By the company to Indian Overseas Bank Ltd. on behalf of erstwhile Kirloskar Constructions & Engineers Ltd., Chennai (Now Karad Projects and Motors Ltd.)	
	<b>500,000,000</b>	500,000,000
	<b>b) Other money for which the company is contingently liable for</b>	
	i) Central Excise (Matter Subjudice)	
	<b>1,121,049,271</b>	670,814,463
	ii) Sales Tax (Matter Subjudice)	
	<b>193,552,873</b>	83,439,571
	iii) Income Tax (Matter Subjudice)	
	<b>739,761,010</b>	739,225,346
	iv) Labour Matters (Matter Subjudice)	
	<b>53,973,166</b>	48,115,406
	v) Other Legal Cases (Matter Subjudice)	
	<b>72,590,410</b>	586,536,250
	vi) Letters of Credit Outstanding	
	<b>629,139,241</b>	677,131,468

**NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)**

	<b>Figures as at the end of current reporting period ending on March 31, 2014</b>	Figures as at the end of previous reporting period ending on March 31, 2013
<b>B-5 Construction contracts</b>		
<b>Particulars</b>		
a) Contract revenue recognised as revenue for the year	<b>3,750,258,489</b>	4,708,573,430
b) Advances received	<b>464,787,949</b>	783,858,971
c) Amount of retentions	<b>1,035,727,219</b>	1,205,829,118
d) Gross amount due from customer		
Contract costs incurred	<b>43,167,741,752</b>	41,919,128,927
Add: Recognised profits less recognised losses	<b>5,412,736,367</b>	6,751,229,483
Less: Progress billing	<b>45,769,453,766</b>	45,497,636,650
* Net	<b>2,811,024,353</b>	3,172,721,761
*[Comprises of (note part A-12 (b)(ii) + note part A-17 (iii))]		
e) Gross amount due to customer		
Contract costs incurred	<b>13,756,429,918</b>	11,265,953,994
Add: Recognised profits less recognised losses	<b>3,938,655,231</b>	2,567,518,460
Less: Progress billing	<b>18,418,615,451</b>	14,584,951,993
** Net	<b>(723,530,302)</b>	(751,479,539)
**[Comprises of (note part A-5 (b)(ii) + note part A - 8 (d)(i))]		

**B-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	Karad Projects and Motors Limited *	Subsidiary Company
2	The Kolhapur Steel Limited	Subsidiary Company
3	Kirloskar Systech Limited	Subsidiary Company
4	Kirloskar Corrocoat Private Limited	Subsidiary Company
5	Kirloskar Brothers International B.V.	Subsidiary Company
6	Micawber 784 (Proprietary) Limited	Subsidiary of Kirloskar Brothers International B.V.
7	Kirloskar Brothers(Thailand) Limited	Subsidiary of Kirloskar Brothers International B.V.
8	SPP Pumps Limited	Subsidiary of Kirloskar Brothers International B.V.
9	Kirloskar Brothers Europe B.V.	Subsidiary of Kirloskar Brothers International B.V.
10	SPP Pumps (MENA) LLC	Subsidiary of Kirloskar Brothers International B.V.
11	SPP Pumps France EURL	Subsidiary of SPP Pumps Limited
12	SPP France S A S	Subsidiary of SPP Pumps Limited
13	Certified Engines Limited	Subsidiary of SPP Pumps Limited
14	SPP Pumps (South Africa) (Pty.) Limited	Subsidiary of SPP Pumps Limited
15	SPP Pumps Holdings LLC	Subsidiary of SPP Pumps Limited
16	SPP Pumps Management LLC	Subsidiary of SPP Pumps Limited
17	Braybar Pumps (Proprietary) Limited	Subsidiary of Micawber 784 ( Proprietary) Limited
18	SPP Pumps LP (doing business as SPP Pumps Inc.)	Owned by Partnership firm of SPP Pumps Holding LLC and SPP Pumps Management LLC
19	SPP Pumps Real Estate LLC	Owned by SPP Pumps LP
20	SyncroFlo Inc.	Owned by SPP Pumps LP (w.e.f. 28.02.2014)

\* Consequent to the merger of Hematic Motors Private Ltd. with Kirloskar Constructions and Engineers Ltd. as per the orders of the Honourable High Courts of Mumbai and Madras dated March 1, 2013 and June 23, 2013 respectively, the merged entity was renamed as Karad Projects and Motors Ltd

## NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)

### (B) Disclosure of related parties transactions

₹

Sr. No.	Nature of transactions with related parties	2013-2014		2012-2013	
		Amount	Amount for Major parties*	Amount	Amount for Major parties*
1	<b>Purchase of goods &amp; services</b>	<b>71,188,560</b>		40,578,589	
	<b>Enterprises over which key management personnel or their relatives exercise significant influence</b>				
	Pradhan Engineering Enterprises Karad		-		1,182,597
	Deepal Stampings Pvt. Ltd., Kolhapur		-		611,026
	<b>Joint Venture</b>				
	Kirloskar Ebara Pumps Limited		<b>71,188,560</b>		38,779,026
2	<b>Sale of goods/contract revenue &amp; services</b>	<b>2,668,265</b>		3,783,991	
	<b>Enterprises over which key management personnel or their relatives exercise significant influence</b>				
	Deepal Stampings Pvt. Ltd., Kolhapur		-		861,546
	AG Electro Services, Karad		<b>333,976</b>		2,712,556
	<b>Joint Venture</b>				
	Kirloskar Ebara Pumps Limited		<b>2,334,289</b>		145,704
3	<b>Rendering Services</b>	<b>2,954,041</b>		842,700	
	<b>Joint Venture</b>				
	Kirloskar Ebara Pumps Limited		<b>2,954,041</b>		842,700
4	<b>Receiving Services</b>	<b>3,170,595</b>		3,052,648	
	<b>Key Management Personnel</b>				
	Mr. Sanjay Kirloskar		<b>841,800</b>		840,000
	<b>Relatives of Key Management Personnel</b>				
	Mrs. Pratima Kirloskar		<b>1,887,648</b>		1,887,648
5	<b>Reimbursement of expenses</b>	<b>4,958,797</b>		3,966,510	
	<b>Joint Venture</b>				
	Kirloskar Ebara Pumps Limited		<b>4,958,797</b>		3,371,153
	<b>Enterprises over which key managerial personnel or their relatives exercise significant influence</b>				
	Kirloskar Proprietary Limited		-		595,357



**NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)**

**(B) Disclosure of related parties transactions**

₹

Sr. No.	Nature of transactions with related parties	2013-2014		2012-2013	
		Amount	Amount for Major parties	Amount	Amount for Major parties
6	<b>Royalty Paid</b> <b>Enterprises over which key management personnel or their relatives exercise significant influence</b> Kirloskar Proprietary Limited	49,419,916	49,419,916	53,621,552	53,621,552
7	<b>Loan Taken</b> <b>Joint Venture</b> Kirloskar Ebara Pumps Limited	145,000,000		145,000,000	
8	<b>Payment made towards repayment of Loan</b> <b>Joint Venture</b> Kirloskar Ebara Pumps Limited	145,000,000	145,000,000	-	-
9	<b>Interest Paid</b> <b>Joint Venture</b> Kirloskar Ebara Pumps Limited	3,170,136	3,170,136	-	-
10	<b>Sale of Fixed Assets</b> <b>Joint Venture</b> Kirloskar Ebara Pumps Limited	325,750	325,750	-	-
7	<b>Dividend paid</b> <b>Key Management Personnel</b> Mr. Sanjay Kirloskar	59,098,616	31,603,306	55,836,944	28,354,076
	<b>Relatives of Key Management Personnel</b> Mrs. Pratima Kirloskar			27,464,600	27,464,600
8	<b>Dividend received</b> <b>Joint Venture</b> Kirloskar Ebara Pumps Limited	150	-	11,250,100	11,250,000
	<b>Enterprises over which key management personnel or their relatives exercise significant influence</b> Kirloskar Proprietary Limited		150		100
9	<b>Remuneration Paid</b> <b>Key Management Personnel</b> Mr. Sanjay Kirloskar Mr. J. R. Sapre	57,959,063	36,434,994 18,026,976	56,449,361	31,592,393 15,638,415
	<b>Relatives of Key Management Personnel</b> Mr. Alok Kirloskar		375,000		316,814

\* "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 transactions with related parties	2013-2014		2012-2013	
		Amount	Amount for Major parties*	Amount	Amount for Major parties*
1	<b>Accounts receivable</b>	<b>3,400,000</b>		7,483,764	
	<b>Enterprises over which key management personnel or their relatives exercise significant influence</b>				
	Pradhan Engineering Enterprises Karad		-		1,693,214
	<b>Relatives of Key Management Personnel</b>		<b>3,400,000</b>		3,400,000
	Mrs. Pratima Kirloskar				
2	<b>Amount due</b>	<b>68,599,490</b>		63,889,987	
	<b>Joint Venture</b>				
	Kirloskar Ebara Pumps Limited		<b>18,666,119</b>		32,889,987
	<b>Enterprises over which key management personnel or their relatives exercise significant influence</b>				
	Kirloskar Proprietary Limited		<b>13,758,371</b>		-
	<b>Key Management Personnel</b>				
	Mr. Sanjay Kirloskar		<b>23,300,000</b>		18,300,000
	Mr. J. R. Sapre		<b>12,500,000</b>		10,000,000

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

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

1) Joint Venture	Kirloskar Ebara Pumps Limited	
2) Key Management Personnel	Mr. Sanjay Kirloskar	
	Mr. J R Sapre	
	Mr. Aseem Srivastav	
	Mr. Basant K. Grover	
	Mr. Sadanand G.Pose	
	Mr. Sambhaji Yesugade	
3) Relatives of Key Management Personnel	Mrs.Pratima Kirloskar	Wife of Mr. Sanjay Kirloskar
	Mr.Alok Kirloskar	Son of Mr. Sanjay Kirloskar
	Mrs.Suman Kirloskar	Mother of Mr. Sanjay Kirloskar
	Ms. Preeti Sapre	Daughter of Mr. J R Sapre
4) Enterprises over which key managerial personnel or their relatives exercise significant influence	Kirloskar Proprietary Limited	
	Cryotech, Karad	
	AG Electro Services, Karad	

**NOTES TO CONSOLIDATED ACCOUNTS : PART B**

		₹	
		<b>Figures as at the end of current reporting period ending on March 31, 2014</b>	Figures as at the end of previous reporting period ending on March 31, 2013
<b>B-7</b>	<b>Earning per Share ( Basic and diluted )</b>		
	<b>I - Basic</b>		
	Profit for the year before tax	<b>1,053,155,654</b>	1,119,577,617
	Less : Attributable tax thereto	<b>399,267,035</b>	461,608,395
	Less : Minority interest	<b>13,147,566</b>	(1,561,848)
	Profit after tax	<b>640,741,053</b>	659,531,070
	Total Number of equity shares at the end of the year used as denominator	<b>79,358,451</b>	79,358,451
	<b>Basic earning per share of nominal value of ₹ 2/- each</b>	<b>8.07</b>	8.31
	<b>II - Diluted</b>		
	Profit for the year before tax	<b>1,053,155,654</b>	1,119,577,617
	Less : Attributable tax thereto	<b>399,267,035</b>	461,608,395
	Less : Minority interest	<b>13,147,566</b>	(1,561,848)
	Profit after tax	<b>640,741,053</b>	659,531,070
	Total Number of equity shares at the end of the year	<b>79,358,451</b>	79,358,451
	Add : Weighted average number of potential equity shares on account of employee stock option	<b>34,764</b>	-
	Weighted average number of shares outstanding used as denominator	<b>79,393,215</b>	79,358,451
	<b>Diluted earning per share of nominal value of ₹ 2/- each</b>	<b>8.07</b>	8.31

## NOTES TO CONSOLIDATED ACCOUNTS : PART B

### B-8 Particulars related to Joint Ventures :

#### List of Joint Venture and Jointly controlled operations

Name of the Jointly controlled operation	Description	Ownership Interest	Country of Incorporation
HCC - KBL	Jointly controlled operations	N A	India
KBL – MCCL	Jointly controlled operations	N A	India
KCCPL – IHP – BRC – TAIPPL – KBL JV	Jointly controlled operations	N A	India
IVRCL – KBL JV	Jointly controlled operations	N A	India
Maytas – KBL JV	Jointly controlled operations	N A	India
Larsen & Toubro – KBL JV	Jointly controlled operations	N A	India
KBL-MEIL-KCCPL JV	Jointly controlled operations	N A	India
KBL – PLR JV	Jointly controlled operations	N A	India
KBL – Koya – VA Tech JV	Jointly controlled operations	N A	India
KBL – PIL Consortium	Jointly controlled operations	N A	India
Larsen & Toubro – KBL – Maytas JV	Jointly controlled operations	N A	India
IVRCL – KBL – MEIL JV	Jointly controlled operations	N A	India
Pioneer – Avantica – ZVS – KBL JV	Jointly controlled operations	N A	India
AMR – Maytas – KBL – WEG JV	Jointly controlled operations	N A	India
Indu – Shrinivasa Constructions – KBL – WEG JV	Jointly controlled operations	N A	India
MEIL – KBL – IVRCL JV	Jointly controlled operations	N A	India
MEIL – Maytas – KBL JV	Jointly controlled operations	N A	India
KCCPL – TAIPPL – KBL JV	Jointly controlled operations	N A	India
KBL-SPML JV	Jointly controlled operations	N A	India
MEIL - KBL JV	Jointly controlled operations	N A	India
KIRLOSKAR - MEMWPL JV	Jointly controlled operations	N A	India
MAYTAS – MEIL – KBL JV	Jointly controlled operations	N A	India
Gondwana - KBL JV	Jointly controlled operations	N A	India
MEIL -PRASAD-KBL CONSORTIUM	Jointly controlled operations	N A	India
JCPL - MEIL - KBL CONSORTIUM	Jointly controlled operations	N A	India
KBL -PTIL UJV	Jointly controlled operations	N A	India
KBL - RATNA - JOINT VENTURE	Jointly controlled operations	N A	India
MEIL-KBL-WEG CONSORTIUM	Jointly controlled operations	N A	India
MEIL-KBL- ( KDWSP ) JV	Jointly controlled operations	N A	India
KBL and TC IPL JOINT VENTURE	Jointly controlled operations	N A	India

**B-9** Exceptional item represents net foreign exchange loss.

**B-10** During the year, the company has acquired balance 40% shares in Kirloskar Brothers Europe B.V.

**B-11** The figures have been regrouped / rearranged wherever necessary. Figures in brackets relate to previous year.

**NOTES TO CONSOLIDATED ACCOUNTS : PART B (CONTD.)**

**B-12 Segment Information in respect of KBL and its Subsidiaries and Joint Venture Company :**

(A) Primary Segments - Business Segments	Pumps	Others	Eliminations	Total
<b>a) Segment Revenue</b>				
<b>Sales to External Customers</b>	<b>24,766,616,057</b>	<b>1,756,054,400</b>	-	<b>26,522,670,457</b>
	(24,124,364,689)	(1,827,043,385)	-	(25,951,408,074)
<b>Inter Segment Revenue</b>	-	<b>(229,361,996)</b>	<b>(229,361,996)</b>	-
	-	(257,273,495)	(257,273,495)	-
<b>Total Segment Revenue</b>	<b>24,766,616,057</b>	<b>1,526,692,404</b>	<b>(229,361,996)</b>	<b>26,522,670,457</b>
	(24,124,364,689)	(1,569,769,891)	(257,273,495)	(25,951,408,074)
<b>b) Segment Result</b>	<b>2,508,689,395</b>	<b>184,896,065</b>	-	<b>2,693,585,460</b>
	(1,994,369,628)	(297,463,871)	-	(2,291,833,498)
<b>Less :</b>				
<b>i) Finance Costs</b>				<b>513,783,587</b>
				(549,967,730)
<b>ii) Unallocable Corporate expenditure (net of other income)</b>				<b>1,160,990,946</b>
				(672,814,815)
<b>Add :</b>				
<b>i) Income from Investments</b>				<b>34,344,727</b>
				(50,526,664)
<b>Total Profit Before Tax</b>				<b>1,053,155,654</b>
				(1,119,577,617)
<b>Less : Provision for Tax</b>				<b>392,648,810</b>
				(514,319,956)
<b>Less : Deferred Tax</b>				<b>6,618,225</b>
				(52,711,561)
<b>Net Profit</b>				<b>653,888,619</b>
				(657,969,222)
<b>c) Segment Assets</b>	<b>16,820,531,792</b>	<b>2,307,927,990</b>	-	<b>19,128,459,781</b>
	(16,361,524,120)	(2,428,742,288)	-	(18,790,266,408)
<b>Unallocable Corporate Assets</b>				<b>4,991,222,806</b>
				(5,219,036,795)
<b>Total</b>				<b>24,119,682,587</b>
				(24,009,303,203)
<b>d) Segment Liabilities</b>	<b>9,686,736,495</b>	<b>1,230,304,965</b>	-	<b>10,917,041,460</b>
	(9,652,296,214)	(1,047,419,547)	-	(10,699,715,763)
<b>Unallocable Corporate Liabilities</b>				<b>241,189,800</b>
				(595,005,550)
<b>Total</b>				<b>11,158,231,260</b>
				(11,294,721,313)
<b>e) Cost Incurred during the period to acquire Segment Fixed Assets</b>	<b>418,609,435</b>	<b>231,094,344</b>		
	(930,076,200)	(73,158,147)		
<b>f) Depreciation / Amortisation / Impairment</b>	<b>392,898,282</b>	<b>81,172,415</b>		
	(339,957,811)	(73,128,911)		
<b>g) Non Cash Expenses other than Depreciation / Amortisation</b>	<b>65,723,332</b>	<b>72,434,208</b>		
	(90,615,718)	(2,289,479)		

B) Secondary Segment	Within India	Outside India	Total
<b>a) Segment Revenue Geographic Segment by location of customer</b>	<b>17,167,334,958</b>	<b>9,355,335,499</b>	<b>26,522,670,457</b>
	(18,445,074,850)	(7,506,333,224)	(25,951,408,074)
<b>b) Carrying Amount of Segment Assets by location of assets</b>	<b>18,352,982,433</b>	<b>5,766,700,154</b>	<b>24,119,682,587</b>
	(19,561,866,270)	(4,447,436,933)	(24,009,303,203)
<b>c) Cost Incurred during the period to acquire Segment Fixed Assets</b>	<b>483,288,083</b>	<b>166,415,696</b>	<b>649,703,779</b>
	(640,123,884)	(363,110,463)	(1,003,234,347)







Enriching Lives

**KIRLOSKAR BROTHERS LIMITED**

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