



Enriching Lives

# Innovating *for* Tomorrow

*Sustainability Report 2012-13*

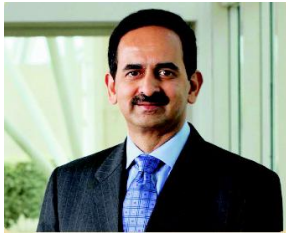


**KIRLOSKAR BROTHERS LIMITED**



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## DEAR STAKEHOLDERS,

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The year 2012-13 has been a challenging year. We continued with our strategy to focus on product business which give higher profitability and also focus on completing the project orders in hand.

We have achieved revenue of Rs 18723 million. This is higher by 5% compared to previous year. This was result of a deliberate strategy of not to focus on top line, but to focus on business which is profitable and results in cash generation.

Our strategy to focus on cash generation and improving the share of product sectors in total revenues has shown positive signs and we hope to consolidate our financial position very soon. Our strategy map constitutes plans to double our revenues and triple the margins by 2016.

We have formed specific customer centric business sectors and found that business sectors of Water, Irrigation and Power continue to face business challenges and so have not been able to generate cash as expected. We will therefore be very selective in our future project business.

Our product sectors have contributed positively to margins and we will concentrate on on-time delivery and capacity utilization of our manufacturing capacities. We will focus on our products for Building and Construction, Industry and Agricultural and Domestic segments.

Our Kaniyur plant in Coimbatore district of Tamil Nadu became operational last year and has now started producing to full capacity. This plant which produced one pump every 63 seconds some time ago, has now improved to produce one pump every 34 seconds. Another noteworthy achievement is that at this plant, the assembly of pumps is done by female employees. These women had not been able to continue their education due to various reasons. Our training modules have encouraged them to develop their skills. This initiative has empowered women and made them economically independent.

We established one more manufacturing plant at Sanand in Gujarat which started production from June 2012. Based on the positive experience at Kaniyur, 20% of employees in this plant are female.

Our Dewas and Kondhapuri manufacturing facilities have achieved significant reduction in their specific consumption of energy and water. We now also monitor our carbon foot print due to scope 3 emissions including employee local commuting and business air travel.

We had earlier released a Code of Ethics applicable to all employees of our company. In order to strengthen the understanding of this code, all staff employees are required to complete an annual online examination. We have also established an Ethics committee to drive the awareness of this code amongst all employees.

Training and up gradation of our people is vital to ensure success of our strategies. Intensive training is organized in the area of leadership, communication and project management.

We believe in providing a healthy and safe environment to our employees. We monitor our safety performance and take steps to improve the same. Our Dewas plant has won the first prize, presented by "Manufacturing Today" for Excellence in Safety. We also conduct various health awareness programmes for our employees.

Change as they say, is only constant and change is vital. We believe that improvement is the logical form of change. We will therefore always strive for improvement whether it is for product or process.

We have focused on customer service to become the preferred choice of our customers. In the current year we established refurbishment centres at 5 locations across India. These centres will provide our customers convenient, comprehensive and quality service with genuine spare parts.

Continuing with tradition, our employees and pool of volunteers have contributed more than 39000 hours to community and support initiatives in the area of Health, Education and Environment this year. Our Dewas plant has won 'The Best Corporate Social Responsibility Practices' award presented by Global CSR Excellence and Leadership Awards (Blue Dart World CSR Day). More than 500 companies from 35 countries had participated for these awards. Kirloskarvadi plant was runner up in the "Excellence in CSR-Large Enterprises" awards presented by Manufacturing Today.

We will continue our journey towards sustainable development by focusing on economic, environmental and social aspects of our business.

I am pleased to place before you our Sustainability Report for this year 2012-13.



Sanjay C. Kirloskar  
Chairman and Managing Director

## STRATEGY AND ANALYSIS

### Impact

In 2012-13, the strategy of focussing on our own manufactured products yielded good results. The infrastructure business was plagued by the issues like cash crunch and policy issues. The thermal power projects are facing issues like higher raw material cost because of rise in prices of imported coal. The new coal mines were not developed because they were in reserved forest areas. We continue to be selective in bidding for projects. The industrial pump business was affected on account of overall business slowdown.

### Risks

The company has a risk management committee which undertakes evaluation of possible risks to the business and develops mitigation plans. The following major risks were identified and mitigation plans implemented to reduce the impact on the business:

- a. The slowdown in infrastructure related projects of power and irrigation segment is a cause of concern. The situation may affect liquidation of work in progress of receivables. Earlier, payments were delayed on account of policy issues facing infrastructure sector in the country.
- b. The segments of power, steel, large irrigation schemes, coal, petrochemicals and refinery may witness slower growth owing to the factors like slower execution and overall negative business sentiment.
- c. The sharp decline in revenue collection by urban local bodies will hamper central project funding through Jawaharlal Nehru National Urban Renewal Mission / Urban Infrastructure Development Scheme for Small and Medium Towns. The result has been frequent delays in job execution
- d. The forthcoming elections in some states and later in the center may lead to delay in project funding and finalization. The political instability might affect Government and Institutional sales
- e. Free power given to farmers in some states, acts as a deterrent to the adoption of energy-efficient technologies and solutions.
- f. The coal scarcity may lead to the demand for fuels like natural gas for generation of electricity. Coal as a fuel is subject to criticisms because of the environmental concerns.

### Opportunities

**Growth Drivers:** We have identified following growth drivers for our business which we expect will provide opportunities for economic sustainability:

- Indian economy is expected to grow by 6% to 6.5 % in 2013-14
- Target for infrastructure investment in the 12<sup>th</sup> Plan Period is set at US\$ 1 trillion. Announcement of investments worth \$1 trillion into the infrastructure sector in the Twelfth Five-year Plan will boost the demand for pumps in key end-use sectors
- The World Pump Market in 2011 was US \$ 38508 Million and expected to reach US \$ 55279 Million in 2017 at a Compounded Annual Growth Rate (CAGR) of 5.6%
- Average crude oil prices expected to drop by around 4% in 2013-14
- The segments of Chemicals, Sugar, Commercial Real Estate, Infrastructure, Agro Chemicals, and Manufacturing are forecast to grow.
- Demand for Wastewater Management solutions owing to the legal norms and environmental concerns.

- Rising price of fossil fuels and electricity will lead to the demand for renewable energy sources for various needs and applications. It will provide us opportunity to promote solar pumping systems.
- The demand for agricultural pumps may increase on account of the planned investments in the agriculture sector.
- Rising energy costs will drive the energy efficient pumping solution and LLC pumps in industry sector. As also the energy labelling will provide market for star rated pumps.
- More focus on Nagarpalika and Panchayats in JNNURM may provide more funds for water supply systems and related projects.
- Contamination of inland water due to industrialization and stringent environmental pollution norms has renewed thrust on the sewage treatment and recycling projects.
- States of Odisha, Bihar, Madhya Pradesh and Karnataka are coming up with new projects in Water Supply and Waste Water Management.
- Water scarcity led to the emphasis on finding new sources of water. The sources such as deep water tables and desalination projects will create demand for pumps offering increased capacity and efficiency.
- The increase in urban density is fuelling the growth in the residential and commercial markets which is expected to grow at 9-10 per cent over the period of 5 to 6 years. The development has resulted in demand for water supply solutions meant for the domestic market.
- Opportunity to provide fire fighting pumps in all metro projects planned in cities. KBL has already established itself in metro projects of Mumbai and Delhi.

#### **Steps taken by the company to address risks and opportunities**

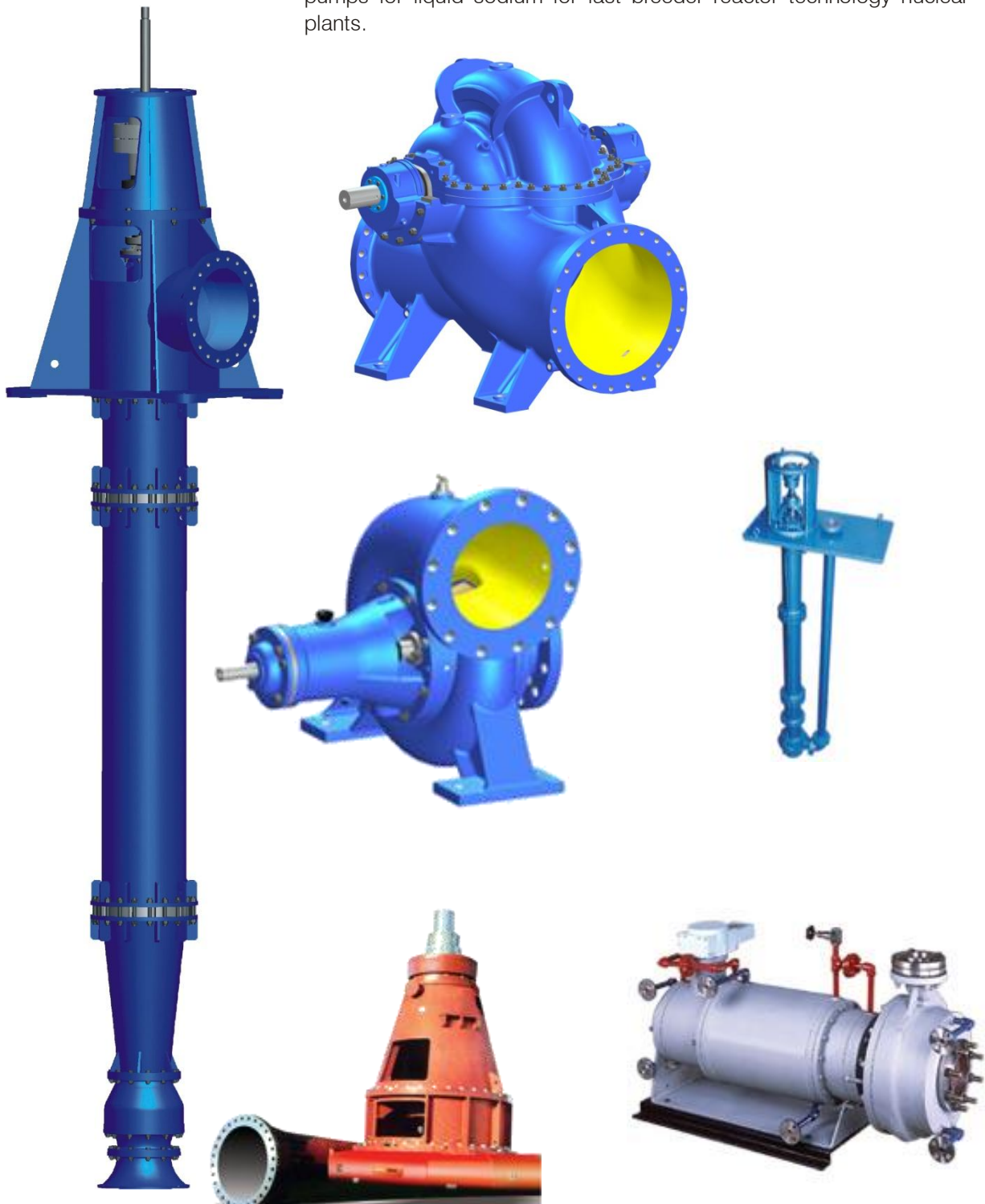
- We have established our latest manufacturing facility at Sanand, Ahmedabad. The targeted production capacity is 500 submersible pumps per day.
- We received the N and NPT Certificates of Authorization from the American Society of Mechanical Engineers (ASME), USA for pumps to be manufactured at the 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 in 2011-12 to 3,000 Units/month in 2012-13. The actual despatched quantity in SMPD increased from 1500 units/month to 1800 units/month in the same period.
- Project Management Office (PMO) is established to ensure implementation of project management practices

## ORGANIZATION PROFILE

We are 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.

We manufacture Centrifugal Pumps with flow rates ranging from  $2\text{m}^3/\text{hr}$  to  $120,000\text{ m}^3/\text{hr}$  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.





We also manufacture 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) along with approval from TOYO Engineering (India) Limited.

We also manufacture hydraulic turbines for the hydroelectric power generation.

We have also taken up projects for various sectors like irrigation, water supply, power and oil and gas as an EPC contractor.



SPP Pumps Limited, which is a subsidiary of Kirloskar Brothers International BV in the UK, specialises in manufacture of fire-fighting pumps and systems.

Kirloskar Corrocoat Private Limited is a joint venture between Kirloskar Brothers Limited and Corrocoat of UK. It manufactures corrosion resistant coatings for various mechanical components exposed to water and corrosive environments.

Kirloskar Construction and Engineers Limited is a subsidiary which specialises in various civil construction projects like roads, tunnels, oil and gas pipe lines.

The Kolhapur Steel Limited is a subsidiary which manufactures steel castings.

### Business Areas and Operational Structure

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.

Complete list of subsidiaries is available in 93<sup>rd</sup> Annual Report 2012-13. This report is available on company website. <http://www.kirloskarpumps.com/investors-financial-information-annual-reports.aspx>

### Significant Changes during the reporting period regarding size, structure or ownership

During the year, Scheme of Arrangement and Amalgamation of Hematic Motors Private Limited with Kirloskar Constructions and Engineers Limited was filed with the Hon'ble High Courts of Judicature at Bombay and Madras.

The Board of Directors of the Company have passed the resolution on November 29, 2012 approving the scheme of merger between Hematic Motors Private Limited with Kirloskar Constructions and Engineers Limited. The appointed date in terms of the scheme is April 1, 2012. The scheme has been approved by Honourable Bombay High Court and approval from Honourable Madras High Court is awaited. The effect of the scheme will be taken into consideration from the appointed date after approval from Honourable Madras High Court.

### Joint Ventures

Kirloskar Brothers Limited has following Joint Ventures

- Kirloskar Ebara Pumps Limited
- Kirloskar Corrocoat Private Limited

### Nature of Ownership and Legal form

Kirloskar Brothers Limited is a public limited company listed on 2 stock exchanges; Bombay Stock Exchange and National Stock Exchange of India Limited.

### Markets Served

Kirloskar Brothers Limited has major operations in India with export to more than 90 countries. This report gives details of the Indian operations.

### Scale of the Organization

The following key elements provide the picture of scale of the organization:

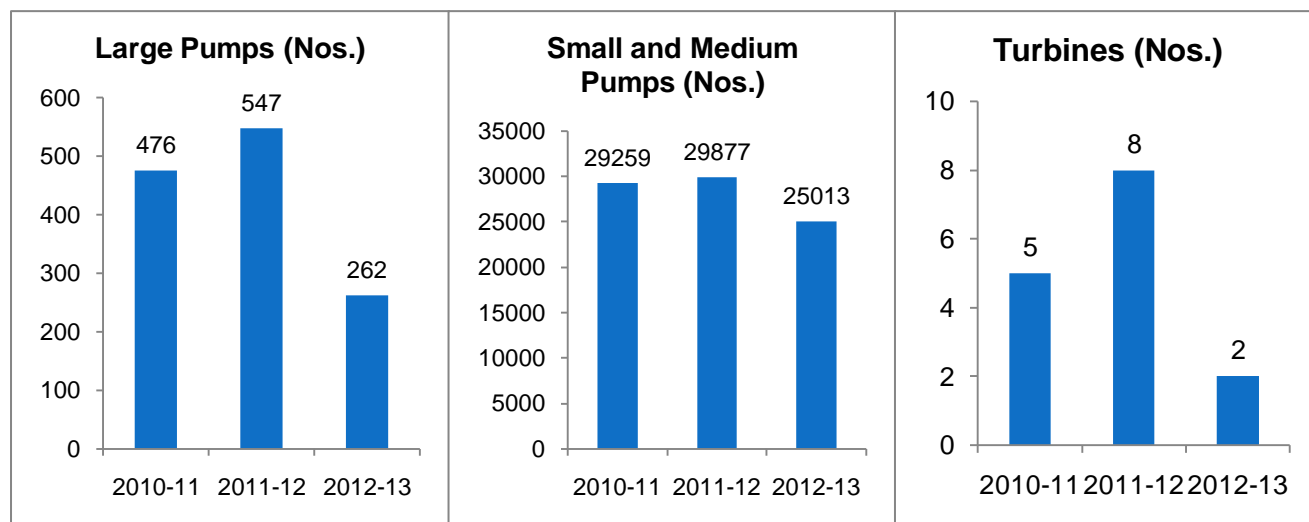
Element	Number/ Value/ Size
Permanent Employees	2062 (Staff + Workmen on Payroll )*
Revenue from operations FY 2012-13	Rs 18723 Million
Total Net Current Assets	Rs 4973 Million
Gross debt	Rs 2685 Million
Share Capital	Rs 159 Million
Largest Shareholder	Promoters
* As of 31 <sup>st</sup> March 2013	

Note: The number of permanent employees are consistent with the reporting boundary, whereas the rest of the numbers also take into account KBL's subsidiaries and JVs.

## Types and number of products sold during the reporting period

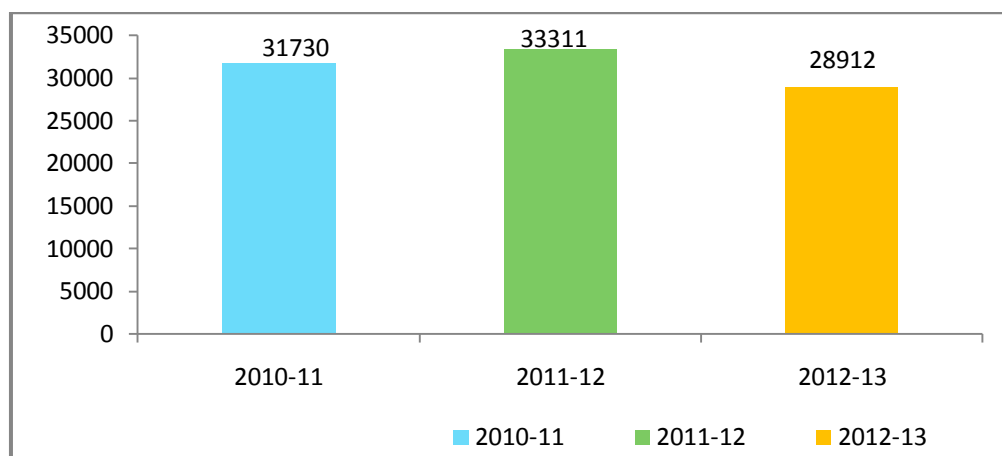
### Kirloskarvadi

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



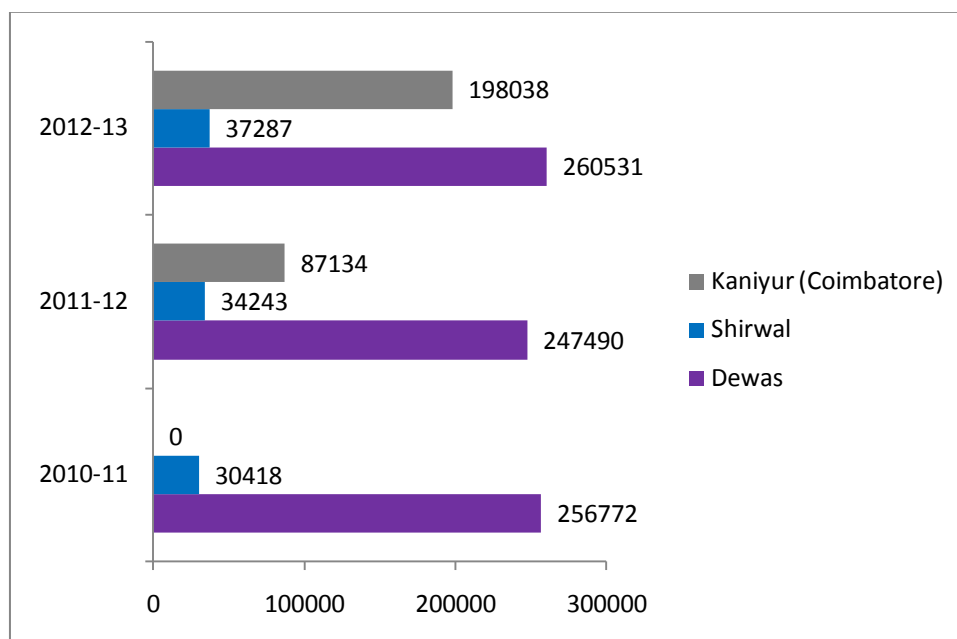
### Kondhapuri

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.



### Dewas, Kaniyur and Shirwal Plants

Dewas plant manufactures pumps for agricultural and domestic segment. Shirwal plant manufactures submersible pumps for agricultural and domestic applications. The number of pumps sold during the reporting period from these 2 plants is given below:



### Location of Organizations Headquarters

The corporate office is located at following address:

**Kirloskar Brothers Limited**  
**Yamuna Survey No. 98 (3-7)**  
**Baner, Pune 411 045**  
**(Maharashtra) INDIA**

### Number of countries in which organization operates with major operations

Overseas operations can be viewed on KBL website at url mentioned below

<http://www.kirloskarpumps.com/contact-global-presence.aspx>

### Awards received in the reporting period

Following Business Related, Process Related and Individual awards have been received by Kirloskar Brothers Limited:

**KBL Dewas:**

- “The Best Corporate Social Responsibility Practices” award presented by Global CSR Excellence and Leadership Awards (Blue Dart World CSR Day)
- Winner in the ‘Excellence in Safety’ category for the large enterprises awarded by “Manufacturing Today”
- First prize in large manufacturing category for Energy Conservation Competition( ENCON) Competition in Kirloskar Group companies
- First prize in Madhya Pradesh State Level Kaizen Competition of CII
- National level “FOUNDRY OF THE YEAR-2012”from Indian Foundrymen.
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**KBL Kirloskarvadi:** Runner Up in the ‘Excellence in CSR’ category for the Large Enterprises awarded by “Manufacturing Today”

**KBL Kondhapuri :** Second prize in small manufacturing category for ENCON Competition (K group)

**KBL Coimbatore:**

- Best Productivity Award 2013 (second prize) given by Coimbatore Productivity Council
- Women Of Impact Awards - Best Leadership

Promotion Marketing Awards of Asia (PMAA) for Business to Business category - Silver award for KBL’s (Distribution Sector) Marketing Campaign “Kirloskar Family Bonanza”

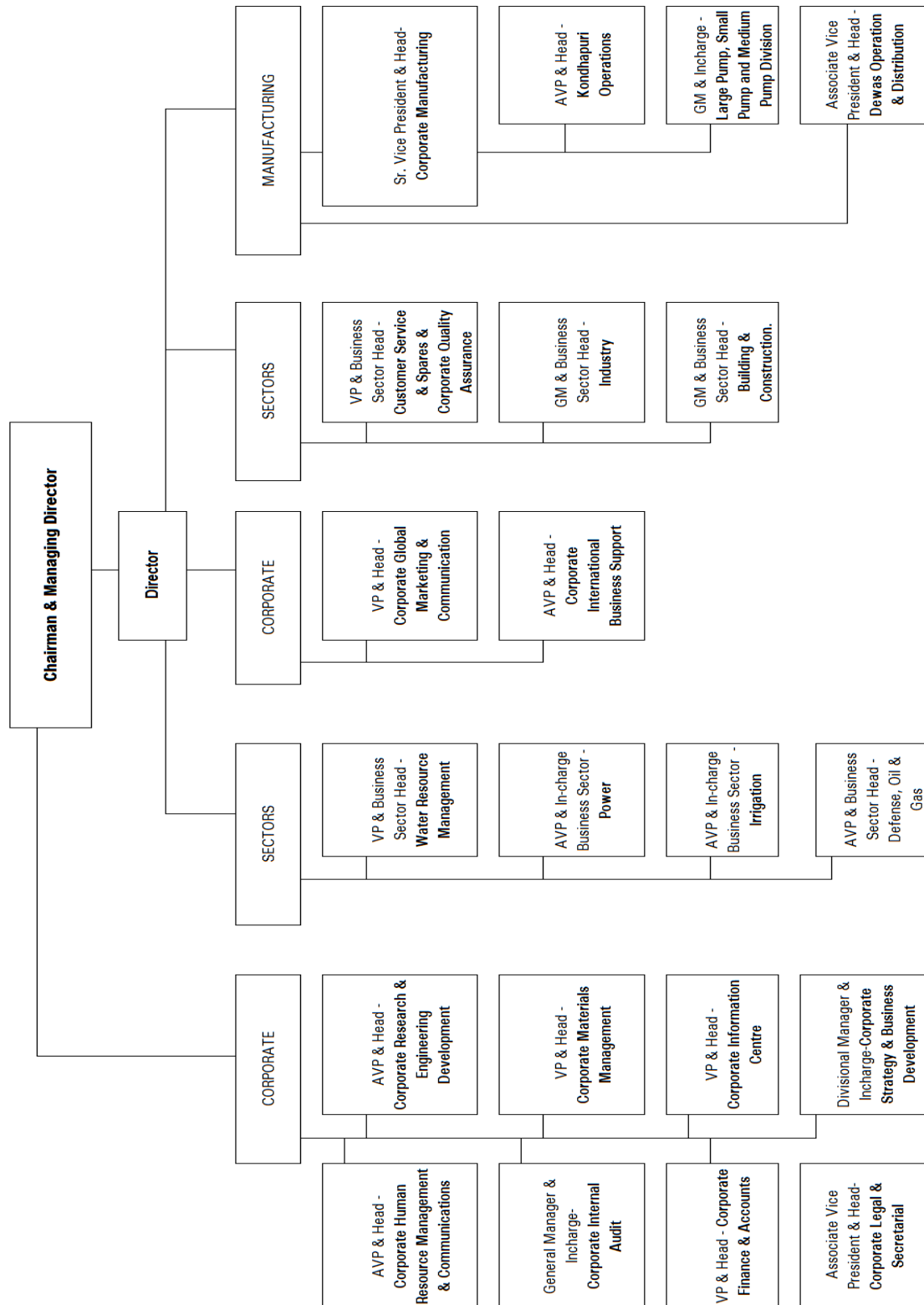
KBL subsidiary SPP pumps recognised as "Manufacturer of the Year" at Pump Industry Awards







Operational structure



VP: Vice President, AVP: Associate Vice President, GM: General Manager, LPD: Large Pump Division, SMPD: Small Manufacturing Pump Division



## REPORT PARAMETERS

### Reporting details

The information provided in this report is for the financial year 2012-13 (i.e. 1st April 2012 to 31st March 2013). The previous report was published in February 2013 for financial year April 2011 to March 2012. This report is released annually.

The report includes 55 core key performance indicators and 29 additional performance indicators of Global Reporting Initiative Generation 3.1 (GRI- G3.1) guidelines, as applicable to the Company with an application level of 'A+'. The report has undergone external assurance by an independent assurer namely Ernst & Young LLP. They have provided the assurance statement which forms part of this report and placed at the end of the report after GRI Index.

Companies Economic, Environmental and Social responsibility performance is reflected in this report. It also gives the priority areas of organisations working. These priority areas are identified and incorporated in the annual plan of all the departments. Based on this, each department works on the materiality topics for the entire year. The report is for all those stakeholders who may directly or indirectly get affected by our company's products or services. The report is for all our stakeholders, regulatory authorities as well as individuals and organizations interested in our performance on environmental, social and economic aspects.

### Contact points for questions regarding the report or its contents

**Ms. Sheetal Nagare**

Assistant Manager

Business Excellence

E-mail: [sheetal.nagare@kbl.co.in](mailto:sheetal.nagare@kbl.co.in)

### Boundary of the report

Kirloskar Brothers Limited has 6 manufacturing plants in India. It has Global Headquarter in Pune. This report covers the operations and activities of 5 manufacturing plants and the global headquarter. We have added Coimbatore, our new manufacturing plant this year in the reporting.



Yamuna, Global Headquarters, Pune



Kondhapuri plant



Kirloskarvadi plant



Shirwal Plant



Dewas plant



Kaniyur (Coimbatore) plant

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#### Specific limitations on the scope or boundary of the report

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Our Sanand plant (Ahmedabad) has started its operations in June 2012 and therefore it has not been included in the scope for this report. This will be included in our subsequent sustainability reports. (However the economic performance includes products produced and sold at Sanand plant)

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#### Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations

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Most of the information for this report is sourced from the Annual Report 2012-13. Other data is based on regular tracking for the reviews by the management.

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#### Data measurement techniques and the bases of calculations

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We have implemented SAP enterprise Resource Management System. Various modules related to Finance, Production Planning, Materials Management, Sales and Distribution and Quality Management are implemented. The financial data has been sourced from the Annual Report. The financial processes and management processes related Quality Management System (ISO 9001), Environment Management System (ISO 14001) and Occupational Health and Safety Assessment Series (OHSAS 18001) are audited by the internal as well as external auditors. Wherever necessary, we have explained the assumptions and/or exceptions while reporting on the GRI key performance indicators. For certifications please refer our website <http://www.kirloskarpumps.com/we-are-kbl-quality-policy.aspx>. Other assumptions and bases of calculations are given in respective sections.

## GOVERNANCE: COMMITMENTS AND ENGAGEMENTS

### Governance Structure

The terms of reference of the audit and finance committee have been provided in the report on Corporate Governance Appearing in the Annual Report 2012-13.

#### Structure of committees (as on 31<sup>st</sup> March 2013)

**Audit / Finance:** 4 Independent Directors

**Remuneration:** 3 Independent Directors

**Shareholder / Investors grievance:** 1 Independent Director and 1 Executive Director

The respective committee independently functions in the area assigned to them. Executive Committee (called Committee of Directors) consists of the Chairman & Managing Director and the one Whole-Time Directors. We have developed cross functional teams at each plant location who are working towards sustainability and the activities are coordinated by sustainability team in corporate office 'Yamuna'. We have monthly meetings which are reviewed by the CMD. The reviews are minuted for reference. Additionally monthly monitoring results are shared with the top management in monthly review meetings.

#### Composition of board of directors by age and gender is as given under

Age→	21-30	41-50	51-60	61-70	71-80	81-90	Total
Male	1	1	2	4	1	1	10
Female	0	0	0	1	0	0	1
Total directors (as on 31.03.2013)							11

Presently board has a female member, as minority representation. Further details about the broad members are available in the Annual Report.

### Highest governance body

The Board comprises an optimal complement of independent professionals as well as Company Executives with in-depth knowledge of business. As on the date of this report, there are Eleven Directors of whom one is Managing Director, one is Whole Time Director and Nine (82%) are non Executive Directors of whom six (55%) are independent directors. There are 6 independent and non-executive members on the Board of Directors of the company.

Details on the same are provide in 93<sup>rd</sup> Annual report 2012-13 <http://www.kirloskarpumps.com/investors-financial-information-annual-reports.aspx>

NAME OF THE COMMITTEE	ROLE	STATUS ON INDEPENDENCE
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	The Committee has an independence for functioning

	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 the Annual Report	The Committee has an independence for functioning
Shareholders'/ 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.	The Committee has an independence for functioning
Executive Committee of the Board (Committee of Directors)	The Executive Committee of Board reviews major business transactions/ strategies i.e. capital and revenue budgets, long-term business strategies and plans, the organisational structure of the Company, real estate and investment transactions, allotment of shares, borrowing and other routine matters.	The committee reports to the board

#### Compensation for members of the highest governance body

The performances of the Whole-Time Directors are evaluated / reviewed by the Remuneration Committee. The Company pays remuneration by way of salary, perquisites and allowances (fixed component), incentive remuneration and commission. The Report on Corporate Governance in the Annual Report contains details of the remuneration drawn by the Whole-Time Directors. The remuneration by way of commission paid to the Non Executive Directors is decided by the Board of Directors. Approval of the shareholders is taken for payment of commission to Non-Executive Directors which is within the limits prescribed under the Companies Act, 1956. Appropriate disclosures are made in the notice of the General Meetings. The Annual Report also contains details of the remuneration paid to both Executive and Non-Executive Directors. Currently the compensation of the Board members is not based on the environmental or social performance.

#### Conflicts of interest

To ensure that no conflict of interests arise among the highest governing body, transparency in operations, is maintained with the help of various disclosures under governance. Proper and timely disclosures are made to public through stock exchanges and circulation in news papers. Every year the Board members and senior management personnel provide declaration on their compliance with the Code of conduct.

#### Selection of Directors

The Directors are selected based on the following criteria:

- Qualification and Expertise in the field
- Business experience and achievements
- Ability to bring in the external perspective



### Mission statement, company values and codes of conduct

Our strategy planning is based on our companies Vision and Mission statements and Values. These have set path for each and every one in the company. Further it has ensured that its corporate governance practices are compatible with the best in the Country.

The Mission, Vision and Values of Kirloskar Brothers Limited are given below:

**Mission**

We shall be known globally as a reliable, innovative and cost effective solution provider in Hydraulic Machines & Systems.

**Vision**

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

**Values**

*Developing and working with mutual trust*

*Building and nurturing team work*

*Fairness in dealing with stakeholders*

*Quality in everything*

*Commitment towards environment*

We have adopted the Code of Conduct developed for the Kirloskar Group of companies and also adopted Code of Ethics which is communicated to all staff employees. The company's Whistle Blower Policy is available on company website in code of conduct section.

<http://www.kirloskarpumps.com/we-are-kbl-value-proposition-code-conduct.aspx>

As a means to drive excellence in the organization we have adopted "The Ravi Kirloskar Quality Prize" (RKQP) model. This is based on the European Foundation of Quality Management (EFQM) Excellence Model as adopted by the CII-EXIM Bank for their national award for Business Excellence.

### Risk Assessment

There is a structured process for risk assessment and risk mitigation. A "Risk Management Committee" consisting of senior leaders is constituted to identify the risks for the business. All officers from the General Manager and above managerial positions are involved in the assessment of risk and its likely impact on the business. This committee periodically reviews the risks and actions are planned and implemented to minimise them. The Audit Committee and the Board takes review of the total process of risk management in the organisation. The Audit Committee also reviews the adequacy of internal control systems with the management. Management then implements actions to mitigate residual risks. The Management is accountable for the integration of risk management practices into the day to day activities. The Risk management and internal controls framework adopted by the Company provides the Board reasonable assurance on the effectiveness and efficiency of the Company's operations; the

safeguarding of the Company's assets and the Company's compliance with laws and regulations. While developing the strategy or planning for the projects social and environment aspect are considered.

#### Performance with respect to economic, environmental, and social

We have adopted balanced score card methodology which was developed with the help of an external consultant on strategy development for all the employees. It included the development of perspectives related to the Financial, Customer, Internal Process and Learning and Capability Development. Based on this methodology the strategy map is prepared for the organisation to achieve its Vision. The company level objectives are taken to the employees of the company. Based on this principle evaluation is done for department heads and their subordinates. The economic performance of the company is evaluated and audited by corporate financial accounts department. Related policy framework and strategy development is undertaken.

Corporate Human Resource and Communication (CHRM&C) department along with safety managers lays down the Environment, Health and Safety policy. We conduct periodic audits of all our manufacturing units and all our project sites including the corporate office. The audit outcomes are converted into action plans, implemented and periodically reviewed. CHRM & C coordinates company's involvement with the society through its CSR activities. Kirloskar Foundation and Vikas Charitable Trust are supporting us in these initiatives. Along with this, we also conduct society perception surveys, results of which are presented to the top management and respective plant heads/project managers. Updates of the activities are shared with the management regularly.

#### Implementation of the precautionary principle

We have formed a Risk Management Committee to identify risks at the company level. The risks are prioritised and risk owners are assigned the actions to be taken to mitigate the risks and reduce the impact and likelihood of these risks. We have implemented the review of projects for significant concerns related to cost, quality or time and these are addressed at the highest level of the management.

The Corporate Research and Development department along with product engineering develop new products based on customer expectations, performance of existing products and market analysis. Each business sector has developed the new product development plans and the contribution of new products as a % of sales.

#### Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses

We have mapped National Voluntary Guidelines (NVG) released by Ministry of Corporate Affairs India to this report.

#### Kirloskar Brothers Limited has signed following

- Code of Affirmative Action for the underprivileged class.
- CII Code for Ecologically Sustainable Business Growth

#### Memberships in associations and/or national/international advocacy organizations;

- Public Affairs Forum of India
- Federation of Andhra Pradesh Chambers of Commerce and Industry

- Fire and Security Association of India
- Confederation of Indian Industry (CII) - Western Region
- Federation of Indian Chambers of Commerce and Industry (FICCI)
- Indo American Chamber - Of Commerce
- Indian Council of Arbitration
- Mahratta Chambers of Commerce Industries and Agriculture (MCCIA)
- Engineering Export Promotion Council
- Indian Pump Manufacturers Association

## Stakeholder Engagement

KBL strongly believes in the definition that an excellent organization is one which achieves superior levels of performance that meet or exceed the needs and expectations of all its stakeholders. We have developed mechanisms to interact with our stakeholders to understand their needs and expectations. We use ongoing interactions, meetings, surveys and questionnaires, seminars and conferences, audits and our annual and sustainability reports for our stakeholder engagement process. These become part of the vital input for development of strategy and action plans for sustainable growth and sustainable benefit to our stakeholders.

## Major Stakeholder groups engaged by the organization

We have identified our stakeholders through our internal process which is based on specific group which are influenced by or influence our business. Based on frequency of interaction, level of responsibility and level of influence we have prioritized our key stakeholders as indicated in diagram below:





## Shareholders / Investors

A monthly report on shareholder's complaints and responses thereon is prepared by the Secretarial department the same is placed before Investors' Grievance Committee meeting.

Investors' Grievance Committee reviews the investor grievance redress procedure and provides guidance on protection of the interests of the investors.

On recommendations of the Investors' Grievance Committee, the Company has taken various initiatives like sending nominations forms, arranging factory visits, etc. Critical feedback, complaints and suggestions received from investors are considered appropriately and addressed. A quarterly report on shareholders complaints is placed at the Board meetings.

Stakeholder Category	Shareholder / Investors	
Purpose of Engagement	To communicate company's financial status, future plans and strategies to build trust of investors	
Mode of Engagement & Frequency	Annual General Body Meeting	Once a year
	Company website	Regularly
	Publication of Quarterly financial reports in newspapers, websites	Ongoing
	Feedback form (Annual Report)	Yearly
Requirement highlights	Regularly Engagement	
Priorities undertaken	Continue to have engagement for building trust	

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.

We have "Whistle-blower Policy" in place for all the employees and stakeholders (e.g. vendors, customers, contractual service providers, contractors, agency staff or any other outside parties/non-employees dealing with the company, whether directly or indirectly). We also have "Prevention of Sexual Harassment at Work Policy" for all employees. Awareness is being created amongst people by conducting sessions on these policies.

Information is available to the shareholders through Annual Reports and half-yearly communications, in addition to release of unaudited quarterly financial statements, under intimation to Stock Exchanges. An analyst meet is arranged every quarter to discuss quarterly financial results. This information is also available on the website.

A business overview – which is part of the Director's Report under Management Discussions and Analysis (MDA), reviews Indian and Global markets with its impact on the company business. MDA inter-alia includes sections on the World Economy, Indian Economy, Global Pump Market- Outlook, Indian Pump Industry, Strategy and Policy, International Business Strategy, Sustainability and Growth Initiative, Risks and Concerns, Marketing Sectors (Water Resources Management, Irrigation, Power, Industry, Gas, Oil and Defence, Building and Construction, Distribution, Customer Service and Spares), Plant Operating Performance, Research Engineering and Development, Global Marketing, Financial Performance, Human Resource and Internal Control Systems.

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

## Customers:

In line with our companies vision we want to be the preferred choice of our customers. Feedbacks and suggestions from our customers help us develop new products and improve our services.

Stakeholder Category	Customers	
Purpose of Engagement	Understand needs and expectations of customers	
Mode of Engagement & Frequency	KBL top management interacts with the customers	Once a year
	Sales and marketing teams interact with customers regularly	Regularly
	Customer Perception Survey	once a year
	Interaction points also include special events, seminars, exhibitions and meets.	Ongoing
	Special Market research projects are conducted to understand the market and customers	As per the requirement
	Special surveys to understand the voice of customer	As per the requirement
	Visits of customers to our premises	once a year
	Toll Free Tatkal Seva	Everyday
Requirement highlights	Order execution and delivery, Service and Maintenance, technology up-gradation (energy efficient products), Business and Commercial Support, Sales Team, Sustainability assessment	
Priorities undertaken	Project Management Office, Link intelliquip to sharepoint office library, Refurbishment Centres, increase in service centres, Warehouse facility at Kirloskarvadi, Implementation of Customer Relationship Management (CRM) 7.1, Increase Spares and Service Dealers, Specialized trainings, On Site customer training module, Sustainability reporting	

The major areas undertaken for improvement are after sales service, timely availability of support team, improvement in response time, and technical competency of sales team. As a collaborative approach towards sustainability, our customers also value us based on our sustainability approach. Sustainability reporting addresses the same.

We have emphasized on creating awareness on technical aspects of our products through onsite training to customers, updating operation and maintenance manuals and development of online searchable diagnostic tools. This has facilitated our customers in using our products safely and efficiently with optimal energy consumption.

Some selected initiatives towards product responsibility are highlighted below.

We are the first Indian pump industry to establish Authorised Refurbishment Centres (ARC). We have established 3 such centres in Jameshpur, Vadodara and Delhi. These centres are run by our dealers. KBL has provided them technical guidance and support to achieve ISO 9000 certification.

### Authorised Refurbishment Centre at GIDC, Makarpura, Vadodara



### Warehouse at Kirloskarvadi

We have established a state- of- the- art warehouse facility at Kirloskarvadi for small & medium range pumps with the objective of reducing response time of spares from 16 weeks to 2 weeks. The warehouse has capacity of stocking more than 5,000 moving parts based on forecast of requirements. A robust SAP inventory management system is in place to ensure timely stock replenishment.





## Mr. Customer

In order to build strong and long term relationships with customers and to enhance the quality of service we have implemented concept of "Mr. Customer". In this programme, each KBL Sales & Service Engineer is made responsible for a particular customer. This Service Engineer called "Mr Customer" becomes a single point of contact to cater to all requirements for service, spares, enquiries and complaints related to specific customer. The feedback of every Mr. Customer is evaluated for improvements in parameters of service response and quality of service.

## Service bulletin

A service bulletin is started to communicate with customers on following aspects:

- Technical analysis and case studies on pumps,
- Technical information,
- Events,
- Seminars,
- Presentations
- CSR activities taken up by service & spares managers.

## Authorised service centres

In addition to 423 Authorised Service Centres across India, 50 new centres are added in FY 2012-13.

## Tatkal Seva - A Value Added Service

We have appointed freelance pump mechanics with service centres as an extension to its present manpower. This has further enhanced the service centre's capability and its reach.



Customer Service & Spares



Enriching Lives

# Service Bulletin

Kirloskar Brothers Limited

Issue : 1, April 2012

### From the Editor's Desk

Dear Colleagues,

The importance of the service element in the marketing process needs no elaboration. It is foremost step towards achieving customer satisfaction. We, at Kirloskar Brothers, strongly believe in aiming for our growth strategies powered by our endeavor to earn "Customer Delight".

As you are well aware that service element has two sides - pre-sales as well as after-sales service. The former offers the customer the best product meeting their requirements and the value that is paid for. The latter, involves assuring them a trouble-free, reliable service through repairs and maintenance, prompt supply of spares and anything else that requires replacement. This way, we not only want to sell a product but to build a strong bond with our customer.

With this purpose in mind we have re-started this 'Service Bulletin' which you will find very interesting and useful. We will share with you our experiences on technical data, on remedial actions taken on complaints reported from various sites, we will also provide you technical update on product features and pumping systems.

Your comments and suggestions on this are welcome, which will help us to improve the quality and contents for this 'news bulletin'.

With Regards,

  
**Prasad M. Lowalekar**  
 Customer Service & Spares  
 Kirloskar Brothers Limited  
 E-mail: prasad.lowalekar@kbl.co.in




## Case Study

Name of Complaint: Heavy noise vibrations and heating up of bearings & failure within 10 days of working


### Observations and Complaint Analysis:

- No proper foundation
- Base frame was of poor quality locally made
- Pipe line not supported properly
- The pipelined layout was also not as per HRS requirement
- Heavy cranking noise at Discharge nozzle
- Heating on the Corrosion

The photographs below will give idea of installation.




Poor Quality Base frame




No proper pipe support

### Recommendations and actions taken:

- Replace the Base plate with properly designed and robust one.
- The foundation was due to insufficient submergence of the suction pipe (flooded) located in the sump tank.
- The existing site our officers were not allowing to increase the liquid level in the sump tank.
- The Corrosion peeled off at the impeller head due to deviation.
- Checked and our officers with respect to pump for the pump which was found insufficient.
- The poor suction conditions were leading to insufficient water entry into the pump and same was the reason for cavitation.
- The corrosion was peeling off due to insufficient effect at suction eye of impeller.



Peeling of Corrosion



Peeling of Corrosion

### Solution:

KBL recommended replacing the Base frame with properly designed one and with adequate support pipe. KBL suggested that the pipeline should be modified as per HRS.



## Employees

Employee plans are well integrated with the organization strategies. HR mutually supports the work system through robust people policies, procedures and enabling enhance the potential of individuals through key people processes like Leadership development, Succession Planning and identification of critical positions, Performance Management System, competency mapping and development, Training and Development, Talent management, etc. The organization provides multiple platforms to all employees for generating their ideas and thoughts.

Stakeholder Category	Employees	
Purpose of Engagement	To know employee satisfaction level and their expectations	
Mode of Engagement & Frequency	Employee Engagement Survey through external agency	Annual for Staff, Once in 2 years for workmen.
	GT / PGT feedback session	Quarterly
	One to one Probationers feedback session	Quarterly
	Exit interviews feedback and analysis	Regularly
	Mahasabha	Bi-annually
	Sharing of Employee Engagement Survey results	with each dept after the survey results are out
	Review meetings	Monthly
	Speak Out session feedback	Quarterly
	Skip level speak out session	On call
Survey highlights	Trend shows consistent improvement in level of employee engagement, satisfaction and advocacy. Overall satisfaction has increased to 83% from 76%	
Key Priorities	Recognition, Career Development, Progress Dialogue & Communication, Growth	

At Kirloskarvadi plant, we have started recognition of workmen for "Best Attendance" and "Best Achievement". We have also started motivating workmen for multi-skilling, we have revamped Kaizen Scheme in a way that will attract and motivate workmen to implement more Kaizen's. Productivity improvement Initiatives are taken up, workmen counselling for absenteeism, de-addictions, medical health, retirement planning, and financial planning is done.



Welfare programmes for families of employees are conducted. We organize *Parichayay* Programme for spouses of employees; provide assistance to workmen for availing hospitalization benefits. We also conduct annual medical check-up of workmen to identify occupational health issues. Appropriate medical advice is given for preventive or curative care. In addition to above we also have work & safety councils comprising of union representatives.



In case of Dewas plant, we have People Alignment' programme named '*Santushti*'. This programme is meant to have Satisfied People, Happy People and Productive People. Figure below depicts various elements of this program:



**SHAREKHa+N: Handing over the mascot**



ShareKHa+n is an innovative knowledge sharing platform for young employees. Presentations are made on topics of relevance by these employees. Rotating Tiger mascot acts as a symbol of motivation, pride and commitment to presenters. 12 knowledge sharing sessions have been conducted during the year 2012-13. Senior leaders also addressed the employees in these sessions.



**ATM card distribution - Kaniyur**



**Team building activity-Kaniyur**



## Vendors /Suppliers:

We have Vendor Management Cell at Corporate office, Pune and Vendor Development Cells at units to look after Supplier management and partnerships. The objective of this team is to

- Improve vendor relationship.
- Identify the parameters that contribute to vendor satisfaction and increases performance.
- Evaluate the Vendor Satisfaction Index (VSI) and company performance with industry standards
- Analyse the qualitative response obtained from vendors/suppliers and present them on a structured format so as to develop strategies/ plan on further improvement
- Review supplier coverage.
- Initiate programmes and devise mechanism to improve supplier quality and productivity.
- To identify suppliers which are critical for business and enter into partnerships with them.

We have more than 40 suppliers who are supplying us material for over 20 years. Some of the suppliers are supplying for more than 40 years. In order to continue mutual benefit association, we organize surveys and vendors meets where they can communicate with senior management and share their thoughts and inputs.

Stakeholder Category	Suppliers and vendors				
Purpose of Engagement	Understand needs and expectations of suppliers/ vendors, communicate vendor performance and create awareness on customer requirements and market updates.				
Mode of Engagement	Vendor Satisfaction Surveys	Workplace assessments	One-to-one meetings	Vendor meet	Senior leaders visit
Frequency	Annually	6 months	Ongoing process	Once a year	As per the plan
Expectation highlights	Payment as per agreed norms. Vendor Meets - Rewards / Reorganisation, Evaluation of Performances. Periodic Performance Feedback to vendors. Timely response to the queries and suggestions by vendor. Timely Receipt of Purchase Orders or schedules to vendors. Centralised contact for vendor interaction in execution.				
Priority undertaken	E- Portal where payment status is available to suppliers. Web Portal based on share point for monitoring of entire procurement activities. RTGS transfers system to be used for payments in suppliers. Centralised Performance Evaluation system for suppliers. Create preferred vendor list based on performance and increase business share with these vendors				

As mentioned above, based on the detailed expectations of the vendors, actions were planned and this year we continue the execution of the same. Highlights of these initiatives are mentioned below.

**Centralised Performance Evaluation system:** We have developed new criteria for evaluation of vendors/suppliers. Re-evaluation of 157 pump component suppliers is done and results are communicated to them.

**Centralised contact for vendor interaction:**

- **Vendor portal:** We had last year started this online portal to simplify and improved process related to purchasing activity, to improve our communication with vendors, provide platform to vendors for giving innovative ideas, for updating their profile etc. More than 500 vendors are enjoying the benefits like 24 hours on line SAP reports on Pending Purchase orders, Goods Receipts Report, Pending Payment Report, Cleared Payment Report etc. We have given training

to around 300 vendors on use of this portal and seen improvement in our dealings. 526 numbers of vendors are enrolled with this portal.

**IT Enabled Supply Chain:** We believe in processes which are IT enabled and thus we have taken initiative centralised system of communication and we reduce the response time. In this regards we have taken survey of our suppliers to know their knowledge and adaptability to IT solutions. Based on this survey we could identify 30 potential suppliers who can take up Enterprise Resource Planning (ERP). Later we had conducted vendors meet to know their willingness to take up ERP.

Vendor meet - IT



Vendor meet – Planning (Ahmedabad, Palanpur, and Vijapur)

We have taken steps to change the packing for low weight pumps where we used wood initially.



Old



New

Our Dewas plant had planned to conduct training programme for vendors on sustainability initiatives like energy conservation. They have successfully conducted training programme to 10 of their vendors. They



would further go ahead and continue the training for 10 more vendors this year. This has helped us in developing a green supply chain.

Under Green Procurement policy, we have identified items which can be converted into green. We are changing lighting system, packaging, transformers etc to environment friendly versions.

Vendor Perception Survey was carried for our selected vendors. There is improvement in Vendor Satisfaction Index from last year's 6.9 to 7.2 this year.

## Dealers and Distributors

To get sustainable benefits, continuous efforts are taken to build partnerships in line with the company goals / objectives. Dealers and Distributors are the major components of the partnership chain.




Stakeholder Category	Dealers and Distributors	
Purpose of Engagement	To develop understanding about business operations and implement business plans into action	
Mode of Engagement & Frequency	Apex dealers meet	Once a year
	One to one meet	Ongoing
	Dealer portal	Everyday
	Surveys	Biannual
Requirement highlights	Business Support, Channel Management, Commercials	
Priorities undertaken	Improve Channel management process, Implement channel partner intimacy program, Appoint new dealers	

We are associated with few of our dealers since generations. This is a result of our long term partnership for mutual benefit. We have started new initiative of "GEN NEXT" program wherein next generation of dealers have prepared their business plan with our guidance and have aligned their organizational vision and mission in line with our vision and mission. We aim at developing dealers as professional entrepreneurs in which various aspects such as leadership development, soft skills, importance of SAP / ERPS for SME and various HR aspects are covered.

Apex dealers meet provides us inputs on the needs and expectations of the dealers which are used to refine our policies, strategies and plans. We have developed performance management system for our channel partners. The performance parameters have been refined for new and existing partners. In order to encourage partners for their loyalty to KBL, concept of "Mystery Shopping" is implemented and loyal partners are awarded with spot prizes.

We have evaluated and refined dealer intimacy processes to cover gaps, developed schedules for communication with channel partners, improved frequency of communication, types of communication, etc. various dealer intimacy programs are launched such as "Anmol Rishtey". Through our Dealer Portal, we wish our dealers on various occasions such as birthdays of their family members, inception days, association day with KBL etc. and gifts are sent to them on these occasions. This was awarded internationally in an event held at Singapore. 'Facebook' link on the portal provides platform to all dealers and KBL employees to have interactions on various topics.

In order to meet the dealer's expectation of support from KBL, we have developed collaborative promotion and campaign models. For grievance handling we have implemented process to provide after sales and service support. After the initiatives are launched we take feedback from our channel partners so that we reach out to them to understand acceptance of proposed processes. We have significantly expanded our network of distributors, dealers and retailers in distribution sector.

<b>No. of distributors</b>  130 nos. to <b>170 nos.</b>		<b>No. of dealers</b>  210 nos. to <b>240 nos.</b>		<b>No. of retailers</b>  6000 nos. to <b>10,000 nos.</b>
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## Society

We have developed comprehensive and documented CSR policy for our society engagement. We are committed to developing sustained and constructive relationship with all our stakeholders to improve the quality of life. We extend continuous support in development activities in communities near to our manufacturing units. Our main focus is on health and education for up-liftment of economically backward and under privileged class of society.

Stakeholder Category	Society	
Purpose of Engagement	To know the needs, expectations, requirements and concerns of the society and develop action plans	
Mode of Engagement & Frequency	One to one interactions	regular
	Awareness programs	regular
	Celebrating festivals	annually
	Society perception survey	annually
	Kirloskar Foundation and Vikas Charitable trust activities	Ongoing
	Vasundhara Festival	annually
Survey highlights	Self-Employment opportunities, Better education, Promote Gender Equality and Empowerment, Reduce Child Mortality and Improve Maternal care, Promote Environmental Sustainability	
Key Priorities	Health, Employability, Education and Environmental Awareness	

As a socially responsible organisation the company continued its efforts in implementing community programs based on the needs and expectations of society gathered through Society Perception Survey and other feedbacks through engagement with society.

Apart from this survey we engage with the community through various forums which provides us inputs to develop action plans.

### Highlights of major society initiatives:

#### Health:

As part of preventive measure, free medical check-up camp with free medicine distribution, gynaecological check-up, free HIV check-up, anaemia detection, antenatal care and *Garbhanskar* check-up camps were conducted. Number of beneficiaries has increased this year. We also conducted blood donation camps at Kirloskarvadi and Dewas manufacturing units.

### Employability:

In order to contribute to economic development of society, "Earn & Learn Scheme" for ITI apprentices is implemented in collaboration with Yashaswi institute, Pune. Approximately 1600 ITI certified youth registered their name for employment opportunity in job fair *Kamgar Panchayat* (Skill Summit) organized by Govt of Madhya Pradesh. There are 72 skills in the area of pump industry. Gurukul at KBL Dewas has developed 52 modular courses to train the ITI graduates and make them employable.



Women empowerment: The orientation programme on winding of motor is given to approx 60 women in Dewas premises for creating Self Help Group. This scheme imparts 15 day training module to women resulting in enhanced employability at our vendors or other industries.

Our employees at regional office Delhi have volunteered for rehabilitation of children in remand home by providing them training on pump repairing skills.



### Education and Environmental Awareness:

At Kirloskarvadi, *Hasat Khelat Ganit Karyashala* for teachers, Vasundhara International film festival and release of special issue on environment, Creativity Express, distribution of water purifier System at 5 schools, *Kali Umaltana* Project at 2 schools, *Spardha Pariksha* (Competitive Exams) at 25 schools, Ideal school competition at 45 schools were undertaken.

Environment awareness was created through seminars, screening of films, cycle rally, *Vasundhara Sanman & Vasundhara Mitra puraskar*, lecture sessions on sustainable life style at villages and Exhibitions.



Scholarships were given to the girls of blind school run by Madhya Pradesh welfare association for the Blind. Submersible Pump was donated to Government Primary Higher Secondary School in Dewas. A talk show was organized on the issue of female infanticide, jointly by KBL-Dewas, ESIC and Department of Women and Child Development, Govt. of M.P. The contribution of *Bal Vadi* workers in "Save the Girl Child" (*Beti Bachao Abhiyan*) and for playing a vital role in reducing the rate of female infanticide were appreciated in this event.



Vasundhara International Film Festival was organized in Indore and Dewas for creating awareness towards saving earth for future generation. On world environment day at Dewas factory "Mega Plantation Event" took place. This year around 2000 trees are planted in Dewas Area. We have started 2 programmes *Paryavaran Upwan* and *Janamdivas upwan*. In *Paryavaran Upwan* the planted tree will be cared by individual employees and in *Janamdivas upwan* the employee will plant the sapling on this birthday and take care of the plant till the sapling turn to tree.



### Water Sanitation & Hygiene (WASH) program

25% of the child death in India can be avoided by good sanitation practices. Kirloskar WASH (Water Sanitation and Hygiene) initiative explains the importance of sanitation and hygiene to children of schools around Pune, Kirloskarvadi and Kondhapuri. KBL employees worked as volunteers in this programme. The awareness programs for school children included cartoon videos on self-cleanliness, participation in plays and lectures on adolescent hygiene by experts.



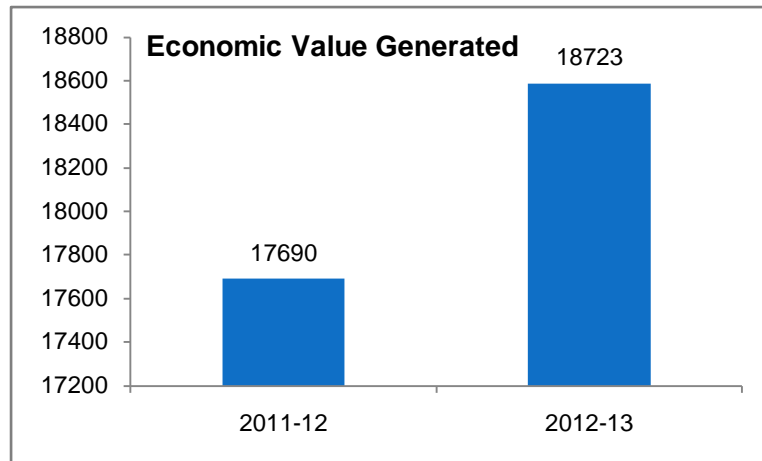


Vikas Charitable Trust:



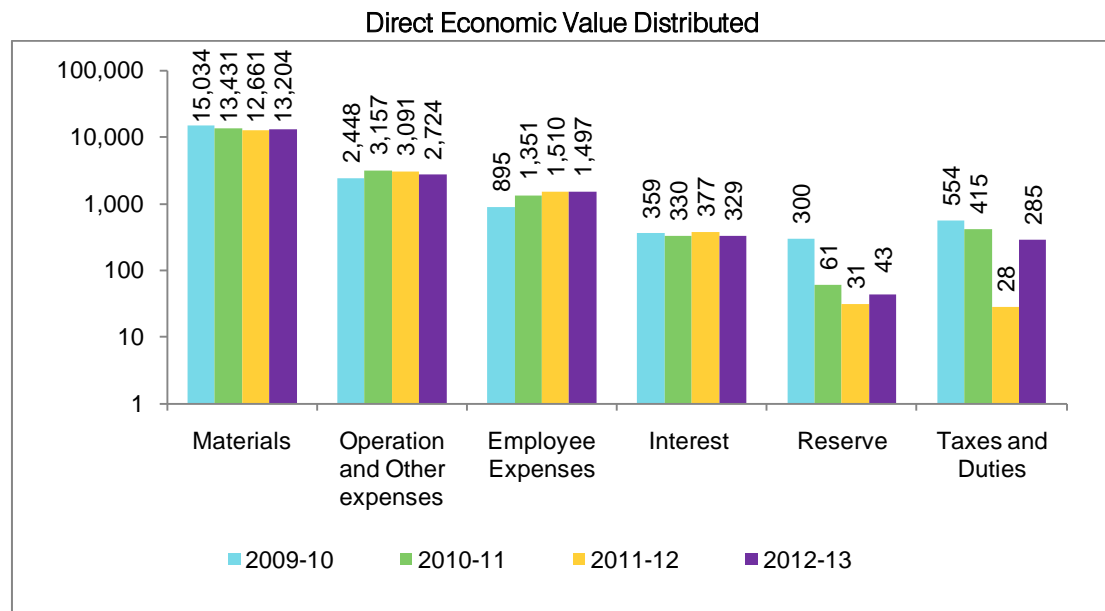
## ECONOMIC PERFORMANCE

Total revenue from operations stands at Rs. 18723 million as against Rs. 17690 million during the previous year, showing a rise of 5 percent.



Scale: Amount in Rs. (million)

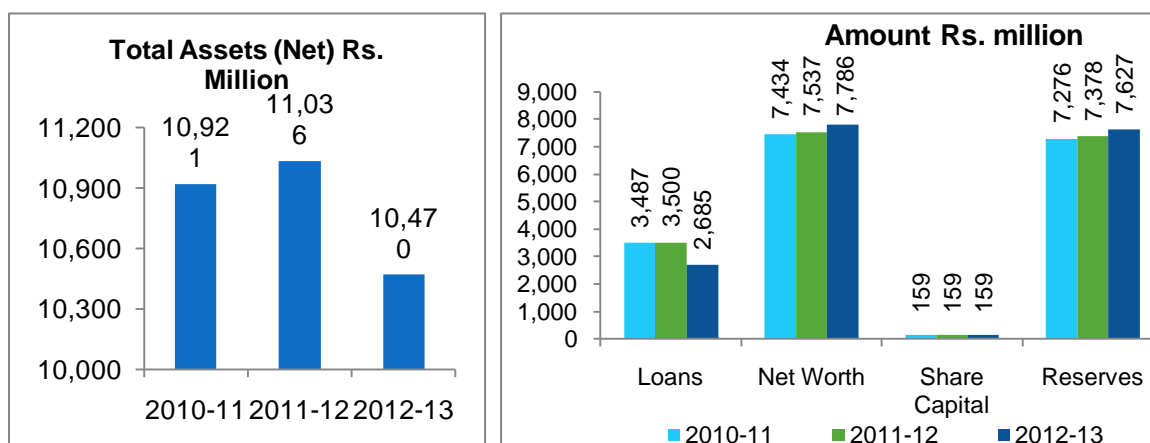
Graph below gives the overall economic performance since 2009-10 to 2012-13.



Scale: Amount in Rs. (million)

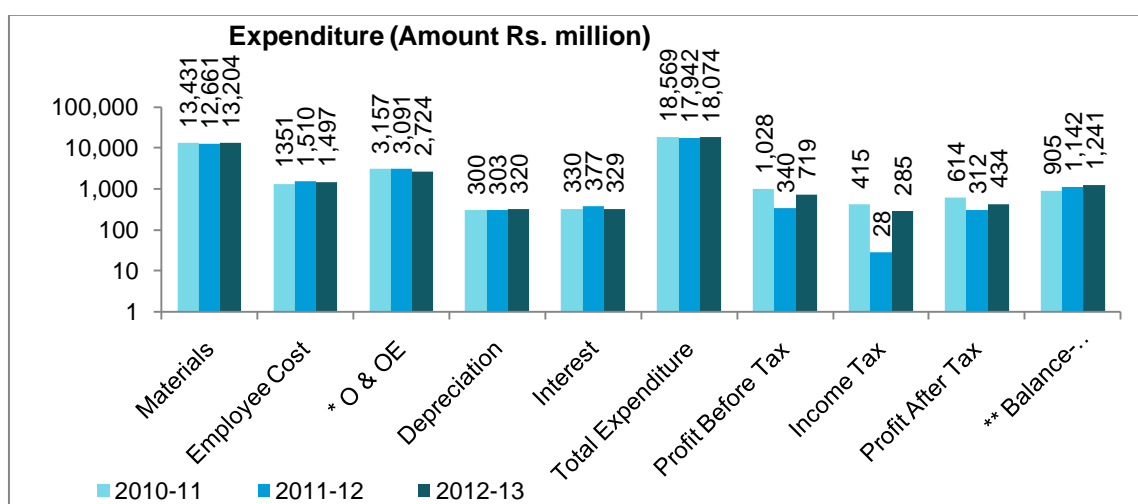
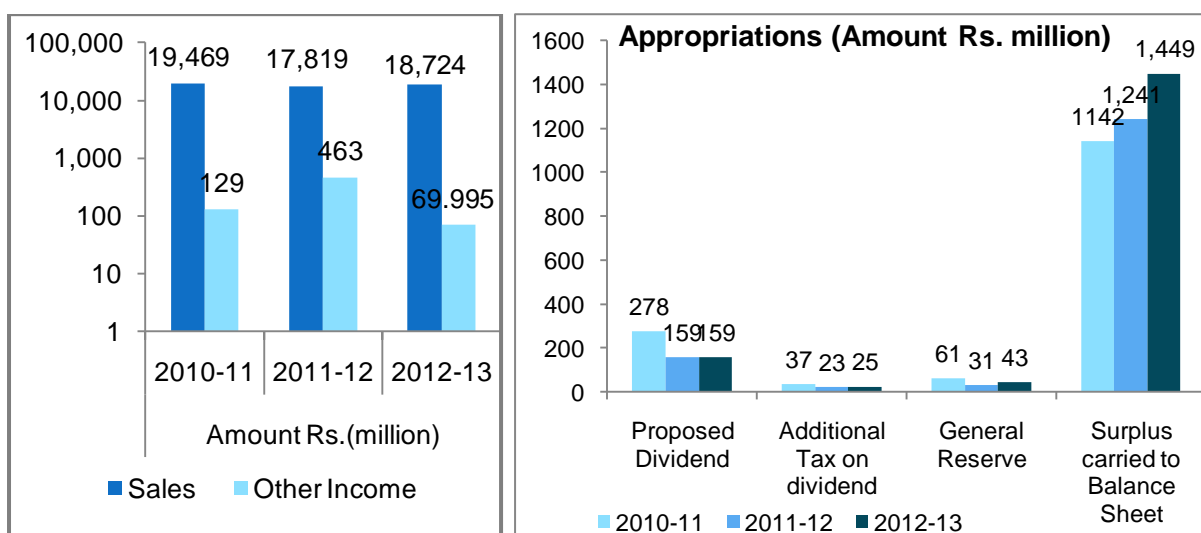
There are no payments made to the government except applicable payments of duties and taxes.

## Summarized Balance Sheet



Total assets include net fixed assets, investments, net current asset and intangible assets.

## Summarized Profit and Loss Account:



### Risks and opportunities for the organization's activities due to climate change

- Rapid depletion of water tables in some states may lead to need for deep bore a well pump which is an opportunity. However total lack of availability of water is detrimental to pump business.
- Demand for water is increasing however due to climate change the availability of water is scarce. This requires recycling of water through treatment of waste water. This will be an opportunity to provide pumping systems for waste water treatment plants. Scarcity of water also results in development of desalination plants, providing business opportunity for pumping systems.

### Development of infrastructure investments and services for public benefit

Details of Economic value generated and distributed are presented in EC1 section. In addition to this we have also done investments in infrastructure and services for the benefit of local communities. We have approximately invested 4.31 million INR for public benefit. Our employees have contributed around 38032 man-hours for society development activities.



## ENVIRONMENTAL PERFORMANCE

### MATERIALS

#### Material Used

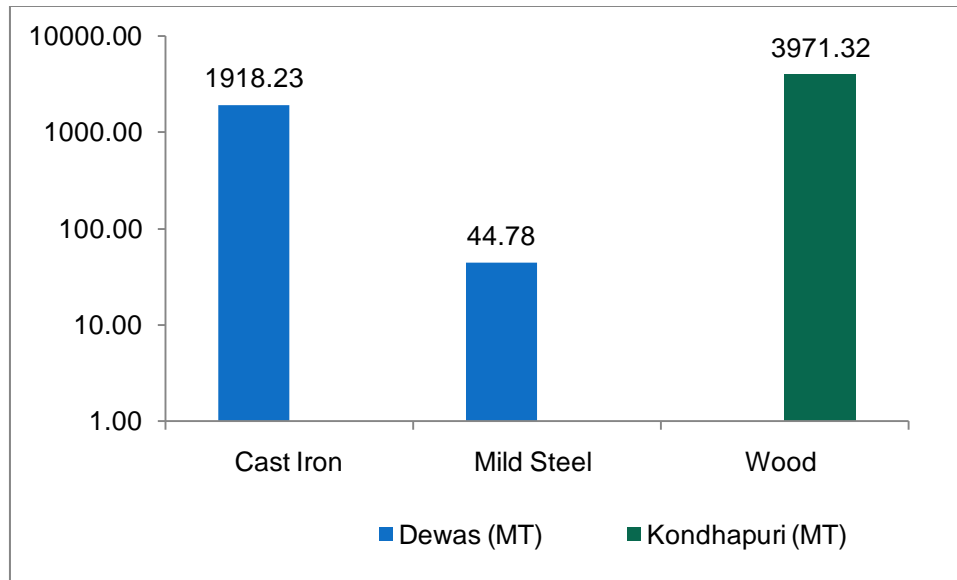
The reduction of material consumption is directly linked to the cost reduction initiatives for improving competitiveness of the company products. It is also linked with the waste generated. Material consumption is given in table below.

Total Material Used by Type	Unit	Location wise consumption in 2012 -13				
		Kirloskarvadi	Dewas	Shirwal	Kondhapuri	Kaniyur*
<b>Steel</b>	MT					
Pig Iron	MT	5541.96	1856.12	0.00	0.00	0.00
Cast Iron	MT	249.25	1530.19	80.27	472.41	661.41
Silicon Steel	MT	1199.96	0.00	0.00	0.00	0.00
Mild Steel	MT	1078.00	487.96	0.00	0.00	434.54
Cast Steel	MT	0.00	42.38	0.00	53.78	0.00
Stainless Steel	MT	0.00	0.00	448.06	0.00	0.00
SG steel	MT	0.00	0.00	0.00	310.38	0.00
Other Steel	MT	419.91	11.60	0.00	99.53	0.00
<b>Cement</b>	MT		940.00	0.00	0.00	0.00
<b>Copper</b>	MT	3039.38	52.36	29.55	0.00	131.7
<b>Lime Stone</b>	MT	542.32	0.00	0.00	0.00	0.00
<b>Oil</b>	kL	83440.00	103.83	29.19	4.15	619.06
<b>Paint, Primer, Thinner</b>	kL	134120.00	54.16	0.00	10.60	0.00
<b>Rubber</b>	kg	0.00	44.60	3283.83	251.40	3438.66
<b>Plastic</b>	kg	0.00	20361.0	38201.89	N.A	27643.72
<b>Wood</b>	CFT	246568.00	0.00	0.00	28536.38	0.00
<b>Plywood</b>	Sq.ft.	0.00	0.00	0.00	4.15	0.00
<b>Paper</b>	kg	10770	3725.00	67.5	0.00	297.5

MT: Metric Ton, kL: kiloliters, kg: kilogram, CFT: cubic feet, NA: Not Applicable for these locations,

\*Kaniyur village in Coimbatore District

## Recycle and Reuse

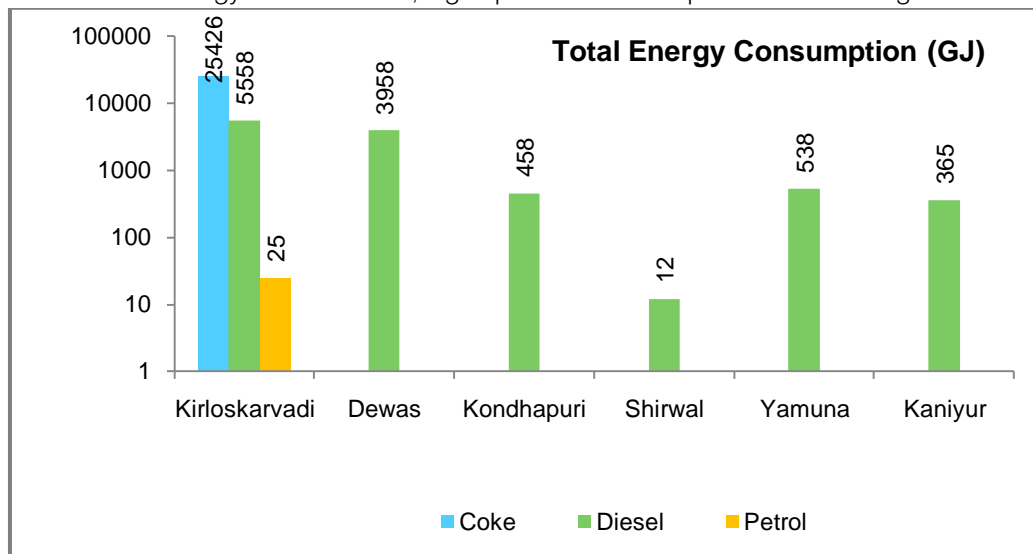


At Dewas, material is recycled and/or reused. They have recycled 1918.23MT of cast iron as against the target of 1500MT. They have reused 32MT of mild steel as against the target of 30MT whereas they have recycled 12.78MT of mild steel. We are in planning stage of our Product Recycle Programme.

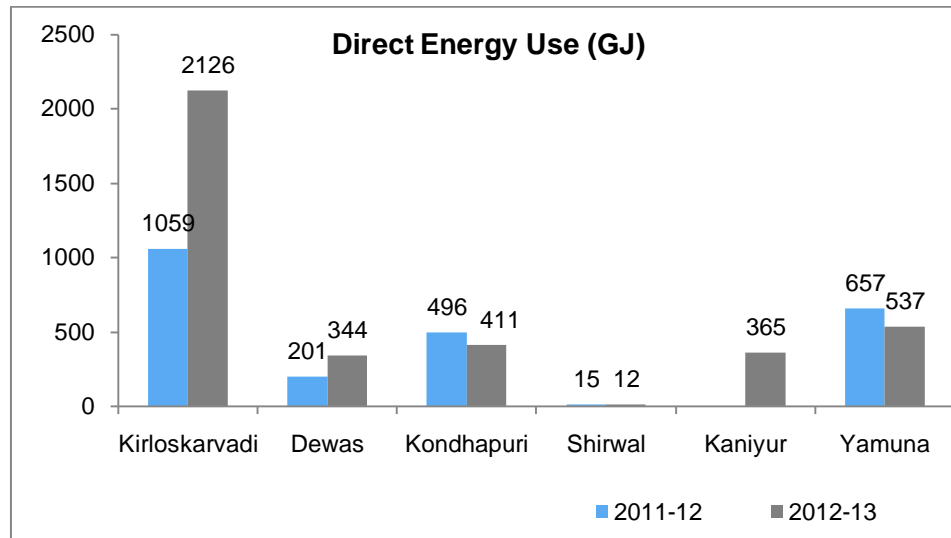
## ENERGY

## Direct Energy Consumption

The source of direct energy in KBL is coke, high speed diesel and petrol. Details are given below.



The total direct energy consumed by all plants and Yamuna (Corporate Office) is 3795 GJ (gigajoules). The value was 2428 GJ last year. This year we have started reporting for Kaniyur plant.

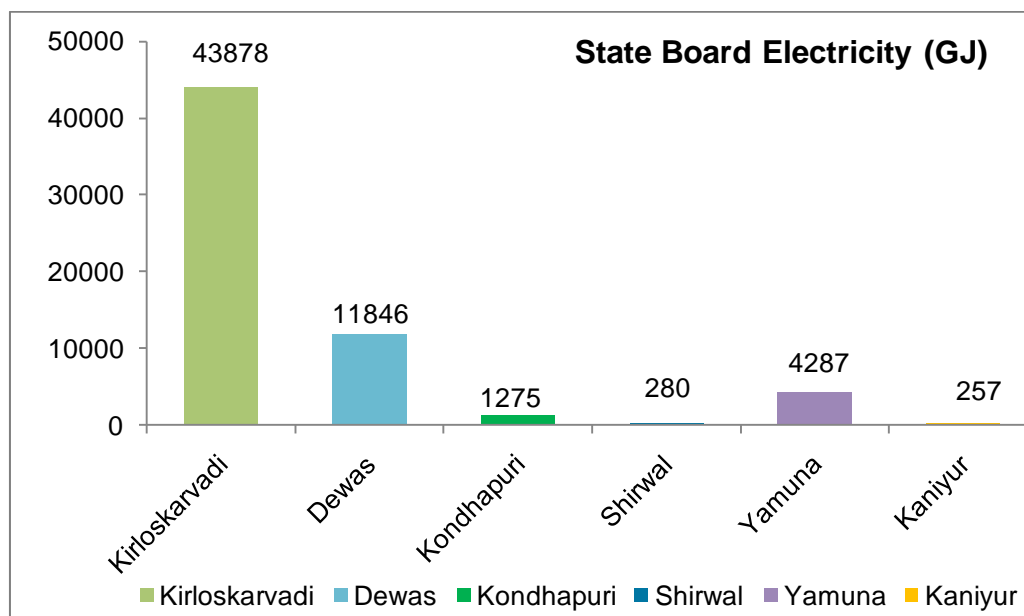


Note: Yamuna (Corporate office)

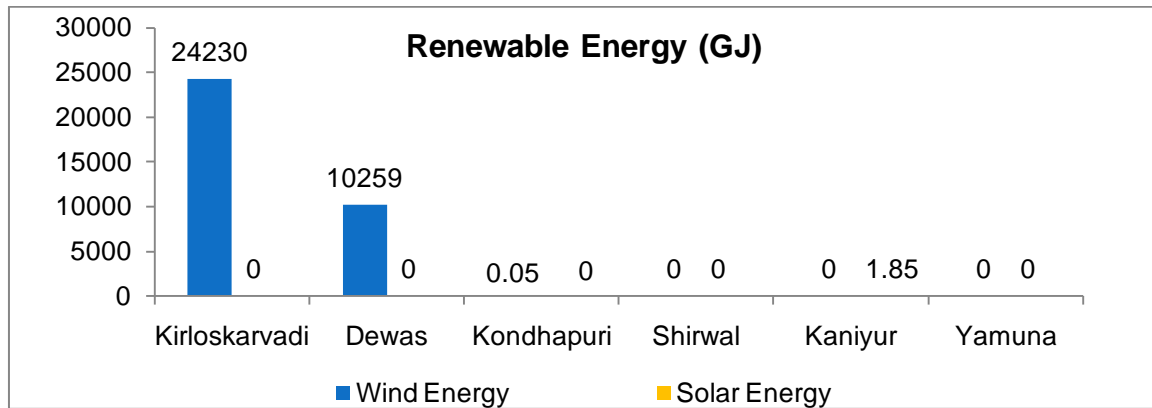
Kondhapuri plant had targeted to reduce fuel (diesel) consumption by 2% as compared to previous year; actual savings is done by 17.13 %. Dewas plant specific electricity consumption is 3.34kWh/ Eq. Pump as against the target of 3.19kWh/ Eq. Pump. However for FY 13-14, target is to reduce it to 3.1kWh/ Eq. Pump. Our Kirloskarvadi plant has targeted to reduce energy consumption by 4% by 2015.

#### Indirect energy consumption

The indirect energy consumption is from grid of respective state electricity board. Along with this we also use renewable energy like wind and solar.



Kondhapuri plant had targeted to reduce electricity consumption by 2% as compared to previous year however there is increase by 3.88%.



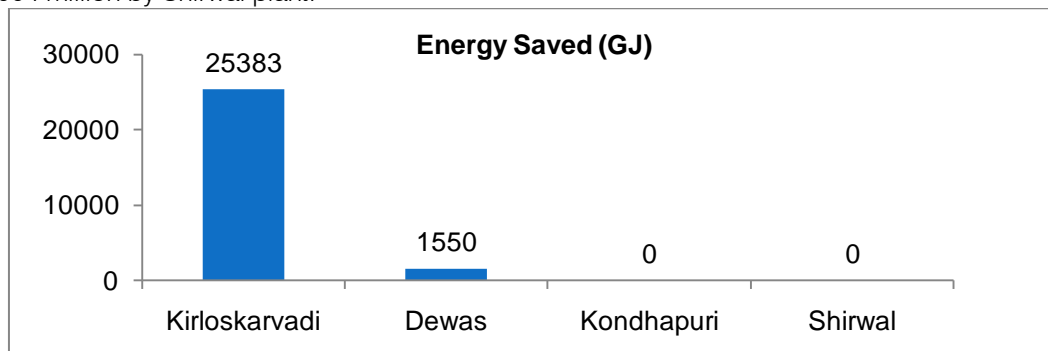
We are increasing the use of renewable energy. Currently, we using 36% of renewable energy out of which 99% is wind energy. Kondhapuri Plant generated 0.05 GJ of renewable energy by one onsite windmill. Dewas plant have increased use of wind power to 10270.7GJ as against the target of 10152GJ. They have targeted to increase it further.

#### Initiatives to reduce indirect energy consumption and reductions achieved.

Company ensures a precautionary approach to environmental concerns and hence undertakes many initiatives to promote greater environmental responsibility. We have our energy conservation policy and well established energy conservation teams in each of our units. They set their targets and responsibilities for energy and water conservation. These targets are based on the previous year performance. Based on these targets, various initiatives are planned to achieve targets.

#### Energy saved due to conservation and efficiency improvements

Energy saved by each of the plant is graphically represented below. Savings done in terms on money is Rs. 85.6 million in case of Kirloskarvadi, Rs. 2.20 million by Dewas, Rs. 0.27 million by Kondhapuri and Rs. 0.004 million by Shirwal plant.



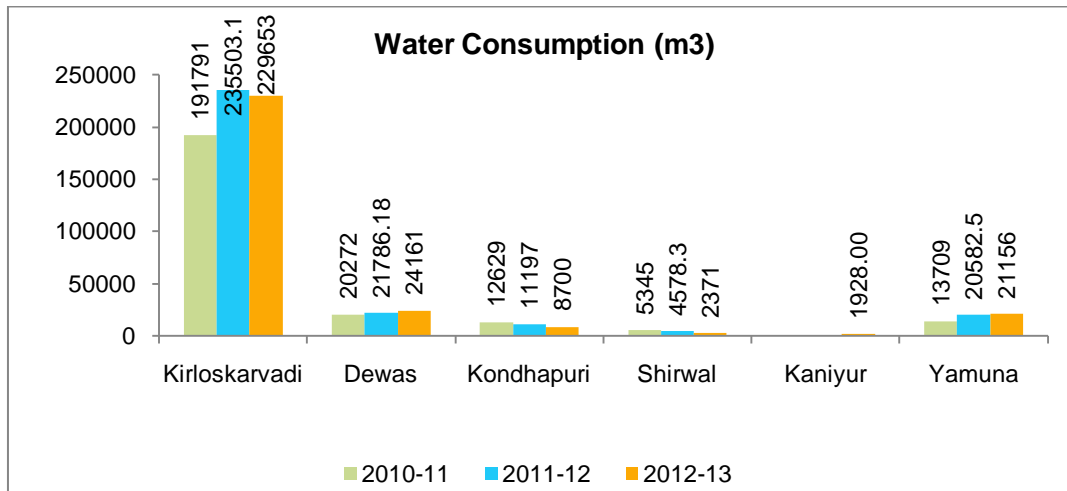
In Kirloskarvadi, 149.9 GJ is the energy saved due to ENCON project and remaining due to efficient product, process and pattern manufacturing. For this plant, we had considered savings in electricity consumption due to solar plant, however this year we have excluded the same.

#### Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.

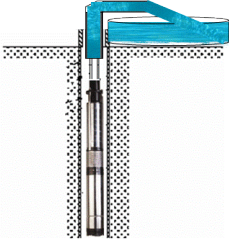


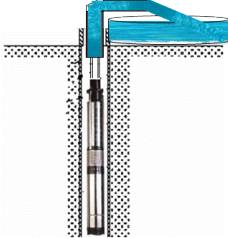




This year we have 8 Bureau of Energy Efficiency (BEE) rated pumps for agriculture and domestic applications. Out of which 3 are 5 star rated, 4 are 4 star rated and 1 is 3 star rated.

## WATER

### Total water withdrawal by source



### Source of water:

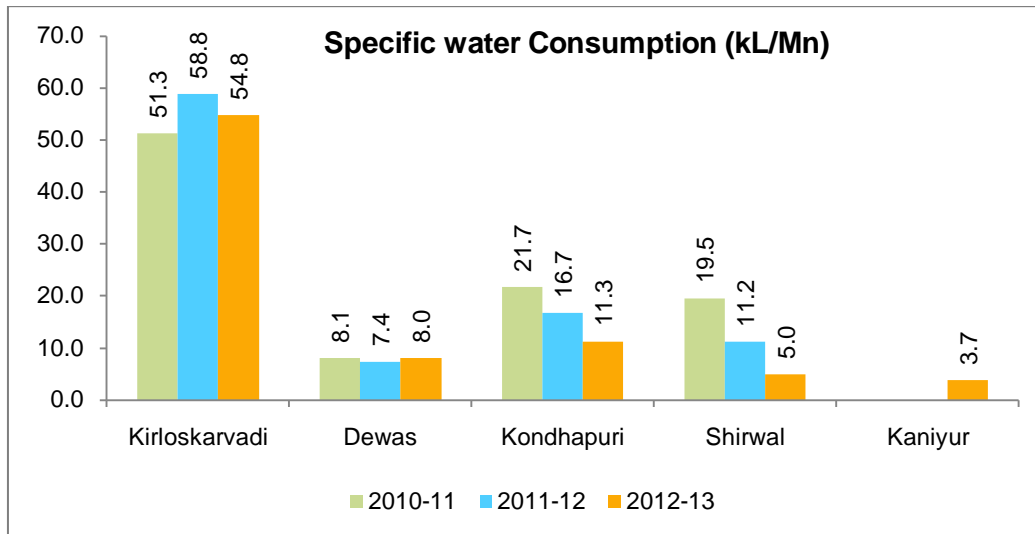
Kondhapuri		Kirloskarvadi	
	Borewell (8700 m <sup>3</sup> )		 open well (229647 m <sup>3</sup> ) (5.88 m <sup>3</sup> )
Dewas and Kaniyur		Shirwal	
	Borewell (24161 m <sup>3</sup> and 1928 m <sup>3</sup> )		(2371 m <sup>3</sup> )
Yamuna			
			
80 m <sup>3</sup>	20761 m <sup>3</sup>	315.1 m <sup>3</sup>	

Kirloskarvadi plant has targeted to reduce its water consumption by 4% by the year 2015. Specific Water Consumption with respect to production values for each of the plant is presented below. Kirloskarvadi,



Kondhapuri and Shirwal plants results are encouraging and shows decreasing trend. Kondhapuri plant had targeted to reduce water consumption by 2% as compared to previous year and reduction achieved is 22.55%.

#### Specific water Consumption (kL/Mn)

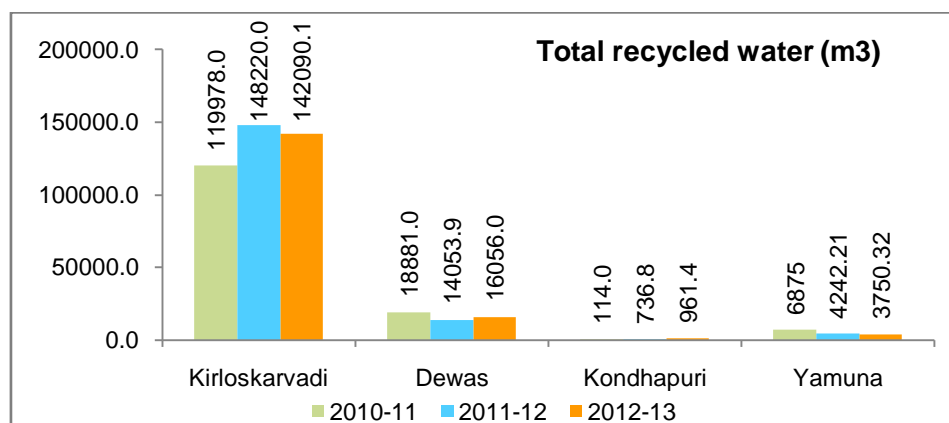


Some of the major water conservation activities implemented are listed below:

- Metering of end users for water consumption
- Control of water supply through restricted supply hours
- Control of leakages through repair and replacement of GI pipes with HDPE pipes
- Replacement of old water taps by water saving taps
- Use of ETP water for gardening and toilet flushing
- Collection and recharging through roof top harvesting

Specific water consumption of Dewas plant is 0.081kL/Eq.Pump as against the target of 0.078kL/Eq.Pump. However they have targeted to reduce specific water consumption to 0.070 kL/Eq. Pump.

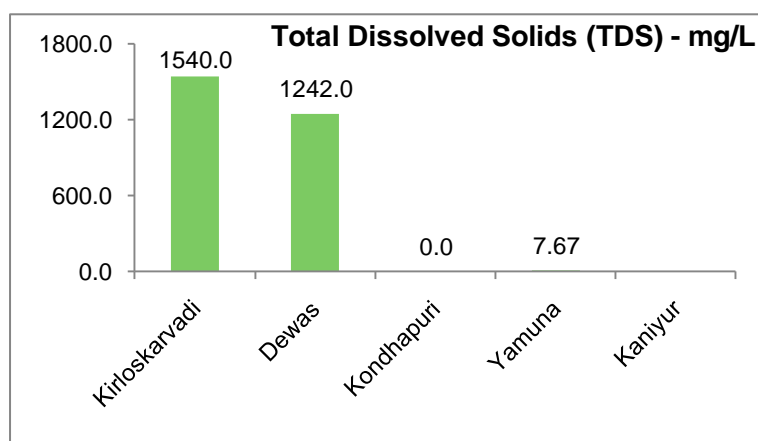
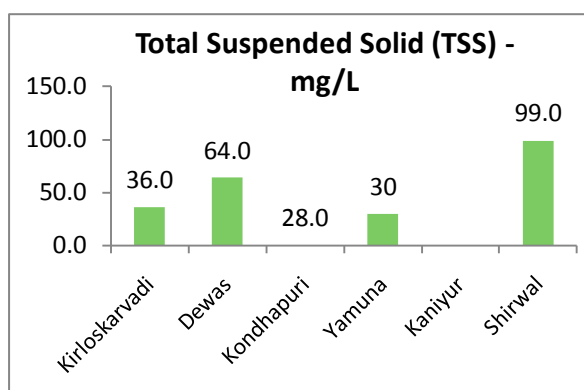
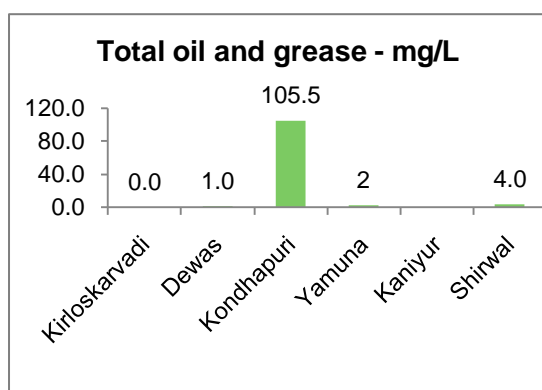
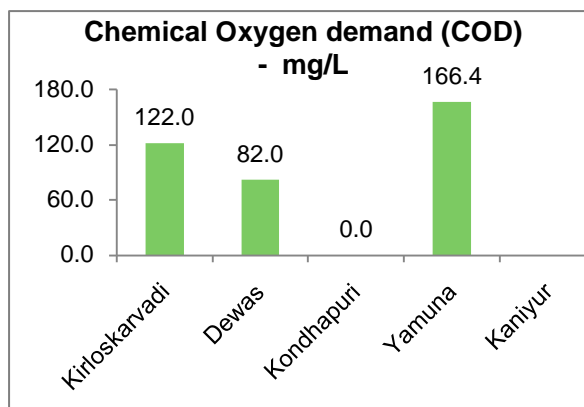
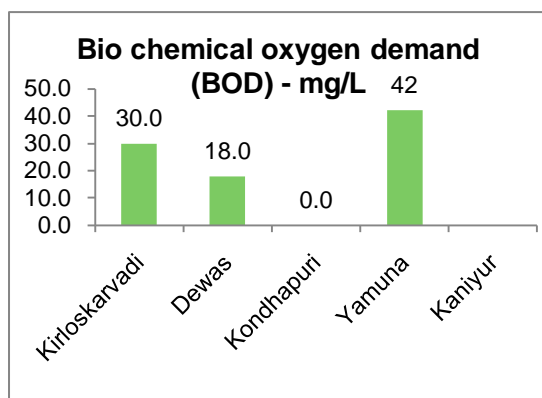
#### Total volume of water recycled and reused



Our Dewas plant have recycled and reused 0.053kL/Eq.pump of process water as against the target of 0.055kL/Eq. Pump. m<sup>3</sup>

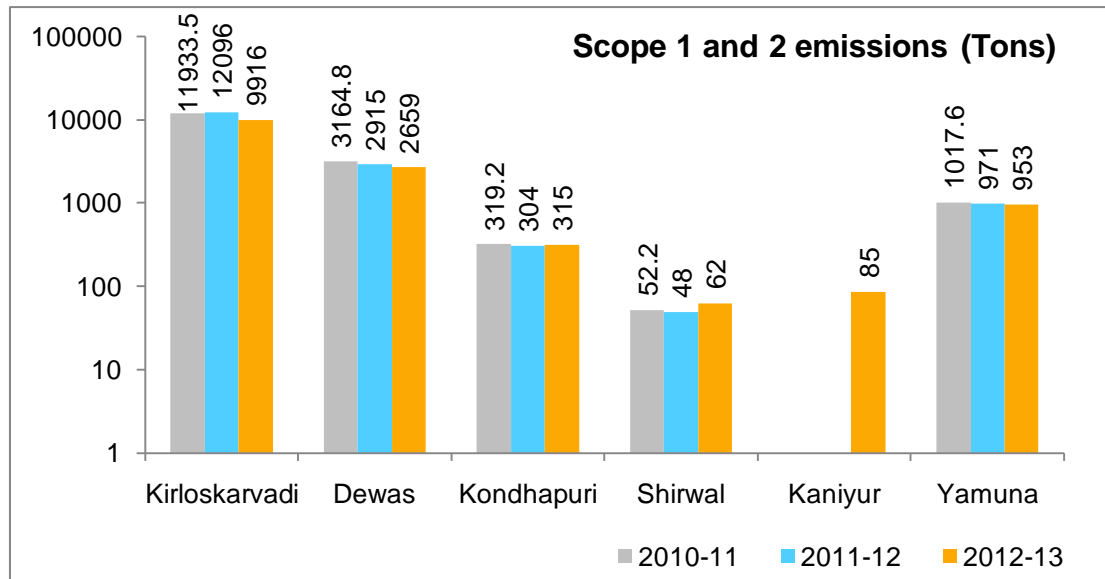
## Effluent water quality

The values presented below are the highest values obtained in entire year. None of the values have exceeded the permissible limits. 'No' value in the graphs indicates that water quality parameter is not applicable to that particular plant.



## EMISSIONS

### Total direct and indirect greenhouse gas emissions



This is based in direct and indirect energy (Diesel, Coke and Electricity) used in manufacturing.

### Other relevant indirect greenhouse gas emissions

We have started monitoring Scope 3 emissions i.e. through local commuting of employees and business travel by air. The survey was carried out for local commuting of employees at all plant locations and Yamuna, Corporate office.

Types	Emission (tons/year)
Business Air travel	929.6
Employee Local Commuting	643.68

### Initiatives to reduce greenhouse gas emissions and reductions achieved.

We have taken various initiatives mentioned in our previous sustainability reports and we continue to do so. However, currently we are monitoring the performance.

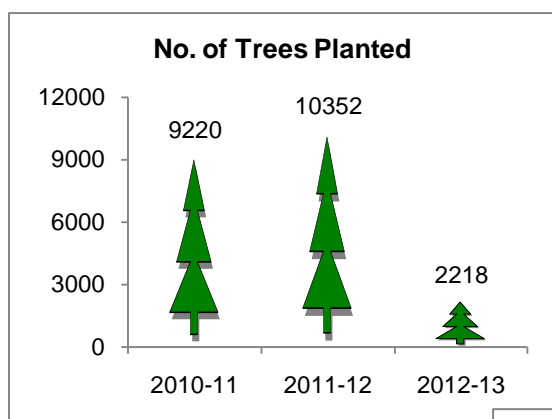
Reduce, reuse and recycle of resources to the possible extent

Adoption of energy efficient equipments and processes

Increase use of renewable energy

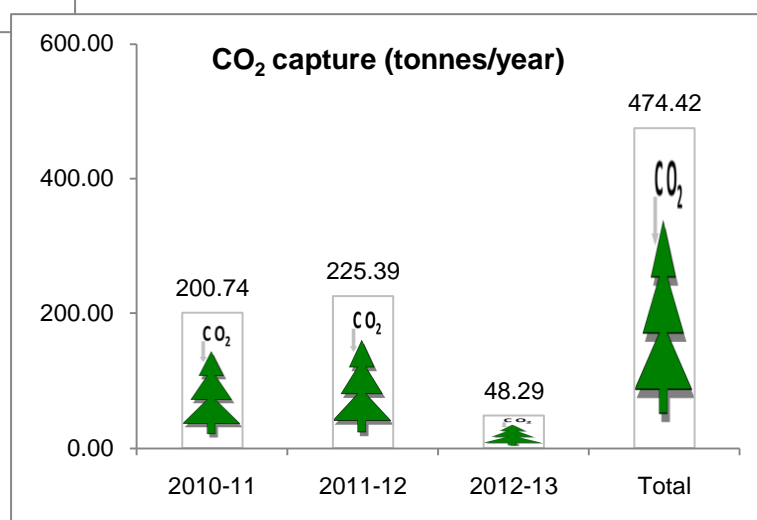
Awareness, training, Information sharing

Energy efficient product manufacturing



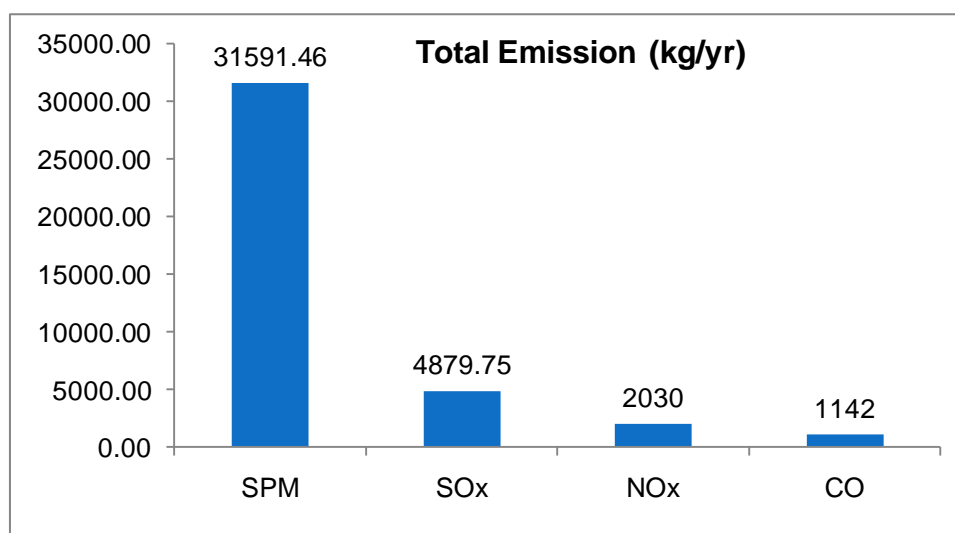
We also do plantations and their nurturing. As mentioned in society engagement section we have programmes like *Paryavaran Upwan* under which we maintain and nurture the trees planted.

The graph presented on right side shows the absorption of Carbon dioxide based on the plantations done.



#### NO<sub>x</sub>, SO<sub>x</sub>, and other significant air emissions

We follow all environment norms of Central Pollution Control Board. Table below gives total stack emissions and we have considered the highest reading obtained in entire year for calculation. This highest reading is achieved once in a year.



SPM: Suspended Particulate Matter, SO<sub>x</sub>: Sulphur Dioxide, NO<sub>x</sub>: Nitrogen Dioxide, CO: Carbon Monoxide

### Emissions of Ozone-Depleting substances by weight

Dewas and Kondhapuri plant use R22 as Refrigerant gases which has less ozone depleting potential.

Plants	Weight (kg)
Kirloskarvadi	0.00
Dewas	26.90
Kondhapuri	9.70
Kaniyur	0.00
Shirwal	NA

### Environmental Impacts of transporting products and other goods and materials used for the organization's operations and transporting members of workforce

There is strict adherence to the norms applied to transport products, materials and employees. We have started measuring scope 3 emission due to local commuting of employees and are presented above under direct and indirect emissions section. We are certified for Environment Management System- ISO 14001 and OHSAS 18001 within the scope of which we have conducted the aspect – impact analysis for all applicable manufacturing processes.

## WASTE

### Type of waste and disposal method

As mentioned above we are certified for ISO 14001 and OHSAS 18001 which includes disposal of waste generated in course of production. We disposed our waste to authorize vendors.

Parameters	Unit	Yamuna, Pune	Kirloskarvadi	Kondhapuri	Dewas	Kaniyur	Shirwal
Food	kg	2282.48	2995.04	NA	5112.00	533.90	NA
Paint Sludge	MT	NA	23400.00	0.40	8.35	2.50	NA
Oil soaked cotton waste	MT	NA	24895.00	0.40	0.00	54.58	NA
Used Oil	Lit	NA	0.00	465.00	200.00	1294.00	NA
Empty used containers of Resin/Hardner	kg	NA	0.00	NA	0.00	21.26	NA
Plastic	kg	0	0.00	NA	5970.00	1359.97	NA
Used Batteries	Nos.	0	0.00	20	0.00	23.00	NA
E - Waste	kg	0	0.00	0	0.00	9.00	NA
Burnt Sand	MT	NA	0.00	0	1307.47	0.00	NA
MS Materials	MT	NA	0.00	105.53	211.66	0.00	0.01

Our Kirloskarvadi plant has targeted to reduce paint sludge by 2%.



#### Weight of transported, imported, exported or treated waste deemed hazardous under the terms of Basel Convention

No hazardous wastes were imported or exported. However hazardous wastes generated in various production processes like waste or used oil, non - ferrous metal, hazardous waste as defined in Schedule - 4 of Hazardous waste (management & handling) Amendment Rules 2003 are sold to the Ministry of Environment and Forests (MoEF) / Central Pollution Control Board (CPCB) registered cyclers/re-refiners/re-processors only.

#### Percentage of products sold and their packaging materials that are reclaimed by category

The company manufactures large variety of pumps from very small pumps for domestic applications to custom designed pumps for large projects. We are making efforts to increase the use of packaging material which are recyclable. We have started using such recyclable products for packaging in our plants. Our products are serviceable and in case of operational problems either these are repaired at ARC or authorised service centres. Such repairs result in most of the pump components reused and only the defective parts are replaced. We have not reclaimed packaging material of our product. However, we plan to establish a product recycle programme which will be extended to reclaiming of packaging material as well.

## SOCIAL PERFORMANCE

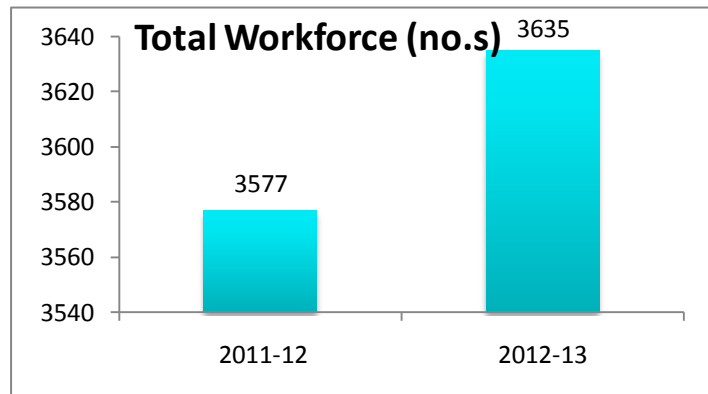
### LABOUR PRACTICES AND DECENT WORK

#### Workforce

We strongly believe that people development is organisational development. We have integrated our people plans with our strategies.

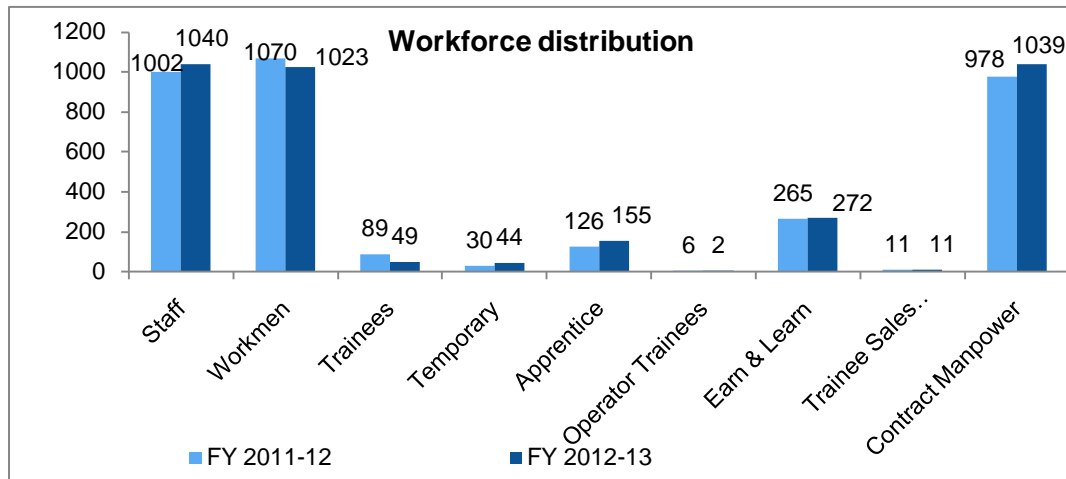
Human Resource team mutually supports the work system through robust people policies and procedures.

The number of total workforce is shown in graph. Details of workforce by employment type and location are presented in table below:



Location Employment type	Kirloskarvadi	Dewas	Kondhapuri	Kaniyur	Shirwal	Yamuna, Pune
Staff	351	142	53	11	7	476
Workmen	501	451	29	0	25	17
Trainees	20	8	5	0	0	16
Temporary	2	9	19	7	0	7
Apprentice	116	20	16	0	3	0
Operator Trainees	2	0	0	0	0	0
Earn & Learn	265	0	7	0	0	0
Trainee Sales Officer	0	3	0	0	0	8
Contract Manpower	703	176	30	41	24	65

Campus recruitment is also done from different parts of the country. Employees coming from different geographical locations work on different projects. We have incorporated equal opportunity clause in Code of Conduct. The year wise trend by employment type is given in the graph below:



Gender-wise data for workforce is given in table below:

Location	Staff		Workmen		Apprentice		Temporary		Trainees	
	M	F	M	F	M	F	M	F	M	F
Kaniyur	8	3	0	0	0	0	1	6	0	0
Kirloskarvadi	344	7	501	0	19	1	9	0	7	1
Dewas	136	6	451	0	109	7	2	0	19	1
Kondhapuri	53	0	29	0	16	0	19	0	5	0
Shirwal	7	0	25	0	3	0	0	0	0	0
Pune	422	54	17	0	0	0	6	1	14	2
<b>Total</b>	<b>970</b>	<b>70</b>	<b>1023</b>	<b>0</b>	<b>147</b>	<b>8</b>	<b>37</b>	<b>7</b>	<b>45</b>	<b>4</b>

New employee hired

Age wise distribution of new employees hired

Locations	<25	25- 35	36- 45	46- 58	Total
Kaniyur	1		1	0	2
Dewas	5	2	4	0	11
Kirloskarvadi	3	14	4	3	24
Kondhapuri	5	5	2	0	12
Pune	5	27	6	4	42

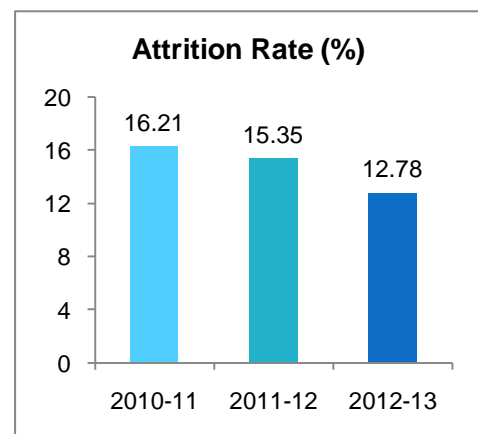
New employee hired (No.s)	Female (No.s)	Male (No.s)
91	9	82

## Attrition

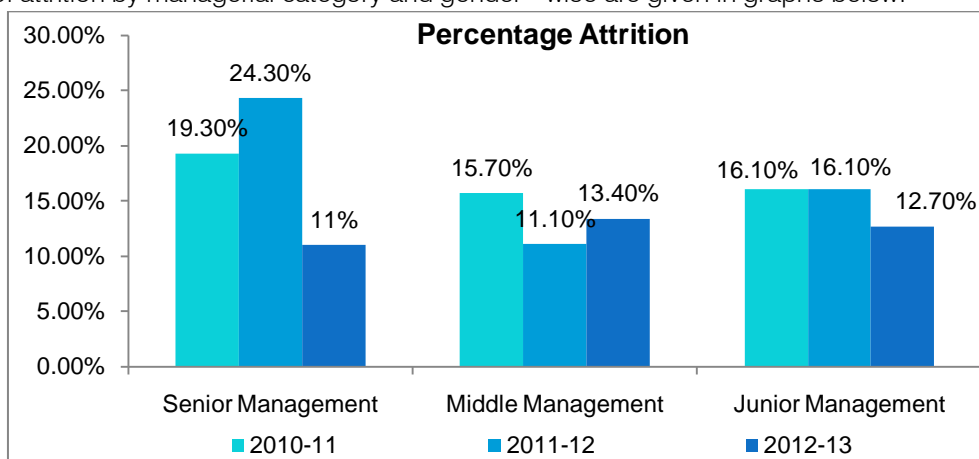
The organization provides multiple platforms to all employees for generating their ideas and thoughts. People policies are framed after considering people feedbacks and views from different forum and surveys. This has resulted in reducing the attrition. The total number of staff employees leaving the organisation is 127 for the reporting year 2012-13. Year wise attrition of staff employees is presented in the graph.

Turnover of New employee hired in FY 2012-13 (No.s)

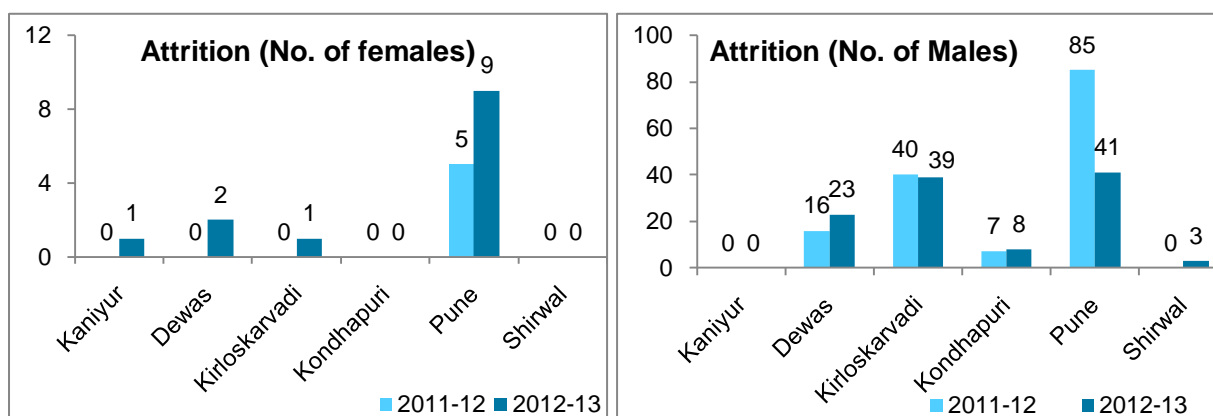
Location	Male	Female
Pune	1	1



Details of attrition by managerial category and gender - wise are given in graphs below:



Maximum number of employees who left the organization is from the age group of 26 - 30 years.



Location	< 25	26 to 30	31 to 40	41 to 50	> 51	Total
Kaniyur	0	1	0	0	0	1
Dewas	3	10	6	5	1	25
Kirloskarvadi	8	7	10	11	4	40
Kondhapuri	1	3	2	2	0	8
Pune	12	11	13	13	1	50
Shirwal	0	2	0	1	0	3
<b>Total</b>	<b>24</b>	<b>34</b>	<b>31</b>	<b>32</b>	<b>6</b>	<b>127</b>

Details of Return to work and retention rates after parental leave is as follows (NT: not tracked)

	2011-12	2012-13
Number of Employees availing Maternity leave(No.s)	2	3
Number of Employees availing Maternity leave and completing 12 months after returning to work (No.s)	NT	1
Number of male employees availing paternal leave (4 days) (Kirloskarvadi)	0	8

## Health and Safety Performance

We have a Safety, Health and Environment (SHE) policy, which encompass all regulatory norms along with International Labour Organisation recommendations. A process is established for recording, reporting, analysing and taking action on accidents and unsafe conditions.

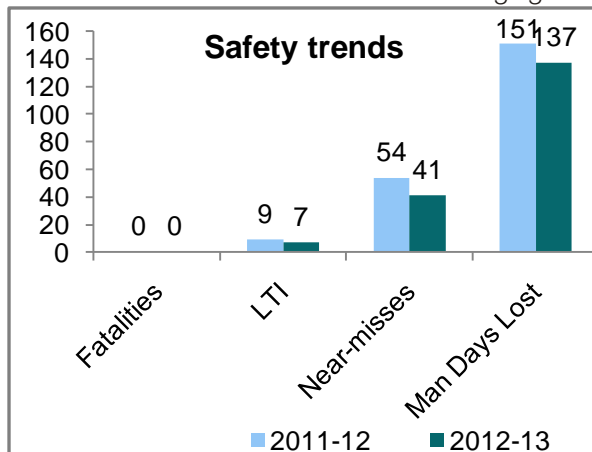
We monitor on regular basis the safety statistics through monthly review sessions. The region wise safety score card is presented below.

Sr. No.	Events	Kirloskarvadi	Dewas	Kondhapuri	Kaniyur	Shirwal
1	No. of Fatalities	0	0	0	0	0
2	No. of Lost Time Incidence Cases ( LTI)	3	4	0	0	0
3	No. of Minor injuries including First Aid Cases	63	6	11	23	0
4	No. of Near-misses	10	9	2	19	1
5	Frequency rate	0.61	1.95	0	0	1
6	Severity rate	18.03	24.42	0	0	0
7	Man Days Lost	88	49	0	0	0
8	Occupational disease	0	0	0	0	0

Frequency rate and severity rate represent the average values. Safety statistics includes contract labours also.

Kaniyur data pertains to female employees and rest all pertains to male employees. Based on this monitoring, actions required in improving safety conditions are communicated to the relevant site through safety manager. We have also started displaying KBL Safety Score Card which gives 'days since last accident'. This keeps all aware about the accident status.

These initiatives have resulted into following figures for all the plant.



LTI: Lost Time Incidence Cases. Coimbatore plant was not included in last year's reporting. Our safety trend can be seen from above graph for selected parameters. However we have increased on Frequency rate and Severity rate at Dewas plant.

### Total Safety Training Hrs

Locations	Female	Male
Dewas	5	1821
Kondhapuri	0	32
Kirloskarvadi	2.5	223.5
Pune	29	119
Grand Total	92.75	2505.75



### Health and safety topics covered in formal agreements with trade unions.

The safety topics covered in the agreements are wearing of safety shoes, safety helmet and such other personal protective equipment (PPE) as per the requirement of the working area. In order to increase awareness in workmen about their safety and importance of PPEs, we have — decided and communicated a policy.

### Training

KBL strongly believes in developing human capabilities and knowledge through continuous on-job and classroom trainings, knowledge sharing, job rotation, career development, webinar, internal trainings, etc. Training and Development process aims at building people capabilities to achieve goals, gain competitive advantage and also to meet career progression needs.

Training programs are organized as per the training calendar prepared on the basis of identified training needs in PAMS, IDP, functional needs, personal developments and other trainings identified as per organization needs.

We have also developed training partners who provide us training modules in requisite areas. Training partners include Wisdoms solutions, TUV-SUD, KIAMS. Our employees also undergo trainings conducted by Confederation of Indian Industry (CII), Indian Institute of Management (IIM), XLRI, Jamshedpur, ISB, Hyderabad, NIPM, NHRD.

We provide support to the employees to enhance personal skills and potential which would improve the organization's human capital.

**Average Training hours per employee per year for 2012-13**

Category	Males	Females
Senior Management	14.37	16
Middle Management	23.7	16.33
Junior Management	23.5	28.89
Workmen	9.6	25.87

**Assumption: 1 manday = 8 hours**

We do not take training targets based on gender; these are same for males and female employees.

We provide curative and preventive health services to our permanent employees, their families as well as the community at large. Details of community health awareness training are given in stakeholder engagement section. We have arranged expert talks of health related aspects. Few of them are listed below.

- “Prevention and Management of Diabetes” by eminent Diabetologist
- “Heart Wellness” by senior cardiologist
- “Women’s Health-Adolescent to Post-Menopausal Age” by Gynaecologist
- Demonstration on Suryanamaskar demonstrated our Gym Trainer



Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings are as follows

#### Trainings

Outbound Training on Team Building

Communication & Presentation Skills

Business Cross Cultural Etiquettes

CFD Analysis Training Program

Corporate Finesse Training Program

Creativity & Innovation

RKQP Awareness Training

Safety Awareness

Project Management

MS-Project

Stress Management with Yoga Exercise

Attitude towards Change

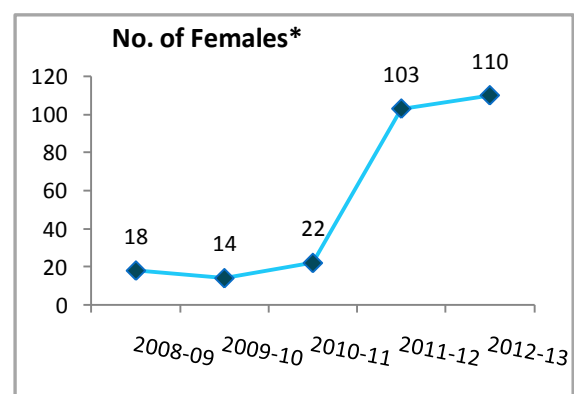


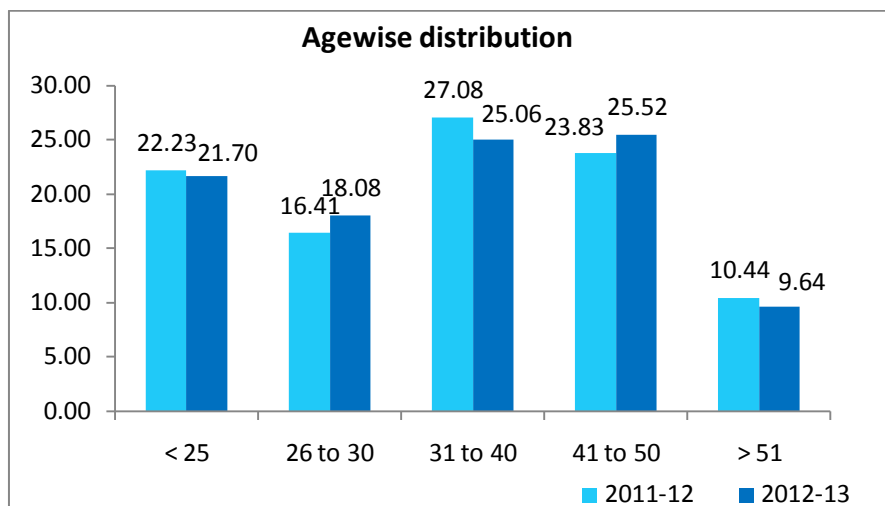
#### Employees receiving regular performance and career development reviews

All employees in the company receive performance and career development reviews. This is done by Performance Management System (PMS) where performance as well as future growth plan of employee is discussed with the superiors. All employees have the opportunity of moving to higher levels.

#### Workforce diversity

We are a global company. We employ people with different culture and diversity which make us a cosmopolitan employer. Women candidates are encouraged to be part of KBL team and are provided with all facilities and equal growth opportunities. They hold responsible positions at senior and middle management.\*The data presented includes regional offices also which are beyond the reporting boundary





Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation is 1.

## Benefits to employees

Other than PF, Gratuity and Superannuation we provide following benefits to our employees.

### (I) LEAVE ENCASHMENT

We provide for the encashment of leave(s) subject to certain rules. Employees are entitled to accumulate leave, subject to certain limits, for future encashment. This accumulated leave can be encashed at the time of superannuation / Separation.

### (II) MEDICLAIM HOSPITALIZATION POLICY

This policy provides employees and family members the medical assistance as and when required. The mode of this policy comes in two options:

- a. Cashless treatment in listed hospital
- b. Reimbursement option for non listed hospitals

We have also extended the MEDICLAIM hospitalization benefits to the employees superannuated from the services of KBL. This will take care of the superannuated employees & their spouse's when they require most.

### (III) PARIVAR SURAKSHA YOJANA

This scheme is to provide financial relief in the form of a monthly payment to the spouse of an employee, who dies while in the services of the company. These are given as per the nominations given by the employee for his provident fund or to the spouse in absence of any such nominations.

### (IV) ANNUAL MEDICAL CHECK SCHEME FOR EMPLOYEE AND SPOUSE

This policy aims at general well-being of the employees and their families through periodical Annual Medical Check-ups. Eligibility criteria and frequency of check up is mentioned in our human resources policy which made available to all employees on our intranet

## (V) HEALTH CLUB

Company encourage employees to maintain good health by using the facilities at health clubs. All confirmed employees in the Bands A to H at Pune, Dewas, Shirwal, Kondhapuri and Area Offices can avail this facility. The band wise annual eligibility for health club membership is defined in which 80% amount is company contribution and 20% amount is employee contribution on at actual annual amount of membership charges.

## (VI) TRANSPORT FACILITY

We provide bus facility for our employees to travel from Corporate office, Pune to manufacturing units in the proximity. This facilitates our workforce for easy, comfortable and safe business commuting.

Some other benefits advanced to the permanent employees are: 20% discount on pathological tests in selected pathology laboratory, Allowances like Conveyance Allowance, Education Allowance and Leave Travel Assistance.

# HUMAN RIGHTS

## Support to Freedom of Association and Collective Bargaining

Most individual and collective grievances can be resolved through bipartite forums; hence workmen are free to join Trade Unions,

Approximately 1023 workmen of the permanent category, who come under the unionised group, are covered by Collective Bargaining Agreements. These agreements include Health and Safety provisions along with compensation structures in the form of a Memorandum of Understanding (MoU) between the management and the recognised Union as per the provisions of the applicable labour legislations. These MoUs are signed every three years, after negotiations between representative committees of the Union and the Management. While the union membership may vary from each location, all eligible employees, irrespective of his membership, enjoy the benefits as agreed in the MoU.

## Human Rights Screening for Operations, Suppliers and Contractors

We have Supplier assessment process to take care of issues related to social aspects before doing business with them. This includes aspects on human rights. All these requirements need to be fulfilled before final selection or else they are rejected. We have established Ethics Committee and appointed Head Ethics Counsellor and Regional Ethics Counsellors. They look after the implementation of Code of ethics amongst employees. Our code of ethics includes all human rights aspects.

## Discrimination

In addition to Code of Conduct which covers the aspect of non-discrimination, the company has implemented a Whistle Blower Policy. The policy explicitly mentions pre-requisites to ensure that the identity of the whistle blower is kept confidential. No incidents have been reported under this policy for the year 2012-13.

## Child labour, Forced and Compulsory Labour

We uphold the law of not employing children in any of its factories. It is bound by statutory legislation (Factories Act, 1948) and proper records are maintained in this regard. Every plant location displays board of "no child labour" in there campus. We strictly adhere to the laws of the land with regard to forced and compulsory labour, which are prohibited under various acts and statutes.

## SOCIETY

### Percentage of operations with implemented local community engagement, impact assessments, and development programs

Local community engagement is done at all our manufacturing locations. Based on the feedbacks actions are planned. Details of these are given in stakeholder engagement, society engagement section.

### Prevention of corruption

We have Board of Directors audit/finance committee which meets regularly and monitors the working. We circulate a booklet on Code of Conduct to all our new employees. We also have our Whistle Blower Policy. Employees are explained about this policy in specific sessions. The Policy is displayed on our website.

<http://www.kirloskarpumps.com/we-are-kbl-value-proposition-code-conduct.aspx>

All employees are trained in organisation's anti-corruption policies and procedures through Code of Ethics. This year through our e-learning portal we have conducted Code of Ethics examination. Annual performance of employees is affected by result of this examination. Code of ethics covers guidelines on anticorruption, anti-competitive behaviour, legal compliance, public policy, fairness in dealing with all our stakeholders etc The document is available publicly on our website.

<http://www.kirloskarpumps.com/we-are-kbl-value-proposition-code-ethics-e-book.aspx>

We have established Ethics Committee and appointed Head Ethics Counsellor and Regional Ethics Counsellors. They look after the implementation of Code of ethics amongst employees. Our code of ethics includes anti-corruption aspect. There are no incidents of corruption reported during the year 2012-13.

### Legal actions if any

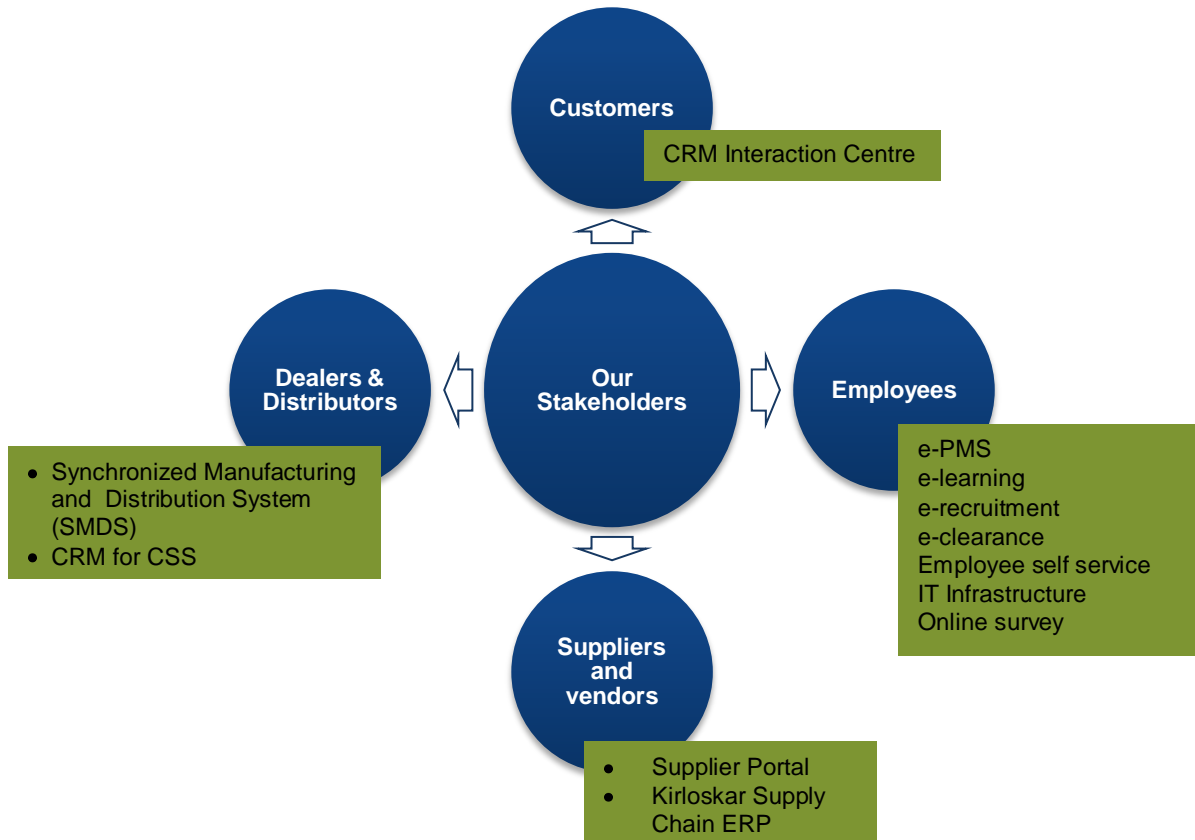
No legal actions have been filed against the company. No misleading statements have been made about our competitor's products and services.

Any information regarding competitors is collected only through legally permitted sources. The Company does not engage in activities which generate or support the formation of monopolies, dominant market positions, cartels or any other unfair trade practices.



## INFORMATION TECHNOLOGY IN THE JOURNEY OF SUSTAINABILITY

We have IT team who provides support to all the sectors and functions of the company. They work for internal as well as external stakeholders.



We have developed and deployed trouble shooting guide for pumps and valves in year 2012-13, to their engineers, customers and dealers, which is being used as first hand tool to attend the breakdown issues.

To facilitate effective and fast decision making, SAP Business Warehouse system provides reporting and analysis of the data captured in SAP R3 ERP. In year 2012-13, we have deployed reports and dashboards for Human Resource Management and Financial analysis.

Our knowledge regarding Hydraulics and Pump performance is captured through DOLPHIN pump selection package which is available to internal as well as external stake holders with necessary authorizations. The quote manager and pricing tools are added to DOLPHIN. We continuously upgrade the system for new pump models and series. We have also extended the package to our subsidiaries and joint ventures for their products.

To improve the sales approval process and ensure centralized information available through document sharing all across with access control, we revamped its existing indent system on Microsoft SharePoint platform.

KBL has implemented Customer Relationship Management (CRM) on SAP's web based platform. This resulted in following things

- All the stakeholders are brought on a single platform
- Capturing and nurturing customers' needs effectively so as to implement innovative solutions
- Improving service to customers and strengthening the engagement.
- Integration of CRM processes with Toll Free which has increased the customer reach.

We have implemented SMDS (Synchronized Manufacturing and Distribution System) to improve the availability of domestic and agriculture pumps to distributors and dealers. This would drastically reduce the loss of sales at all supply chain points.

To strengthen KBL Supply Chain, we have decided to extend the IT support to our vendors. This would include evaluation of IT systems, implementation and support.

### E learning

- Code of Ethics document is shared on portal for knowledge. Online examination for all the employees was conducted.
- IRC online portal

**Online surveys:** We developed various online surveys for aspects mentioned below, which has drastically reduce paper consumption and improve analysis

- Employee feedback (software hardware solutions) service provided by us
- Scope 3 emission survey for staff
- Carbon Footprint survey.

### Effective Communication:

- Deployment of Office Communications Server with federation with KBL Subsidiaries,
- Vendor Portal for Corporate Global Sourcing,
- Deployment of Document Management System on MS SharePoint platform to Business sectors & Corporate functions,
- E-recruitment

### Infrastructure:

We have taken following initiative in terms of energy conservation and e-waste disposal

- Blade servers (energy efficient server platform) standardized on blade platform servers since past five years. Approximately power saved is 40% against the standard rack mount server. Total server count is 47 nos.
- Virtualization (consolidation of physical servers for optimal utilization of hardware). To utilize high compute power available with new servers we have started the consolidation of servers which results into saving of physical server per application. Virtual Machine count is 44 nos.
- Standardize on LED technology for monitor, laptop screen to save on electrical energy. LED display panel saves 60 % power compare to CRT monitor. Also produces less heat results in to lesser load on HVAC systems. LED displays do not use mercury (used in cathode lamps in LCD backlight) hence they are environment friendly
- Use of LED panel large screen monitors instead of projectors to save on electrical power. 40% power is saved with LED display compared with projector and this result in less head load on HVAC system. This result in energy saving.
- Power saving policy deployed for computing workstations. Policy enables the monitor to be put in standby mode and hard disk stop spinning after 15 mins, after 30 min hard disk stop spinning and system goes to sleep mode to save on the power.
- Centralize UPS deployment (replacing all standalone UPS). To address the power factor issue of standalone ups systems which results in to power losses.
- E-waste disposal process followed for the computer hardware. Disposing the e-waste of computer hardware thru central pollution control board certified vendor and maintain the log for the disposed item for total weight.

## GRI INDEX (G 3.1)

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Profile Disclosure	Aspect	Cross reference
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DMA EC	Disclosure on Management Approach EC	Sustainability report 2011-12, page no. 93
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DMA SO	Disclosure on Management Approach SO	Sustainability report 2011-12, page no. 97
DMA PR	Disclosure on Management Approach PR	Sustainability report 2011-12, page no. 98
<a href="http://www.kirloskarpumps.com/we-are-kbl-sustainability-report.aspx">http://www.kirloskarpumps.com/we-are-kbl-sustainability-report.aspx</a>		

Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
<b>Standard Disclosures Part 3: Performance indicator</b>			
<b>Economic</b>			
EC1	Direct economic value generated	Core	36
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Core	38
EC3	Coverage of the organization's defined benefit plan obligations	Core	36, 55
EC4	Significant Financial Assistance Received from the Government	Core	Other than subsidy mentioned in Annual Report, company has received no financial assistance from the government during the

Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
			reporting period.
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	Add	Not reported
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operation	Core	While there is no documented policy for procurement from locally based suppliers most of the material is procured from local suppliers. These are working with the company since generations. Vendor Development: We have updated procedures for auditing the vendor and studying their facility and capability evaluation. Now we have added parameters on human rights and environment. More of it can be seen in stakeholder engagement, vendor/suppliers section.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	Core	Major areas of operations in India lie in Kirloskarvadi, Kondhapuri and Shirwal in Maharashtra and Dewas in Madhya Pradesh, Kaniyur, Tamil Nadu. While there is no documented policy for local hiring, in order to ensure longer retention, candidates belonging to local area are welcome to join the organisation subject to their meeting job requirements based on education and skills.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in kind, or pro bono engagement.	Core	38, 32
EC9	Indirect economic impacts, including extent of impacts	Add.	Impact of energy efficient products: the Companies energy efficient products and services lead to significant economic savings for users. In various sectors our products have generated indirect employment for many people.
Environment			
EN1	Total material used by weight or volume	Core	39



Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
EN2	Percentage of materials used that are recycled input materials	Core	40
EN3	Direct energy consumption by primary energy source	Core	40
EN4	Indirect energy consumption by primary source	Core	41
EN5	Energy saved due to conservation and efficiency improvements.	Add	42
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	Add	42
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Add	42
EN8	Total water withdrawal by source	Core	43
EN9	Water sources significantly affected	Add	43
EN10	Percentage and total volume of water recycled and reused	Add	44
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Core	All manufacturing units are located in Industrial Development areas notified by Govt. of India. They are not located adjacent to protected areas and areas of high biodiversity value outside protected areas.
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Core	All manufacturing units are located in Industrial Development areas notified by Govt. of India. None of our activities have direct impact on biodiversity in protected areas and areas of high biodiversity value.

Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
EN13	Habitats protected or restored	Add	All manufacturing units are located in Industrial Development areas notified by Govt. of India. We protect habitat developed in the company premises.
EN14	Strategies, current actions and plans for managing impact on biodiversity	Add	All manufacturing units are located in Industrial Development areas notified by Govt. of India. None of our activities have direct impact on biodiversity in protected areas and areas of high biodiversity value.
EN15	Number of IUCN species and national conservation list species with habitats in areas affected by operations	Add	All manufacturing units are located in Industrial Development areas notified by Govt. of India. None of our activities have direct impact on biodiversity in protected areas and areas of high biodiversity value.
EN16	Total direct and indirect greenhouse gas emissions	Core	46
EN17	Other relevant indirect greenhouse gas emissions	Core	46
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Add	46
EN19	Emissions of Ozone-Depleting substances by weight	Core	48
EN20	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions by type and weight	Core	47
EN21	Total water discharge by quality	Core	45
EN22	Total weight of waste by type and disposal method	Core	48
EN23	Significant spills of chemicals, oils and fuels in terms of total number and total volume	Core	There were no significant spills in the reporting period
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of Basel	Add	49

Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
	convention		
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Add	All manufacturing units are located in Industrial Development areas notified by Govt. of India. Hence, this indicator is not applicable.
EN26	Initiatives to mitigate the environmental impact of products and services	Core	48, The Company continuously improves the energy efficiency of its products. Engine Driven Pumps are provided with acoustic enclosures / canopies to reduce the noise levels.
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Core	49
EN28	Incidents of and fines for non-compliance with all applicable international declarations /conventions / treaties, and national, sub-national, regional and local regulations associated with environmental issues	Core	There is no incidence of any fine or non-compliance with respect to any national, regional and local regulations associated with environmental issues.
EN29	Environmental impacts of transporting products and other goods and materials used for the organization's operations and transporting members of workforce	Add.	48
EN30	Environmental protection expenditure and investments	Add.	Not reported
<b>Social: Labour Practices and Decent work</b>			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	Core	50
LA2	Total number and rate of new employee hires and employee	Core	51

Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
	turnover by age group, gender, and region.		
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of Operations.	Add.	56
LA4	Percentage of employees covered by collective bargaining agreement	Core	All i.e. 100% of permanent workmen are covered by collective bargaining agreement
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective bargaining agreements	Core	For Notice period regarding operational changes we follow the procedures mentioned in the Industrial Disputes Act (21 days). This Act was passed by the Central Government of India to make provisions for investigation and settlement of industrial disputes and came into existence in April 1947.
LA6	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advice on occupational health and safety programs	Add.	50% workmen and 50% management are represented in safety committees
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region and by gender.	Core	54
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Core	54
LA9	Health and safety topics covered informal agreements with trade unions	Add.	54

Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
LA10	Average hours of training per year per employee by gender, and by employee category.	Core	54
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Add	54
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Add	55
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Core	55
LA14	Ratio of basic salary and remuneration women to men by employee category, by significant locations of operation.	Core	55
LA15	Return to work and retention rates after parental leave, by gender.	Core	51
<b>Social: Human Rights</b>			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	Core	KBL has not executed any investment agreements and therefore this indicator is not applicable.
HR2	Percentage of significant suppliers contractors, and	Core	Evaluation of all new suppliers is done based on environment (Central Pollution Control Board

Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
	other business partners that have undergone human rights screening, and actions taken		norms, disposal of hazardous waste, recycling of waste, use of non-conventional resources, corporate social responsibility, compliance to Child Labour Act ) and safety (awareness level, use of PPE and on site safety conditions, protection of equipments) clause.
HR3	Employee training on policy and procedures concerning human rights	Add.	Booklet on Code of Ethics and Code of conduct is given to each staff category employee as also to every new employee. We have also conducted code of ethics examination this year. Code of ethics covers human rights aspects.
HR4	Total number of incidents of discrimination and corrective actions taken.	Core	We have not had any cases of discrimination during this reporting period.
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	Core	57
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	Core	57
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	Core	57
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Add	Not reported



Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken [rights of indigenous people]	Add	No incidence was recorded in the reporting period.
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	Core	We have appointed ethics counsellors for all our manufacturing locations that look after the implementation of the code of ethics.
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	Core	There are no reportable grievances in this year
Social: Society			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	Core	58, 32
SO2	Percentage and total number of business units analyzed for risks related to corruption	Core	58
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Core	58
SO4	Actions taken in response to incidents of corruption	Core	58
SO5	Public policy positions and participation in public policy development and lobbying	Core	We are active members of several industry and trade bodies. We regularly participate in industry events.
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Add	There are no financial or non-monetary grants made to any political party during the reporting year.

Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Add	No legal action has been instituted against the Company for anti-competitive behaviour, anti-trust and monopoly practices, during this reporting period
SO8	Fines/sanctions for non-compliance with laws and regulations	Core	There is no incidence of any fine or non-compliance with respect to anti-competitive behaviour, anti-trust and monopoly practices.
SO9	Operations with significant potential or actual negative impacts on local communities.	Core	No significant potential or actual negative impacts on our local communities have been identified
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	Core	No significant potential or actual negative impacts on our local communities have been identified
<b>Social: Product Responsibility</b>			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Core	We take care of health and safety aspects at all stages of product life cycle. It starts with Research and Development, Product Development, manufacturing, marketing, storage and final use and disposal, certifications. We keep vibrations/noise, coating painting as per the standards. As of now OECD guidelines are not application for pumps.
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Add	The Company has never received any such sanctions for violation of regulatory norms.
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Core	All information related to product is provided to the customers through product brochures and Installation and Operations Manuals which is also available on the website. Our products conforms to standards like IS, Factory Manual (FM), Under Laboratories (UL) and all the required information related

Performance Indicators	Description	Core / Add	Page no., Reporting and Explanation, if any
			to product is provided to customers.
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	Add	There were no incidents of non-compliance with regulations and voluntary codes concerning product and services information and labelled.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Add	24 - stakeholder engagement
PR6	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Core	We adhere to all norms, standards and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. We consider all ethical or cultural standards in communications. We are responsible towards society and vulnerable audiences like children while marketing and communication. In our advertisement gender roles are portrayed respectfully.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Add	Nil
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Add	No such complaints have been made. The Company respects customer privacy.
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Core	There were no fines for non-compliance with laws and regulations concerning the provision and use of products and services.

## National Voluntary Guidelines alignment with Sustainability report

Sr. No	Principle	Core Elements	KBL Sustainability Report 12-13	Page no.
1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	Businesses should develop governance structures, procedures and practices that ensure ethical conduct at all levels; and promote the adoption of this principle across its value chain	Governance Structure, Society and Human Rights	18, 57, 58
		Businesses should communicate transparently and assure access to information about their decisions that impact relevant stakeholders	Stakeholder Engagement	22- 32
		Businesses should not engage in practices that are abusive, corrupt, or anti-competition	Prevention of corruption, Whistle Blower Policy, Code of Ethics	23, 57
		Businesses should truthfully discharge their responsibility on financial and other mandatory disclosures.	Annual Report	18, 23, 36-38
		Businesses should report on the status of their adoption of these Guidelines as suggested in the reporting framework in this document.		In process
		Businesses should avoid complicity with the actions of any third party that violates any of the principles contained in these Guidelines	Society and Human Rights	57, 58
2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle	Businesses should assure safety and optimal resource use over the life-cycle of the product – from design to disposal – and ensure that everyone connected with it- designers, producers, value chain members, customers and recyclers are aware of their responsibilities.	Product Responsibility	GRI index page no. 72
		Businesses should raise the consumer's awareness of their rights through education, product labelling, appropriate and helpful marketing communication, full details of contents and composition and promotion of safe usage and disposal of their products and services.	Marketing and Communication. Product Responsibility Customer Interaction	GRI index page no., 24, 72
		In designing the product, businesses should ensure that the manufacturing processes and technologies required to produce it are resource efficient and sustainable.	Product Responsibility Company uses 36% of energy from renewable resources	42, 72
		Businesses should regularly review and improve upon the process of new technology development, deployment and commercialization, incorporating social, ethical, and environmental considerations	Company uses 36% of energy from renewable resources	42

Sr. No	Principle	Core Elements	KBL Sustainability Report 12-13	Page no.
		Businesses should recognize and respect the rights of people who may be owners of traditional knowledge, and other forms of intellectual property	Human Rights, Society Engagement	32, 57
		Businesses should recognize that over-consumption results in unsustainable exploitation of our planet's resources, and should therefore promote sustainable consumption, including recycling of resources.	Environment performance	39 - 49
3	Businesses should promote the wellbeing of all employees	Businesses should respect the right to freedom of association, participation, collective bargaining, and provide access to appropriate grievance redressal mechanisms.	Support to Freedom of Association and Collective Bargaining, Whistle blower policy	57
		Businesses should provide and maintain equal opportunities at the time of recruitment as well as during the course of employment irrespective of caste, creed, gender, race, religion, disability or sexual orientation.	Workforce Diversity, Discrimination	55 and 57
		Businesses should not use child labour, forced labour or any form of involuntary labour, paid or unpaid.	Child labour, Forced and Compulsory Labour	57
		Businesses should take cognizance of the work-life balance of its employees, especially that of women.	Labour Practices and Decent Work Environment	54
		Businesses should provide facilities for the wellbeing of its employees including those with special needs. They should ensure timely payment of fair living wages to meet basic needs and economic security of the employees.	Benefits to Employees	Same as Sustainability report 2011-12, page - 56
		Businesses should provide a workplace environment that is safe, hygienic human, and which upholds the dignity of the employees. Business should communicate this provision to their employees and train them on a regular basis.	Health and Safety	53, 54
		Businesses should ensure continuous skill and competence upgrading of all employees by providing access to necessary learning opportunities, on an equal and non-discriminatory basis. They should promote employee morale and career development through enlightened human resource interventions.	Training	54

Sr. No	Principle	Core Elements	KBL Sustainability Report 12-13	Page no.
		Businesses should create systems and practices to ensure a harassment free workplace where employees feel safe and secure in discharging their responsibilities.	Employee Engagement, Labour Practices and Decent Work Environment, Human rights	27, 54,
4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.	Businesses should systematically identify their stakeholders, understand their concerns, define purpose and scope of engagement, and commit to engaging with them	Major Stakeholder groups engaged by the organization	22
		Businesses should acknowledge, assume responsibility and be transparent about the impact of their policies, decisions, product & services and associated operations on the stakeholders	Stakeholder Engagement section	22
		Businesses should give special attention to stakeholders in areas that are underdeveloped.	Society Engagement	32-35
		Businesses should resolve differences with stakeholders in a just, fair and equitable manner	Stakeholder Engagement	22
5	Businesses should respect and promote human rights	Businesses should understand the human rights content of the Constitution of India, national laws and policies and the content of International Bill of Human Rights. Businesses should appreciate that human rights are inherent, universal, indivisible and interdependent in nature	Human rights	57, 58
		Businesses should integrate respect for human rights in management systems, in particular through assessing and managing human rights impacts of operations, and ensuring all individuals impacted by the business have access to grievance mechanisms.	Human rights	57
		Businesses should recognize and respect the human rights of all relevant stakeholders and groups within and beyond the workplace, including that of communities, consumers and vulnerable and marginalized groups.	Human rights	57
		Businesses should, within their sphere of influence, promote the awareness and realization of human rights across their value chain	Human rights	57
		Businesses should not be complicit with human rights abuses by a third party.	Human rights	57



Sr. No	Principle	Core Elements	KBL Sustainability Report 12-13	Page no.
6	Business should respect, protect, and make efforts to restore the environment	Businesses should utilize natural and manmade resources in an optimal and responsible manner and ensure the sustainability of resources by reducing, reusing, recycling and managing waste	Environmental Performance	39 - 49
		Businesses should take measures to check and prevent pollution. They should assess the environmental damage and bear the cost of pollution abatement with due regard to public interest.	Emissions and initiatives	46, 47
		Businesses should ensure that benefits arising out of access and commercialization of biological and other natural resources and associated traditional knowledge are shared equitably.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	42
		Businesses should continuously seek to improve their environmental performance by adopting cleaner production methods, promoting use of energy efficient and environment friendly technologies and use of renewable energy	Management: EMS	17, 40, 42,
		Businesses should develop Environment Management Systems (EMS) and contingency plans and processes that help them in preventing, mitigating and controlling environmental damages and disasters, which may be caused due to their operations or that of a member of its value chain	Environmental Performance	39 - 49
		Businesses should report their environmental performance, including the assessment of potential environmental risks associated with their operations, to the stakeholders in a fair and transparent manner.	Vendors /Suppliers	29
		Businesses should proactively persuade and support its value chain to adopt this principle	Stakeholder engagement	29, 31
7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner	Businesses, while pursuing policy advocacy, must ensure that their advocacy positions are consistent with the Principles and Core Elements contained in these Guidelines.	Memberships with associations and/or national/international advocacy organizations	22
		To the extent possible, businesses should utilize the trade and industry chambers and associations and other such collective platforms to undertake such policy advocacy	Memberships with associations and/or national/international advocacy organizations	21, 22

Sr. No	Principle	Core Elements	KBL Sustainability Report 12-13	Page no.
8	Businesses should support inclusive growth and equitable development	Businesses should understand their impact on social and economic development, and respond through appropriate action to minimise the negative impacts.	Social engagement	32, 38
		Businesses should innovate and invest in products, technologies and processes that promote the wellbeing of society.	Company has developed products like Solar pumping system, Mobile pump controller	42
		Businesses should make efforts to complement and support the development priorities at local and national levels, and assure appropriate resettlement and rehabilitation of communities who have been displaced owing to their business operations.	Not applicable	
		Businesses operating in regions that are underdeveloped should be especially sensitive to local concerns.	Social engagement	32
9	Businesses should engage with and provide value to their customers and consumers in a responsible manner	Businesses, while serving the needs of their customers, should take into account the overall well-being of the customers and that of society.	Customers	22
		Businesses should ensure that they do not restrict the freedom of choice and free competition in any manner while designing, promoting and selling their products.	Human rights and Society	57, 58
		Businesses should disclose all information truthfully and factually, through labelling and other means, including the risks to the individual, to society and to the planet from the use of the products, so that the customers can exercise their freedom to consume in a responsible manner. Where required, businesses should also educate their customers on the safe and responsible usage of their products and services	Labelling of product and service	GRI index, PR4 page no 72
		Businesses should promote and advertise their products in ways that do not mislead or confuse the consumers or violate any of the principles in these Guidelines.	Marketing and communication	GRI index, PR6 page no 72
		Businesses should exercise due care and caution while providing goods and services that result in over exploitation of natural resources or lead to excessive conspicuous consumption.	Environment Performance	39-49

Sr. No	Principle	Core Elements	KBL Sustainability Report 12-13	Page no.
		Businesses should provide adequate grievance handling mechanisms to address customer concerns and feedback.	Customer Engagement	24



## **Independent Assurance Statement**

The Management and Board of Directors  
Kirloskar Brothers Limited  
Pune, India

### **Our Engagement**

Ernst & Young LLP ("EY") was engaged by Kirloskar Brothers Limited ("the Company") to provide an independent assurance on its Sustainability Report ("the Report") for the Financial Year 2012-13, which the Company has prepared based on Global Reporting Initiative G3.1 (2011) Guidelines (GRI G3.1). The Company's Management is responsible for the development of the Report, its content, and presentation. EY's responsibility, as agreed with the Management of the Company, is to provide independent assurance on the report content as described in the scope of assurance. Our responsibility in performing our assurance activities is to the Management of the Company only and in accordance with the terms of reference agreed with the Company. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. The assurance statement should not be taken as a basis for interpreting the Company's overall performance, except for the aspects mentioned in the scope below.

### **Scope of Assurance**

The scope of assurance covers the following aspects of the Report:

- Data and information related to the Company's sustainability performance for the period April 1, 2012 to March 31, 2013;
- Review of information on sample GRI G3.1 (2011) core indicators covering the Company's Corporate Office at Pune and four manufacturing plants at the following locations:
  - Kondhapuri, Maharashtra
  - Kirloskarvadi, Maharashtra
  - Dewas, Madhya Pradesh
  - Kaniyur, Tamil Nadu
- The Company's internal policies, protocols and processes related to collection and collation of sustainability performance data.
- Review of the Company's sustainability report for adherence to AA 1000 principles of Inclusivity, Materiality and Responsiveness.

### **Exclusions**

The assurance scope excludes:

- Operations of the Company other than those mentioned above;
- Aspects of the Report other than those mentioned above;
- Data and information outside the defined reporting period mentioned above;



- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention;
- Review of the 'economic performance indicators' included in the Report.

#### **Level of Assurance and Criteria Used**

The assurance engagement was planned and performed in accordance with International Federation of Accountants' International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) and to meet the requirements of a Type 1 Moderate Level assurance as set out in the AccountAbility AA1000 Assurance Standard 2008AS (AA1000 AS). Our evidence-gathering procedures were designed to obtain a 'limited' level of assurance (as set out in ISAE 3000) on reporting principles, core sustainability performance indicators as per GRI G3.1 (2011) Guidelines, as well as the assurance principles of Inclusivity, Materiality and Responsiveness outlined in AA1000 AS (2008).

#### **Our Methodology**

The methodology adopted was in accordance with ISAE 3000 ('limited' assurance) and meeting the requirements of a Type 1 moderate level assurance as per AA1000 AS (2008). In order to form our conclusions we undertook the following key steps:

- Reviewed the report contents to evaluate adherence to the AA1000 AccountAbility Principles of Inclusiveness, Materiality and Responsiveness;
- Reviewed current plans, policies, systems, processes, and publicly disclosed information pertaining to sustainability management on a sample basis;
- Reviewed the stakeholder engagement and materiality identification processes; Interactions with sample stakeholders at sites visited, which included shop floor workforce and members of local communities;
- Interviewed select key personnel of the Company to understand and review the current processes in place for capturing sustainability performance data as per GRI G3.1 (2011) Guidelines during the reporting period, and to review the adherence to the AA1000 AccountAbility Principles. Detailed interviews were conducted with top management and the core team responsible for preparation of the Report.

#### **Our Conclusions**

On the basis of our assurance scope and methodology, our conclusions are:

##### **► Inclusiveness:**

We are not aware of any matter that would lead us to conclude that the Company has not applied the principle of inclusivity in engaging with key stakeholder groups. The Company's engagement with its various key stakeholder groups and efforts to address their concerns were evidenced.

► **Materiality:**

Nothing has come to our attention that causes us to believe that any material issue has been excluded from reporting by the Company. The Company's materiality mapping is primarily derived from the Management's priorities, and also incorporates inputs from ongoing engagement with some of the external stakeholder groups including suppliers and local communities.

► **Responsiveness:**

We are not aware of any matter that would lead us to conclude that the Company has not applied the responsiveness principle for dealing with stakeholders on material aspects covering its sustainability performance. The Company's responsiveness to its customers, vendors and local communities was evidenced.

**Other Observations**

Going forward, the Company may further strengthen its materiality analysis process and systems to capture broader stakeholder views. It is recommended that the data management systems and internal controls with respect to sustainability reporting be strengthened at the Company's newly commissioned manufacturing plants in order to ensure greater consistency and completeness in the reported data.

**Our Assurance Team and Independence**

Our assurance team, comprising multidisciplinary professionals, was drawn from our Climate Change and Sustainability Services, undertakes similar engagements with a number of Indian and international companies. As an assurance provider, EY is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. EY's independence policies and procedures ensure compliance with the Code.

**For Ernst & Young LLP**



Sudipta Das  
Partner  
12 July 2013  
Kolkata



**AA1000**  
Licensed Assurance Provider  
000-43



Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	Profile Disclosures <b>OUTPUT</b>	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	Disclosures on Management Approach <b>OUTPUT</b>	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	Performance Indicators & Sector Supplement Performance Indicators <b>OUTPUT</b>	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.**		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.***		Respond on each core and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

The Application level is A+

GRI – G3.1

Sustainability  
Reporting  
Guidelines

A<sup>+</sup>

## FEEDBACK FORM FOR SUSTAINABILITY REPORT 2012-13

This is the second Sustainability report published by Kirloskar Brothers Limited. We welcome your suggestions to improve our performance and reporting in the future reports. Please spare few minutes of your valuable time and give us your feedback.

1. Relevance of Economic, Environment & Social issues covered in the report

☐

**High**

☐

**Medium**

☐

**Low**

2. Clarity of information provided on above issues in the report

☐

**High**

☐

**Medium**

☐

**Low**

3. Quality of design, Layout and presentation of the report

☐

**High**

☐

**Medium**

☐

**Low**

4. Suggest any other issue which should be covered in the next sustainability report

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Name :

Designation :

Organization :

Contact Address :

Email :

Please mail your feedback to:

sheetal.nagare@kbl.co.in