

**PROCEEDINGS OF
ANNUAL GENERAL MEETING**

THURSDAY, 21 JULY 2016 AT 11.00 AM

Good Morning Ladies and Gentlemen!

On behalf of the Board of Directors, I have a great pleasure in welcoming you all to the 96th Annual General Meeting of the Company.

Let me start the meeting by introducing the Directors on the dais.

2015-16 Economic Scenarios

Global economic growth in 2015 was 2.4 percent which is lower than the 2.6 percent registered in 2014. This economic downturn was due to a continued slowdown of commercial activity in emerging and developing economies. Reasons for the weakness were drop in the commodity prices and low level of international trade and capital flows. Oil prices declined by more than one-third and reached their lowest level in dollar terms since 2003. The decline in demand is attributable to low demand for the fifth consecutive year from emerging and developing countries. The slowdown and rebalancing of the Chinese economy from investment and manufacturing orientation to consumption and services and a tightening of monetary policy in the United States adversely affected the situation.

The volume and growth of capital investment significantly impacts the growth of pump market. Against the backdrop of falling markets, Kirloskar Brothers was one of the few centrifugal pump manufacturers globally who managed to improve on its sales performance over the previous year, though margins remained under stress. Our product sector sales increased by 9%, while project sector sales dropped by 16%. Drop in project sales is attributable to continued market sluggishness and liquidity problems. KBL continued with the policy of dispatch only against recovery of money for projects business.

Composite material cost as per cent to sales increased marginally to 65.3% from 65.2% in the previous year. For the year 2015-16, profit before tax (PBT) was INR 6.41 Crores as against PBT of INR 5.52 Crores in financial year 2014-15. The Net Current Assets have shown a marginal increase of INR 3 Crores over the FY 2014-15 figures. Borrowings as at end of the year were at INR 255 crores as against INR 238 crores as at end of the previous year

Domestic and Export

We took a policy decision to diversify our market in terms of geography. Therefore, we continue to build our presence in the international market. On a consolidated basis, turnover of the domestic company is 64% while turnover of our international subsidiaries are 36%. This was achieved despite sluggish conditions in the global market. The rise in exports is attributable to orders received from large power plant projects, oil refineries and fertilizer plants. New orders were bagged in Africa and South East Asia. The first international order for Concrete Volute pump was secured from Bangkok Metropolitan Administration (BMA), Thailand. As we grow into a globalized world, we are taking steps to become a multi-national corporation in the true sense with activities across the supply chain around the world. The Government of Thailand has now granted permission to our trading office to start a manufacturing unit for the Far-east and South-east Asian market.

In India, efforts are on to improve customer engagement. Now, we hold a position of prominence in metro rail projects with complete pumping requirements for 100 stations in Delhi Metro Rail Corporation third phase being catered by our pumping systems. A growth of 300% was achieved in Hydro-pneumatic (HYPN) system business. Tablet (iPad) controlled HYPN systems, a first of its kind in the country were launched. Measures were taken to improve the channel footprint and productivity by providing support for enabling secondary sales. Distribution sector appointed more than 90 Dealers, 1800 Retailers and 35 Authorised Service centres in the year. Sale of Submersible pumps grew 44% in quantity terms over the last year. Notable,

was the increase in sale of Domestic Mono-bloc pump by more than 18% in terms of quantity over the previous year.

Acquisition

An inorganic growth path was adopted to establish KBL presence in the international territories. SyncroFlo was acquired to cater to the requirements of Building and Fire-fighting pumping services in the North American market. It is a matter of delight that the entity has emerged as a one stop solution provider for customers of Building and fire-fighting services. Recently, SyncroFlo won an order for a booster system to get water to the top floor of an upcoming project by the name of Wilshire Grand. This will be the tallest building on the West coast of the US. This will be a design build system managed with the help of SyncroFlo Applications and KBL's RKB Segmented Ring booster pump. SyncroFlo had an advantage by being able to meet the demands of the system with these pumps which have NFS-61 certification. The RKB is the only Segmented Ring pump in the world that holds a NSF-61 certification along with the SyncroFlo's booster system. Our capability can be offered for similar building projects under the "Smart City" program in India.

Subsequently, the acquisition of Rodelta enabled completion of our offerings in the process based American Petroleum Institute (API) pumps market. Rodelta with its approval from Statoil and Shell is a complementary company to Kirloskar Ebara. Customer accessibility on one end and comprehensive product offering at the other end provides an advantage in the onshore as well as offshore oil and gas market.

Customized packages

Our differentiating factors have been customized packages offered as per the customer needs. A good example is a Concrete Volute Pump (CVP) package for water supply application of the Bangkok Metropolitan Administration (BMA) Thailand. Recently, our capability was recognised through the receipt

of a prestigious order of Cooling Water (CW) and Auxiliary Cooling Water System (ACW) pump packages for 600 MW Mae Moh Thermal Power plant of Electricity Generating Authority of Thailand (EGAT) from Black and Veatch, USA.

Projects

In KBL we were putting up infrastructure through our Irrigation, Water and Power project sectors. I am sure all of you are aware of the pain the Indian infrastructure sector is going through. Since 2010, our efforts have been to make our balance sheet stronger with each passing year. At the same time, we do not want to lose our reputation and brand image by running away from any project. Today, we are ensuring that every single project including fixed price contracts received in 2007 is completed to the customer's satisfaction, though as you are aware, we have been hit with cost overruns mainly on account of financial problems and delays with customers. There are many complications in completing most old projects, but we are working closely with customers so as to resolve issues and honour our commitment. I have personally met senior ministers in the Maharashtra and Telengana Governments to push or cancel existing orders based on their priorities

A Project Execution Cell was formed a few years ago to ensure project closures. In the last few years, we have completed projects worth over Rs. 1210 crores. Project orders in the irrigation sector which were on hold have been reduced to Rs. 324 crores. Retention debtors, despite completion of new project orders have come down from Rs. 523 crores to Rs. 404 crores. Consequently KBL's bank borrowings have come down from a high of Rs. 521 crores in 2010 to Rs. 226 crores at the end of the last quarter.

Execution of new orders for products from the irrigation project sector like the execution of Pettisama project in a record time of 9 months has been the highlight of the year. The concentration on timely completion was aptly recognized by customers including the Turkish company Calik Enerji who

placed a repeat order for its 230 Megawatt Gardabani Combined Cycle Power Plant project in Georgia. In Pune, the PMC Khadakvasala water pumping station was delivered 2 months ahead of schedule earlier this year.

International projects

A special mention must be made about the requirements of large EPC companies being addressed by KBL. Over the years, we have established our brand amongst customers like Toshiba, Hyundai, Tecnicas Reunidas, and Marubeni to name a few. We positioned our-self in various countries by addressing customer needs in an adept manner. Boiler Feed pumps developed and designed by KBL engineers along with the Condensate Extraction (CE) pump for 2000 Megawatt Mirfa Combined Cycle Power Plant (CCPP) through Hyundai Engineering and Construction, South Korea were delivered. These Condensate Extraction Pumps happen to be first installation of the company in the Middle East. Cooling Water Pump-sets in a special material of construction for sea water application were delivered for 165 Megawatt Balingasag Thermal Power Project, Philippines meeting the delivery schedule and quality parameters of Toshiba. In Bangladesh, pumps were provided for Ashuganj Combined Cycle Power Plant through Tecnicas Reunidas, a Spanish EPC company.

Product Business

In August 2010 we did a complete study of KBL and realised that as a company, over 75% of our revenues came from projects. As we could foresee a slowdown in the infrastructure sector, we realised that if we did not change our business model, the business would become unviable. We would then meet the same fate as that of other project companies. Therefore we will continue to focus on the product business and we are confident about the strategy being followed. There is a huge market wherein customers prefer products from KBL. New products are being introduced so as to complete

our product offering. Growth of the product business is 20% on a compounded rate over the last few years. Products now contribute over 70% of our company's turnover as compared to around 25 % in 2010. In the project sectors, we are mainly supplying large products with strict commercial terms. As this product sector growth rate is higher on an average than the growth of the Indian market, it implies that we are gaining market share.

Customer Spares and Service

Similarly, great importance has been placed on spares and after sales service. Engineered Service Division's initiative of retro-fitment and development of components for pumps with the intention of energy saving and life extension are gaining acceptance from the customers like Reliance Industries Ltd. Repeat refurbishment order received from many customers for the purpose of energy saving and life extension of pumps is evidence of customer confidence in KBL. An increase in Authorized Service Centre's network helped to improve our customer satisfaction index.

Factory

Kirloskarvadi factory implemented Kaizen schemes and drives on innovative themes in order to enhance the employee involvement in productivity improvement measures. Dewas factory established mechanized assembly, testing, painting and packing set up to achieve higher productivity. A new sand plant is being installed in our foundry there to improve productivity. Sanand plant increased productivity and in-house value addition through better asset utilization and smooth supply chain. The Kaniyur factory increased the capacity and production to cater to higher demand. Kondhapuri valves factory established the manufacturing process of Hydraulically Operated Pump Discharge (HOPD).

Going Forward

We have outlined couple of steps so as to address the changing market conditions. Productivity improvements measures are being undertaken so as to improve on our cost effectiveness and delivery. The channel network is being extensively leveraged so as to enhance our market reach. KBL will continue to focus on offering customized packages to institutional clients.

As I have said earlier, over the last few years the product business has grown above 20% on a year to year compounded rate basis. We have taken measures to grow the product business because of the cash flow and margin considerations. However, we will continue to offer a world class products and services in the project business at terms which do not put our financials under stress. Lastly, the exit of Great Britain from European Union has created uncertainty which may persist for a while. The British Pound Sterling is witnessing a decline while investors are scouting for safe options. Our largest overseas investment is in U.K. and we are watching the situation as it unfolds.

The Companies Act, 2013, has significantly affected the manner in which the General Meetings of a company would be conducted. In case of listed companies, E-Voting option is required to be given to the shareholders for all the resolutions placed before the annual general meeting. Those shareholders holding shares either in physical form or in demat mode as on July 14, 2016, were given an option to vote electronically. The e-voting was kept open for 3 days – from Monday, July 18, 2016 (9.00 a.m.) to Wednesday, July 20, 2016 (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.

Chairman to announce that _____ valid Proxies for _____ 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. S. V. Deulkar - Partner, S V D and Associates, 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 can 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 have already been completed:

1. Adoption of financial statements for the year ended March 31, 2016:

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 confirm and consider the payment of Interim Dividend @ 25% i.e. Re.0.50 paise per Equity Share of Rs.2/- each in the month of March, 2016 as Final Dividend for the financial year 2015-16.

Members are aware that the Company has declared and paid an Interim Dividend at Re.0.50 paise to the shareholders of the Company whose names appeared on March 22, 2016. The said payment was made on March 29, 2016.

The Members are requested to note and approve that said Interim Dividend is considered as Final dividend for the year 2015-16.

3. Re-appointment of Mr. Alok Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment:

His profile is given in the Notice calling this meeting and Corporate Governance report of the Annual Report.

This item is proposed for shareholders' approval.

4. Appointment of Auditors and fixing of their remuneration:

It is proposed to appoint M/s P G Bhagwat, Chartered Accountants, Pune as Statutory Auditors for the year 2016-17 and fix their remuneration.

5. Approval for the payment of commission to Non-Executive Directors.

It is proposed to pay a commission to Non-Executive Directors of the Company not exceeding 1% of the net profits of the Company, calculated as per the statutory provisions of the Companies Act, 2013.

The payment of commission has been recommended and approved by the Board subject to the approval by the Shareholders.

6. 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 2015-16.

7. Approval to the re-appointment of Managing Director of the Company.

The Board of Directors of the Company in its meeting held on October 28, 2015 has re-appointed me, as a Managing Director of the Company for a period of 5 years with effect from November 19, 2015, on the terms and conditions set out in the proposed resolution in the Notice of the 96th General Meeting.

This appointment is subject to the shareholders' approval.

8. 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 2016-17.

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. However, the Statutory Auditors have expressed their qualified opinion and identified some weaknesses in the internal financial controls over financial reporting which could potentially lead

to incorrect revenue recognition and incorrect balances being stated in the balance sheet. In this connection I draw your attention to sub clause (vii) of clause 14 of the Boards' Report in which the Board has expressed its comment on the same.

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. S. V. Deulkar – 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,

I now declare the meeting as concluded 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)