

**PROCEEDING OF
ANNUAL GENERAL MEETING
THURSDAY, 27 JULY 2017 AT 11:00 AM**

Good Morning Ladies and Gentlemen!

On behalf of the Board of Directors, it gives me immense pleasure to welcome you all to the 97th Annual General Meeting of the Company. Let me start the meeting by introducing the Directors on the dais.

2016-17 Economic Scenario:

As a lot has been expressed about the global economy as well as the global pump market in the annual report, I shall say a few words about our economy. Despite the turbulence in the global economy, India witnessed a GDP growth of 7.1% in 2016.

From a long-term view, India, through its Make-in-India initiative, is expected to expand its manufacturing base to products from sectors like chemicals, vehicles, and electronics. I hope this can help India outpace China to become the epicentre of global economic growth.

During FY 2016-17, KBL registered a rise of 6% in its operational revenue over the last financial year. Although the revenue share of the project business remained at the same level as the previous year, i.e. 25%, revenue generated in the project business from product sales rose to 67% from the 63% recorded in the previous year. Besides for the projects business, KBL continued its policy of dispatching only against recovery of money.

Composite material cost as percentage to sales revenue reduced from 57.5% in the previous year to 54.8% in the current year. For the year 2016-17, Profit Before Tax (PBT) was valued at Rs 53 crores as against PBT of Rs 7 crores in the Financial Year 2015-16. The Net Current Assets have shown a reduction of Rs 26 crores over the 2015-16. Borrowings at the end of the year stood at Rs 189 crores as against Rs 253 crores recorded at the end of the previous year.

Domestic & Exports

We continue our focus on diversifying in key markets globally. As you are aware, we have established a global structure with better cross border synergies across all KBL offices and subsidiaries, which have helped us receive orders across continents. Developing our channel partner network across multiple regions has helped us reach our local customer base effectively and win many prestigious projects like Viransehir Pumping Station, Turkey and EGAT- Thailand.

Our dedicated focus on expanding our business operations in the SAARC region like Bangladesh, Nepal and Sri Lanka has helped us increase our sales there as well. We were also able to repeat our success stories on the funded projects in Asia, West Africa and South America. We will continue to work closely with government bodies of developing countries in the current year.

Acquisitions

Our cross product promotion and sales strategy is helping us make a mark as a complete fluid management solutions provider. For instance, it has created various growth opportunities for us in the Oil & Gas sector through the supply of SPP range of pumps for firefighting, sea-water lift and general-purpose. This was further complemented by supply of API pumps from our Netherlands subsidiary, Rodelta Pumps International.

KBL is creating regional manufacturing base in the ASEAN region with an aim to expand its presence across the AEC (Asian Economic Community). An Engineering, Assembly and Test facility is being set up in Thailand to further cement our base in the Far East market.

Product Business

We have been offering value added products like LLC and submersible sewage pumps to our customers. These products have now been accepted by our customers after experiencing the advantages and their long term benefits to reduce the cost of ownership.

In the near future, industrial demand for many of our niche process pumps is also expected to rise significantly. To establish a strong foothold in this segment, last year we have introduced our new AT Pump Series. We have also tasted success in ensuring that our high technology products like metallic volute pumps are qualified for acceptance in irrigation projects.

As part of our product strategy, we aim to give higher focus on customised package solutions for crisis mitigation. This involves supplying containerised fire-sets for fire-fighting applications, auto-prime pump for flood-control application and concrete volute pumps for drainage application.

As planned, we have created a dedicated state-of-the-art facility for packaging of hydro-pneumatic (HYPN) units. We now offer packages with minimum lead time meeting the expected high-quality standards required for their application in the Building & Construction and General industries. In fact, it has been witnessed that 1/3rd of the business over the period was generated from customized value added packages like HYPN system, containerised fire pumpsets, and LLC pumps.

A good case study would be the Lucknow Metro, which awarded us orders for all their Phase 2 pumping requirements (Fire, plumbing and HVAC). Last year, we also supplied India's first containerised fire-set to Atlas Copco and, going by its client review, expect better demand for such fire systems in the future.

Last year, our valves business delivered one of India's largest (MDNRV) Multi-Door Non-Return Valves (of diameter 2000 mm) for Greater Mohali Area Development Authority (GMADA) in Punjab.

During the period despite demonetisation, our distribution business achieved sales revenue growth close to 15%, registering growth in all its product groups, including solar pumping systems.

Projects

As far as the projects division is concerned, you are aware that KBL took the decision to exit the projects business as an EPC Contractor. For all the old projects of the three project sectors, we now have one project execution cell. It has been able to achieve effective closure of 9 old projects physically and 30 projects financially.

Our strategy to offer value-added products brought in success in the form of orders for custom-built pumps. This year, we supplied large split case pumps with bottom suction design for the Kolkata Municipal Corporation.

During the period, in India, we successfully undertook and accomplished various government projects, including supply of MVP Pumps to Karnataka Neeru Nigam Limited and supply of VT Pumps for the Sauni Yojana project in Gujarat, to name two.

International Projects

During the last fiscal year, we were able to repeat our success stories on our funded projects in Asia, East Africa and South America. Besides, we will continue to work closely with Governments of developing countries.

During the period, the Power sector has been successful in securing breakthrough orders for various solutions for condensate, cooling water and utility applications for a power plant in Bangladesh.

For a project in Turkey, we successfully executed an order for horizontal split case pumps, which is the largest in its category made by KBL. Another significant project includes supply of CVP pumps for BMA in Thailand.

Customer Service & Spares

During the period, we adopted "One KBL" approach through the merger of spares and service team of KBL and its subsidiary, KEPL. The customers have duly welcomed this change as now they can get all after-sales support through a single window.

Our Engineered Service division continued with the retro-fitting/development of components for imported/obsolete pumps as part of the Prime Minister's 'Make in India' strategy, which was welcomed by various customers by way of repeat orders.

The IT enabled spare-part distributors and authorised service centres across India have helped us reach closer to our customers and improve our Customer Satisfaction Index.

Factories

KBL's focus on energy conservation initiatives to reduce manufacturing costs has resulted in significant operational cost savings for the company. Now, all our plants are certified for Energy Management System and we are making efforts to improve their energy efficiency. GreenCo rating.

Implementation of product improvement initiatives at our Dewas plant, where we manufacture small pumps, included successful installation of improved electrostatic paint setup, reduction of foundry rejection rate and helping improve the machining process capabilities.

In terms of production, during 2016-17, the small & medium pumps and large pumps divisions at the Kirloskarvadi plant achieved its best performance, registering the record for manufacturing the highest ever number of pumps.

Similarly, our Sanand plant also recorded 35% growth in production while our all-women factory at Kaniyur registered a 30% rise in its production over the last fiscal year.

Going Forward

In this term, we will continue towards developing innovative value added products, supplying customised solutions, improving delivery timeline and strengthening our sales channels across India and globally to address the changing market and customer needs.

Last year, revenue contribution from value added products resulted in a significant positive impact in our margins. This will continue.

Many initiatives by the Government of India like Smart City, Make in India, Metro-rail and on-going construction of new airports and commercial and residential projects are expected to drive the demand for pumps and valves further in the near future.

In order to capitalise on the Government's thrust on use of solar energy, we have empanelled with Ministry of New and Renewable Energy (MNRE) and will work under National Bank for Agriculture and Rural Development's (NABARD's) solar pump subsidy scheme in 29 states of India. This partnership is expected to drive demand for our solar pumping systems and energy efficient pumps in the agricultural pumps market.

We believe that the recent implementation of GST will have a positive impact on the business. Introduction of GST has led to the substitution of multiple cascading taxes with a single national tax, which will reduce cost of production and ease the movement of goods across India.

With the strong synergy between KBL and its subsidiaries, the company is poised to become a strong global player in fluid management solutions by reaching out to our customers with the right products at the right time and place.

As you are aware that as per the requirements under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as per the provisions under the Companies Act, 2013, an E-Voting option was given to the shareholders for all the resolutions placed before the 97th Annual General Meeting. Those shareholders holding shares either in physical form or in demat mode as

on July 20, 2017, were given an option to vote electronically. The e-voting was kept open for 3 days – from Monday, July 24, 2017 (9.00 a.m.) to Wednesday, July 26, 2017 (5.00 p.m.). Shareholders who could not vote electronically may cast their votes now by exercising their voting on a Ballot paper which is made available to them.

Please note that, in case of double voting, the vote casted through electronic voting shall only be considered.

As per the statutory requirements, the Chairpersons of all Committees of Board are present. Also, all the auditors are present.

The requisite quorum for commencing the proceedings of the Meeting being present; I declare that the meeting is validly convened.

2 valid Proxies for 556 shares have been received.

The Register of Directors' and Key Managerial Personnel (KMP) and their shareholdings, the Register of Contracts or arrangements in which the Directors and KMPs are interested and Register of Proxies are available for inspection during the meeting.

Mr. Rajesh Karunakaran - Practicing Company Secretary has been appointed as a Scrutinizer for the e-voting process. He will submit his report to me not later than 2 days after this meeting.

The results shall be declared forthwith and the same will be uploaded on the Company's website.

The Notice of the Annual General Meeting is already with you. With your permission may I take it as read?For the benefit of everybody present here, I would like to highlight the items in the notice although e-voting on the said items has already been completed:

1. Adoption of financial statements for the year ended March 31, 2017:

The financials are with you and few details about the performance of the Company have been already covered in my opening speech to you.

2. To declare the payment of Dividend:

The Board of Directors of your Company has recommended a dividend @ 50% i.e. Re.1/- per Equity Share of Rs.2/- each for the financial year 2016-17. If approved, the said dividend shall be paid to all those shareholders holding shares on the Record Date i.e. on July 14, 2017. This item is proposed for shareholder' approval.

3. I have offered myself for the re-appointment as a Director, retiring by rotation:

The details as required to be mentioned regarding my re-appointment are given in the Notice calling this meeting and the Corporate Governance report of the Annual Report. This item is proposed for shareholders' approval.

4. Appointment of Auditors and fixing of their remuneration:

M/s P G Bhagwat have been the statutory auditors of Kirloskar Brothers Ltd. since 1944, which is for their last three generations. KBL has divested businesses over the years, and the companies that took over these businesses, never found any reason to question any accounts drawn up by this firm. However as per the new act, they cannot offer themselves for reappointment. Most of you would remember the late Mr. Abhay Bhagwat, who passed away earlier this year. On behalf of all the shareholders, I would like to thank them for more than seven decades of service. Now it is proposed to appoint M/s Sharp and Tannan Associates, Chartered Accountants, Mumbai for a term of 5 years from the conclusion of this Annual General Meeting up to the conclusion of 102nd Annual General Meeting in place of M/s P G Bhagwat, Chartered Accountants, Pune as Statutory Auditors whose term expires on the conclusion of this Annual General Meeting and fix their remuneration.

5. Approval of the fees paid to Mr. S. N. Inamdar.

In terms of Regulation 17(6)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which was made effective from December 1, 2015, all fees and compensation other than sitting fees paid to Non- executive Directors would require approval from the Shareholders.

Mr. S. N. Inamdar is a practicing Advocate at both original and appellate sides of the Bombay High court and is specialized in Tax and allied laws. His long experience has helped the Company to deal with such matters as and when required.

Shareholders' approval is sought for the payment made to him for availing his services as mentioned earlier, during the year 2016-17 and authorise the Board to determine and fix the fees payable to him for the availing professional legal services from the Financial Year 2017-18 till the time he acts as a Director on the Board of the Company.

6. Approval for the payment of remuneration to the Cost Auditors, M/s Parkhi Limaye and Co.:

It is proposed to pay a remuneration up to Rs 750,000/- (Rupees Seven Lakhs Fifty Thousand only) p.a. excluding applicable taxes and out of pocket and travelling expenses, if any to M/s Parkhi Limaye and Co., Cost Accountants who have been appointed as the Cost Auditors by the Board of Directors of the Company for the year 2017-18.

As per the Companies Act, 2013, the Auditors' Report is to be read only when there are qualifications or adverse observations or comments in the report. The Financial Statements are unqualified.

I will be happy to answer the queries if any, regarding financials and other matters.

(Shareholders to ask questions, if any – proxies cannot ask questions or speak at the meeting.)

I now request Mr. Rajesh Karunakaran – Scrutinizer, to confirm that the empty ballot box is placed for the voting purpose.

On behalf of the Board, I wish to place on record our gratitude to our bankers and financial institutions for their encouragement and support and to all employees for their contribution to the growth of the Company. I would also like to express my profound appreciation for the guidance and support from all the members of the Board. In addition, I would like to thank you for your support and the keen interest shown in the working of the Company.

Thank you,

On this note, I conclude the meeting and request all of you to join us for lunch. Shareholders may drop in their duly filled-in ballot papers in the ballot box as you leave the auditorium.

(This does not purport to be the minutes of the annual general meeting)