



Enriching Lives

Integrated Report 2013-14

KIRLOSKAR BROTHERS LIMITED



Enriching Lives

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View of Yamuna Platinum Rated Green Building
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CMD's Message



It is my pleasure to present our first Integrated Report for the year 2013-14. We have followed the International Integrated Reporting framework released by International Integrated Reporting Council (IIRC) in December 2013 for creation of this report.

This report provides concise summary of the company's strategy, performance, governance and prospects. As a global company in the field of pumps and pumping solutions, Kirloskar Brothers Limited (KBL) is committed to follow reporting practices evolving at the global level. We believe that "Integrated Thinking" will help our organization to create sustainable value for all our stakeholders.

Our cross functional task force will continue to work and learn the processes of value creation not only in terms of financial but also manufactured, human, intellectual, social and natural capitals through Integrated Reporting. We firmly believe that the process of Integrated Reporting will help KBL grow as a "Sustainable Enterprise", enhancing its credibility for all its stakeholders.



Sanjay Kirloskar
Chairman and Managing Director



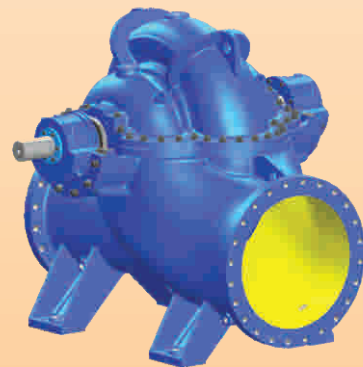
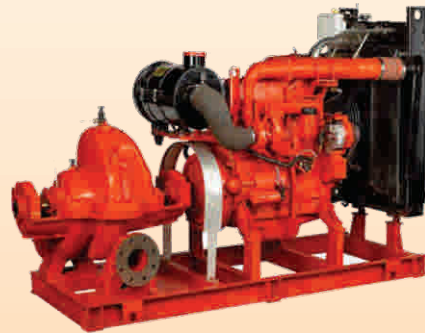
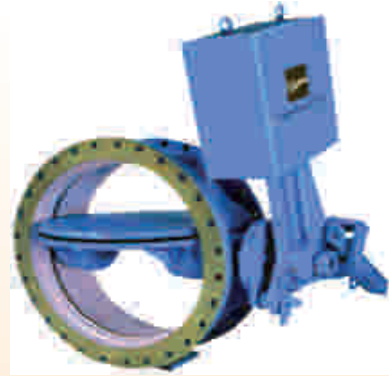
Organization Overview

It was in 1888 when Mr Laxmanrao Kirloskar started his business in Belgaum that "Kirloskar Brothers" came in to existence. He later shifted to a barren land in Kundal village in 1910 which was later named Kirloskarvadi. The business was incorporated as Kirloskar Brothers Limited in 1920. Kirloskarvadi was one of those few industrial townships that heralded the industrial revolution in India. KBL manufactured iron ploughs and chaff cutters for farmers. In those days farmers were not willing to cut mother earth with a metallic plough. With persistence these implements found acceptance and KBL revolutionized the agricultural methods of those days.

KBL is currently one of the world's leading manufacturers of pumps and valves for water and other fluids, hydraulic turbines and fire fighting pumps. The company also undertakes turnkey projects.

KBL manufactures Centrifugal Pumps with flow rates ranging from 2m³/hr to 120,000 m³/hr and delivery head ranging from 24 m to 850 m. These pumps are single stage or multi stage and find applications in domestic, agriculture, industry, irrigation and utilities. Types of centrifugal pumps manufactured by us are split-case pumps, process pumps, large vertical mixed flow pumps, canned motor pumps, metallic volute pumps, concrete volute pumps, heat transfer pumps for liquid sodium for fast breeder reactor technology nuclear plants. KBL also manufactures valves, size ranging from diameters of 100 mm to 4500 mm at Kondhapuri unit. We are the only valve manufacturer in India to receive both FM Approvals and UL listing for gate valves. This manufacturing unit also received CE Marking re- certification by M/s Bureau Veritas (H module).

<http://www.kirloskarpumps.com/products.aspx>



Organization Overview



KBL has major operations in India with export to more than 90 countries. Our business verticals are:

- **Power**
- **Water Resource Management**
- **Irrigation**
- **Gas Oil and Defence**
- **Industry**
- **Building and Construction**
- **Distribution**
- **Customer Service and Spares**

Mission, Vision and Values

We believe that values and ethics are the foundation for achieving the Vision of the organization. We have defined a set of values - these are the principles that guide KBL for its internal conduct as well as its relationship with the external world.

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

Vision: We shall be amongst the first five pump companies in the world by the year 2015 by becoming the preferred choice of customer as well as employees.

Values:

- Developing and working with mutual trust
- Building and nurturing team work
- Fairness in dealing with stakeholders
- Quality in everything
- Commitment towards environment



The vision statement was revisited by the senior leaders and revised on 9th July 2013.

In addition to the set of values the company has adopted Code of Conduct which defines what is considered as "right" in the organization. The leaders on their assessment found that the Code of Conduct needs to be further elaborated so that it could be understood by all employees in very specific terms and a detailed Code of Ethics has been developed and communicated to all staff employees. Code of Ethics is available with all staff employees and is a part of the kit which is given to all new recruits. This is also available on the KBL website. It is mandatory for all staff employees to study the code of ethics and pass an online examination.



Types and number of products sold

Kirloskarvadi

Kirloskarvadi plant manufactures industrial pumps categorised as small, medium and large size pumps. It also manufactures pumps which are designed as per customer requirements. These find application in various projects related to Water, Irrigation, Power and Building and

Construction sectors. This plant also manufactures hydraulic turbines used in hydroelectric power generating stations. The number of pumps and turbines sold from Kirloskarvadi plant by type are given below:

Small and Medium Pumps (Numbers)

2010-11	29259
2011-12	29877
2012-13	25013
2013-14	19889



Large Pumps (Numbers)

2010-11	476
2011-12	547
2012-13	262
2013-14	324



Turbines (Numbers)

2010-11	5
2011-12	8
2012-13	2
2013-14	8



Kondhapuri

Kondhapuri plant manufactures valves which intend to meet increasing demands of various kinds of valves from water supply and sewerage boards of different states. The

number of valves sold from Kondhapuri plant is provided below.

2010-11	31730
2011-12	33311
2012-13	28912
2013-14	26533



Types and number of products sold

Dewas

Dewas plant manufactures pumps for agricultural and domestic segment. Sanand plant manufactures submersible pumps for agricultural and domestic applications.

Kaniyur plant manufactures small pumps for domestic applications. The number of pumps sold during the reporting period from these 3 plants is given below:

Dewas (Number of pumps)

2010-11	256772	
2011-12	247490	
2012-13	260531	
2013-14	267381	

Kaniyur (Number of pumps)

2011-12	87134	
2012-13	198038	
2013-14	258207	

Sanand (Number of pumps)

2013-14	49566	
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Ownership and Operating Structure

Kirloskar Brothers Limited is a public limited company listed on 2 stock exchanges, Bombay Stock Exchange and National Stock Exchange of India Limited. The largest shareholding (62%) is the promoter's holding. The balance Non - Promoter's holding includes Indian Public, Mutual Funds, Insurance Companies and Private Corporate bodies.

The Company is headed by Chairman and Managing Director (CMD). There is 1 whole time director reporting to the CMD. CMD and the whole time director are on the board of directors. The Business Sector Heads, Manufacturing operations heads and Corporate function heads report to the CMD and the directors.

We have 6 manufacturing plants in India for manufacturing our products. These are located at Kirloskarvadi, Kondhapuri, Shirwal in Maharashtra, Dewas in Madhya Pradesh and Kaniyur in Coimbatore district of Tamil Nadu. Kirloskar Brothers Limited has set up their latest manufacturing facility at Sanand, in Ahmedabad. The plant was inaugurated on June 17, 2012.

Kirloskar Brothers Limited has following direct subsidiaries and Joint ventures which add value and facilitate its diverse range of activities:

Subsidiary Companies:

- Kirloskar Constructions & Engineers Limited
- The Kolhapur Steel Limited
- Kirloskar Systech Limited
- Hematic Motors Private Limited
- Kirloskar Corrocoat Pvt. Ltd.
- Kirloskar Brothers International B. V. (KBIBV)

Direct Subsidiary companies of KBIBV

- Kirloskar Brothers Europe B. V.
- SPP Pumps Ltd.
- Kirloskar Brothers (Thailand) Limited
- SPP Pumps (MENA) L.L.C.
- Micawber 784 (Proprietary) Ltd.

Subsidiary of Micawber 784 (Proprietary) Ltd.

- Braybar Pumps (Proprietary) Ltd.

Significant Changes regarding size, structure or ownership

The Scheme of Arrangement and Amalgamation of Hematic Motors Private Limited with Kirloskar Constructions and Engineers Limited (the 'Scheme'), was sanctioned by the Honorable High Court of the Judicature at Bombay on March 31, 2013 and by the Honorable High Court at the Judicature at Madras on June 23, 2013. 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'.

Complete list of KBL subsidiaries is available in 94th Annual Report 2013-14.

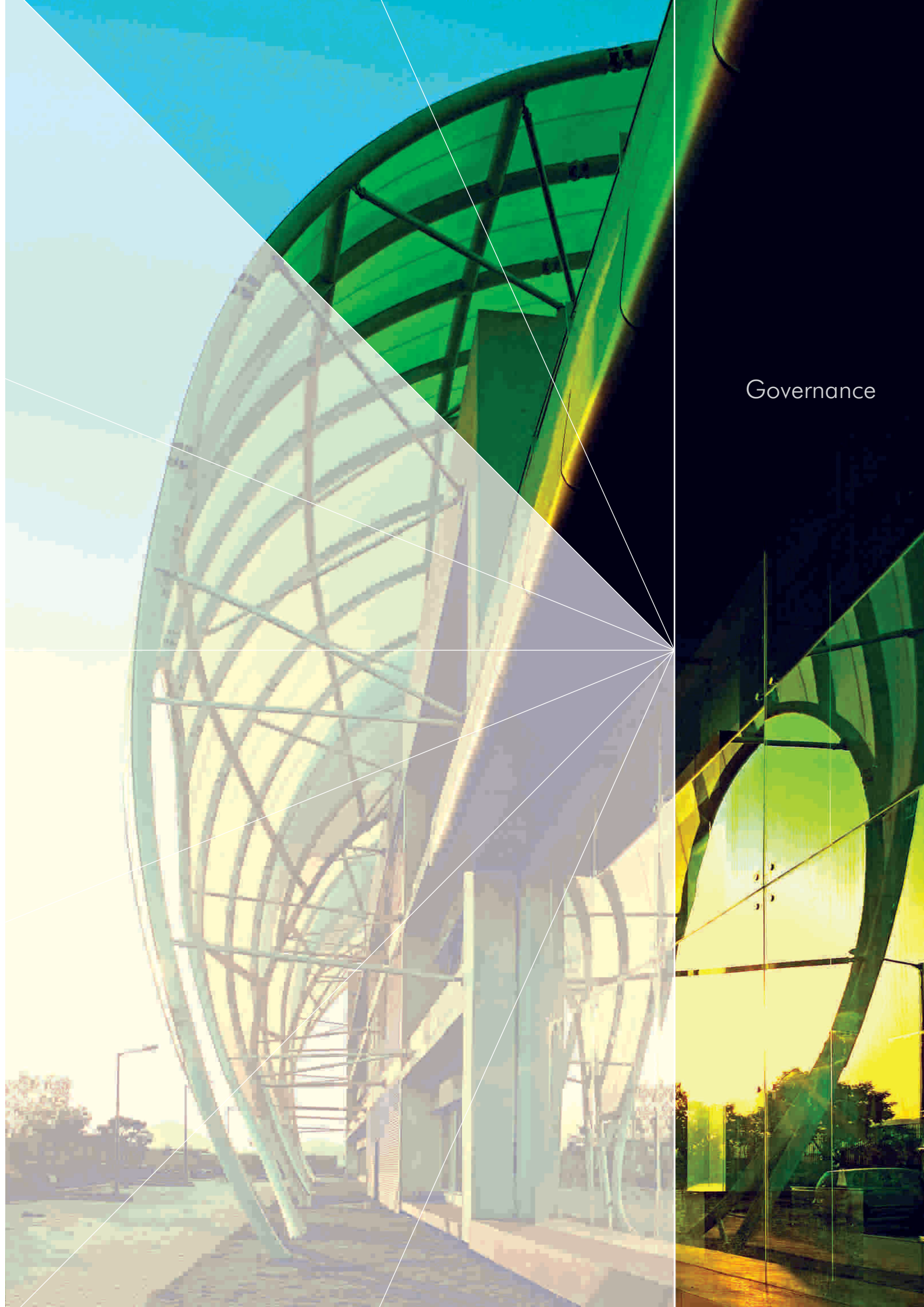
<http://www.kirloskarpumps.com/investors-financial-information-annual-reports.aspx>

Reporting Boundary:

This Integrated Report is for the financial entity named "Kirloskar Brothers Limited" and includes the five manufacturing plants within India, the Corporate Office Yamuna at Pune (India). It covers the business sectors as mentioned herein.

This report does not cover the subsidiary companies of KBL either in India or outside India.

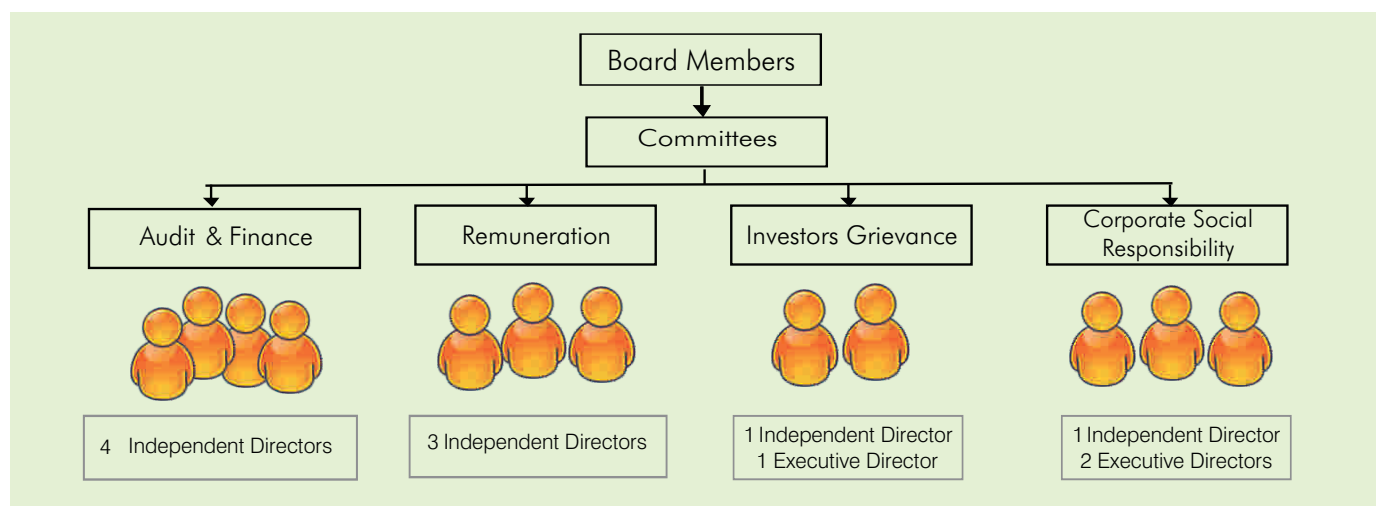
This report, therefore covers all relevant stakeholders associated with above reporting boundary.



Governance

The Board of Directors comprises of an optimal complement of independent professionals as well as company executives having in-depth knowledge of business. As on 31.03.2014,

there are 11 directors out of which 1 Managing Director, 1 Whole time director and 9 (82%) non-executive directors of whom 6 (55%) are independent directors.



Structure of committees (as on 31st March 2014)

The respective committees independently function in the area assigned to them. The terms of references of each committee have been given are :

Audit Committee: The Audit Committee functions according to its terms of references, containing its powers, scope and role in accordance with the provisions of Companies Act, 1956, listing requirements applicable to the Company. The same is reviewed from time to time. Whilst, the full terms of references are available in Annual report which is displayed on Company's website.

Remuneration Committee: The Remuneration Committee of the Company is empowered to review and decide the remuneration of the Managing Director and the Executive Directors. Suggested disclosures as per clause 49 of the Listing agreement are made in Annual Report.

Investors' Grievance Committee : The Investors' Grievance Committee of the Board is empowered to oversee the redressal of investors' complaints pertaining to share transfers, non-receipt of annual reports, dividend payments, issue of duplicate certificates, transmission (with and without legal representation) of shares and other miscellaneous complaints. The status of complaints and their redressal is disclosed in the Annual Report.

Executive Committee (called Committee of Directors) consists of the Chairman & Managing Director and the one Whole-Time Director.

Presently board has one female member. Details of each board member is available at link:

<http://www.ps.com/invekirloskarpumstors-board-of-directors.aspx>

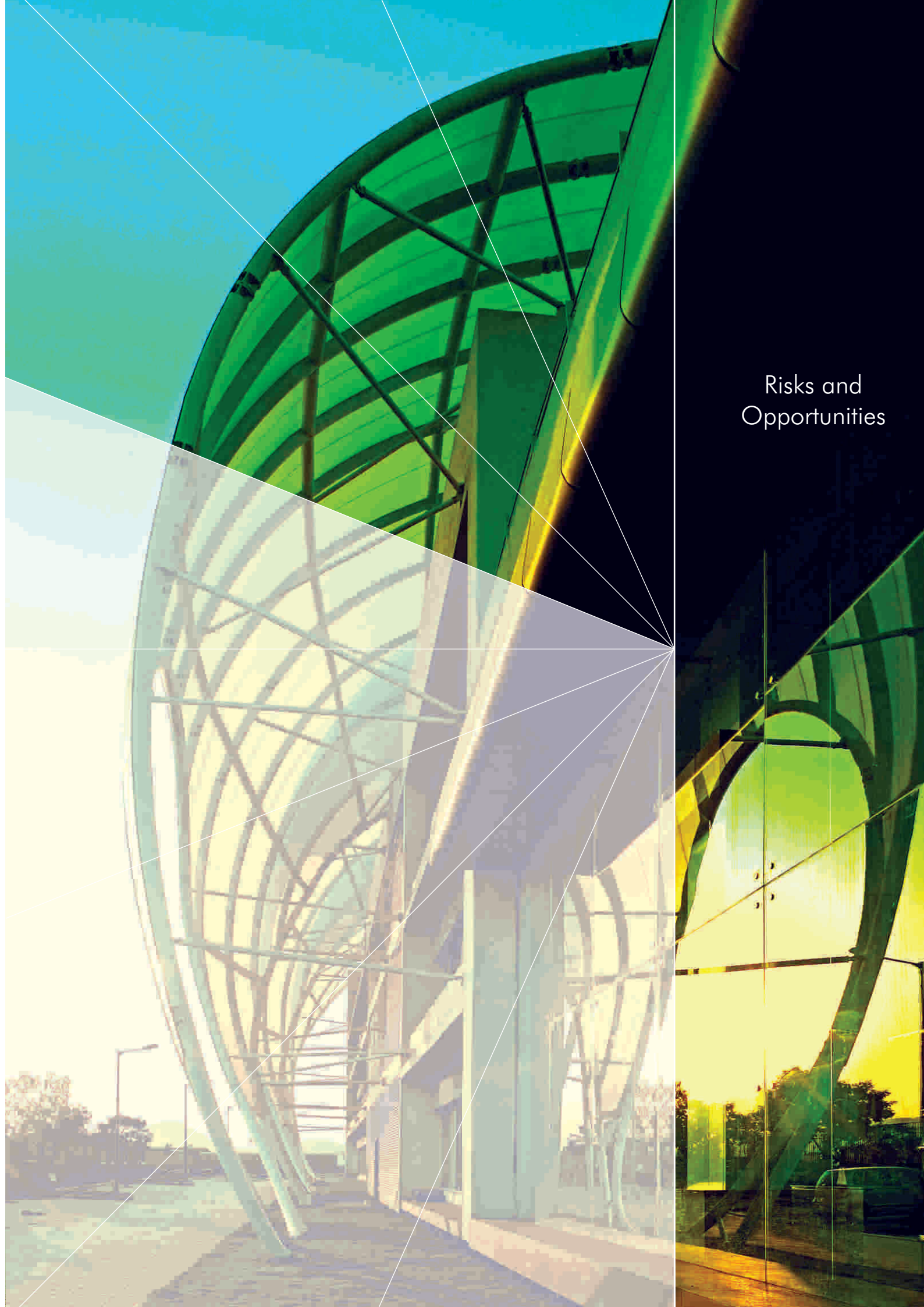
Risk management policy, which outlines the risk management framework of the Company and procedure has been approved

by Audit Committee. The Committee is chaired by the Whole time director and Company Secretary, CFO, Head of Internal Audit Dept and various other senior officers of the Company are its members. The role of the Committee is to identify the risks related to the business, monitor the same for minimizing its impact, suggests line of action, assess status of risk mitigation plans, etc.

Audit & Finance committee also reviews the risk management reports and legal compliance management reports on quarterly basis, wherein the Committee is briefed about the meetings of Risk Management Committee. Separately, the Internal Auditor of the Company also presents to the Audit & Finance Committee their report on the risk assessment and internal control systems.

On 13th March 2014 KBL constituted 'Corporate Social Responsibility Committee'. This committee will formulate and recommend to the Board a Corporate Social Responsibility Policy, will review the policy annually and recommend any changes therein; will recommend to the Board, the amount of expenditure to be incurred for the purpose of Corporate Social Responsibility, to be specified in the policy; will monitor the policy from time to time and to report to the Board its outcome and to recommend monitoring mechanism to the Board and to do others acts as may be required to be done by any statutory modifications

We have appointed a professional agency to manage shareholder correspondence. We regularly monitor the performance of this agency. We have provided draft formats of frequently used documents on website for the benefit of shareholders. We also have one designated e-mail address for redressing of shareholder grievances. The number of grievances received and resolved /disposed of by us is published in the newspaper every quarter with our financial results.



Risks and Opportunities

Materiality

Materiality determination process

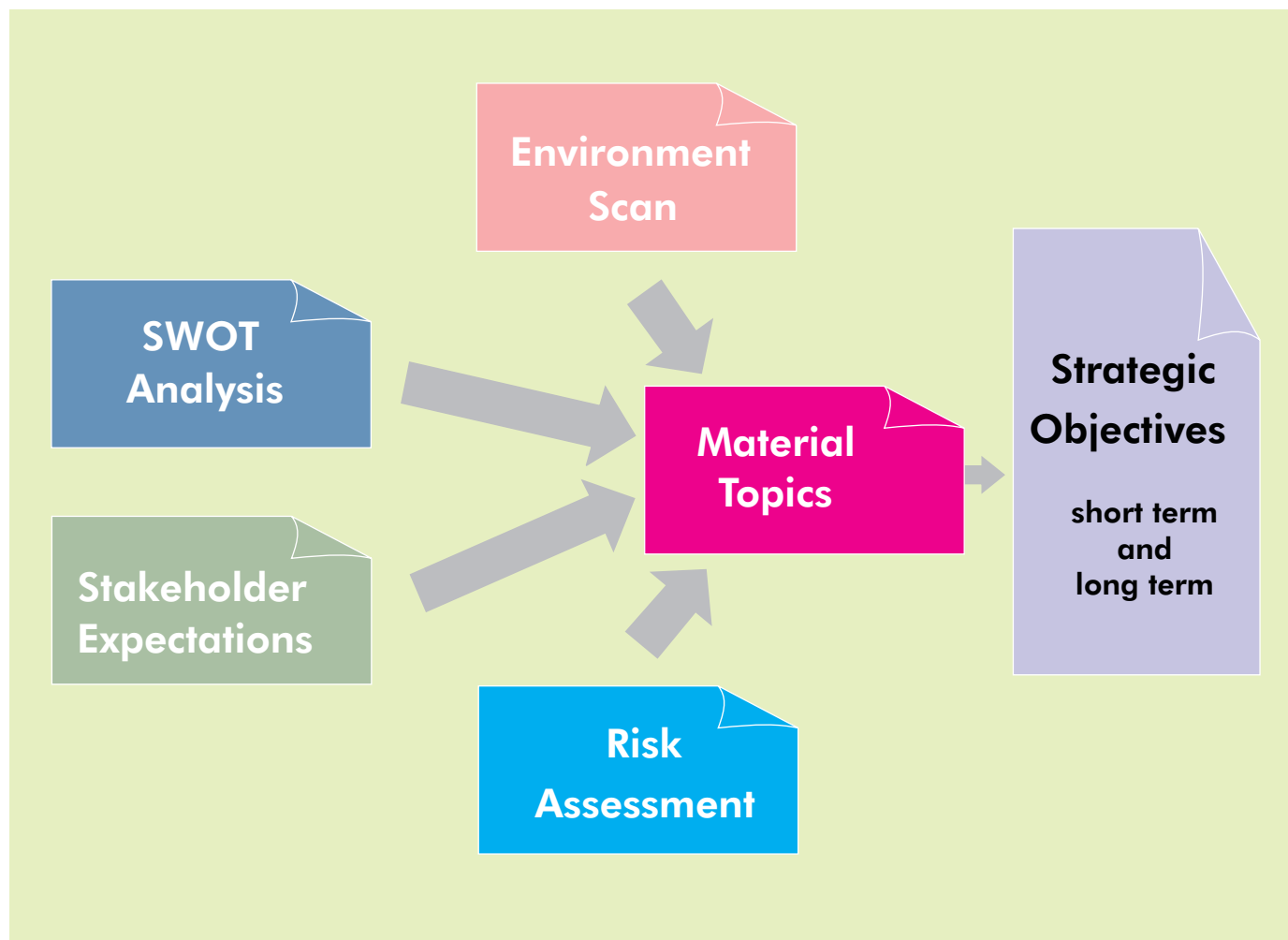
Materiality determination process is a continuous process at Kirloskar Brothers Limited. The performance of the organization is reviewed every month by the CMD and the executive director. The review includes status of regulatory compliance and impact of any additional regulatory requirements. The board also reviews the performance and the status of actions on the risk management. There is detailed review of the audits conducted by KPMG. Every year business excellence assessment is conducted through the internal RKQP competition and also external assessment team from CII. These assessment provide insights in to the strengths and opportunities for improvement.

Regular audits for Quality Management System (ISO 9000), Environment Management System ISO 14000 and Occupational Health and Safety Assessment Series- OHSAS (ISO18000) provide observations and opportunities for improvement.

Board of directors conduct the performance review every quarter. Outcome of these reviews provides inputs for the identification of material issues.

Annually, a thorough, "Business Planning" process is conducted. This is called "Annual Operating Plan" preparation. The plan is developed based on material issues identified through environment scan, Strength- Weakness Opportunity and Threat (SWOT) analysis.

We have established various stakeholder engagement processes which include one-to-one interactions, meeting with focus groups and specific meets organized to understand the needs expectations of respective stakeholders. We also conduct structured surveys to gather needs and expectations.



Following material issue were identified and short and long term action plans have been implemented

Material Topic - Relevant, Important and Prioritized	Short Term Actions	Medium and Long term actions
Debtor management and cash generation	<ul style="list-style-type: none"> • Dialogue with customer to identify the issues to be resolved. • Task force to resolve all the pending issues 	<ul style="list-style-type: none"> • Robust cash flow analysis for all new projects. • In depth risk assessment • Be selective in bidding for projects.
On time delivery in full (OTIF) of products and projects as per customer expectations	<ul style="list-style-type: none"> • Increase production capacities - through lay out change 	<ul style="list-style-type: none"> • Work with suppliers to reduce lead times • Cycle time reduction and Productivity improvements
High rate of attrition	<ul style="list-style-type: none"> • Compensation review to match the market • Actions on employee survey 	<ul style="list-style-type: none"> • Competency development • Identification of critical positions and actions to retain
Profitability	<ul style="list-style-type: none"> • Improve mix: Increase revenue from products 	<ul style="list-style-type: none"> • Promote high value products like Lowest Life Cycle Pumps, Concrete Volute Pumps, Canned Motor Pumps. • Focus on increasing spares business

Risk Management:

A structured Enterprise Risk Management process is established. The risks are identified and prioritized based on the impact and likelihood. Each of the risk has been assigned a risk owner who plans and implements mitigation actions.

Following are the major risks identified through a structured process of risk assessment and prioritization:

Inability to attract & retain key personnel:

Various actions were initiated to mitigate this risk. Some major actions are given below:

- Review of the compensations structure based on the market survey conducted through professional compensation benchmarking consultant.
- Improvements in work environment at Corporate office and plant locations
- Implementation of recognition and rewards to improve motivation of high performing employees including the Employee Stock Options.
- Tie-up with best job portals in the country and also engineering institutes for entry level recruitment.
- Regular communication to employees through speak-out sessions and MahaSabha

Accepting Orders with contractual terms not favorable to KBL:

In order to mitigate this risk following actions were taken:

- A policy has been adopted to participate in tenders which have favorable terms and conditions for KBL.
- A detailed due diligence, risk assessment will be conducted before participating in the tender.
- Orders which are likely to result in risk of negative cash flow will not be considered.

The above actions have started giving benefit to the organization and have resulted in improved cash generation and return on capital employed.

Continuous pressure on margins:

Many multinational companies and also Indian companies are competing with us by offering lower prices. This forces us to reduce our prices resulting in reduced margins for us.

Following mitigation action are taken for this risk:

- Marketing efforts for selling the concept of LLC for product and system to customers.
- Review of design of our existing products for material and manufacturing cost reduction.
- Review and reduce operational and corporate expenses. Establish a taskforce for the same.
- Be selective in order booking.

Risks and Opportunities

Cost competitiveness

In order to improve cost competitiveness following actions are initiated :

- Value engineering process.
- Develop critical and niche products to increase the margins
- Review of material cost as percentage of sales (MSR%) and throughput %
- Develop a strong supply & marketing chain management process

Delays in project execution and closure

Following actions are initiated to address this risk in the last 2 years:

- Established Project Management Office
- Pre bid risk assessment for capturing political and geographical risks
- Preparing robust schedules for capturing major deliverables and resources
- Check lists for process improvement
- Training to project personnel for effective planning and execution
- Periodic review of plans and monitoring.

Opportunities

Growth in chemical, sugar etc projects

Nuclear Projects in India

Demand for groundwater

Increase market share in domestic and agriculture segment

Demand for firefighting pumps

Demand for waste water solutions

- We have established our latest manufacturing facility at Sanand, Ahmedabad. The targeted production capacity is 500 submersible pumps per day.
- We received the N and NPT Certificates of Authorization from the American Society of Mechanical Engineers (ASME), USA for pumps to be manufactured at the Kirloskarvadi plant. We are the only Indian pump manufacturing company and one amongst nine global pump companies to acquire the N and NPT certification.
- The capacity of small and medium pump division (SMPD) at Kirloskarvadi increased from 1500 Units/month to 3,000 Units/month.

Actions

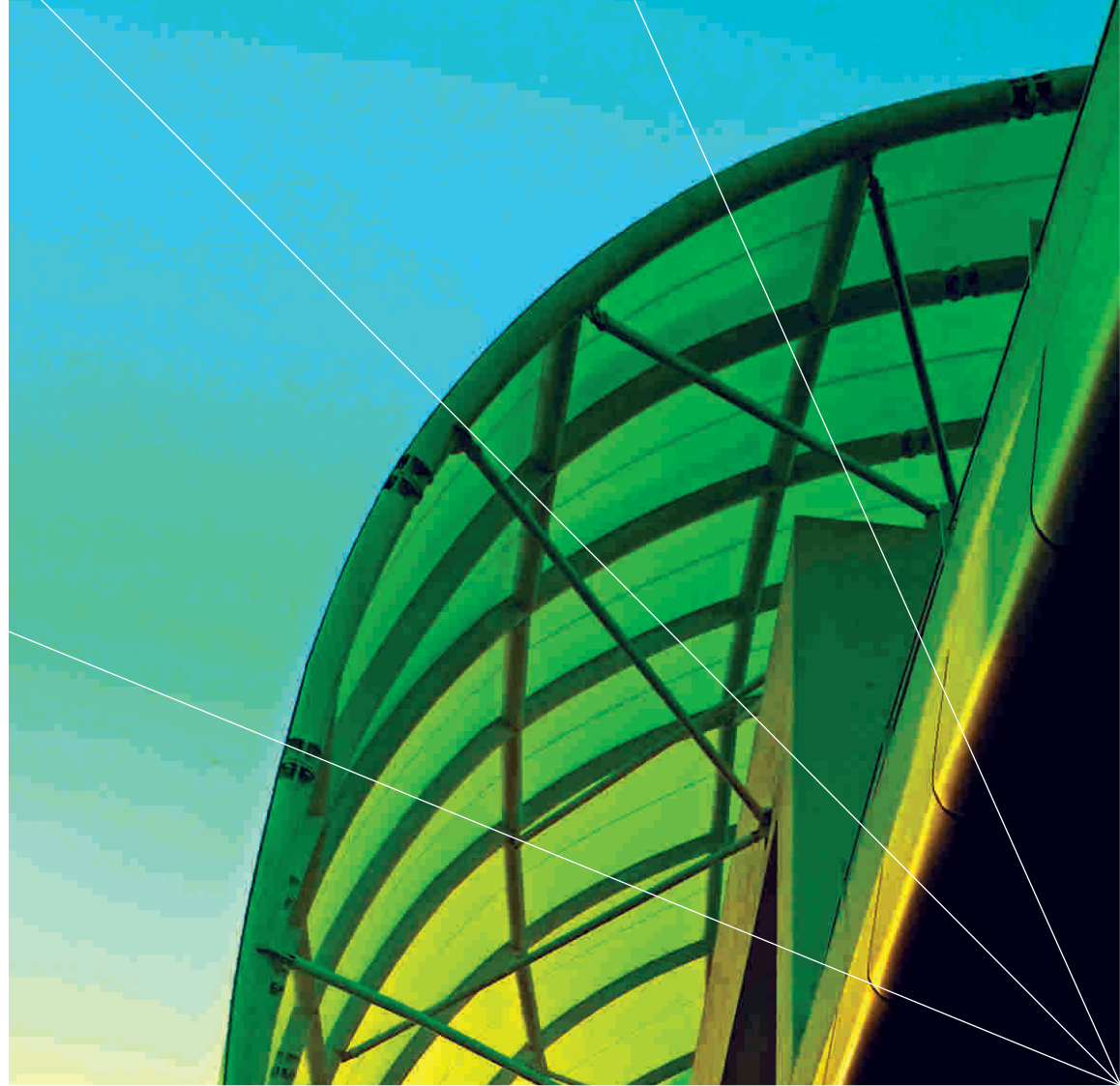
Increased capacity of Small and Medium Pumps Division

N and NPT Certificates - Kirloskarvadi plant

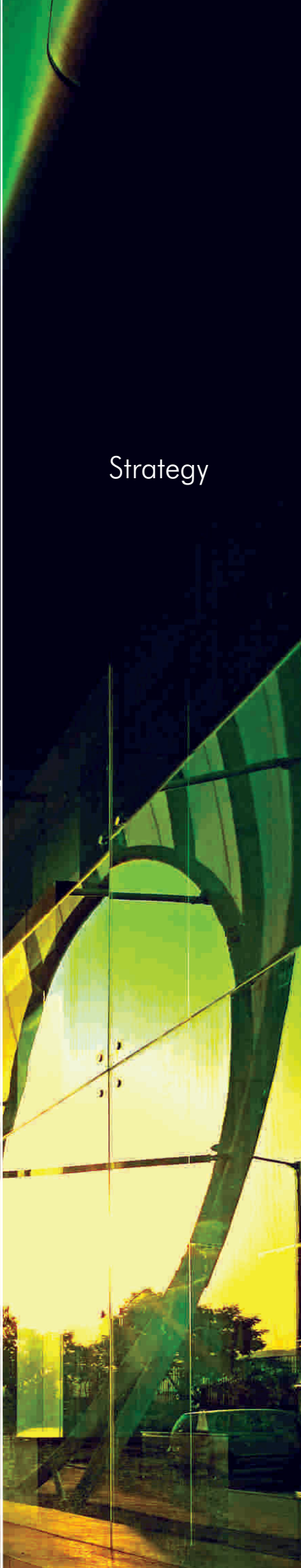
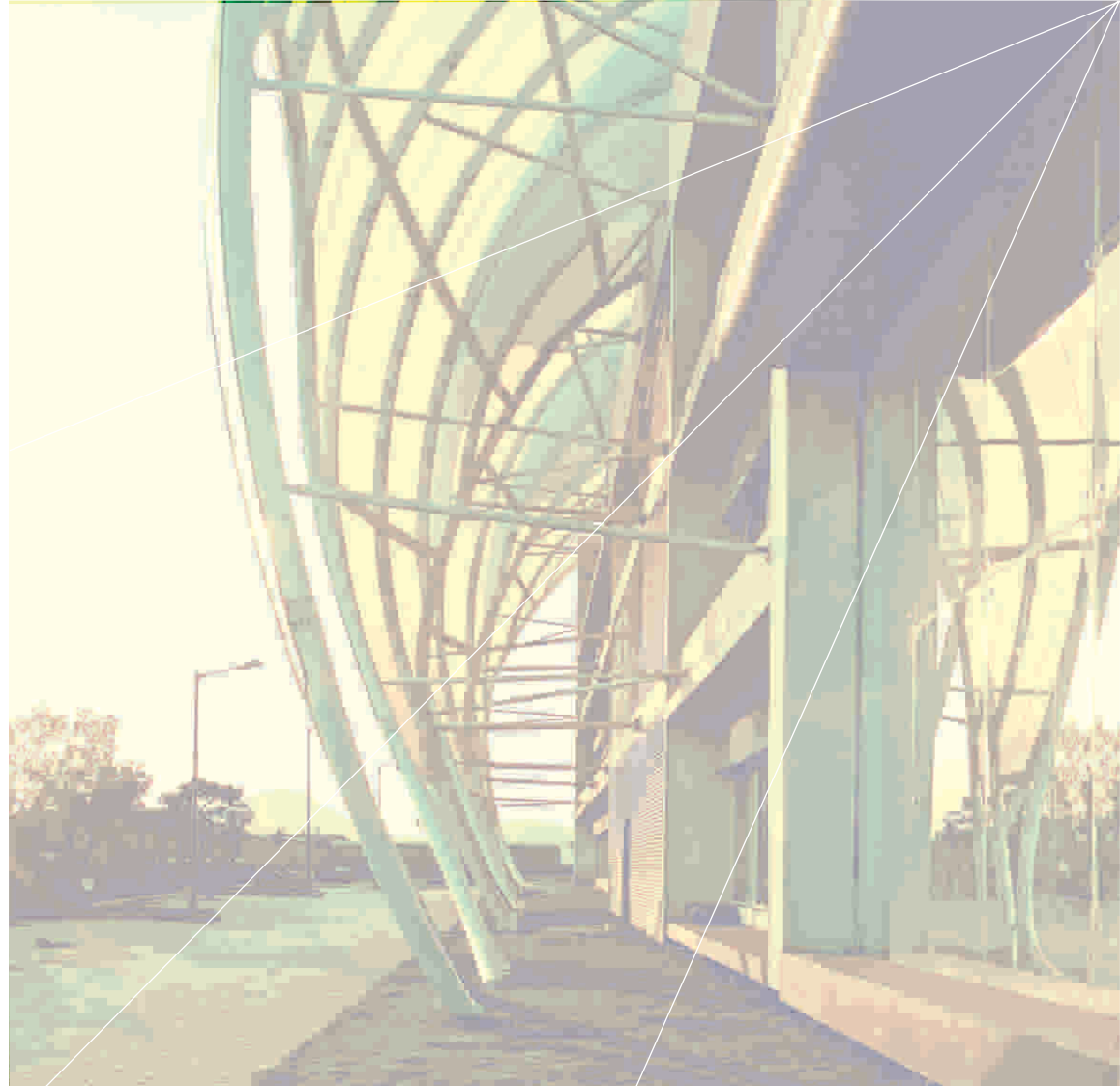
New Sanand Plant - Submersible pumps

Energy efficient products

- We provide our customers with energy efficient products which are manufactured in energy efficient way. We use more than 35% renewable energy in our manufacturing processes. We have more than 200 pumps model which are 5 star rated by Bureau of Energy Efficiency (BEE). We intend to increase such pump models every year.



Strategy



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.

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.

We made significant penetration in critical applications market with prestigious orders and approvals from key market participants. We are strategically well positioned in the building and construction market through our differentiated offerings and intend to offer comprehensive solutions. We are promoting energy efficient solutions across market sectors exhibiting our commitment towards sustainability.

We focused on making our manufacturing operations lean and more productive to cater to the growing products business. The N and NPT certificate awarded to our Kirloskarvadi factory is a testament of our technological edge and commitment to product quality. We have revamped our product development process to cut down the product development time significantly.

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.

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.

Our company has the largest installed base of pumps in India and we are closely aligned to the after sales support requirements of our customers. We endeavour to be closer to the customer and become proactive in supporting them with service and spares. 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.

Sector specific strategies are described in following pages.

Power



- Maintain leadership position in Indian Power market.
- Leverage present track record to win and execute major projects..
- Marketing of value added solutions
- Leverage certifications such as ASME N/NPT Stamp
- Participate in Indian nuclear power market

Irrigation



- Promote concrete volute pumps and Lowest Life Cycle Cost Pumps (LLC™)
- Provide customized and innovative system engineering solutions
- Work with reliable civil partners to execute project ahead of schedule
- Selective in participating in projects

Water



- Maintain leadership position in municipal water supply market.
- Market customized and innovative solutions
- Grow in the waste water treatment market
- Promote Lowest Life Cycle Cost (LLC™)

Gas, Oil and Defense



- Increase market share in fire fighting market and promote approved UL listed firefighting pump package
- Increase market share for process market
- Leverage network of channel partners
- Promote value added products like LLC™ and Auto prime.

Industry



- Maintain leadership position in the utilities market
- Improve market share in the process market
- Market value added solutions such as Lowest Life Cycle Cost Pumps
- Strengthen channel partners network.

Building and Construction



- Maintain leadership position in infrastructure and Fire Fighting Pump market
- Increase market share in HVAC and HYPN market
- Market value added solutions
- Strengthen partnerships

Distribution



- Deepen and widen the footprint
- Position energy efficient products
- Improve supply chain processes to ensure product availability
- Focus on product localization

Customer Service and Spares



- Reduce response time for spares
- Be proactive in reaching out to customers
- Improve the reach of KBL spares and service
- Leverage information technology (IT) to improve response time.

Valves



- Increase market share of existing product range
- Establish strategic tie ups with EPC players
- Deepen and widen the footprint
- Promote new products such as suction diffuser and triple duty valve.

Stakeholder Engagement

Stakeholder	Mode & Frequency of Engagement	Purpose	Requirement highlights	Priorities undertaken
Shareholder / Investors	Annual Meeting Website Publication (Quarterly/Annual), Feedback form (Annual), Quarterly Earning Call	To communicate company's financial status, future plans and strategies to build trust of investors	Regular Engagement	Continue to have engagement for building trust
Customers	Perception Survey (Annual), special events, seminars, exhibitions and meets (regular), Visits of customers to our premises (Annual), Toll free service (regular)	Understand needs and expectations	Order execution and delivery, Service and Maintenance, technology up-gradation (energy efficient products), Business and Commercial Support, Sales Team, Sustainability assessment	<ul style="list-style-type: none"> • Project Management Office • Link intelliquip to share point office library • Refurbishment centres • Increase service centres • Warehouse facility at Kirloskarvadi • Implementation of Customer Relationship Management (CRM) 7.1
Employees	Engagement Survey (Annual), feedback session (Annual), Exit interviews (regular), Speak Out session (Quarterly)	To know employee satisfaction level and their expectations	<ul style="list-style-type: none"> • Recognition • Work group level engagement • Communication of company performance 	<ul style="list-style-type: none"> • Recognition schemes • Career Development • Progress Dialogue & Communication forums
Society	Perception survey (Annual), One to one interactions & Awareness programs (Regular), Kirloskar Foundation and Vikas Charitable trust activities (Regular), Celebrating festivals like Vasundhara (Annual)	To know the needs, expectations, requirements and concerns of the society and develop action plans	<ul style="list-style-type: none"> • Self-Employment opportunities • Better education • Promote Gender Equality and Empowerment • Reduce Child Mortality • Improve Maternal care • Promote Environmental Sustainability 	<ul style="list-style-type: none"> • Health • Employability • Education • Environmental Awareness



Business model

As per the International <IR> Framework on integrated reporting "Business Model" is defined as given below:

"An organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfill the organization's strategic purposes and create value over the short, medium and long term."

We are presenting here business models of our business sectors namely Industry, Building & Construction, Valves, Water Resource Management and Customer Service and Spares. The value is created for the customers through the "Value Propositions" and the business activities are performed to deliver value to our customers. The value proposition

describes how KBL differentiates in the market place (through product differentiation, market segmentation, delivery channels and marketing) and gain competitive advantage.

"Business activities include the planning, design and manufacture of products or the deployment of specialized skills and knowledge in the provision of services. Encouraging a culture of innovation is often a key business activity in terms of generating new products and services that anticipate customer demand, introducing efficiencies and better use of technology, substituting inputs to minimize adverse social or environmental effects, and finding alternative uses for outputs."

Industry



Business Activities

We engage with our customers directly or through our dealers. Based on the information about prospective projects, we work with customers and assist them in optimum selection of pumping solution. We use specifically developed Dolphin software for product selection.

For our business we have contractors and consultants who have developed long relationship with us.

The value propositions are described here. These provide our products competitive advantage.

On receipt of order the production of pumps is undertaken at the manufacturing plant. The final products are delivered to customer

Value Propositions

Auto-prime which requires no priming or foot valve.

Lowest Life Cycle Cost

FMUL certified products

Condition monitoring

Multi-stage Multi-outlet pumps

Branded Pump-sets with coupled motor or diesel engines

Reliable product

Service: 24X7 service through trained service engineers

Dealer network at each industry location- ISO certified dealers

Delivery of product within 72 hours for stock and sale products

Spare availability

Customers we serve

Chemical Process Industries

Sugar and Allied Industries

Pharmaceutical

Mining

Steel Plants

Building and Construction



Business Activities

Our long term relationship with our contractors and consultants helps us in getting new orders from the building and construction sector.

The value propositions are described here. These provide our products competitive advantage.

On receipt of order the production of pumps is undertaken at the manufacturing plant. The final products are delivered to contractor who commissions the system the end user customer.



Value Propositions

Product differentiation - User friendly,
Space saving, energy efficient pumps

Local presence with indigenous
product gives customers confidence of
after sales service

Efficient after sales service

Proven expertise in the field

Channel partners with ready stock to
serve customer

Reach to customers

High level of networking with
contractors



Customers we serve

Metro Rail

Airports

Residential and Commercial Buildings

Hospitals

Hotels

Valves



Business Activities

We get orders from tenders through our contractors. Project business comes through business vertical of the company.

Value Propositions

- * Wide range of products
- * Quality and reliability
- * Customized material of construction to suit the customer application requirement

Customers we serve

Water Supply
Water Treatment
Power projects- cooling water
Irrigation projects - flow control
Industries
Oil and Gas

Water Resource Management



Business Activities

Following are the business activities performed by the business sector:

- Pre-bid qualification
- Tendering
- Contract Review
- Project Planning
- Erection and Commissioning
- Performance Guarantee Testing
- Project handover
- Operation and maintenance

Value Propositions

- Total pumping solution to customer
- Energy Efficiency and Lowest Life Cycle Cost Pumps (LLC)
- Proven expertise in the field
- New technology for STP and WTP
- Cost competitiveness

Customers we serve

- Municipal Corporations
- Rural Development Boards
- Water Authority Boards
- Public and Private Industries

Customer Service and Spares



Business Activities

Service: We provide proactive commissioning support to our customers/end users.

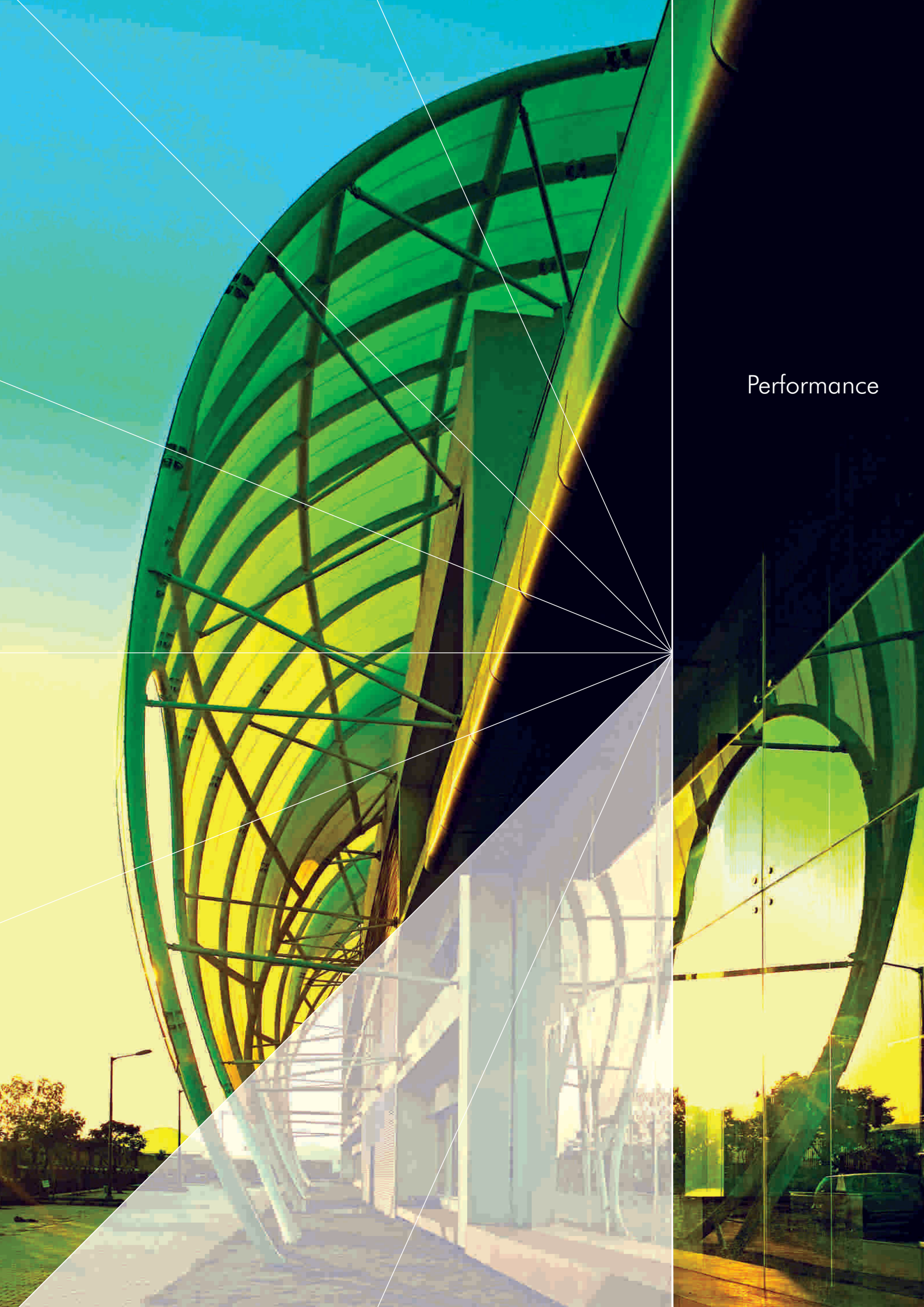
Spares Business: Our service dealers and company representatives visit existing customers to understand the requirements of spares

Value Propositions

- * Interchangeability
- * Quick Response resulting in minimal downtime
- * Failure analysis and technical support to ensure longer life
- * Training on complaint analysis and diagnostics to mechanics and engineers at customers end.

Customers we serve

Coal Mines
Power Plants
Steel Plants
Sugar Mills
Refineries
Chemical and Process industries
Pharmaceutical industries



Performance

Performance of Business Sectors

Power



The Power sector's primary focus is on providing complete pumping solutions from boiler feed to circulating cooling water applications to power plants.

Projects handled

- Circulating/ Cooling Water Application
- Condensate Extraction Application
- Auxiliary Cooling Water Application
- Fire Fighting Application
- Raw Water Application
- Hydro Turbines

KBL provides innovative and energy efficient solutions for thermal, nuclear and small hydro projects. We have maintained our leadership position for pumping systems in the Indian power sector and enlarged our presence in global power market. 80 percent of this sector's business is through repeat orders, which demonstrates a high level of customer satisfaction.

Our Kirloskarvadi plant is the first pump factory in India to receive the N, NPT and MO certificate from the world renowned American Society of Mechanical Engineers (ASME), USA. This certificate will strengthen our capability to address critical applications in the global nuclear market. 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 Pelt on turbines.

During the year we received a repeat order for circulating water and auxiliary cooling water pumps for 450 MW Termozulia III power plant in Venezuela. The order is on account of the excellent performance of circulating water (CW) pumps supplied by KBL for Termozulia I project in 2007.

The new markets such as Georgia and Venezuela were created. Our company 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.

The Lowest Life - Cycle Cost (LLC™) pump introduced by KBL is a boon to the market. The recent Perform Achieve and Trade (PAT) policy of the Government of India provides additional opportunities for our LLC™ pumps.

We commissioned a 3800 mm Butterfly valve, the largest size butterfly valve in India, for cooling water application for 2x660 MW Nigree Thermal Power Project of Jaypee Group.

Our Hydro division provides "Water to Wire" solutions for hydro projects up to 20 MW. During the year we added 26 MW of capacity to the grid by commissioning 8 hydro turbines and the total cumulative power generation capacity addition is 95 MW by commissioning 47 hydro turbines. The result is a cumulative 3 Lakh tonnes of Carbon Emission Reduction (CER) with 40 percent plant load factor which is in line with KBL's commitment towards sustainability.

Irrigation



The KBL Irrigation sector provides fluid handling solutions for Irrigation schemes and also offers best suitable pumps and valves for the irrigation. KBL fluid handling solutions helps many countries and states to achieve food sufficiency. The Irrigation sector closely works with National and State Irrigation Departments. The Irrigation sector has executed many projects in India and abroad.

Components of Irrigation Schemes are:

- Head works/Pump House
- Electromechanical works
- Pumping Machinery
- Sub stations
- Rising Main
- Canals & Distribution Systems

KBL has evolved into total solution provider with capabilities to conceptualise and implement irrigation projects from concept to commissioning.

Projects such as the Saurashtra Branch Canal (SBC) pumping scheme of Sardar Sarovar Narmada Nigam Limited (SSNNL) or the Godavari Lift Irrigation scheme of Irrigation and Command Area Development (I-CAD) department are classic examples wherein we provided value added solutions to the customer delight.

In the 12th Five Year Plan, the Indian Government's focus is on the completion of old and slow moving irrigation projects. Government is strengthening systems to ensure timely project completion to avoid cost overruns. This initiative will allow us to close the projects on fast-track and recover our outstanding dues.

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 conceptualize 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.

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.

During the year, our focus was on project closures and we made commendable progress in the states of Karnataka and Maharashtra. We improved on the mechanism to capture, manage and leverage knowledge related to project management. As a result new projects are completed in the budgeted cost and time. Benban and Rozaikat pumping schemes in Egypt are the prestigious international irrigation turnkey projects which were successfully closed in time with positive cash generation. We are now poised to undertake international irrigation projects. Our rich experience from the domestic market can be successfully leveraged and extended to the global arena.

There has been increasing attention on the business from the products and international markets. Product marketing with terms acceptable to the company has paid dividends.

Water Resource Management



Water Resource Management (WRM) is one of the pioneers of business verticals in KBL. Be it providing pump sets to boost the product business in India and abroad or executing EPC projects for 'Water Supply' and 'Sewage & Water Treatment' plants-WRM does it all! Growth in population & urbanisation has many opportunities in store for the sector. With its rising strength in 'Desalination', WRM has geared up to enter this less-ventured field

Components of Water Schemes are:

- Water Supply
- Water Treatment Plants
- Desalination

In order to optimise the usage of finite water resource, there is increased thrust on water conservation, recycling and reuse to overcome water shortage. Refurbishment of the water supply infrastructure is one step the Government will undertake to eliminate water loss during distribution. Municipal corporations and government entities continued to lay 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 are 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 (LLCTM) Pump continued in line with the objective of sustainability. The Government of India has prioritised and intends to improve water supply and sanitation facilities with schemes like Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The modalities of JNNURM Phase II funding are under discussion and likely to emphasize the Public Private Participation (PPP) model.

Municipal Corporations and Panchayat areas are proposed to be covered in phase II. Financial institutions like the Asian Development Bank (ADB) and Japan International Cooperation Agency (JICA) are extending funding for the distribution network. As environment protection norms are getting stringent across the globe, the Government is re-framing and strengthening policies to ensure sewage and effluent treatment facilities across India. This initiative offers us opportunity to promote our innovative and energy efficient product range which includes Lowest Life - Cycle Cost (LLC™) pumps and Tamper Proof Kinetic Air Valves. During the year 2012-13, 20 projects were completed by the Water Resource Management Sector.

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

Gas, Oil and Defense



Gas, Oil and Defence sector seeks business opportunities in Oil and Gas segment, mainly into FM approved and UL listed fire fighting pumps for offshore. Sector also supplies fire fighting pumps to LPG bottling plants, various depots, refineries and other oil field establishments. This sector also serves to the defence establishments like Indian Navy, Indian Coast Guard, and Ordnance Factories & Military Engineering Services. The products are also supplied for dry docks, port trusts and shipping infrastructure

Components of Gas, Oil & Defense are:

- Marine
- Oil & Gas

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 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 and other customers for land based applications. Cooling water pump packages were delivered to BPCL Mahul and Kochi, and Indian Oil Corporation Limited, 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.

KBL focused on catering to the non-API, critical application process market. We delivered eight offshore fire water pump packages to ONGC's offshore platforms as replacement of existing fire water pump packages, four of which were successfully commissioned. The electro-mechanical turnkey project taken by us through ITD Cementation for design, engineering, supply, installation, testing and commissioning of Impounding Pumping System at Mazgaon Docks Limited was commissioned. Products such as indigenised auto prime pump set with sound proof enclosure were developed. The first order from Mazgaon Docks Limited for warships of the Indian Navy under project '15B' is one of our prestigious orders. Repeat orders from customers like Linde, Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL) and Indian Oil Corporation Limited (IOCL) for various projects strengthened our position for supply of fire water and cooling water pump packages

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 modernization of dock was executed.

Industry



This business vertical deals with pumps and pumping solutions that are required by process industries along with water supply demands. It covers all the segments including Engineering, Steel, Paper & Pulp, Textile, Sugar, Chemical, Food and Beverages, Cement, Mining, Pharma, Tyre, Automobile etc.

Components of Industry sectors are:

- Process Application
- Toxic & Hazardous media handling
- Booster Application
- Cooling water application
- Dewatering application

KBL decided to focus more on pumps with special material of construction for process and critical applications. Significant part of Industry sector revenue comes from process and special material of construction pumps in addition to revenue from standard and utility pumps.

We took various initiatives to establish ourselves as a reliable non-API process pump manufacturer in the market through seminars, technical presentations and workshops. During the course, we added new customers, and received approvals for process pumps from various Original Equipment Manufacturers (OEM), Consultants and Engineering Procurement and Construction (EPC) companies.

We conducted application engineering training for our engineers and dealers to update them with market knowledge.

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 door-step of customers in least possible time. Market presence was strengthened on account of original equipment manufacturer, end user and consultant approvals. We continued to promote 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 organizations included Hitachi Japan, OMB Austria and Technimont ICB Italy.

Building & Construction



This sector caters to all Water, Sewage, Heating Ventilation Air-Conditioning and Refrigeration Systems, Pressure Boosting Hydro-Pneumatic Systems, Fire Fighting requirements of infrastructure, constructions, residential buildings, multiplexes, housing boards, shopping malls etc. The key focus of this sector is upcoming infrastructure projects i.e. airports, metro rail projects and large size townships.

Components of Building & Construction are:

- HVAC & HYPN system
- Fire fighting systems
- Water & Sewage treatment plants

KBL maintained leadership in the fire market and offered differentiated solutions such as innovative space saving concepts for high rise and super high rise buildings, wet pit pump sets which are cost effective in comparison to vertical turbine pump sets and preventive solutions through SMS fire alert systems.

Last year we have improved our market share in the Heating, Ventilation and Air conditioning (HVAC) and Pressure Boosting Systems (HYPN) markets. We are now approved by almost 100 percent HVAC and Plumbing consultants of India. Our enquiry bank for HVAC and HYPN has increased by more than 300 percent. We have launched new products like primary variable flow controller (PVF), high suction pressure pumps, condition monitoring systems, pumps with

suction diffuser, triple duty valves and submersible pressure boosting systems. Many major customers, consultants and contractors have visited our factories and various sites to experience how our differentiated solutions can contribute to meet their needs. We were able to maintain leadership position in infrastructure projects and bagged orders of almost all new metrorail projects like Mumbai, Jaipur, Kolkata and Gurgaon Metro.

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 certified and Underwriter Laboratories (FM/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 pumps increased from 4 to 11 percent and Factory Mutual Approved and Underwriter 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

Distribution



This sector deals with our widespread dealer and distributor network across the country. The Distribution sector covers the requirement for Domestic, Agriculture and Industrial segments for different applications

Components of Distribution sectors are:

- Agriculture Pumps
- Domestic Pumps
- Industrial Pumps

We focused on strategic initiatives, namely, deepening and widening of footprint, Synchronised Manufacturing and Distribution System (SMDS) and channel management.

.Channel management processes were strengthened for enhanced collaboration and sustainability. Structured planning and effective execution resulted in engagement of

more than 15000 quality registered retailers. The outcome was a business with Return on Capital Employed above 100%.

Measures were taken to improve workforce productivity by deploying information technology enabled systems for real time traceability of secondary market. Channel Loyalty Programs such as Kirloskar Family Bonanza, AnmolRishtey, 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% of the turnover of the sector

Customer Service and Spares



This sector provides after sales services and spares required by customers. Here we also support and help customer for onsite installation of pumpsets to ensure proper operation. We have more than 400 service dealers & centers across the country to cater to customer need & centers across the country to cater to customer need

Components of Customer Service & Spares are:

- Operation & Maintenance Contracts
- Overhauling Contracts
- Pump sets Energy Audit

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.

The ARCs (Authorised Refurbishment Centers) offer services like pump repair and refurbishment for life and performance enhancement. Small and Medium Pump repair and servicing at the ARC offers cost benefits to the customers. Two more ARCs were inaugurated at Surat and Bellary taking the total number of ARCs to five. Initiatives like Mr. Customer and Project Mithas helped us strengthen our relationships with our customers. During the year, we launched SAP Customer Relationship Management (CRM) 7.1 and Quick Response (QR) Code. 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. The Toll Free system ensures complaints are reported to KBL and quick resolution.

Performance with respect to strategic objectives

Continuing to shift focus on positive cash flow and higher margin business

- Revenue from manufactured products increased to 66% from 60% in FY12-13
- Composite material cost as a percentage to sales decreased to 67.6% from 71% in FY12-13
- Launch of new product variants and products contributed to more than 25% revenue of the small pumps business

Expand and deepen footprint domestically

- Engagement with more than 15000 quality registered retailers
- Introduction of "Chhotu Pump" for household applications in the price sensitive market.
- Channel business generated Return on Capital Employed(ROCE) above 100%

After sales and service as a strong revenue engine

- Service engineers deployed at more than 18 client locations for better customer connect
- SAP - CRM 7.1 was leveraged across company's channel network for efficient and real time order management.
- 2 more Authorised Refurbishment Centers (ARC) are established at Surat and Bellary

Strong push for international business

- 33% of consolidated revenues are from international business
- KBL's subsidiary, SPP Pumps Limited commissioned a new plant in Atlanta. This is 7th manufacturing facility of KBL outside India

Move towards high end liquid and Engineered Pumps

- Development of Primary Heat Transfer Pumps for Bharatiya Nabhikiya Vidyut Nigam Limited (BHAVINI) for 500 MWe Prototype Fast Breeder Reactor (PFBR)
- GK-W pump series conforming to ISO 5199 complying with the Minimum Efficiency Index (MEI) as per Euro norms of 2015 and 2017 launched

3 year summary

(All values Rs. Mn)

Particulars	2011-12	2012-13	2013-14
Revenue from operations	17,819	18,724	17,516
Other Income	463	70	55
Material Cost	12,661	13,204	11,695
Other Expenses	4,441	4,108	2,995
Finance Costs	537	443	413
Depreciation	303	320	346
Profit before tax	340	719	698
Income tax provision	28	285	221
Net Profit after tax	312	434	477
Share Capital	159	159	159
Reserves	7,378	7,627	7842
Net Worth	7,537	7,786	8001
Exports	1,159	1,544	1,180
Basic Earnings per Share	3.93	5.47	6
Book Value per Share	95	98	101
No. of Employees	2,965	3,099	2,930

* For more details refer Annual Report 2013-14

38 Performance

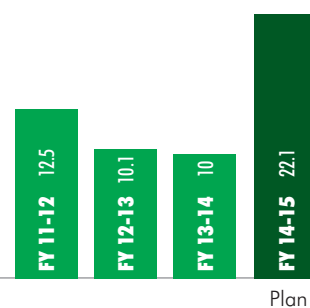
Sales (Rs. Mn)

2011-12	17819
2012-13	18754
2013-14	17516



ROCE (%)

2011-12	12.5
2012-13	10.1
2013-14	10
2014-15 (Plan)	22.1



Plan

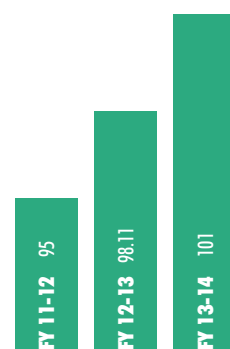
Earnings per share (Rs.)

2011-12	3.93
2012-13	5.47
2013-14	6.00



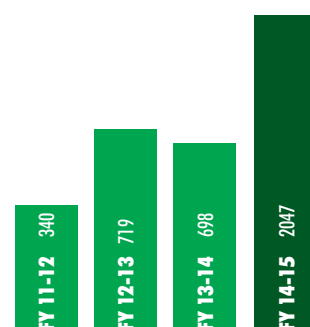
Book Value per share (Rs.)

2011-12	95
2012-13	98.11
2013-14	101



Profit Before tax (Rs. Mn)

2011-12	340
2012-13	719
2013-14	698
2014-15 (Plan)	2047

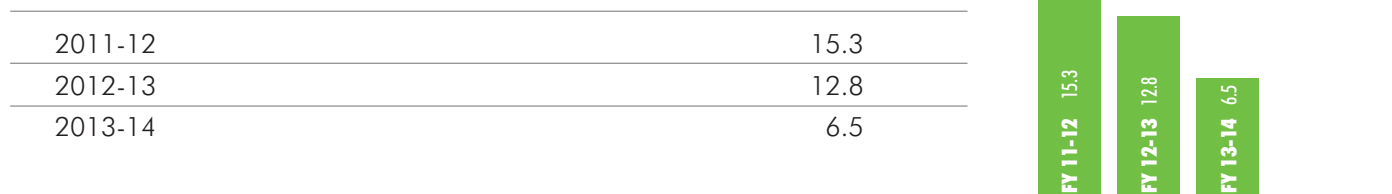


Plan

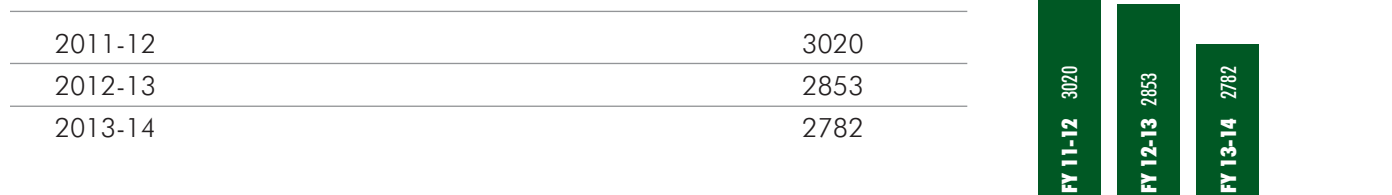
Employee related expenses (% to sales)



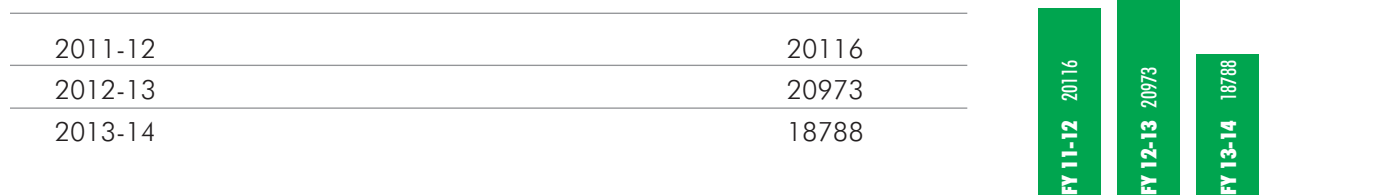
Attrition Rate (Staff employee)



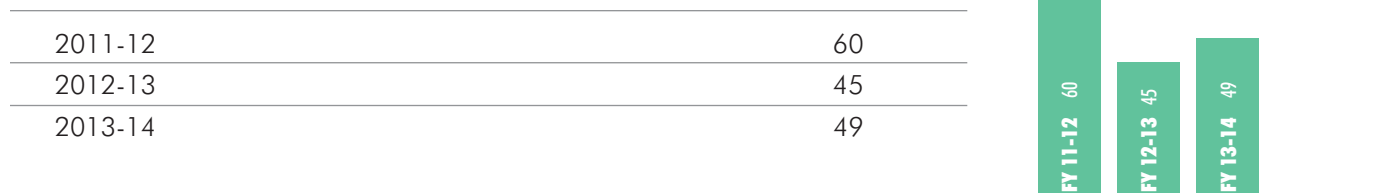
Specific Electricity Consumption (kWh/Rs.Mn)



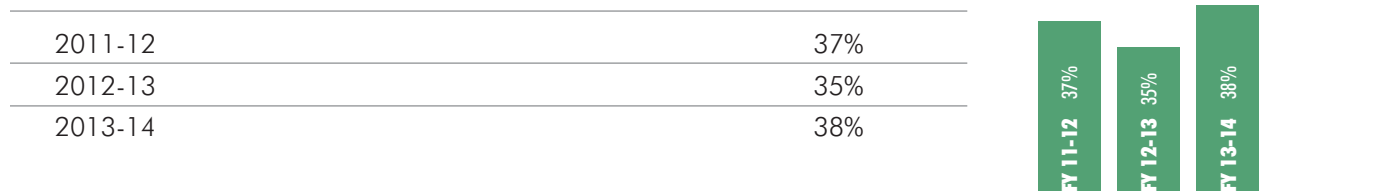
GHG Emissions-Scope 1 and 2 (tCO₂e)



Specific Water Consumption (kilo-liters/Rs.Mn)



Use of Renewable energy (%)

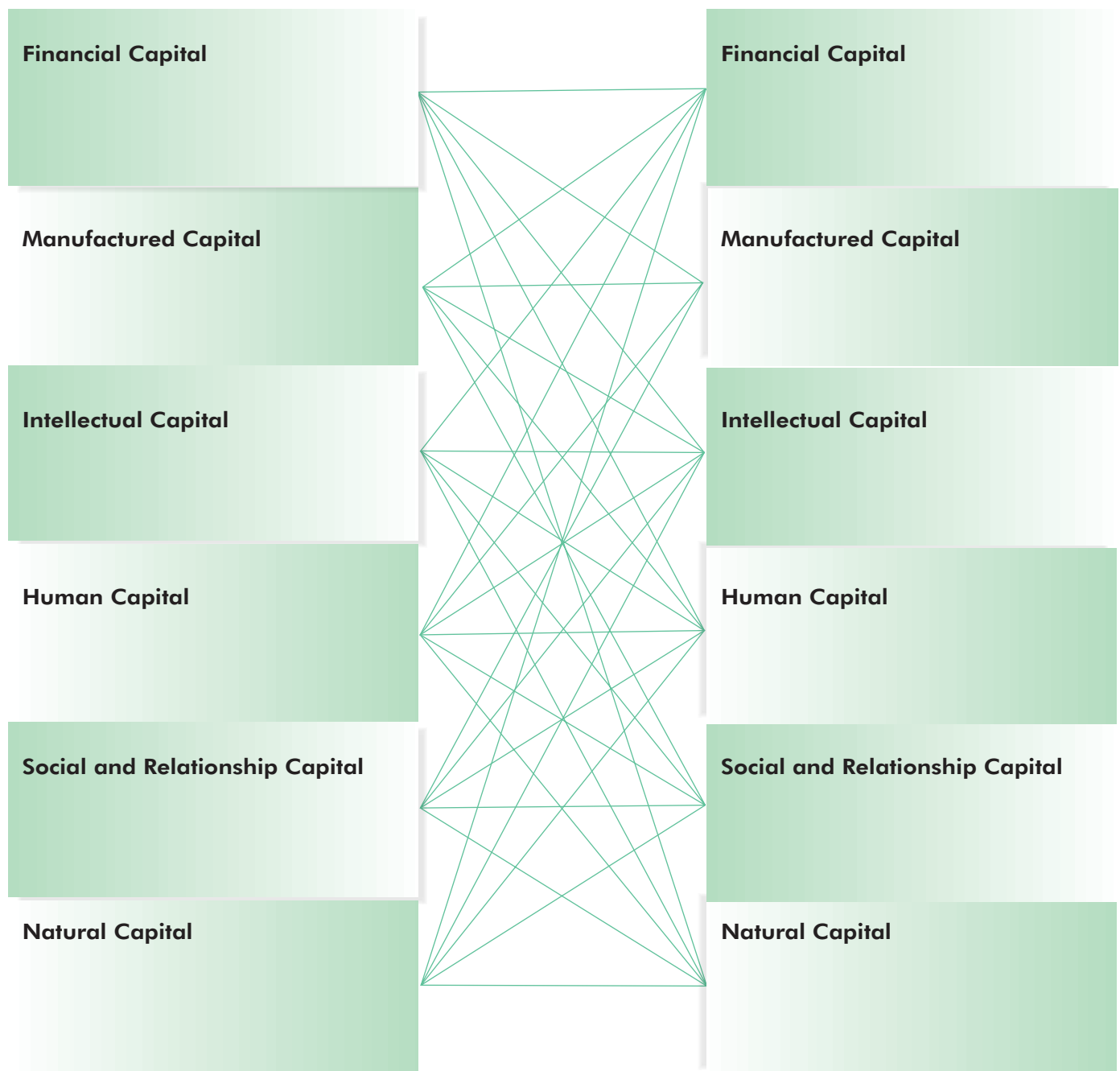


Scope 1 and 2 emissions are direct and indirect emissions of company. They are calculated based on fuel and electricity consumption

6 - Capital Model and Value creation for the capitals

All organizations depend on various forms of capital for their success. In this Framework, the capitals comprise financial, manufactured, intellectual, human, social and relationship, and natural. The diagram below indicates that one form of capital may create value in another form of capital as an outcome.

For example social and relationship capital may be leveraged by an organization to create value in terms of financial capital. Similarly an organization may use its financial capital to create value in terms of human capital by developing its workforce and intellectual capital through research and innovation.



Value Creation for the capitals by KBL

Input Capitals

Financial Capital

KBL is listed company in 2 stock exchanges in India with 62% is promoter's shareholding. Balance shareholding includes Indian Public, Mutual Funds, Insurance Companies and Private Corporate bodies. It uses the financial capital generated through its internal operations and also through borrowing to meet the working capital requirements.

Manufactured Capital

KBL has 6 manufacturing plants - namely Kirloskarvadi, Dewas, Kondhapuri, Shirwal, Kaniyur and Sanand. It has "Yamuna" a platinum rated green building as its corporate office in Pune. KBL has established infrastructure including design and development software, in-house foundry, machines for manufacture of pump components, Assembly and testing of pumps. It also has residential colony for its employees at Kirloskarvadi.

Intellectual Capital

KBL has developed intellectual capital of designing, manufacturing and testing of pumps which cater to requirements of various segments of the business. Capability to design engineered Concrete volute pumps, Metallic Volute Pumps, Lowest Life Cycle Cost Pumps and total Pumping system solutions as per customer specific requirements are the intellectual capital of the company. KBL has implemented global management systems like ISO 9000, ISO 14000, OHSAS 18000.

Human Capital

KBL considers talent of people as one of the assets. It has developed Human resource policies which ensure attracting and retaining the talent. KBL has vision to be most preferred employer. The talent of the employees and partners is developed through structured training and development process.

Social and Relationship Capital

KBL continues to build its relationships with the suppliers, customers and society through various initiatives. It actively builds networks through its participation in industry bodies like CII, FICCI, IGBC and educational institutions like IIT, IIM and reputed universities in USA and UK. Relationships are built with suppliers, dealers, consultants and contractors. KBL works with Vikas Charitable Trust and Kirloskar Foundation to implement social initiatives.

Natural Capital

KBL products use natural resources like materials - metals and non-metals for pump components, tools and consumable materials for manufacturing processes, power and fuel and water. KBL strives to reduce its non-renewable content of the power and fuel. KBL invests in developing energy efficient products and pumping solutions.

Output Capitals

Financial Capital

KBL generates financial value for its stakeholders. It distributes this financial capital to shareholders as dividend, payment to suppliers for the materials and services, salaries to employees and taxes to the government.

Manufactured Capital

KBL's output in terms of manufactured capital is pumps and pumping systems which are installed in various segments like domestic, agriculture, industry, building and construction, power, water, irrigation, Oil & gas and Defense.

Intellectual Capital

KBL's expertise of designing and manufacturing custom designed pumps developed over many years is the output in terms of intellectual capital. It has also developed systems and process for manufacturing of these pumps and capability to test and commission these pumps at the customer sites.

Human Capital

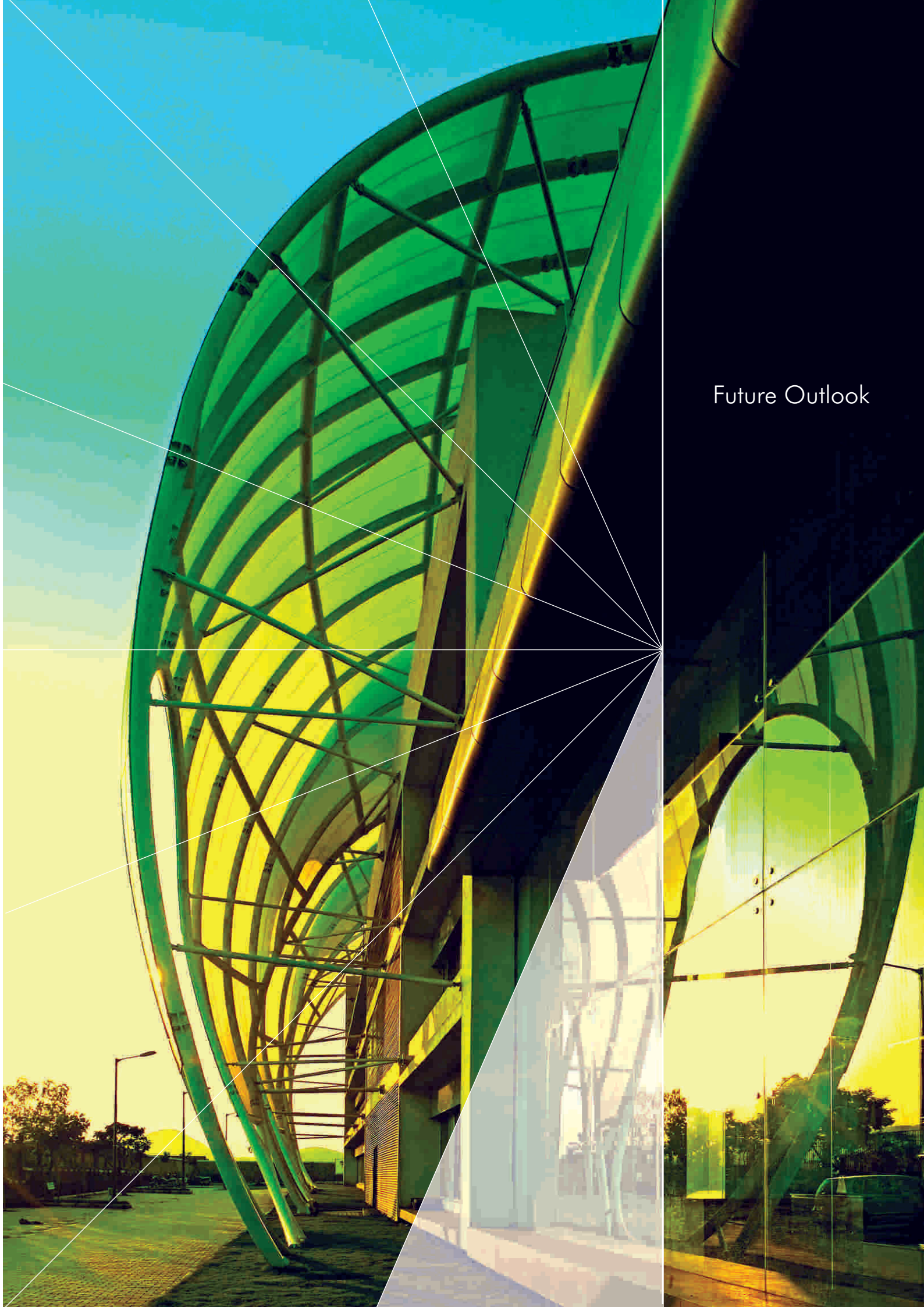
KBL has developed process of aligning the team and individual level goals which are aligned to the strategy of the organization. Involving employees in cross functional teams for improvement initiatives aims for effective utilization of its human capital.

Social and Relationship Capital

A long term relationship with customers and suppliers has resulted in trust and they continue to work with KBL. This relationship has resulted in joint development programs for mutual benefit and growth. KBL has established strong image as a responsible corporate citizen in communities where it operates.

Natural Capital

KBL energy efficient pumps and pumping systems help reduce the impact on GHG emissions. KBL's solar pumps help reduce impact on natural capital. The pumping energy audit and energy saving solutions impact on reducing the carbon foot print at the customer's end.



Future Outlook

The European Industrial Foundation estimates the global pump market to be around USD 41 billion. The centrifugal pump market is around USD 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. The power generation industry is expected to see addition of new coal fired plants in Asia. 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 organised pump market in India in 2013 was Rs. 10,500 crores and is expected to reach Rs. 13,419 crores in 2018 at a compounded annual growth rate of 5%. 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. 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. Revival of economy due to stable government at the center will support upswing in the pump market. Capacity additions coupled with aggressive marketing is leading to intense competition in the Indian pump industry.

Power

- New power generation market of 88537 MW in 12th Five Year Plan to support 5.3% GDP growth
- Doubling of hydro power capacity from 15000MW to 30000 MW
- Nuclear Power to increase from 3000MW to 11000MW with growing importance for green energy
- 16 new PHW reactors of 700 MW declared. 10 new LW reactors with international cooperation
- Market shift towards large capacity Ultra Mega Power Plants. 40 units of 800/660 MW are planned in 12th Five Year Plan.
- Opportunity in after market service offerings due to aging power plants of 16000 MW.

Irrigation

- Potential in Gujarat for Sauni Project
- Replacement business in Haryana and Kerala
- Projects in Honduras, Vietnam, Zimbabwe, Rwanda
- Opportunities in Turkey and East European market

Water

- The Government of India has prioritised and intends to improve water supply and sanitation facilities with schemes like Jawaharlal Nehru National Urban Renewal Mission (JNNURM).
- Contamination of inland water due to increased industrialization and stringent environmental norms has put thrust on sewage and recycle of water.
- Upcoming water supply projects coming in various states.
- STP projects with latest technologies.

Gas, Oil and Defense

- Expansion plans of ONGC to double output by 2030
- Replacement of fire fighting pump sets by petrochemical industries
- Development of large dry dock
- New projects by Indian Navy

Industry

- Growth in infrastructure will result in higher demand for steel. Steel industry requirements for pumps is expected to increase.
- Opportunity to grow in chemical and process industry.
- Paper production industry likely to grow at CAGR rate of 8.4 %.
- Indian food industry projected to grow by US \$ 100 to 300 Billion by the year 2015.
- Expected increased business from new as well as existing customers in sugar industry segment in growing market.

Building & Construction

- Focus on increasing our market share in the HVAC, Plumbing, HYPN and Dewatering.
- Six upcoming metro projects planned in India in coming year which expected to attract business as currently provided fire fighting system for all existing metro projects
- Rapid growth in construction business by around 40 %, 400 new big township planned in country
- Upcoming new projects of 100 new big hospitals, growth in 5 star hotels by 10 % and budget hotels in large numbers.

Distribution

- Domestic pumps sale expected to grow at the rate of 12 % per year.
- Announcement of investment of one trillion in infrastructure sector in 12th Five year plan will boost pump sales demand.
- New sources of water likely to increase the sales of water supply pump and pumping systems.
- With increased urban density, there is huge demand for domestic water supply pumps in this area.
- Increased demand for star rated pumps as customers are preferring energy efficient pumps due to increasing energy costs.

Customer Support and Service

- GDP growth rate expected by 6% in all sectors which will attract spare business in Small-Medium, Large pumps market
- Open economy for international business likely to attract spares business for supplier pumps.
- Upcoming large population of pumps and pumping scheme will enhance the service and spares business.
- Awareness of energy saving among customers and use of genuine spare will attract service and spares business.

For the purpose of this Framework, unless stated otherwise, the following terms have the meanings attributed below:

Business model: An organization's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term.

Capitals: Stocks of value on which all organizations depend for their success as inputs to their business model, and which are increased, decreased or transformed through the organization's business activities and outputs. The capitals are categorized in this Framework as financial, manufactured, intellectual, human, social and relationship, and natural.

Content Elements: The categories of information required to be included in an integrated report; the Content Elements, which are fundamentally linked to each other and are not mutually exclusive, are stated in the form of questions to be answered in a way that makes the relationships between them apparent.

Guiding Principles: The principles that underpin the preparation and presentation of an integrated report, informing the content of the report and how information is presented.

Inputs: The capitals (resources and relationships) that the organization draws upon for its business activities.

Integrated report: A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term.

Integrated Reporting (<IR>): A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.

Integrated thinking: The active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision making and actions that consider the creation of value over the short, medium and long term.

Material/materiality: A matter is material if it could substantively affect the organization's ability to create value in the short, medium or long term.

Outcomes: The internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs.

Outputs: An organization's products and services, and any by-products and waste.

Performance: An organization's achievements relative to its strategic objectives, and its outcomes in terms of its effects on the capitals.

Providers of financial capital: Equity and debt holders and others who provide financial capital, both existing and potential, including lenders and other creditors. This includes the ultimate beneficiaries of investments, collective asset owners, and asset or fund managers.

Reporting boundary: The boundary within which matters are considered relevant for inclusion in an organization's integrated report.

Stakeholders: Those groups or individuals that can reasonably be expected to be significantly affected by an organization's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organization to create value over time. Stakeholders may include providers of financial capital, employees, customers, suppliers, business partners, local communities, NGOs, environmental groups, legislators, regulators, and policy-makers.

Strategy: Strategic objectives together with the strategies to achieve them.

Those charged with governance: The person(s) or organization(s) (e.g., the board of directors or a corporate trustee) with responsibility for overseeing the strategic direction of an organization and its obligations with respect to accountability and stewardship.

Value Creation: The process that results in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs.