



Enriching Lives

# KIRLOSKAR OIL ENGINES LIMITED


A Kirloskar Group Company

ANNUAL REPORT 2013 - 2014



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





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

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

#### Your Company has earned smiles by:

- Unveiling its new values (integrity, create wealth, simplicity, empowerment & innovation), followed by an ambitious vision of touching the world by the year 2025.
- Launching a unique brand service / offer in the Genset industry, by offering 10 years of free service with Kirloskar Green Gensets above 15 kVA capacity; thus enabling superior customer experience and enhancing customer loyalty.
- Putting customers first, KOEL has built a strong foundation being a Customer and Market Centric Organization by setting up an exclusive customer call center and implementing robust business processes like project pulse and project unlock.

**BOARD OF DIRECTORS**

Atul C. Kirloskar	Executive Chairman
Gautam A. Kulkarni	Executive Vice Chairman
Nihal G. Kulkarni	Managing Director
Rajendra R. Deshpande	Executive Director
Rahul C. Kirloskar	
U.V. Rao	
Pratap G. Pawar	
R. Srinivasan	
Dr. Naushad D. Forbes	
M. Lakshminarayan	
Anil N. Alawani	(upto 16 June 2014)
Dattatraya R. Swar	(upto 11 June 2014)
Mahesh R. Chhabria	(with effect from 17 June 2014)
Gauri Kirloskar	(with effect from 17 June 2014)

**CHIEF FINANCIAL OFFICER**

T. Vinodkumar

**ASSISTANT COMPANY SECRETARY**

Smita A. Raichurkar

**AUDITORS**

M/s. P. G. Bhagwat, Chartered Accountants

**BANKERS**

State Bank of India  
Bank of Maharashtra  
HDFC Bank Limited  
ICICI Bank Limited  
The HSBC Limited

**REGISTRAR & SHARE TRANSFER AGENT**

**Link Intime India Private Limited**

Block No. 202, 2<sup>nd</sup> Floor,  
'Akshay' Complex, Near Ganesh Temple,  
Off Dhole Patil Road, Pune - 411 001  
Ph. No. 020 - 26161629 / 26160084

**REGISTERED OFFICE**

Laxmanrao Kirloskar Road, Khadki, Pune - 411 003  
Ph. No. 020 - 25810341  
[www.koel.co.in](http://www.koel.co.in)

**LOCATION OF FACTORIES**

Pune, Nasik, Kagal and Rajkot

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## FINANCIALS AT A GLANCE

₹ in Crs.

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
Net Sales	2,287	2,320	2,276	2,364	2,219
Profit Before Tax	243	271	281	244	263
Profit After Tax	178	199	192	174	164
Dividend (%)	250	250	200	200	200
Dividend per share (₹)	5	5	4	4	4
Dividend Amount	72	72	58	58	58
Earning Per Share (₹)	12	14	13	12	11
Book Value Per Share (₹)	88	80	71	61	47
Share Capital	29	29	29	29	29
Reserves and Surplus	1,238	1,125	1,004	860	651
Shareholders' Funds	1,267	1,154	1,033	889	680
Loan Funds	-	-	169	249	270
Total Capital Employed	1,267	1,154	1,202	1,138	950
Net Block	543	591	576	591	563

### Green Initiative - Go Paperless!!!

Dear Shareholder(s),

The Ministry of Corporate Affairs and Securities and Exchange Board of India (SEBI) has permitted the Companies to serve the documents viz. Annual Reports, Notice of general meetings/ postal ballot, any other shareholders' communication etc. to the members through the electronic mode. Your Company, is also dedicated in preserving and protecting the environment, and has been continuously seeking opportunities to reduce and conserve resources and minimize waste. To participate in this green initiative, you are requested to

- a) Register your email addresses to ensure prompt receipt of communication and avoid any loss during postal transit
- b) Convert your shares held in physical mode into dematerialized mode to ensure safe and speedy transaction in securities
- c) Register your NECS facility (National Electronic Clearing System) for crediting your Dividend directly to your Bank Account.

Note :

- In case of holding shares in physical mode contact the Company or Registrar and Share Transfer Agent of the Company viz. Link Intime India Private Limited .
- In case of holding shares in dematerialized mode contact your Depository Participant.
- For more details visit Investors Relations Section on Company's website : [www.koel.co.in](http://www.koel.co.in)

## REPORT OF THE DIRECTORS

To The Members  
of KIRLOSKAR OIL ENGINES LTD.,

The Directors are pleased to present the Fifth Annual Report together with the Audited Statement of Accounts for the year ended 31 March 2014.

### Financial Highlights

(₹ in Crores)

Particulars	2013-14	2012-13
<b>Total Revenue</b>	<b>2,357.80</b>	<b>2,396.83</b>
<b>Profit before exceptional and extraordinary items and tax</b>	<b>243.44</b>	<b>289.93</b>
Exceptional Items	-	(19.08)
<b>Profit before tax</b>	<b>243.44</b>	<b>270.85</b>
Tax Expense (Current and Deferred Tax)	64.99	72.01
<b>Net Profit for the Period</b>	<b>178.45</b>	<b>198.84</b>
<b>Profit Brought Forward</b>	<b>367.91</b>	<b>273.55</b>
<b>Profit Available for Appropriation</b>	<b>546.36</b>	<b>472.39</b>
<b>Transfer to General Reserve</b>	<b>17.85</b>	<b>19.88</b>
<b>Dividend (including proposed final dividend) and dividend distribution tax</b>	<b>84.60</b>	<b>84.60</b>
<b>Balance of the Profit carried forward</b>	<b>443.91</b>	<b>367.91</b>

### Financial Performance

The financial year under review has been yet another challenging one. For the first time in 20 years, the country is witnessing two successive years of sub 5% growth. Rarely have we seen a slowdown of such length and depth. High inflation, low industrial output, high rates of interest and rupee depreciation continued to plague the country's economy. This, together with delayed and excessive monsoon affected the performance of almost all business segments in which the Company operates.

The net revenue from operations of the Company witnessed a marginal dip from ₹ 2320 crores to ₹ 2287 crores. Profit from operations (before exceptional items) was ₹ 243 crores as against ₹ 290 crores in the previous year. The Profit after Tax was ₹ 178 crores as against ₹ 199 crores in the previous year.

### Dividend

For the year under review, the Directors have recommended a dividend of 250% (₹ 5 per share) for the year (PY 250%, ₹ 5 per share). Total dividend payout for the year is ₹ 84.60 crores, including payment of ₹ 12.29 crores, as dividend distribution tax.

### Directors

Dattatraya R. Swar and Anil N. Alawani resigned from the Board of the Company with effect from 11 June 2014 and 16 June 2014 respectively. Your Directors placed on record appreciation of services rendered by them during their tenure as Director of the Company.

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Rahul C. Kirloskar who retires by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-appointment.

As per provisions of Section 149 and other applicable provisions of Companies Act, 2013, and rules thereof, your Directors are seeking appointment of U.V. Rao, R. Srinivasan, M. Lakshminarayan, Dr. Naushad D. Forbes and Pratap G. Pawar as Independent Directors in the ensuing Annual General Meeting. The Company has received requisite notice(s) in writing from member proposing them as candidature for office of Director.

Pursuant to Section 161 of the Companies Act, 2013, read with Articles of Association of the Company, Mahesh R. Chhabria was appointed as an Additional Director with effect from 17 June 2014 and he shall hold office of Director up to date of ensuing the Annual General Meeting of the Company. As per provision of Section 149 and other applicable provision of the Companies Act 2013, and rule thereof, your Directors are seeking appointment of Mahesh R. Chhabria as an Independent Director in the ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing him as candidature for office of Director.

Pursuant to Section 161 of the Companies Act, 2013, read with Articles of Association of the Company, Gauri Kirloskar was appointed as an Additional Director with effect from 17 June 2014 and she shall hold office of Director up to date of ensuing the Annual General Meeting of the Company. She is eligible for appointment. The Company has received requisite notice in writing from a member proposing her as candidature for office of Director.

The brief resumes and other details relating to the Directors who are proposed to be re-appointed, as required to be disclosed under Clause 49 of the Listing Agreement, form part of the Notice of Annual General Meeting.

### **Corporate Governance**

The Company has complied with the requirements of Corporate Governance, as prescribed under Clause 49 of the Listing Agreement. The Management Discussion and Analysis and the Corporate Governance Report form part of this report, together with a Certificate from the Statutory Auditors, confirming the requisite compliance.

### **Awards, Recognitions and Certifications**

The Company consciously strives towards excellence with the objective of offering best in class products and services, suited to its customer needs. Some of the recognitions received for our relentless efforts of quality delivery and operational excellence:

- The Engineering Export Promotion Council (EEPC) conferred the 'Star Performer Award' to the Company for the fifth consecutive year. The award was presented by Mr. P. K. Dash, Additional Chief Secretary Govt. of Madhya Pradesh.
- The Company's Agri and allied business unit has been awarded for 'Best Integrated Rural Marketing campaign' for its Varsha CNC pumpset campaign across India. This award was presented at the Asia Retail Congress held at Mumbai.
- The Company's Pune Plant I Crank shaft Descent Quality Circle won the 'Excellence Category Award' at the International quality Contest which was held at Taipei Taiwan.
- Akshay Lean Quality Circle (Pune Plant) bagged the Best of the Best Award at the State level annual Quality Circle Forum of India (QCFI) competition.
- The maintenance team's (Pune Plant II) KAIZEN, won the 2nd prize at National level in INDIZEN 2013 contest.

## Auditors

### a. Statutory Auditors

The Statutory Auditors M/s. P. G. Bhagwat, Chartered Accountants, Pune (Firm Registration Number 101118W) hold office till the conclusion of the ensuing Annual General Meeting. It is proposed to re-appoint them as Statutory Auditors of the Company for a term of two years subject to ratification by the members at every Annual General Meeting. The Company has received requisite certificate pursuant to Section 139 of the Companies Act, 2013.

### b. Cost Auditors

Your Company has appointed M/s. Parkhi Limaye & Co. as Cost Auditors of the Company under section 148 of the Companies Act, 2013.

### c. Internal Auditors

The Internal Auditors M/s Ernst and Young have conducted internal audits periodically and submitted their reports to the management and the Audit Committee. Their reports have been reviewed and addressed by the management and the Audit Committee.

## Directors' Responsibility Statement

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, confirm that:

- i. In preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii. they have in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2014 and of the profit of the Company for the year ended on that date;
- iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. they have prepared the annual accounts on a going concern basis.

## Listing Fees

The annual listing fees for the year under review have been paid to the BSE Limited, Mumbai and to the National Stock Exchange of India Limited, Mumbai where the Company's shares are listed.

## Statutory Disclosures

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 217(1) (e) of the Companies Act, 1956 read with the rules there under is presented in Annexure A to this report.

As required under section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, a statement giving required information relating to the employees covered there under is given in Annexure B to this report. As per the provisions of section 219 (1) (b) (IV) of the said Act, these particulars will be made available to shareholders on request.



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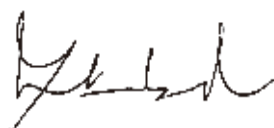
### **Cautionary Statement**

Statements in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

### **Acknowledgments**

The Directors would like to place on record their appreciation of the contribution made and support provided to the Company by the shareholders, employees, bankers, suppliers and customers.

For and on behalf of the Board of Directors



ATUL C. KIRLOSKAR  
Executive Chairman

Date: 17 June 2014

Place: Pune



## ANNEXURE 'A' TO THE DIRECTORS' REPORT

### A. Conservation of Energy

The Company is committed to optimizing use of energy in operations and also bring about continuous improvements in the efficiency of processes and products through use of energy efficient and renewable energy technologies.

In course of the year, following were some of the major initiatives implemented across our manufacturing plants:

#### ■ Kagal Plant

- Installation of LED High-bay lamps for GENSET expansion project resulted into energy conservation
- Installation of 3000 CFM HT Centrifugal Compressor in expansion project
- By using 3-way valve, process and compressor cooling towers interconnected, to utilize excess cooling capacity whenever available, which helped in stopping one cooling tower
- Reduction in electrical consumption for compressed air by using Air Optimizer
- LED street lighting
- Installation of VFD for Powder coating booth blowers, Water Drying Oven (Pretreatment Line) blowers and Camel Back Oven blowers
- Replacement of old coolant pumps with low power energy efficient pump
- Optimizing test cycle of various engines thereby reducing diesel consumption

#### ■ Pune Plant

- Use of cold washing media for Semi-finish Washing machines, there by switching OFF the electrical heaters
- Replacement of Sodium Vapour Street lights by LED type street-lights
- Switching off partially loaded transformer of DV plant after reduction of load
- Switching off of Hydraulic power pack for aluminum dies and holding furnaces
- Use of CNG gas for canteen cooking
- Use of Timer circuit for paint booth heaters

#### ■ Nasik Plant

- Energy saving by reconditioning of cooling tower
- Use of Energy Efficient Dryer in de-burring section
- Installation of 5-star rated Energy Efficient Air Conditioner

#### ■ Rajkot Plant

- Installation of VFD for Engine Painting blowers to save power
- Installation of auto timer panel for Engine testing Lighting system to avoid energy wastage
- Implementation of Energy efficient lights at cubical test cells
- Use of energy efficient pumps for cooling tower instead of existing pumps
- Controlling of office lighting by installing auto timer circuit
- Copper ballast replaced by Energy Efficient Electronic Ballast

## Disclosure of Particulars with respect to Conservation of Energy

### A. Power and fuel consumption

	Particulars	2013-14	2012-13
1	<b>Electricity</b>		
	<b>A Purchased</b>		
	Unit (kWh)	2,03,06,522	2,65,52,131
	Total Amount in ₹	15,21,32,643	20,71,27,512
	Rate/ Unit (₹/kWh)	7.49	7.80
	<b>B Own generation</b>		
	<b>i Through diesel generator</b>		
	Unit (kWh)	2,44,420	3,30,373
	Units per ltr. of diesel oil (kWh/Lit) – HSD	3.07	2.63
	Cost/unit (₹/kWh) – HSD	22.48	19.81
	Units per ltr. of diesel oil (kWh/Lit) – FO	NA	NA
	Cost/unit (₹/kWh) – FO	NA	NA
	<b>ii Through steam turbine/generator</b>		
	Unit (kWh)	NA	NA
	Units per ltr. of fuel oil/gas	NA	NA
	Cost/unit (₹/kWh)	NA	NA
2	<b>Coal (specify quality and where used)</b>		
	Quantity (tonnes)	NA	NA
	Total cost	NA	NA
	Average rate	NA	NA
3	<b>i Furnace oil (Used for Power Generation)</b>		
	Quantity (k. ltrs.)	20.03	46.91
	Total amount	6,78,240	15,17,538
	Average rate	36.00	32.35
	<b>ii HSD (Used for engine testing and Power Generation)</b>		
	Quantity (k. ltrs.)	1138.36	1314.43
	Total amount	6,74,01,876	6,56,88,547
	Average rate	59.21	49.97
4	<b>Others (Natural Gas)</b>		
	Quantity (SCM)	16,412	19,979
	Total cost	6,08,200	6,70,162
	Rate/unit	37.06	33.54

### B. Consumption per unit of production

Sr. No.	Particulars	2013-14	2012-13
I	Product - Engines Total Production in BHP	54,51,781	66,09,846
II	<b>Electricity ( KWH USED / BHP PRODUCED )</b>	4.66	9.41

## C. Technology Absorption

### ■ Research and Development

- i) Specific areas in which R&D carried out in the company
  - Emission solution based on mechanical fuel injection
  - 4 – Valve per cylinder technology
  - Design methodology based on 3 Dimensional Analysis
- ii) Benefit derived as a result of above R&D
  - Enhancement of Power range
  - Unique solutions for emission upgrade
- iii) Future plan for action
  - Develop new technologies for cost effective emission up gradation
  - Value engineering
  - Up gradation of current product facilities
  - New applications like marine genset and main propulsion

- iv) Expenditure on R&D (₹ in crores)

Sr. No.	Particulars	2013-14	2012-13
1	Revenue Expenditure	26.12	24.48
2	Capital Expenditure	2.92	2.95
3	Total	<b>29.04</b>	<b>27.43</b>
4	R&D expenditure as a percentage of Total Turnover	1.3%	1.2%

### ■ Technology absorption, adaptation and innovation

#### i. Efforts made towards technology absorption, adaptation and innovation

The Company is working closely with legislative bodies, industry associations, customers and suppliers to identify opportunities for design, development and improvements of products.

#### ii. Benefits derived and results of above efforts, product improvements, cost reduction, product development, import substitution etc.

- Development of entire range of genset products meeting CPCB Stage II emission norms
- NSS2 certification of marine Gensets and FM/UL recertification of fire pump application
- New application development for excavator and tractor application

#### iii. Technology imported during the last 5 years

The Company entered into a license agreement with Daihatsu Diesel Manufacturing Co. Ltd., Japan, for the manufacture, marketing and supply of diesel engines in India in the range of 610KW to 2560 KW.

#### iv. Foreign exchange earnings and outgoes

##### a. Activities undertaken to increase exports, development of new export markets and export plans

Various initiatives were taken during the year like close interaction with the distributors in various markets, systematic working both internally and externally, market friendly practices, market analysis and resultant actions out of the same has helped in increasing the export turnover.

##### b. Total foreign exchange used and earned (₹ in crores)

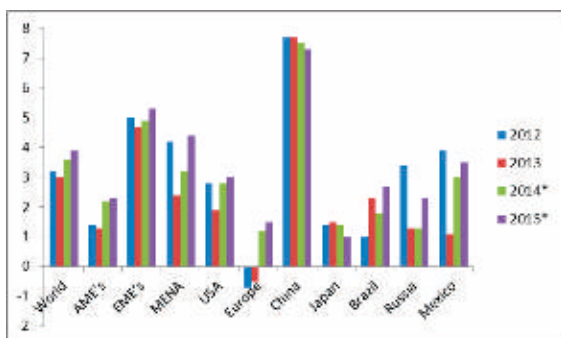
Total Foreign Exchange used & earned	2013-14	2012-13
Used	146.89	142.67
Earned	198.35	167.84

## MANAGEMENT DISCUSSION AND ANALYSIS

### GLOBAL ECONOMY

The developed economies gained traction, whereas emerging economies lost stride in 2013. The global recovery was led by fiscal stimulus, low interest rates and reassurance by the central bankers. The US showed signs of recovery which is reflected by its improving economic metrics showing encouraging employment, spending and others. Its tapering quantitative easing programme also led to a currency slide for many economies. The credit scenario had eased up a bit and this translated into an improved resilience in the Eurozone, disbursing the recessionary fears. China's growth, in the second half of 2013, rebounded on the back of acceleration in investment. (Source: International Monetary Fund)

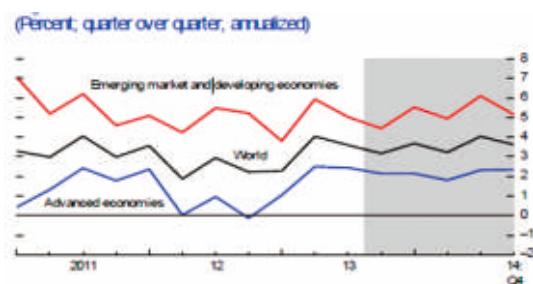
**Exhibit: Global GDP Growth rates**



\*Projections (Source: IMF [April, 2014])

As per the IMF estimates, the Global GDP Growth is expected to be around 3.9% in 2015, 3.7% in 2014, compared to 3% in 2013. The Global trade is likely to ease up and grow at 2.5% in 2013 vis-a-vis 2.3% in 2012.

**Exhibit: Global GDP Growth**

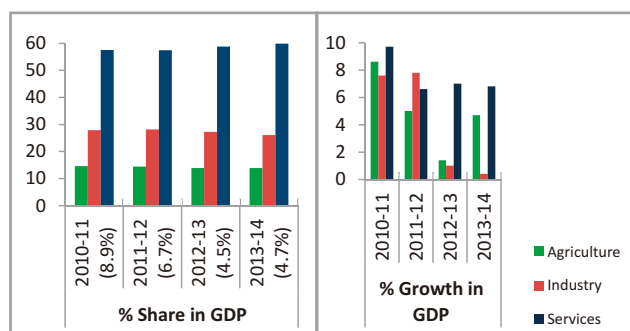


(Source: IMF Staff estimates)

### INDIAN ECONOMY

Global recovery, favourable monsoons and a surge in exports are likely to boost India's GDP growth to 4.7% as against the 4.5% recorded in the previous year. The year witnessed a growth of 8% in exports due to improved global demand and rupee depreciation. Industrial growth weakened further in the year to sub-1% levels, despite a mild pick-up of utilities and construction output. There was a contraction in the manufacturing sector for the first time since 1991-92. Fixed investments remained almost flat, owing to weak domestic demand, slow pace of policy reforms and political uncertainty prior to general elections. Inflation cooled down reasonably on the back of Reserve Bank of India's numerous rate hikes.

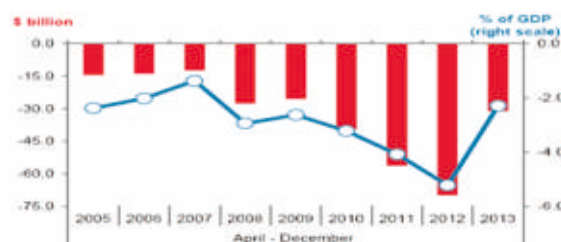
**Exhibit: Sectorial Growth rates – India**



(Source: Central Statistics Office)

The Current Account Deficit (CAD) is expected to touch its lowest levels as a percentage of GDP, since 2007. The challenge, will however, remain with management of imports owing to expected surge in economic activity coupled with global liquidity concerns due to continued US Fed tapering.

**Exhibit: CAD trend**



(Source: CRISIL)



India's GDP growth picked up post a favourable monsoon season and higher export earnings. The growth is likely to firm up further on the back of stronger structural policies favouring investment, clearances of stalled projects and demand recovery backed by improved external economic climate and these are likely to drive GDP growth to 6% in 2014-15.

## INDUSTRY AND COMPANY OVERVIEW

### A. AGRICULTURE AND ALLIED BUSINESSES

India holds second largest agricultural land under cultivation in the world. While the country accounts for only about 2.4% of the world's geographical area and 4% of its water resources, it has to support about 17% of the world's human population and 15% of the livestock.

Pump sets in India are used in domestic, agriculture, construction and industrial sectors. Agriculture sector leads the usage of pumps in India with prominent uses like irrigation. Use of agri pumpset is inversely related to the amount of rainfall, which directly affects the pumps industry.

Increasingly, farm mechanization is becoming very critical for farm operations, improving land and labour efficiency, increasing productivity and reducing crop losses. The tractor density in India is about 16 tractors for 1,000 hectares, as against the world average of 19 tractors and that in USA 27 tractors per one thousand hectare of cropped area. (Source: Ministry of Agriculture)

#### Company overview

The Company's domestic agri business primarily comprises diesel-pumpsets, although the Company also supplies engines used in other products /applications such as concrete mixer, aerators etc. The Company is the market leader in diesel-pumpsets with 17% market share. The Company competes with both domestic manufacturers (both organized and unorganized) as well as Chinese imports. Apart from a strong brand, the Company's key competitive advantage lies in its extensive reach across the far corners of the country. The Company's

agri range is available in over 3000 locations across 3400 retailers, along with the ability to deliver prompt and reliable service in all these areas.

Delayed and excessive rains in large parts of the country had an adverse impact on the Agri business for the year. The Company's revenue from the agri-allied business stood at ₹ 375 crore for the current year, compared to ₹ 424 crore in the previous year. Despite a tough market, the Company managed to improve its market share through a combination of strengthening its reach and launching new products to address added applications.

#### New product launches

- Petrol-Kerosene pumpsets were the latest addition to the portfolio of the Company. With pumps ranging from the self-priming and non-self-priming range, the Petrol-Kerosene pumps by the Company have been well received in the market. In the current financial year, over 5000 units were sold, backed by some very good features. Some of the key features are-
  - Light and compact
  - Economical
  - Easy after sale service
  - Wide range of products (in terms of Horse power)



**Petrol – Kerosene Pumpset**

- AV1 XL-air-cooled engine was another key product launched by the Company. With great features and wide range in offerings, the product

was aggressively marketed in Uttar Pradesh (one of the key agriculture belts of the country). There were 1,243 units sold for the year ended 2013-14 of AV1-XL, and the Company is expected to increase its total sales in the coming year.



**AV1-XL Air Cooled Engine**

- In the agri-engines air-cooled series, Varsha High Discharge pumps were the latest addition to the Varsha series. The pumps stand out in terms of head range (7 meters to 11 meters) and discharge range (22.5 to 12 liters per second). Available in diverse power range, the pump is expected to bring in additional revenue for the Company in the coming years.



**Varsha High Discharge Pumpset**

### Prospects for the coming year

A normal monsoon remains a vital necessity for the agricultural sector. While overall market growth or lack thereof is dependent on the weather, the Company remain focused on enhancing its market share. Concerted efforts which are being taken to increase the number of retailers and hence the reach in the market will augur well in the coming year and help in further improving customer service and contact. This, together with efforts in product re-engineering and new product introductions should help spur the sale in the Agri and allied crop irrigation business.

### B. POWER GENERATION BUSINESS

The diesel generator set market in India is well organized and highly competitive. The market can broadly be segmented as small diesel generators (15-75 kVA), medium diesel generators (75.1 – 375 kVA) and large diesel generators (375.1 – 2000 kVA). High growth in the industrial sector and peak power deficit is expected to boost diesel generator set sales in India. (Source: Frost and Sullivan report). Based on its end-usage, the gensets find applicability across the following sectors –

- Telecom
- Large- and small-scale industries
- Hospitality
- Real estate
- Commercial and residential
- Hospitals and healthcare
- Retail and restaurants
- Others

### Company overview

The Company is a market leader in the small and medium segments of the Indian genset market, with approximately 33% market share across these two segments. The Company has strengthened its presence in the lower ranges (375-625 kVA) of the large genset segment through its indigenously developed DV series of gensets and is a strong #2 in

these segments it competes in, within the large genset market, with 13% market share. While the small engine market is more fragmented with many competitors, the medium and large segments see limited competition from a few MNCs and large Indian companies. The Company's range of gensets come with the reputation of reliable, fuel-efficient, supported by strong after-sales service (even in upcountry markets), thereby offering lowest total cost of ownership for the genset user.

The overall economic slowdown and adverse market conditions led to lower power deficit in most regions of the country. Consequently, there was a sharp fall in the demand for Gensets. This in turn affected Company's business in this segment. The Company's revenue from the power generation business stood at ₹ 745 crores (including sale of alternators of ₹ 56 crores) for the current year, compared to ₹ 860 crores in the previous year. Despite the subdued demand, the Company was able to maintain its market share. There was shrinkage in volume terms of Power Generation segment by 20% Y-o-Y; DGS&D, Railways, Defense and Petrol stations registered a positive growth of more than 40% as compared to the previous year. Sale of genset to telecom sector was down by 40% as compared to the previous year. Some of the key factors that affected the segment were:

- Delay in the execution of infrastructure and related projects due to slowdown in the overall economy.
- Lowest Power deficit in last 5 years, at 3% from an average of 9 to 10%
- The demand in relatively stable power markets is shifting to inverters or renewable energy sources like Solar and Wind.
- Telecom shifting to 'Green sites' in some urban markets which has adverse impact on DG consumption.

#### **Initiatives to boost the segment**

During the year that went by, the sales and marketing team have worked on several initiatives. Some of them were:

- PoT (Power of Ten) - Ten years of free Service on key products
- Improving product availability (through increased dealerships in untapped regions)
- Establishing 24 X 7 call centres for addressing customer grievances
- Introduction of 'Bandhan' - Long term service engagement programmes for customers for trouble free DG performance.



All the above initiatives helped the Company to retain its market share as compared to the previous year.

#### **Prospects for the coming year**

The much awaited cut-off date for CPCB II norms has now been gazetted as 1 July 2014. All engines and gensets sold after that date needs to conform with CPCB II norms. The Company's R&D team has been working relentlessly to ensure that the Company delivers a high quality product, fully compliant with the norms. With changes and enhancements necessitate to meet regulatory norms, prices are expected to rise significantly post implementation of CPCB-II norms and the market may witness turbulence, in the short term, due to the uncertainty with regards to the pricing. A lot of the initiatives taken in Financial Year 2013-14 are expected to start paying dividends in the coming year. The Company also plans to expand its product range in the large genset segment area over Financial Year 2014-15. A stable Government at centre is also expected to play its part in overall market optimism and buoyancy.

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## C. INDUSTRIAL ENGINES BUSINESS

For the second consecutive year, there was a slump in the industrial engine segment. The overall market size of 64,000 engines in Financial Year 2012-13 dropped down to 55,000 engines in Financial Year 2013-14 (14% drop). The size of the market in Financial Year 2011-12 was 80,000 engines. Some of the principal factors were:

- Economic slowdown resulting in sharp decline in demand for construction equipment
- Delay in infrastructure projects due to recessionary issues and green clearance
- The mining sector was affected due to Government sanctions

Some Original Equipment Manufacturers (OEMs) are already exploring options of backward integration with their own engines. Lower fuel consumption is being used as a unique selling proposition.

### Company overview

The Company's industrial engines cater to two broad segments – construction equipment and tractors. The Company is the market leader in engines for construction equipment, with a market share of 30%. A wide range of products – back-hoe loaders, excavators, motor graders, concrete pumps – seen on Indian roads and project sites are powered by the Company's engines. The Company is a niche player in tractor engines, as most tractor manufacturers use captive engines.

The Company's revenue from the industrial engines business stood at ₹ 346 crore for the current year, which was the same as compared to the previous year.

Given the adverse market conditions in the construction equipment market, the Company did well to contain any further fall. Aggressive marketing and good customer relationships ensured retention of 30% share in terms of volume of engines sold in Financial Year 2013-14 for construction equipment. The Company did not lose a single customer or any

application to competitors. The tractor engines business fared better in Financial Year 2013-14, showing positive growth.

Seeing an opportunity, the Company successfully entered into 20-Ton excavator and motor grader equipment which was very well accepted by the market. The year also witnessed good orders from the tractors and the FM/UL segments.

### Prospects for the coming year

With a stable Government at the centre, expectations are adrift that a lot of infrastructural projects which are on hold earlier, may get cleared and the industry which is presently down may bounce back to normalcy to record 10% growth over previous year. The tractor industry which grew by 23% in the previous year is expected to continue its growth trajectory.

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## D. LARGE ENGINES BUSINESS

The large engines business in India, suffered a set back due to surge in Heavy Fuel Oil (HFO) prices leading to no market for HFO based DG sets. Customers with existing HFO DG set decided to keep them on standby.

The commercial marine segment was also badly affected, because of global economic slowdown. The Indian ship building industry faced the brunt, as a result of this.

### Company overview

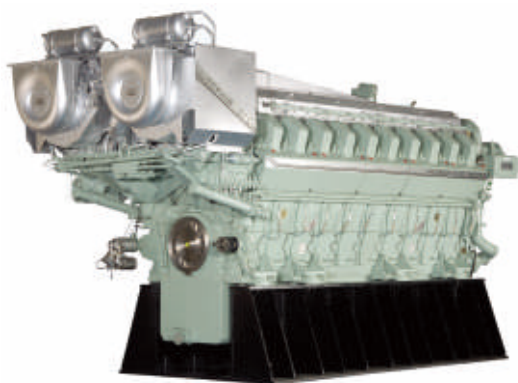
The Company's Large Engines Business competes within a few niche applications of the large engines market, such as gensets for Emergency Power at Nuclear plants and defence applications, as well as to specific marine applications. The Company has historically been a dominant supplier to marquee clients such as Nuclear Power Corporation of India Limited (NPCIL) and the Indian Navy. The Company also competes in marine engines, where it also has a technology tie-up with MAN Diesel and Turbo SAS, (Erstwhile SEMT Pielstick, France).



The Company's revenue from the Large Engines Business stood at ₹ 301 crores for the current year, compared to ₹ 168 crores in the previous year.

During the year following activities were completed successfully :

- All critical seismic analysis and tests on DG set powered with 18PA6V engine, to be supplied to NPCIL. 9 DG sets were manufactured and dispatched in the year out of the total order of 16 DG sets.
- Successfully commissioned two ship sets of naval OPV class at Goa Shipyard Ltd, which is powered with 2 X 20PA6B STC engines per ship set.



**Engine commissioned at  
Naval OPV Goa Shipyard**

### Prospects for the coming year

Besides completing the delivery of balance 5 DG sets engines to NPCIL, the Company continues to be in talks with NPCIL for strengthening the order book. Marine orders will also be the point of focus. The Company believe, that it has the requisite technical skills backed by sound project execution skills to execute large orders within defined time frames and hence revival of the economy will provide the necessary fillip to the business.

### E. CUSTOMER SUPPORT

The Company's commitment to provide quality service to all its customers continued unabated. An extensive network of 362 well-equipped service outlets spread across India ensured prompt and

timely after sales service to all the Company's customers. The Company sees a continuing opportunity to provide quality service with optimum lead time to repair. The slowdown in the economy resulted in lower power deficit, consequently, DG sets and construction equipment usage were down. This in turn resulted in low consumption of spares and oil.

To ensure that the Company's high service standards are maintained and improved further, the Company has initiated following actions to improve the service levels:

- Online Monitoring of Maximum Time to Repair (MTTR) at Dealer level.
- Increased service outlets in un-represented areas.
- Formation of escalation matrix for delayed service.
- Introduced 'Bandhan' - Long term service engagement package to customers for trouble free DG.

### F. EXPORTS

The Company's international business supplies engines and generators to over 30 countries, for a wide range of applications such as gensets, agri pumpsets, mining and construction equipment. Middle-east and Africa are the largest geographies for the Company, accounting for over 85% of international revenues. The Company has a strong market presence with double-digit market-shares in specific markets such as Nepal, Lebanon, Zambia, South Africa, Sri Lanka, Qatar and Kenya.

Revenue from exports in Financial Year 2013-14 was ₹ 198 crores as against ₹ 168 crores in the previous fiscal. Given the challenging macroeconomic environment, this growth of 18.2% as compared to Previous Year was healthy.

The Company commenced preliminary seeding activity in new markets of Togo, Benin, Burkina Faso, Philippines and Algeria. Besides, the Company is also exploring the new markets of Bangladesh, Myanmar and Botswana to expand its footprint. With

regards to the new OEMs, there was a breakthrough in the new markets of France, Bangladesh and Israel. The Company's exports to markets like South Africa, Nigeria, Kuwait, Indonesia, Zambia, Lebanon, Nepal and United States of America has grown over 20% in the Financial Year 2013-14 over Financial Year 2012-13.

Political instability in some of the Middle East and African countries has affected the performance in those markets and it is expected that normalcy will return in these countries in the coming financial year. Labour unrest in Mining Industry in South Africa has affected the Industrial business, which also is expected to come back to normalcy during the coming year.

**Exhibit: Region-wise percentage of exports for the year (%)**

Region	% of Total
Middle Eastern countries	52
Africa	34
Asia	2
America	6
Others	6

**Prospects for the coming year**

Currently, the Company exports products to over 30 countries and the endeavor is to increase market share in the existing markets and also enter into new markets in Africa and South East Asia. The Company is working on strengthening the present trade partners to provide the requisite fillip in the existing markets too.

**Gaining global presence**

Exports continue to be a key focus area for the Company. The Company faces severe price competition from multinational players in the Power Generation segment and in the Agriculture segment it faces fierce competition from the Chinese and other domestic players.

In order to build on the brand value of Kirloskar and increase brand recognition, the Company

participated in several key exhibitions across South Africa, UAE, Myanmar, Sri Lanka and Morocco amongst others. The brand is also widely advertised in various print media to cover Middle East and Africa. The Company has also been working closely with distributors in various markets to augment sales.

**FINANCIAL PERFORMANCE - REVENUE SNAPSHOT ACROSS VERTICALS**

	Power Generation	Agri & allied Business	Industrial Engines	Customer Support	Exports	Large Engines
FY 2012-13 (%)	37.07	18.26	14.95	14.80	7.50	7.25
FY 2013-14 (%)	32.55	16.38	15.15	14.02	8.62	13.17

**RESEARCH AND ENGINEERING**

In order to meet customer needs, and remain competitive, the Company continues to invest in new product development programs and application engineering projects. Research often leads to innovative offerings that provide cost effective solutions and value engineering upgrades to Company's existing and prospective product lines. These offerings not only help open up new segments and markets but often are necessitated merely to conform to new regulatory standards and norms. The Company is confident of ensuring a smooth transition from CPCB I to CPCB II norms that will come into effect from 1 July 2014, for engines and DG sets.

**QUALITY ASSURANCE**

The Company's commitment to quality remains unabated. Improvement and enhancement in product quality is a continuous process and the endeavor is to deliver superior quality products backed by best in class service. It is this faith in Company's products and service that led the Company to offer a unique offering of 10 year free service on generators. It is expected that this campaign will be a differentiator in the market. Some of the proactive steps for improvement in product quality were:

- Focused Supplier Quality Improvement programs, benefits of which have been realized in terms of

- reduced PPM levels.
- Working closely with vendors in improving quality of components.
- Working on customer suggestions / complaints in a focused manner.

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### **VENDOR DEVELOPMENT AND MATERIAL COST OPTIMIZATION**

The Company has over the years, nurtured and cultivated long term strategic alliances with key vendors. Getting vendors involved in early stages of product development has augured well and led to useful value engineering and cost optimization.

#### ***Vendor development initiatives***

- Training on special processes like heat treatment, welding as per CQI guidelines were conducted for vendors
- Special training modules on manufacturing process, PPAP, cutting tools, energy cost optimisation, GD&T, MSA etc. were developed and imparted to them.
- Involvement of vendors in early stages of product development has led to co creations.

#### ***New Vendor development***

Supplier development activity was pursued in line with business necessity. An early involvement of vendors translated into substantial improvements at the design stage itself. New suppliers were added to support various initiatives like technology up-gradation, new emission norms and cost optimization.

#### ***New material development***

Use of alternate material was explored as a part of reliability improvement and Value Engineering initiatives. These have been introduced in both, present as well as new product development. These major material changeovers include:

- Usage of thermoplastic

- High temperature fasteners
- MLS and RCS gaskets
- Si-Mo exhaust manifolds

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### **ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY (EHS)**

During the year, several initiatives were undertaken, across plants and offices, in the areas of Environment, Occupational Health and Safety (EHS). The Leadership at Company, is fully committed to ensuring the highest standards of Safety and Health for all its employees.

#### **ENVIRONMENT**

Some of the key initiatives undertaken during the year across plants are :

##### **Pune plant**

- Elimination of wooden packing
- Reduction in the testing time leading to diesel saving for HA Industrial Engine
- Reduction in fuel consumption as a result of fuel priming before commencement of testing

##### **Kagal plant**

- Reduction of the chemical consumption required for treatment of industrial effluent
- Reduction in weight of ETP Sludge
- Better control on PH of Effluent
- Usage of Biogas for cooking in the canteen
- Green belt development in plant premises

##### **Nasik plant**

- Reduction in Air Pollution
- Reduction in noise level
- Hazardous Waste Elimination

## Rajkot plant

- Reduction in Noise Level
- Reuse of RO Reject Water
- Avoidance of Oil Leakages
- Implementation of illumination level at test cells
- Reconditioning of ventilation system at paint booths to avoid paint fumes

## HEALTH

Employee health and well-being are of paramount importance to the Company. Medical check-ups, both general and specialized are carried out at regular intervals across all plants and locations. Besides, regular awareness creating lectures on health, fitness, common ailments and diseases and lifestyle improvements are delivered across employee cross sections. Examples of some of the key initiatives taken during the year are :

- Health Assessment Camp with Body Fat mass analysis (BMI), together with Skin and Hair analysis at Pune.
- Eye checkup camp for vision and refraction correction.
- Lecture and demonstration of advance acupressure and Sujok therapy by Dr. Nitin Jadhav from Mumbai. This lecture covered the treatment methods on various aspects like mental stress, diabetes, blood pressure, acidity, kidney stone, piles, back pain, weight loss etc.
- Lecture on prevention and management of backaches by a team of Physiotherapists from Sancheti Hospital.

## SAFETY

Improving workplace safety continued to be high priority across all manufacturing locations and offices. Some of the initiatives taken to enhance safety were :

- On-line accident reporting system developed and trials carried out for all four factory locations thus enabling quick sharing

and corrective actions.

- On-line EHS documentation and document control system for all locations was implemented.
- EMS/OHSA internal auditor trainings conducted in-house by corporate safety department.
- EMS/OHSAS Inclusion of Team associates in safety committee for better understanding and resolution of problems on the ground.
- Project safety manual developed by corporate safety department for NPCIL KAPP site and approved by the respective authorities. Site work in progress without a single accident.

### Safety training

**Total no. of programmes conducted: 103**

**Total no. of participants: 2,365**

**Total no. of training man hours: 5,357**

## HUMAN RESOURCES AND INDUSTRIAL RELATIONS

As on 31 March 2014, the Company had 2,428 employees on its roll. The Company continues to maintain healthy and harmonious industrial relations across all manufacturing units. The ultimate Human Resource goal of the Company is to develop people competencies to enable them to deliver as per the Company's strategies. The Human Resources Management team at the Company has continued its efforts and actions to provide efficient, effective and comprehensive services to its internal customers focused towards creating a culture of sustained business out performance. These have been achieved through deployment of an integrated talent management process.

Various initiatives such as career planning, rewards, learning and development, growth and competitive compensation have been taken during the year.



### **Development centres**

Development centres are held regularly to assess people against positions that they will attain. Individual development plans are drawn out to enable them to attain those skills and competencies, therein.

### **Right people at the right place**

Sustained performance results from having the right people at the right place within the organisation. In Financial Year 2013-14, adequate efforts have been taken to increase the size of the Talent Pool. This was done through focusing on critical positions by attracting and retaining the best candidates.

### **Building a talent and leadership pipeline**

The Company also commenced an engagement cum talent acquisition initiative with premier engineering and management institute campuses across India to fulfil the need for junior and middle level talent. This initiative is envisaged to provide a robust talent and leadership pipeline for growth in existing business and entry into new business segments.

### **Succession planning**

Successors are being identified for key positions and development activities for capability building are being drawn up to ensure that Key and critical position holders are able to drive growth for the Company.

### **Driven by values**

Our focus on values remains undiminished as we believe that belief and action linked by common set of values will drive the Company's performance to greater heights. Focus on values is constantly reinforced through day-to-day actions and conversations and form the bedrock of everything that Company do. A values' workshop is also being conducted for all new entrants into the organization.

### **Other HR initiatives**

- The Company has completed an exercise with a leading consultant to create a position-based organisation structure. A

culture of continuous learning is also being implemented within the organisation. Skill Gap analysis for employees has been initiated in the year with emphasis on identification of existing gaps in the individual development plans.

- Continuous focus has been on making Sales and Marketing organisations more focused and delivery oriented. 131 people have benefited from a selling programme for Agriculture and Allied Business Unit. The success of this programme will see an extension into other verticals as well.
- The employees' aspirations to grow and develop are addressed through specialised induction programmes that include BS in Manufacturing (tie-up with BITS, Pilani) and EPBM i.e. Executive Program in Business Management (tie-up with IIM-C).

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## **CORPORATE SOCIAL RESPONSIBILITY**

The Company strongly believes in good Corporate citizenship and in enriching lives of people through CSR initiatives. Since a fair amount of these initiatives are done through employee volunteering, most activities are undertaken with communities surrounding Company's plants. The key areas identified are health, education, environment and livelihood. Some of the initiatives undertaken are:

### **Health**

- HIV/Aids awareness and safety beyond workplace
- Support for Kirloskar Foundation's WASH activities, which include, provision of clean drinking water, use of Toilets, hand Wash etc. where 82 KOELians worked as volunteers in 21 schools and spent 2,527 man hours
- Anaemia awareness program for women from Ramabai Ambedkar Nagar, Nashik

## Education

- Computer Literacy Program
- Cash Awards to meritorious students from 9th Standard
- 'Disha' - Career Guidance Workshop for 10th and 12th Standard Students
- Teachers training program
- Sponsorship of Akanksha Center at Khadki, Pune
- Sponsored a total of 80 orphans/deprived children across locations
- SAAKAV - Life Skill Training Program for Adolescent Boys and Girls

## Environment

- Tree plantation activities were undertaken
- PUC check-up camps for all employees' vehicles
- Environment awareness program and waste management workshops
- 'Hasat Khelat Paryavaran' program for school going children's in Pune and Kagal
- Energy Conservation (ENCON) training measures were taught to school children at all locations

## Livelihood

- Livelihood generation activities for Self-Help Groups
- Vocational training for youth

## INFORMATION TECHNOLOGY AND INFRASTRUCTURE

The Company has been making continuous investments in Business Process Automation and Information Technology over the years. The IT infrastructure and Software systems at the Company are at par with the best-in-class industries. The high focus areas include scalability of infrastructure, data security and business process controls.

**The Company's data centre has received an ISO 27001 certification for 'Operation and Maintenance of IT Infrastructure and IT Services'.**

The Company's IT strategy is focused towards improving efficiency and providing a platform for a decision support system that will provide for a competitive sustainable advantage and at the same time ensure the highest level of data integrity and security.

## CRM

- The Company invested substantial amount for implementation of CRM System for the channel partners. The application will be live in Financial Year 2014-15.
- The improved benefits as a result of an investment in CRM System will bring a clear visibility of secondary sales as it happens, customer service events and channel partners' response, enquiry pipeline and their progress till the order conversion, finished goods inventory at the dealers and so on.
- The visibility of secondary sales and inventory will help in optimising the channel inventory and aligning manufacturing processes with actual sales happening at the market place.
- CRM will also improve customer service to a significant extent.

## Data Security and Business Intelligence

- As more and more business data is getting digitised, proliferation of data size, data security, disaster recovery and perimeter security is becoming very critical. Initiatives like virtualization of desktops, intrusion prevention system, firewall high availability, bandwidth optimization etc. have been completed.

## Road ahead

All Company's plants and Offices are well integrated and are well connected to facilitate easy access of information. The Bandwidth optimisation project also has ensured higher speed of data transfer with 99.7% uptime guarantee.

There are several improvement projects relating to the further strengthening the IT Infrastructure and Systems. Some of the major projects for next year include:

- ERP Upgrade to 12.1.3
- PLM Upgrade
- National Roll-out for CRM at all channel partners
- Virtualisation Phase 2
- ISO 20000 certification for data centre
- Network High Availability across all plants and Area Offices

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## INTERNAL CONTROLS AND RISK MANAGEMENT

The Company believes that good internal controls form an integral part of the overall governance process and freedom of management is best exercised within a framework of overall checks and balances. The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. These are routinely tested and certified by Statutory as well as Internal Auditors and cover all offices, manufacturing locations, depots and key areas of business. The Company remains committed to continuously monitor the effectiveness of the internal controls with an aim to provide an independent, objective and reasonable assurance on the efficacy of operations and security of assets.

From a largely outsourced activity, the internal audit now operates on a co-sourced basis. The Internal Audit Department (IAD) together with a leading audit firm performs internal audits on a quarterly basis, based on comprehensive risk based audit plan, which is approved by the Audit Committee at the beginning of the year. Significant deviations are brought to the notice of the Audit Committee of the Board and

corrective measures are recommended for implementation. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations. To aid effective planning of audits, the IAD has IT enabled the audit processes through a web based portal with a built-in workflow. In addition to an audit program repository, the portal also serves as a good knowledge management repository of issues and resolutions. The portal also facilitates effective tracking of closure of all agreed actions.

Businesses, regardless of industry, are increasingly global, technology-driven, complex, and sensitive to market conditions. There is also a need to change from historic to forward-looking for strategic planning. Hence the Company has made the existing Enterprise Risk Management (ERM) process more robust by implementing a framework which:

- encompasses all areas of organizational exposure to risk
- prioritize and manage those exposures as an interrelated risk portfolio rather than as individual "silos";
- keeps the risks dynamic
- seeks to embed risk management as a component in all critical decisions throughout the organization.

The framework encompasses the following activities:

- Risk Identification – identify and prioritize significant risks
- Risk Management – identification of risk owners, development and evaluate effectiveness of mitigation plans
- Risk Reporting and Review – Review risks periodically by the Board of Directors.

The Company has also IT enabled the ERM process by setting up a web based portal which can administer bottom-up risk assessments, with status reports and summary of assessment report and maintain risk registers with mitigation plans.

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## RISKS, OPPORTUNITIES AND THREATS

The Company aims to address the opportunities offered and threats posed by its business environment strategically by maintaining a sustainable and robust business model and continually improving on them. The risk canvas is revisited periodically by the Company together with the help of the Internal Auditors and presented to the Board together with appropriate mitigation plans and their status. Some of the risks, opportunities and threats in the Company radar are detailed below :

### Risks

- Appreciation of Indian Rupee versus the US Dollar, will put pricing pressures on the export markets
- Market volatility and pricing pressures post CPCB II
- Increase in diesel prices may slow down the requirement and usage of diesel gensets, resulting into low running pattern and reduced demand on spare parts
- Delayed or prolonged monsoon

### Opportunities

- Stable government may improve the outlook of the economy which may benefit the industry as a whole

- Due to CPCB II implementation, there may be a consolidation amongst the genset manufacturers, which in turn may lead to a reduction in the number of competitors
- Timely and adequate rainfall may lead to an increase in the demand in agriculture segment
- 'Power of 10' is expected to drive the decision making of PG customers
- 'Project unlock' is expected to increase the availability in market place which may propel secondary sales
- Increasing the range and touch points may result into an improvement in the sale of agriculture business
- India's peak power demand continues to grow at approximately 8% annually and this associated with power shortage especially during high peak will continually raise demand for DG sets

### Threats

- With multinational brands setting up their manufacturing plants in India, there may be an increased level of competition in the Indian market
- Attracting and retaining human capital is going to be a key challenge
- Current OEMs may build and fit their own engines in their equipment

## REPORT ON CORPORATE GOVERNANCE

### Company's philosophy on Code of Corporate Governance

The Company firmly believes that the business is built on ethical values and principles of transparency. Good Governance is an essential ingredient of any business, a way of life rather than a mere legal compulsion.

The Company's philosophy of good Corporate Governance aims at establishing a system which will assist the management to fulfill its corporate objectives as well as to serve the best interest of the stakeholders at large viz. Shareholders, Customers, Employees, Environment, Society, Suppliers, Lenders etc. This philosophy has been strengthened by adoption of a Code of Conduct as per clause 49 of the listing agreement for Board of Directors and Senior Management, adoption of CII's Business Excellence framework, Code for prevention of Insider Trading and also re-enforcing our commitment towards Corporate Sustainability and adoption of the GRIs guidelines on Triple Bottom Line reporting.

### A. BOARD OF DIRECTORS

#### ▪ Composition of the Board

The Board composition is in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges in which the Company's Equity Shares are listed. The Board comprised of 12 directors as on 31 March 2014. The composition of the Board was as under:

Category of Directors	No. of directors
Executive (including Executive Chairman)	4
Non-Executive and Independent	7
Non-Executive and Non Independent	1
<b>Total</b>	<b>12</b>

#### ▪ Meetings held

The annual calendar of the Board Meetings is agreed upon at the beginning of the year. The gap between the two meetings did not exceed four months.

During Financial Year 2013-14, the Board met 7 times on 26 April 2013, 25 July 2013, 25 October 2013, 5 December 2013, 14 January 2014, 4 February 2014 and 20 March 2014.

The Annual General Meeting of the Company was held on 25 July 2013.

#### ▪ Board Procedure

The Agenda is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to facilitate meaningful discussions and enable the Board to take appropriate decisions. As part of the process of good governance, the agenda also includes the progress on the decisions taken by the Board in its previous meeting(s).

The Board also, inter-alia, reviews quarterly / half yearly / annual results, the strategy of business, annual operating plan, reports for all laws applicable to the Company, review of major legal cases, minutes of Meetings of the Audit Committee, review of internal control framework and risk management etc. The required information as enumerated in Annexure IA to Clause 49 of the Listing Agreement is made available to the Board of Directors for discussions and consideration at Board Meetings. The Board is also kept informed of major events / items and approvals are taken wherever necessary.



▪ **Category and Attendance of Directors**

The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the financial year 2013-14 and at the last AGM and also the Directorships, Committee positions held by them in other public limited companies and shareholding of non-executive directors as at 31 March 2014 are as follows :

Sr. No.	Name of Director	No. of Directorships in other Public Ltd. Cos.	No. of Committee positions held in other Public Ltd. Cos. **		Attendance at meetings		No. of shares held by Non-Executive Directors
			Chairman	Member	BM	AGM	
	<b>Executive Directors</b>						
1	Atul C. Kirloskar *	8	1	1	7	Yes	NA
2	Gautam A. Kulkarni *	1	–	–	6	Yes	NA
3	Nihal G. Kulkarni *	4	–	4	7	Yes	NA
4	Rajendra R. Deshpande	2	–	–	6	Yes	NA
	<b>Non-Executive and Non Independent Director</b>						
5	Rahul C. Kirloskar *	5	–	2	5	Yes	19,23,155
	<b>Non-Executive and Independent Directors</b>						
6	U. V. Rao	2	1	1	7	Yes	–
7	Pratap G. Pawar	5	1	3	3	Yes	5,355
8	R. Srinivasan	8	2	2	6	Yes	3,750
9	Dr. Naushad D. Forbes	1	–	–	5	Yes	9,000
10	M. Lakshminarayan	5	1	2	1	Yes	–
11	Anil N. Alawani	6	4	4	4	Yes	34,282
12	Dattatraya R. Swar	3	1	–	7	Yes	700

**Notes:**

\* Deemed as Promoters within the meaning of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011.

\*\* Includes Audit and Investors'/ Shareholders' Grievance, Investors'/ Shareholders' Grievance cum Share transfer Committee of Public Limited Companies.

None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees as per Clause 49 of the listing agreement in all the companies in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other companies.

Atul C. Kirloskar and Rahul C. Kirloskar, being brothers, are related to each other. Gautam A. Kulkarni and Nihal G. Kulkarni, being father and son, are related to each other. None of the other Directors are related to any other Director of the Company within the meaning of Section 6 of the Companies Act, 1956.

**B. BOARD COMMITTEES**

**1. Audit Committee**

The Audit Committee comprises of 4 Non-Executive Directors, majority of who are Independent. The composition is in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges in which the Company's Equity Shares are listed.

During Financial Year 2013-14, 5 meetings of the Committee were held on 26 April 2013, 19 June 2013, 25 July 2013, 25 October 2013 and 4 February 2014.

The composition of the Committee and attendance at its meetings are given below:

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	U. V. Rao (Chairman)	Non-Executive Independent	5
2	Pratap G. Pawar	Non-Executive Independent	2
3	R. Srinivasan	Non-Executive Independent	5
4	Rahul C. Kirloskar	Non-Executive Non Independent	4

The terms of references of Audit Committee broadly include:

1. Reviewing with the management, the quarterly / annual financial statements before submission to the Board for approval;
2. Discussion with internal auditors any significant findings and follow up there on;
3. Recommendation for appointment of statutory and cost auditor and their remuneration;
4. Review of Internal audit reports relating to internal control weaknesses and discussion with internal auditors any significant findings and follow up there on;
5. Reviewing the Enterprise Risks and the progress on the mitigation plans;
6. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause 2AA of section 217 of the Companies Act, 1956.
  - b) Changes, if any, in accounting policies and practices and reasons for the same.
  - c) Major accounting entries involving estimates based on the exercise of judgment by management.
  - d) Significant adjustments made in the financial statements arising out of audit findings.
  - e) Compliance with listing and other legal requirements relating to financial statements.
  - f) Disclosure of any related party transactions.
  - g) Qualifications in Draft Audit Report.
7. All other terms as specified under clause 49 of the listing agreement entered with Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Assistant Company Secretary acts as the Secretary to the Committee. The Executive Directors and the Chief Financial Officer attend the Audit Committee meetings. The representatives of the Internal Auditors, Statutory Auditors, Cost Auditors and Business Unit / Operation Heads are invited to the meetings.

## 2. Share Transfer cum Shareholders' / Investors' Grievance Committee

The Share Transfer cum Shareholders' / Investors' Grievance Committee is headed by Pratap G. Pawar (Non-Executive Independent Director), as Chairman and other members of the Committee are Gautam A. Kulkarni and Rajendra R. Deshpande. The Committee has been constituted to look into shareholders' / investors' complaints like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends etc. and redressal thereof.

The Company has received 11 complaints during the financial year. All complaints have been resolved, the details of which are as under:

Nature of Complaint	Received	Resolved
Non receipt of Annual Report	–	–
Non receipt of Dividend	6	6
Non receipt of Share Certificate	2	2
Through BSE	1	1
Through SEBI	2	2
Through Depository	0	0
<b>Total</b>	<b>11</b>	<b>11</b>

There were no complaints outstanding as on 31 March 2014. The Company had no share transfer requests pending as on 31 March 2014.

The investor complaints are processed in a centralized web based complaints redress system, namely, SEBI Complaints Redress System (SCORES). The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by the concerned companies and online viewing by investors of actions taken on the complaint and its current status. There are no requests pending on SCORES.

Ms. Smita A. Raichurkar, Asst. Company Secretary is the Compliance Officer.

The Compliance Officer can be contacted at:

**Kirloskar Oil Engines Limited (Secretarial Department)**

Laxmanrao Kirloskar Road,  
Khadki, Pune - 411 003

Tel: 91 - 20 25810341 (Extn. - 4461) Fax: 91 - 20 25813208 and 25810209

E-mail: [Smita.Raichurkar@kirloskar.com](mailto:Smita.Raichurkar@kirloskar.com)

### C. REMUNERATION TO DIRECTORS

The Company has not set up a Remuneration Committee. The Board of Directors decides the remuneration of the Executive Directors in accordance with the provisions of the Companies Act, 1956, subject to the approval of the shareholders.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors. The Board also decides the commission payable to the Executive Directors on determination of the profits for the Financial Year, within the ceilings prescribed under sections 198 and 309 of the Companies Act, 1956. Agreements for a period of five years each have been separately entered into with the Executive Directors. There is no notice period and no severance fees prescribed in the agreement.

The Board of Directors decides the remuneration payable to Non-Executive Directors by way of Commission, based on their attendance and contribution at the meetings. The members at the Annual General Meeting of the Company held on 9 July 2010 and the Central Government vide its order No. SRN / A90791146 / 2010-CL-VII dated 27 October 2010, approved the payment of commission to the Non-Executive Directors, at the rate of 1% of the net profits of the Company computed in the manner laid down in Sections 349 and 350 of the Companies Act, 1956.

The sitting fee of ₹ 10,000 per meeting of the Board and any committee thereof, attended by the Non-Executive Directors is payable to them.

**Following are the details of the remuneration paid / payable to Directors during Financial Year 2013-14:** **Amount in ₹**

Sr. No.	Name of director	Basic Salary	Allowances	Statutory Contributions	Perquisites @	Commission	Sitting Fees	Total
<b>Executive Directors</b>								
1	Atul C. Kirloskar	12,000,000	200,000	3,240,000	2,670,110	30,000,000	-	48,110,110
2	Gautam A. Kulkarni	12,000,000	200,000	3,240,000	2,889,724	30,000,000	-	48,329,724
3	Nihal G Kulkarni	8,400,000	2,000,000	2,268,000	239,971	20,000,000	-	32,907,971
4	Rajendra R. Deshpande	7,200,000	780,000	1,944,000	304,772	18,000,000	-	28,228,772
<b>Non Executive Directors</b>								
5	Rahul C. Kirloskar	-	-	-	-	10,900,000	90,000	10,990,000
6	U.V. Rao	-	-	-	-	1,170,000	120,000	1,290,000
7	Pratap G. Pawar	-	-	-	-	480,000	50,000	530,000
8	R. Srinivasan	-	-	-	-	1,110,000	110,000	1,220,000
9	Naushad D. Forbes	-	-	-	-	300,000	50,000	350,000
10	M. Lakshminarayan	-	-	-	-	60,000	10,000	70,000
11	Anil N. Alawani	-	-	-	-	240,000	40,000	280,000
12	Dattatraya R. Swar	-	-	-	-	420,000	70,000	490,000
	<b>Total</b>	<b>39,600,000</b>	<b>3,180,000</b>	<b>10,692,000</b>	<b>6,104,577</b>	<b>112,680,000</b>	<b>540,000</b>	<b>172,796,577</b>

**Notes:**

- Allowances include house rent and leave travel allowance.
- Statutory Contributions include Company's contribution to provident fund and superannuation fund.
- @ Perquisites include House rent paid, reimbursement of medical, gas and electricity expenses, perquisite value as per Income Tax Rules for furniture at residence and motorcar. The above figures do not include provision for leave encashment and gratuity as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for gratuity and leave encashment.

**D. DETAILS ON GENERAL BODY MEETINGS**

The details of General Meetings of the shareholders, held during previous 3 years are as under:

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
2011-12	21 July 2011	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	Commencement of hiring and repairing of aircraft business as specified in clause 78 of Memorandum of Association of the Company
2012-13	19 July 2012	11.00 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-
2013-14	25 July 2013	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-

**RESOLUTION PASSED BY POSTAL BALLOT**

No resolution is proposed to be passed at the forthcoming Annual General Meeting by way of postal ballot.

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## E. DISCLOSURES

### ▪ **Mandatory Requirements**

The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement.

#### a. **Related Party Transactions**

During the financial year under review, there were no materially significant related party transactions made by the Company with its Promoters, Directors or the Management or Subsidiaries that may have potential conflict with the interests of the Company at large. Transactions with the related parties are disclosed in Point No. 2.16B of Note 31 to the Accounts in the Annual Report.

#### b. **Details of capital market non-compliance, if any**

There have been no instances of non-compliances by the Company on any matters related to capital markets. Neither penalties have been imposed nor any strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets.

### ▪ **Non-Mandatory Requirements**

The extent of adoption of non-mandatory requirement is as follows –

#### a. **The Board**

The Chairman of the Company is an Executive Director. He maintains his office at the Company's expense and is also allowed reimbursement of expenses incurred in performance of his duties.

#### b. **Audit qualifications**

There are no audit qualifications on the financial statements.

#### c. **Whistle Blower Policy**

The Company has formulated and implemented the Whistle Blower Policy ('the Policy') during the year under review. This would inter alia provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee; any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. The policy has also been uploaded on the Company's website.

#### d. **Shareholder Rights**

Since the Company publishes its quarterly results in newspapers (English and Marathi) having wide circulation, and the results are also displayed on the website of the Company and the Stock Exchanges, the Company does not send any declaration of half yearly performance to the shareholders.

#### e. **Prevention of Sexual Harassment Policy**

The Company has also formulated and implemented the Policy for prevention of sexual harassment at work during the year under review. This would inter alia provide a mechanism for the resolution, settlement or prosecution of acts or instances of Sexual Harassment at work and to ensure that all employees are treated with respect and dignity. There were no complaints / cases filed / pending with the Company during the year.



▪ **Other Requirements**

a. **Disclosure under Clause 5A II of the Listing Agreement in respect of unclaimed shares**

The Securities and Exchange Board of India (SEBI) vide its circular no. CIR / CFD / DIL / 10 / 2010 dated 16 December 2010, inserted new Clause 5A II containing uniform procedure for dealing with unclaimed shares.

Pursuant to the said circular, the Company had sent first reminder letter on 30 March 2011 and second reminder letter on 9 May 2011, to such shareholders whose share certificates are in undelivered form and hence have remained unclaimed, by requesting them to update correct details viz. postal addresses, PAN details etc. registered with the Company in order to avoid transfer of such unclaimed shares to the “Unclaimed Suspense Account.”

The Company will be sending third reminder letter in due course. As on 31 March 2014, the total unclaimed equity shares are 6,29,170.

b. **Cost Audit Report**

With reference to the General Circular No. 15 / 2011 – 52 / 5 / CAB-2011 dated April 11, 2011 issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, New Delhi, following are the details of Cost Auditor and filing of cost audit report with Central Government:

<b>Particulars of the Cost Auditor</b>	<b>Details of Filing of Cost Audit and Compliance Report for the year ended 31 March 2013</b>
Parkhi Limaye & Co. Firm Registration No 000191 'Aabha', Plot No. 16, Siddhakala CHS, Warje, Pune – 411 058	Due date : 27 September 2013 Filing date : 20 September 2013

**F. PARTICULARS OF APPOINTMENT / RE-APPOINTMENT OF DIRECTORS**

The particulars of appointment / re-appointment of Directors are given in the explanatory statement of notice of Annual General Meeting.

**G. MEANS OF COMMUNICATION**

▪ **Quarterly results**

The Quarterly and Half Yearly results are published in national and local dailies such as Business Standard (English – all quarters) and Loksatta (Marathi – all quarters), having wide circulation. Since the results of the Company were published in the newspapers, half yearly reports were not sent individually to the shareholders. The Company’s results and official news releases are displayed on the Company’s website [www.koel.co.in](http://www.koel.co.in)

▪ **Presentations to Institutional Investors / Analysts**

Presentations are made to analyst on quarterly basis. The presentations are displayed on Company’s website [www.koel.co.in](http://www.koel.co.in) under Investors’ Relations section.

▪ **NSE Electronic Application Processing System (NEAPS) and BSE Corporate Compliance and Listing Centre (the ‘Listing Centre’)**

The NEAPS and the Listing Centre of BSE are web based application designed by NSE and BSE respectively for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, quarterly results etc. are filed electronically on NEAPS and the Listing Centre of BSE.

- **Annual Report**

The Management Discussion and Analysis Report forms part of this Annual Report.

#### H. GENERAL INFORMATION FOR SHAREHOLDERS

<b>Corporate Identification Number (CIN)</b>	L29120PN2009PLC133351 (Registrar of Companies, Pune)
<b>Annual General Meeting</b>	Date and Day : 12 August 2014, Tuesday Time : 11.30 A.M. Venue : Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001
<b>Book Closure</b>	5 August 2014 to 12 August 2014 (Both days inclusive)
<b>Dividend Payment Date</b>	On or before 5 September 2014
<b>Last date of receipt of proxy forms</b>	10 August 2014, before 11.30 A.M. at Registered Office of the Company
<b>Financial Calendar 2013-14</b>	During Financial Year 2013-14 the results were announced as under: First quarter : 25 July 2013 Second quarter : 25 October 2013 Third quarter : 4 February 2014 Fourth quarter : 25 April 2014
<b>International Security Identification Number (ISIN)</b>	INE146L01010
<b>BSE Limited (BSE)</b>	533293
<b>National Stock Exchange of India Limited (NSE)</b>	KIRLOSENG
<b>Designated E-mail address for investors services</b>	<a href="mailto:investors@kirloskar.com">investors@kirloskar.com</a>

#### Shareholding Pattern as on 31 March 2014

Category	No. of shares of ₹ 2/- each	% of Share holding
Promoter and Promoter Group	105,150,226	72.71
Foreign Institutional Investors (FII)	15,027,036	10.39
Individuals	14,635,548	10.12
Insurance Companies	4,039,807	2.79
Financial Institution and Banks (FI & Banks)	3,824,346	2.64
Mutual Fund/ Unit Trust of India (MF/UTI)	826,479	0.57
Bodies Corporate	777,700	0.54
NRIs	271,682	0.19
Others	61,037	0.05
<b>TOTAL</b>	<b>144,613,861</b>	<b>100.00</b>

**Distribution of shareholding as on 31 March 2014**

Range of Shares	No. of shareholders	No. of Shares	% of shares to total shares
1- 500	22632	1902207	1.32
501-1000	1998	1452399	1.00
1001-5000	2120	4348021	3.01
5001-10000	290	2060006	1.42
10001-20000	126	1691978	1.17
20001-30000	35	863119	0.60
30001-40000	22	772313	0.53
40001-50000	11	495750	0.34
50001-100000	16	1085697	0.75
100001-Above	28	129942371	89.85
<b>Total</b>	<b>27278</b>	<b>144613861</b>	<b>100.00</b>

<b>Dematerialisation of shares and liquidity (as on 31 March 2014)</b>	14,10,80,455 equity shares (97.56 %)
<b>Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity</b>	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.

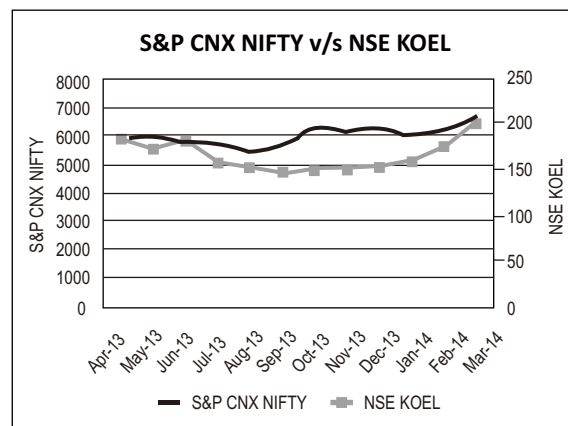
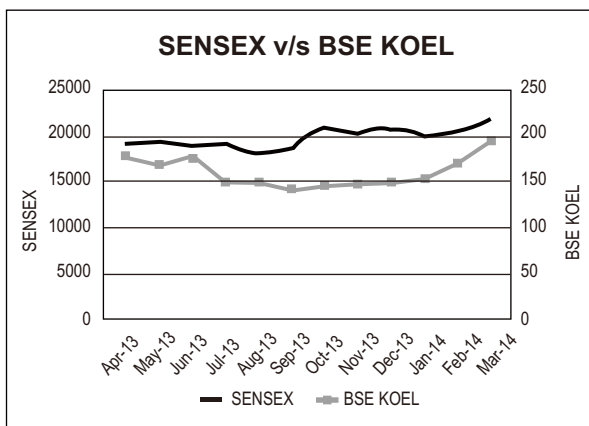
**Market Price Data**

Monthly high/low share prices during the year 2013-14 on the BSE and NSE are as below:

BSE		
Month	High	Low
Apr-13	189.75	161.00
May-13	201.80	164.40
Jun-13	190.00	163.05
Jul-13	192.00	152.05
Aug-13	179.00	150.15
Sep-13	165.95	145.00
Oct-13	154.80	141.00
Nov-13	167.00	142.10
Dec-13	166.00	146.10
Jan-14	189.90	150.00
Feb-14	181.20	160.00
Mar-14	213.60	168.10

NSE		
Month	High	Low
Apr-13	189.60	161.05
May-13	201.00	167.05
Jun-13	187.90	161.00
Jul-13	189.00	157.00
Aug-13	179.70	146.95
Sep-13	164.95	146.20
Oct-13	152.70	140.00
Nov-13	166.00	142.10
Dec-13	166.00	145.60
Jan-14	189.90	149.95
Feb-14	182.00	158.10
Mar-14	214.40	167.10

**Performance of monthly close price of the Company's Scrip on the BSE and NSE as compared to the monthly close SENSEX and S & P CNX Nifty for the year 2013-14**



**Share Transfer System**

- The applications for transfer of shares lodged at the Company's R & T Agent in physical form are processed within 15 days of receipt of the documents valid and complete in all respects. After such processing, the R & T Agent will issue share certificate to all other shareholders within 15 days of receipt of certificate for transfer. Shares under objection are returned within a stipulated period of time. The transfer applications are approved periodically by the senior management of the Company.
- Pursuant to the Listing Agreement, a certificate on half yearly basis is issued by the Practicing Company Secretary for compliance with share transfer formalities by the Company.
- The information on procedures and forms, which are being asked for by the members frequently, viz. Indemnity / Affidavit etc. for issue of duplicate certificates, transmission procedure, change of address, NECS form, Nomination Form, information about shares allotted pursuant to the Scheme of Arrangement for Demerger etc. are uploaded on the Company's website [www.koel.co.in](http://www.koel.co.in) under path 'Investors Relations>IEPF / Others>FAQs for shareholders'.

**Address for correspondence**

- **Registrar and Share Transfer Agent**

The Company had appointed Link Intime India Private Limited as Registrar & Share Transfer Agent (R & T Agent). All physical transfers, transmission, transposition, issue of duplicate share certificate/s, issue of demand drafts in lieu of dividend warrants, change of address etc. as well as requests for dematerialisation / rematerialisation are being processed at Link Intime India Private Limited.

The contact details are as follows –

<b>Link Intime India Private Limited</b>	Block No. 202, 2 <sup>nd</sup> Floor, 'Akshay' Complex, Off Dhole Patil Road, Pune – 411 001 Tel: 91- 20 26161629 / 26160084 Email: <a href="mailto:pune@linkintime.co.in">pune@linkintime.co.in</a>
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### Plant Locations

Sr. No.	Location	Address	Products manufactured
1	Pune	Laxmanrao Kirloskar Road, Khadki, Pune – 411 003	Engines
2	Nasik	A-11/1, MIDC, Ambad, Nasik - 422 010	Engines and Gensets
3	Kagal	<b>Plant I-</b> Plot No. D-1, Kagal-Hatkanangale 5 Star Industrial Area, At post Talandage, Tal – Hatkanangale, Dist. Kolhapur – 416 202	Engines, Gensets and Pumpsets
		<b>Plant II-</b> Plot No. A / 262, Phase – I, Kagal-Hatkanangale 5 Star Industrial Area, At post – Talandage, Tal – Hatkanangale, Dist. Kolhapur – 416 202	Engines
		<b>Plant III-</b> Plot No. E -18, Opp. M/s Suktas India Limited, Kagal- Hatkanangale 5 Star Industrial Area, Dist. – Kolhapur	Canopy Fabrication
		<b>Spares Parts -</b> Plot No. A / 262, Phase – III, Kagal-Hatkanangale 5 Star Industrial Area, At post – Talandage, Tal – Hatkanangale, Dist. – Kolhapur – 416 202	Spares Packing & Distribution
4	Rajkot	<b>Engines Division -</b> Plot No. 2315/16,2330/31,GIDC, Lodhika Industrial Estate, D4 Almighty Gate Road, Village Metoda, Rajkot - 360 035	Engines, Gensets and Pumpsets
		<b>Spares Parts –</b> Plot No. 2320/2/A, GIDC, Lodhika Industrial Estate, D4 Almighty Gate Road, Village Metoda, Rajkot - 360 035	Spares Parts

### DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

The members of Kirloskar Oil Engines Limited

Pursuant to Clause 49 I (D) (ii) of the Listing Agreement, I hereby declare that all Board members and senior management personnel are aware of the provisions of the Code of Conduct laid down by the Board and made effective from 1 April 2010. All Board members and senior management personnel have affirmed compliance with the code of Conduct.

For Kirloskar Oil Engines Limited



Place: Pune  
Date: 25 April 2014

**Nihal G. Kulkarni**  
Managing Director



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## AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To,  
THE MEMBERS OF  
**KIRLOSKAR OIL ENGINES LTD**

We have examined the compliance of conditions of Corporate Governance by **KIRLOSKAR OIL ENGINES LIMITED** for the year ended 31<sup>st</sup> March 2014, as stipulated in Clause 49 of the Listing Agreements of the said company with the recognised stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of Company's management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an opinion on the financial statements of the company.

In our opinion and best of our information and according to the explanation given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

**For M/ S P G BHAGWAT**  
Chartered Accountants  
Firm Registration Number : 101118W

Nachiket Deo  
Partner  
Membership Number : 117695  
Pune  
Date: 25<sup>th</sup> April, 2014

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of Kirloskar Oil Engines Limited, ("the Company") which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the **Profit** for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

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2. As required by section 227(3) of the Act, we report that:

- a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which the cess is to be paid, no cess is due and payable by the Company.

**For M / S P G BHAGWAT**

Chartered Accountants

Firm Registration Number : 101118W

Nachiket Deo

Partner

Membership Number : 117695

Pune

Date: 25<sup>th</sup> April, 2014

## ANNEXURE

Referred to in paragraph 1 of our report on other Legal and Regulatory Requirements of even date

- (i) (a) The company has maintained proper records showing full particulars of fixed assets including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management according to the phased programme of three years which is reasonable with regard to size of the company and nature of its assets. According to information and explanations given to us, discrepancies noticed on physical verification were not material and have been properly dealt with accounts.
- (c) According to the information and explanations given to us, the company has not disposed off major part of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory (excluding stock with third parties) at reasonable Intervals. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion the Company is maintaining proper records of inventory. As informed to us, the discrepancies noticed on verification between physical stock and book records were not material.
- (iii) (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) (c) and (d) are not applicable to the company
- (b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (f) and (g) are not applicable to the company
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchase of the inventory, fixed assets and for the sale of the goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section; and
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. five lakhs in respect of any party during the year have been made at the prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) As informed to us the company has not accepted any deposit from public. Accordingly, the provision of clause 4 (vi) is not applicable to the company.
- (vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.
- (viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a

detailed examination of records with a view to determine whether they are accurate and complete.

- (ix) (a) According to the information and explanations given to us and the records of the company examined by us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to information and explanations given to us, the particulars of dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess as at 31<sup>st</sup> March, 2014 which have not been deposited on account of a dispute, are as follows:-

Name of the statute	Nature of dispute due	Amount under dispute not deposited (₹ in Crs)	Period to which the amount related	Forum where the dispute pending
Sales Tax Laws	Demand for entry tax	0.07	2008 to 2010	Supreme Court
	Sales tax and penalty for pump sets	1.85	1990 to 1997 & 2004-05	High Court
	Non receipt of Forms	0.09	2006-07	Tribunal
	Non receipt of Forms	0.16	2004-05, 2005-06 & 2008-09	Appellate authority Up to Commissioner level
Income Tax Laws	Dispute related to applicability of MAT	0.58	2000-2001	Tribunal
	Dispute related to Capital Incentive	2.19	2008-09	Appellate authority Up to Commissioner level
Service Tax Laws	Disallowance of credit	0.14	1997-1998, 2004-2005, 2005-2007, 2006-2008	Tribunal
	Disallowance of credit	0.00	2010-11	Appellate authority Up to Commissioner level
Central Excise Laws	Valuation disputes and Disallowance of Cenvat Credit	4.58	1996-1997, 1999-2002, 2004-2005, 2004-2007, 2007-2008, 2011-2012	Tribunal
	Disallowance of Cenvat credit	0.44	1996-1997, 2007-2012	Appellate authority Up to Commissioner level
Custom Laws	Dispute related to exemption and other matters	0.86	1991-92	Appellate authority Up to Commissioner Level
Octroi	Demand of differential octroi	3.66	2002 to 2008	Civil Court

- (x) As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004, is not applicable for the year.
- (xi) In our opinion and according to information and explanations given to us, the Company has not defaulted in



repayment of dues to a financial institution or bank as at the balance sheet date.

- (xii) According to information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provision of clause 4 (xii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Accordingly, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in securities. The company has invested surplus funds in mutual funds. According to the information and explanation given to us, proper records have been maintained of the transactions and contracts, and timely entries have been made therein. Further, such investments have been held by the company in its own name except to the extent of the exemption granted under sec. 49 of the Act.
- (xv) In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of clause 4 (xv) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.
- (xvi) According to the information and explanations given to us the company has not availed any term loan during the year. Accordingly, the provisions of clause 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.
- (xvii) In our opinion and according to information and explanations given to us, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) According to information and explanations given to us, the company has not made any preferential allotment of any shares to parties and companies covered under Section 301 of the Companies Act, 1956.
- (xix) According to information and explanations given to us, the company has not issued any debentures. Accordingly, the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.
- (xx) According to information and explanations given to us, the company has not made any public issue to raise money during the year. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.
- (xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by management.

**For M / S P G BHAGWAT**

Chartered Accountants

Firm Registration Number : 101118W

Nachiket Deo

Partner

Membership Number : 117695

Pune

Date: 25<sup>th</sup> April, 2014

## BALANCE SHEET AS AT 31 MARCH 2014

Particulars	Note No.	₹ in Crs.	
		As at 31 March 2014	As at 31 March 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>		<b>1,267.23</b>	<b>1,154.25</b>
Share capital	1	28.92	28.92
Reserves and surplus	2	1,238.31	1,125.33
<b>Non-current liabilities</b>		<b>67.98</b>	<b>85.58</b>
Long-term borrowings		–	–
Deferred tax liabilities (net)	3	30.27	34.10
Other long-term liabilities	4	13.07	29.98
Long-term provisions	5	24.64	21.50
<b>Current liabilities</b>		<b>515.77</b>	<b>503.50</b>
Short-term borrowings	6	–	–
Trade payables	7	312.43	284.31
Other current liabilities	8	101.52	109.72
Short-term provisions	9	101.82	109.47
<b>TOTAL</b>		<b>1,850.98</b>	<b>1,743.33</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>719.68</b>	<b>720.45</b>
<b>Fixed assets</b>		<b>584.98</b>	<b>618.36</b>
Tangible assets	10	537.79	586.05
Intangible assets	11	5.22	5.43
Capital work-in-progress		19.55	13.62
Intangible assets under development		22.42	13.26
Non-current investments	12	10.00	10.00
Long-term loans and advances	13	95.66	66.31
Other non-current assets	14	29.04	25.78
<b>Current assets</b>		<b>1,131.30</b>	<b>1,022.88</b>
Current investments	15	597.71	407.61
Inventories	16	166.82	188.54
Trade receivables	17	177.36	288.66
Cash and bank balances	18	52.43	24.78
Short term loans and advances	19	101.72	92.77
Other current assets	20	35.26	20.52
<b>TOTAL</b>		<b>1,850.98</b>	<b>1,743.33</b>

**Note 31 is an integral part of the financial statements.**

As per our attached report of even date.

For and on behalf of the Board of Directors.

FOR M/S P. G. BHAGWAT  
Chartered Accountants  
Firm Registration Number : 101118W

NIHAL G. KULKARNI  
Managing Director

R. R. DESHPANDE  
Executive Director

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Assistant Company Secretary

Pune : 25 April 2014

Pune : 25 April 2014

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2014**

Particulars	Note No.	₹ in Crs.	
		2013-14	2012-13
<b>Revenue from operations</b>			
Sale of products		2,400.01	2,434.39
Less : Excise duty		188.04	200.79
<b>Net sale of products</b>		<b>2,211.97</b>	<b>2,233.60</b>
Sale of services		74.99	86.05
<b>Net sales and services</b>		<b>2,286.96</b>	<b>2,319.65</b>
Operating income		33.04	37.68
<b>Net revenue from operations</b>	<b>21</b>	<b>2,320.00</b>	<b>2,357.33</b>
Other income	<b>22</b>	37.80	39.50
<b>Total Revenue</b>		<b>2,357.80</b>	<b>2,396.83</b>
<b>Expenses :</b>			
Cost of materials consumed	<b>23</b>	1,255.79	1,338.55
Purchases of stock-in-trade	<b>24</b>	186.26	132.39
Changes in inventories of finished goods, work-in-progress and stock-in-trade	<b>25</b>	1.46	(25.09)
Employee benefits expense	<b>26</b>	162.58	154.38
Finance costs	<b>27</b>	0.42	1.87
Depreciation and amortization expense	<b>28</b>	98.31	92.55
Other expense	<b>29</b>	412.17	413.50
Expenses capitalised		(2.63)	(1.25)
<b>Total Expenses</b>		<b>2,114.36</b>	<b>2,106.90</b>
<b>Profit before exceptional and extraordinary items and tax</b>		<b>243.44</b>	<b>289.93</b>
<b>Exceptional items [income / (expenses)]</b>	<b>30</b>	–	<b>(19.08)</b>
<b>Profit before tax</b>		<b>243.44</b>	<b>270.85</b>
<b>Tax expense :</b>		<b>64.99</b>	<b>72.01</b>
<b>Current tax</b>		<b>68.82</b>	<b>75.93</b>
For the year		70.50	76.82
(Excess)/short provision related to earlier years		(1.68)	(0.89)
<b>Deferred tax</b>		<b>(3.83)</b>	<b>(3.92)</b>
<b>Profit (loss) for the period</b>		<b>178.45</b>	<b>198.84</b>
<b>Basic and diluted earnings per equity share:</b>		<b>12.34</b>	<b>13.72</b>
(Nominal value per share ₹ 2/-)			

**Note 31 is an integral part of the financial statements.**

As per our attached report of even date.

For and on behalf of the Board of Directors.

FOR M/S P. G. BHAGWAT  
Chartered Accountants  
Firm Registration Number : 101118W

NIHAL G. KULKARNI  
Managing Director

R. R. DESHPANDE  
Executive Director

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Assistant Company Secretary

Pune : 25 April 2014

Pune : 25 April 2014

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

Particulars	₹ in Crs.	
	2013-14	2012-13
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before Tax</b>	<b>243.44</b>	<b>270.85</b>
<b>Add :</b>		
Depreciation	98.18	92.42
Amortisation of Leasehold land	0.13	0.13
Loss on assets sold, demolished, discarded and scrapped	0.21	1.68
Provision for diminution in value of Investment	-	0.02
Write down of obsolete and non moving components	-	(0.92)
Bad debts and irrecoverable balances written off, net	1.02	0.55
Provision for doubtful debts and advances	1.00	9.16
Interest paid	0.42	2.97
	<b>100.96</b>	<b>106.01</b>
<b>Less :</b>		
Profit on sale of mutual fund investment (net)	0.11	0.47
Surplus on sale of assets	0.46	0.67
Interest received	0.60	1.91
Sundry Credit Balances Appropriated	0.25	0.64
Provision no longer required w.back	7.16	7.01
Dividend received	30.02	33.88
Valuation gain / (loss) in respect of Derivative Instruments	-	9.28
	<b>38.60</b>	<b>53.86</b>
<b>Operating Profit before working capital changes</b>	<b>305.80</b>	<b>323.00</b>
<b>Adjustments for :</b>		
Trade and other receivables	107.01	0.58
Inventories	19.05	(57.09)
Trade and other payables	4.08	28.61
	<b>130.14</b>	<b>(27.90)</b>
<b>Cash generated from operations</b>	<b>435.94</b>	<b>295.10</b>
<b>Net Cash generated from operations</b>	<b>435.94</b>	<b>295.10</b>
Direct taxes paid	(97.93)	(79.56)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>338.01</b>	<b>215.54</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Add :</b>		
Sale of fixed assets	1.95	0.93
Sale of investments	0.11	110.28
Interest received	0.60	1.91
Dividend received	30.02	33.88
	<b>32.68</b>	<b>147.00</b>
<b>Less :</b>		
Purchase of investments (net)	190.10	-
Purchase of fixed assets	66.90	115.63
	<b>257.00</b>	<b>115.63</b>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>(224.32)</b>	<b>31.37</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(0.42)	(3.29)
Repayment of borrowing	-	(163.72)
Payment for Shares Buy-back	-	(15.67)
Dividend Paid	(71.74)	(57.56)
Tax on Dividend	(12.29)	(9.41)
<b>NET CASH USED IN FINANCING ACTIVITY</b>	<b>(84.45)</b>	<b>(249.65)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>29.24</b>	<b>(2.74)</b>
<b>Opening Cash and Cash equivalents</b>	<b>23.18</b>	<b>25.92</b>
<b>Closing Cash and Cash equivalents (Refer Note 18)</b>	<b>52.42</b>	<b>23.18</b>

Notes : Cash and Cash Equivalents include unclaimed dividend of ₹ 1.60 Crs (previous year ₹ 1.03 Crs)

As per our attached report of even date.

For and on behalf of the Board of Directors.

FOR M/S P. G. BHAGWAT  
Chartered Accountants  
Firm Registration Number : 101118W

NIHAL G. KULKARNI  
Managing Director

R. R. DESHPANDE  
Executive Director

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Assistant Company Secretary

Pune : 25 April 2014

Pune : 25 April 2014

## Notes to the Financial Statements

### NOTE 01: SHARE CAPITAL

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of Shares	₹ in Crs.	No. of Shares	₹ in Crs.
<b>Authorised share capital</b>				
Equity shares of ₹ 2 each	200,000,000	40.00	200,000,000	40.00
<b>Issued and subscribed share capital</b>				
Equity shares of ₹ 2 each	144,614,326	28.92	144,614,326	28.92
<b>Subscribed and fully paid up</b>				
Equity shares of ₹ 2 each	144,613,861	28.92	144,613,861	28.92
<b>Share capital suspense account</b>				
Equity Shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by BIFR, are kept in abeyance as per the Scheme of Arrangement.	465	0.00	465	0.00
<b>Total</b>	<b>144,614,326</b>	<b>28.92</b>	<b>144,614,326</b>	<b>28.92</b>

#### 1. Reconciliation of shares outstanding (excluding share capital suspense account) at the beginning and at the end of the Reporting period

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of shares	₹ in Crs.	No. of shares	₹ in Crs.
At the beginning of the period	144,613,861	28.92	145,629,285	29.13
Reduction if any during the period	–	–	1,015,424	0.20
<b>Outstanding at the end of the period</b>	<b>144,613,861</b>	<b>28.92</b>	<b>144,613,861</b>	<b>28.92</b>

#### 2. Terms/Rights attached to the equity shares

The Company has only one class of equity shares having par value of ₹ 2/- each. Each equity shareholder is entitled to one vote per share and has a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

The Board of Directors has recommended a dividend of 250% (₹ 5/- per share) for the financial year.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### 3. Shares held by holding/ultimate holding Company and/or their subsidiaries/associates

Holding Company as per Section 4(3)(b)(ii) of the Companies Act, 1956

## Notes to the Financial Statements

Particulars	As at 31 March 2014		As at 31 March 2013	
	No. of Shares	₹ in Crs.	No. of Shares	₹ in Crs.
<b>Kirloskar Brothers Investments Limited</b>				
Equity shares of ₹ 2 each	80,376,844	16.08	76,850,154	15.37
Equity share holding percentage		55.58		53.14

#### 4 Number of Shares held by each shareholder holding more than 5% Shares in the company

Sr. No.	Name of the shareholder	As at 31 March 2014		As at 31 March 2013	
		No. of shares	% of shareholding	No. of shares	% of shareholding
i	Kirloskar Brothers Investments Limited	80,376,844	55.58	76,850,154	53.14
ii	Nalanda India Fund Limited	10,896,124	7.53	10,896,124	7.53

#### 5. Aggregate number of bonus shares issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

- a. Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with its order dated 19 March 2010 had approved the Scheme of Arrangement between Kirloskar Oil Engines Limited (now known as Kirloskar Industries Limited – Demerged Company) and Kirloskar Engines India Limited [now known as Kirloskar Oil Engines Limited – Resulting Company (“Company”)] and their respective shareholders and creditors. The appointed date was 1 April 2009 and the Scheme has become effective from 31 March 2010. The Engines and Auto Components business of Demerged Company was transferred and vested with the Company i.e. Kirloskar Oil Engines Limited on the Scheme of Arrangement becoming effective retrospectively with effect from 1 April 2009.

14,56,29,750 Equity Shares of ₹ 2 each were issued and allotted on April 30, 2010 (out of which 465 equity shares of ₹ 2/- each were kept in abeyance) for consideration other than cash under the said Scheme becoming effective from 31 March 2010, sanctioned by the Hon'ble High Court of the Judicature of Bombay.

- b. The Board of Directors in its meeting held on 25 January 2012, had approved a buy back of fully paid up equity shares of the Company by way of open market purchase through stock exchange route at a maximum price of ₹ 170/- per share and the cumulative buyback value not exceeding ₹ 73.625 Crs which represents 10% of total paid up capital and free reserves computed as per the latest available audited balance sheet as on 31 March 2011. The buyback commenced on 5 March 2012.

As per the terms of the Public Announcement dated 16 February 2012, the Corrigendum to the said Public Announcement dated 1 March 2012 and the Post Offer Public Advertisement dated 24 January 2013 issued in relation to the completion of buyback, the buyback was closed on 24 January 2013.

The Company has bought back and extinguished 10,15,424 equity shares of ₹ 2/- each for ₹ 15.67 Crs, at an average price of ₹ 154.34 under the Buyback Scheme, upto 24 January 2013.



## Notes to the Financial Statements

### NOTE 2 : RESERVES AND SURPLUS

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
<b>Capital reserve</b>		
<b>Subsidy for setting up new industrial unit</b>		
Opening balance	195.04	172.30
Add: Subsidy availed during the year	19.13	22.74
Closing balance	<b>214.17</b>	<b>195.04</b>
<b>Capital Redemption Reserve</b>		
Opening balance	0.20	—
Add: Set aside this year	—	0.20
Closing balance	<b>0.20</b>	<b>0.20</b>
<b>General reserve</b>		
Opening balance	562.18	557.97
Add : Set aside this year	17.85	19.88
Less : Utilised for equity share buyback	—	15.67
Closing balance	<b>580.03</b>	<b>562.18</b>
<b>Surplus/(deficit) in the statement of profit and loss</b>		
Balance as per last financial statements	367.91	273.25
Add: Write back of dividend provision on shares brought back	—	0.26
Add: Write back of dividend tax provision on shares brought back	—	0.04
Add: Profit for the period	178.45	198.84
Balance available for appropriation	<b>546.36</b>	<b>472.39</b>
<b>Less: Appropriations</b>		
Transferred to general reserve	17.85	19.88
Proposed dividend	72.31	72.31
Tax on proposed dividend	12.29	12.29
	<b>443.91</b>	<b>367.91</b>
<b>Total</b>	<b>1,238.31</b>	<b>1,125.33</b>

### Subsidy for setting up new industrial unit

The Company's manufacturing facility at Kagal has been granted "Mega Project Status" by Government of Maharashtra and hence is eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001. This scheme is for intensifying and accelerating the process of dispersal of industries to the less developed regions and promoting high tech industries in the less developed areas of the State coupled with the object of generating employment opportunities. The Company has been granted Eligibility Certificate issued by the Directorate of Industries, Government of Maharashtra, which stipulates that the eligible unit needs to invest ₹ 500.00 Crs in prescribed area for availing the "Mega Project Status" and the maximum fixed capital investment be restricted to ₹ 598.57 Crs. Additionally, the Eligible Investment should be incurred within a period from 13 April 2006 to 31 March 2013. As at 31 March 2013, the company has complied with the conditions stipulated for being considered "Mega Project Status". IPS consists of following entitlement available for a period of 9 years from the date of commencement of commercial production, i.e., from 1 April 2008 to 31 March 2017:

IPS equivalent to 100% of "Eligible Investments"; or Amount of MVAT and CST payable to the State Government (before adjustment of Set-off) on sales made from Kagal plant, less the amount of benefits availed by way of electricity duty exemption and stamp duty exemption whichever is lower.

## Notes to the Financial Statements

In terms of the Accounting Standard (AS 12) "Accounting for Government Grants" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, eligible incentive is considered to be in the nature of promoters' contribution. Therefore, incentive of ₹ 19.13 Crs for the year (P.Y. ₹ 22.74 Crs) has been credited to the Capital Reserve. Subsidy Receivable as at 31 March 2014 is ₹ 50.36 Crs (P.Y. ₹ 37.36 Crs)

### Buyback of Shares

Pursuant to the approval of the Board of Directors in its meeting held on 25 January 2012, the Company had bought back and extinguished 10,15,424 equity shares of ₹ 2/- each by way of open market purchases through stock exchange route for ₹ 15.67 Crs, at an average price of ₹ 154.34 under the Buyback Scheme, upto 24 January 2013.

Capital Redemption Reserve created out of General Reserve for ₹ 0.20 Crs, being the nominal value of shares bought back in terms of Section 77A of The Companies Act, 1956 is included in the amount utilized for equity shares buyback.

### NOTE 3 : DEFERRED TAX LIABILITIES (NET)

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
<b>Deferred Tax Liability</b>	<b>51.15</b>	<b>56.82</b>
Depreciation	51.15	56.82
<b>Less : Deferred Tax Assets</b>	<b>20.88</b>	<b>22.72</b>
Disallowances u/s 43 B of Income Tax Act	8.13	8.61
Provision for Doubtful debts & advances	8.19	7.87
VRS Compensation	3.89	5.19
Demerger Expenses	0.05	0.61
Others	0.62	0.44
<b>Total</b>	<b>30.27</b>	<b>34.10</b>

As required by Accounting Standard (AS 22) "Taxes on Income" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, the Company has recognised deferred taxes, which result from timing differences between book profits and tax profits for the period.

### NOTE 4 : OTHER LONG-TERM LIABILITIES

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
Deposits from customers	13.07	17.29
Advance from customers	—	12.69
<b>Total</b>	<b>13.07</b>	<b>29.98</b>

## Notes to the Financial Statements

### NOTE 5 : LONG-TERM PROVISIONS

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
<b>Provision for employee benefits</b>	<b>17.19</b>	<b>16.17</b>
Provision for gratuity (Refer note 31[2.14])	–	–
Provision for leave encashment (Refer note 31[2.14])	14.63	13.73
Provision for pension and other retirement benefits (Refer note 31[2.14])	2.56	2.44
<b>Other provisions</b>	<b>7.45</b>	<b>5.33</b>
Provision for warranty (Refer note 31[2.17])	7.45	5.33
<b>Total</b>	<b>24.64</b>	<b>21.50</b>

### NOTE 6 : SHORT-TERM BORROWINGS

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
Loans payable on demand	–	–
<b>Total</b>	<b>–</b>	<b>–</b>

Company's fund and non-fund based working capital facilities aggregating to ₹ 310 Crs. are secured to the extent of ₹ 310 Crs. by way of hypothecation (First Charge) on the whole of the current assets of the Company both present and future and to the extent of ₹ 60 Crs. by way of second charge on the whole of the movable fixed assets of the Company together with all its movable plant and machinery, machinery spares, tools, accessories and other movables both present and future, in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited, and The Hongkong and Shanghai Banking Corporation Limited (HSBC).

### NOTE 7 : TRADE PAYABLES

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
Acceptances	41.24	54.13
Other trade payable (Refer note 31[2.11])	271.19	230.18
<b>Total</b>	<b>312.43</b>	<b>284.31</b>

## Notes to the Financial Statements

### NOTE 8 : OTHER CURRENT LIABILITIES

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
Unclaimed dividends	1.60	1.03
Advance from customers	19.93	26.24
Payables for capital purchases	6.61	8.61
<b>Other payables</b>	<b>73.38</b>	<b>73.84</b>
Statutory dues including provident fund and tax deducted at source	7.19	7.16
Employee benefits payable	18.88	19.51
Other liabilities	47.31	47.17
<b>Total</b>	<b>101.52</b>	<b>109.72</b>

### NOTE 9 : SHORT-TERM PROVISIONS

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
<b>Provision for employee benefits</b>	<b>6.90</b>	<b>8.44</b>
Provision for gratuity (Refer note 31[2.14])	–	1.86
Provision for leave encashment (Refer note 31[2.14])	6.60	6.38
Provision for pension and other retirement benefits (Refer note 31[2.14])	0.30	0.20
<b>Others</b>	<b>94.92</b>	<b>101.03</b>
Provision for warranty (Refer note 31[2.17])	8.90	16.43
Tax provision (Net of tax paid in advance)	1.42	–
Proposed dividend	72.31	72.31
Tax on proposed dividend	12.29	12.29
<b>Total</b>	<b>101.82</b>	<b>109.47</b>

**Notes to the Financial Statements**  
**NOTE 10 : FIXED ASSETS - TANGIBLE ASSETS**

₹ in Crs.

Fixed Assets	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
<b>Gross Block</b>											
As At 31 March 2012	0.00	12.10	80.92	809.84	11.53	6.46	37.55	2.84	36.11	23.67	1,021.02
Additions	-	-	50.54	40.65	2.41	1.08	-	1.19	6.00	4.04	105.91
Add : ECB Diff in Exchange - AS11	-	-	-	3.41	-	-	-	-	-	-	3.41
Deductions / Amortization	-	0.13	0.00	19.03	0.41	0.66	-	0.06	4.41	-	24.70
As At 31 Mar 2013	0.00	11.97	131.46	834.87	13.53	6.88	37.55	3.97	37.70	27.71	1,105.64
Additions	-	0.13	7.07	24.34	1.52	0.10	-	-	9.30	7.71	50.17
Deductions / Amortization	-	0.13	0.07	2.87	0.14	0.42	2.32	-	0.00	-	5.95
<b>As At 31 Mar 2014</b>	<b>0.00</b>	<b>11.97</b>	<b>138.46</b>	<b>856.34</b>	<b>14.91</b>	<b>6.56</b>	<b>35.23</b>	<b>3.97</b>	<b>47.00</b>	<b>35.42</b>	<b>1,149.86</b>
<b>Depreciation</b>											
Upto 31 March 2012	-	-	11.97	381.60	6.84	4.73	10.27	2.12	27.15	6.52	451.20
For The Year	-	-	2.51	78.72	0.99	0.69	2.51	0.23	3.75	1.61	91.01
Deductions	-	-	0.00	17.34	0.23	0.66	-	0.04	4.35	-	22.62
As At 31 Mar 2013	-	-	14.48	442.98	7.60	4.76	12.78	2.31	26.55	8.13	519.59
Depreciation	-	-	3.94	81.79	1.05	0.66	2.36	0.29	4.33	2.06	96.48
For The Year	-	-	0.00	2.61	0.13	0.42	0.84	-	0.00	-	4.00
Deductions	-	-	18.42	522.16	8.52	5.00	14.30	2.60	30.88	10.19	612.07
<b>As At 31 Mar 2014</b>	<b>-</b>	<b>-</b>	<b>18.42</b>	<b>522.16</b>	<b>8.52</b>	<b>5.00</b>	<b>14.30</b>	<b>2.60</b>	<b>30.88</b>	<b>10.19</b>	<b>612.07</b>
<b>Net Block</b>											
As At 31 Mar 2013	0.00	11.97	116.98	391.89	5.93	2.12	24.77	1.66	11.15	19.58	586.05
As At 31 Mar 2014	0.00	11.97	120.04	334.18	6.39	1.56	20.93	1.37	16.12	25.23	537.79

**Notes :**

1. Gross block is at Cost except leasehold land which is net of amount written off.
2. For Depreciation and amortisation refer accounting policy (Note 31.1.4).
3. Note 10 of Fixed Assets includes assets at Research & Development facility, the details of which are as under.

### Notes to the Financial Statements

#### FIXED ASSETS - TANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY (Below figures are included in note 10 : Fixed Assets - Tangible Assets)

₹ in Crs.

Fixed Assets	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
<b>Gross Block</b>											
As At 31 March 2012	-	-	-	49.54	0.51	-	-	0.11	0.98	1.47	52.61
Additions	-	-	-	2.07	-	-	-	0.01	0.02	0.52	2.62
Deductions / Amortization	-	-	-	0.01	-	-	-	-	-	-	0.01
As At 31 Mar 2013	-	-	-	51.60	0.51	-	-	0.12	1.00	1.99	55.22
Additions	-	-	-	2.73	0.01	-	-	-	0.18	-	2.92
Inter Transfers	-	-	-	0.01	-	-	-	-	-	-	0.01
Deductions / Amortization	-	-	-	0.32	-	-	-	-	-	-	0.32
As At 31 Mar 2014	-	-	-	54.02	0.52	-	-	0.12	1.18	1.99	57.83
<b>Depreciation</b>											
Upto 31 March 2012	-	-	-	14.94	0.31	-	-	0.08	0.34	0.11	15.78
For The Year	-	-	-	4.78	0.06	-	-	0.01	0.17	0.10	5.12
Deductions	-	-	-	0.01	-	-	-	-	-	-	0.01
As At 31 Mar 2013	-	-	-	19.71	0.37	-	-	0.09	0.51	0.21	20.89
Depreciation For The Year	-	-	-	4.84	0.03	-	-	0.01	0.20	0.13	5.21
Inter Transfers	-	-	-	0.00	-	-	-	-	-	-	0.00
Deductions	-	-	-	0.29	-	-	-	-	-	-	0.29
As At 31 Mar 2014	-	-	-	24.26	0.40	-	-	0.10	0.71	0.34	25.81
<b>Net Block</b>											
As At 31 Mar 2013	-	-	-	31.89	0.14	-	-	0.03	0.49	1.78	34.33
As At 31 Mar 2014	-	-	-	29.76	0.12	-	-	0.02	0.47	1.65	32.02



## Notes to the Financial Statements

### NOTE 11 : FIXED ASSETS - INTANGIBLE ASSETS

₹ in Crs.

Fixed Assets	Computer Software	Drawings & Designs	Technical Knowhow	Development Expenditure	Total
<b>Gross Block</b>					
As At 31 March 2012	10.18	11.54	3.84	1.43	26.99
Additions	0.85	-	-	-	0.85
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2013	11.03	11.54	3.84	1.43	27.84
Additions	1.49	-	-	-	1.49
Deductions / Amortization	-	-	-	-	-
<b>As At 31 Mar 2014</b>	<b>12.52</b>	<b>11.54</b>	<b>3.84</b>	<b>1.43</b>	<b>29.33</b>
<b>Depreciation</b>					
As At 31 March 2012	7.13	11.13	1.31	1.43	21.00
For The Year	0.83	0.04	0.54	0.00	1.41
Deductions	-	-	-	-	-
As At 31 Mar 2013	7.96	11.17	1.85	1.43	22.41
Depreciation					
For The Year	1.12	0.04	0.54	-	1.70
Deductions	-	-	-	-	-
<b>As At 31 Mar 2014</b>	<b>9.08</b>	<b>11.21</b>	<b>2.39</b>	<b>1.43</b>	<b>24.11</b>
<b>Net Block</b>					
As At 31 Mar 2013	3.07	0.37	1.99	-	5.43
<b>As At 31 Mar 2014</b>	<b>3.44</b>	<b>0.33</b>	<b>1.45</b>	<b>-</b>	<b>5.22</b>

#### Notes :

- Intangible Assets are amortised on Straight Line method.
- Useful life of each category is as follows,
  - Computer Software- 60 months.
  - Drawings & Designs- 115 months.
  - Technical Knowhow- 72 months.
  - Development Expenditure- 36 months.
- Note 11 of Fixed Assets includes assets at Research & Development facility, the details of which are as under.

## Notes to the Financial Statements

### FIXED ASSETS - INTANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY (Below figures are included in note 11: Fixed Assets- Intangible Assets)

₹ in Crs.

Fixed Assets	Computer Software	Drawings & Designs	Technical Knowhow	Development Expenditure	Total
<b>Gross Block</b>					
As At 31 March 2012	4.04	10.42	-	-	14.46
Additions	0.33	-	-	-	0.33
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2013	4.37	10.42	-	-	14.79
Additions	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-
<b>As At 31 Mar 2014</b>	<b>4.37</b>	<b>10.42</b>	-	-	<b>14.79</b>
<b>Depreciation</b>					
As At 31 March 2012	3.59	10.42	-	-	14.01
For The Year	0.13	-	-	-	0.13
Deductions	-	-	-	-	-
As At 31 Mar 2013	3.72	10.42	-	-	14.14
Depreciation					
For The Year	0.18	-	-	-	0.18
Deductions	-	-	-	-	-
<b>As At 31 Mar 2014</b>	<b>3.90</b>	<b>10.42</b>	-	-	<b>14.32</b>
<b>Net Block</b>					
As At 31 Mar 2013	0.65	-	-	-	0.65
<b>As At 31 Mar 2014</b>	<b>0.47</b>	-	-	-	<b>0.47</b>

### NOTE 12 : NON-CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit ₹	As at 31 March 2014		As at 31 March 2013	
		Nos.	₹ in Crs	Nos.	₹ in Crs.
<b>TRADE UNQUOTED INSTRUMENTS</b>					
Kirloskar Proprietary Limited - Equity Share (Fully Paid)	100.00	1	0.00	1	0.00
Kirloskar Proprietary Limited - Preference Share (Fully Paid)	100.00			1	0.00
<b>NON TRADE - Unquoted Debt Instrument</b>					
HDFC Group Unit Linked Plan	10.00	7,497,891	10.00	7,441,438	10.00
<b>Total</b>			<b>10.00</b>		<b>10.00</b>

#### Notes :

- Aggregate amount of Unquoted Investments 10.00 10.00
- Face value per unit in Rupees unless otherwise stated.

## Notes to the Financial Statements

### NOTE 13 : LONG-TERM LOANS AND ADVANCES

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
Capital advances (unsecured, considered good)	1.92	1.77
Security deposits (unsecured, considered good)	18.46	19.02
<b>Loans and advances to suppliers</b>	<b>—</b>	<b>1.80</b>
Unsecured, considered good	—	1.80
Doubtful	0.06	0.20
Less : Provision	0.06	0.20
	—	—
Loans to employees (unsecured, considered good)	2.51	3.73
Tax paid in advance (net of provision)	72.77	39.99
<b>Total</b>	<b>95.66</b>	<b>66.31</b>

### NOTE 14 : OTHER NON-CURRENT ASSETS

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
<b>Long-term trade receivables</b>	<b>—</b>	<b>—</b>
Unsecured, considered good	—	—
Doubtful	24.04	23.14
Less : Provision	24.04	23.14
	—	—
<b>Others</b>	<b>29.04</b>	<b>25.78</b>
Subsidy receivable for setting up Kagal plant	22.27	21.69
Other bank balances (Deposits with maturity of more than 12 months)	0.01	0.01
Inventories	6.76	4.08
<b>Total</b>	<b>29.04</b>	<b>25.78</b>

## Notes to the Financial Statements

### NOTE 15 : CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2014		As at 31 March 2013	
	₹	Nos.	₹ in Crs	Nos.	₹ in Crs
<b>INVESTMENTS IN MUTUAL FUNDS</b>					
<b>UNQUOTED</b>					
<b>CURRENT INVESTMENT</b>					
<b>DIVIDEND SCHEME - LIQUID</b>					
Axis Liquid Fund - Daily Dividend Reinvestment(CF-DD)	1,000.00	300,444	30.05	120,774	12.08
Birla Sunlife Floating Rate Long Term - Daily Dividend - Regular Plan Reinvestment	100.00			2,503,627	25.08
Birla Sunlife Floating Rate Fund - Short Term Plan - Daily Dividend Reinvestment	100.00	2,499,976	25.01		
Birla Sunlife Cash Plus Daily Dividend - Regular Plan Reinvestment	100.00	8,472,623	84.89		
Birla Sunlife Cash Plus Weekly Dividend - Regular Plan Reinvestment	100.00			4,995,894	50.10
DSP BlackRock Liquidity Fund - Institutional plan - Weekly Dividend Reinvestment	1,000.00			140,263	14.03
HDFC Liquid Fund - Dividend - Daily Reinvestment	10.00	87,563,119	89.30		
HDFC Floating Rate Fund Income Fund - Short Term plan - Wholesale Option - Dividend Reinvestment - Daily	10.00			24,909,806	25.11
HDFC Liquid Fund - Dividend Reinvestment - Weekly	10.00			20,379,037	21.03
ICICI Prudential Liquid - Regular Plan - Daily Dividend	100.00	2,004,197	20.05	7,067,377	70.69
ICICI Prudential Liquid - Regular Plan - Weekly Dividend	100.00	8,439,936	84.61		
IDFC Ultra Short Term Fund Daily Dividend Reinvestment - Regular Plan	10.00			25,044,372	25.07
Kotak - Flexi Debt Scheme - Plan A - Daily Dividend	10.00			19,019,150	19.11
Kotak Liquid Scheme - Plan A - Daily Dividend	1,000.00	18,163	2.22	196,426	24.02
Kotak Liquid Scheme - Plan A - Weekly Dividend	1,000.00	260,513	26.07		
Reliance Liquidity Fund - Daily Dividend Reinvestment option	1,000.00	371,759	37.19		
Reliance Liquid Fund - Treasury Plan - Daily Dividend option	1,000.00	501,607	76.68		
Reliance Liquid Fund - Treasury Plan - Weekly Dividend option	1,000.00			130,997	20.06
SBI Premier Liquid Fund - Regular Plan - Daily Dividend	1,000.00	711,766	71.41		
SBI Magnum Fund - Insta Cash Fund -Liquid Floater - Regular Plan - Daily Dividend Reinvestment	1,000.00			248,519	25.10
SBI Premier Liquid Fund - Regular Plan - Weekly Dividend	1,000.00			340,179	36.10
UTI Liquid Fund - Cash Plan - Institutional - Daily Dividend Reinvestment	1,000.00	492,700	50.23		
UTI Liquid Fund - Cash Plan - Institutional - Weekly Dividend Reinvestment	1,000.00			380,054	40.03
<b>Total</b>			<b>597.71</b>		<b>407.61</b>

#### Notes :

- Aggregate amount of Unquoted Investments 597.71 407.61
- Face value per unit in Rupees unless otherwise stated.

## Notes to the Financial Statements

### NOTE 16 : INVENTORIES

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
<b>Raw materials</b>	<b>100.39</b>	<b>119.62</b>
Raw materials and components	93.82	112.56
Raw materials in transit	6.57	7.06
<b>Work-in-progress</b>	<b>13.70</b>	<b>19.77</b>
<b>Finished goods including stock-in-trade</b>	<b>43.23</b>	<b>38.01</b>
<b>Stores and spares</b>	<b>9.50</b>	<b>11.14</b>
<b>Total</b>	<b>166.82</b>	<b>188.54</b>

### Work-in-progress

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
Engines between 2.5 HP to 740 HP	2.65	1.87
Generating sets between 5 KVA to 600 KVA	0.33	0.93
Generating sets between 1.6 MW to 4.4 MW	1.97	6.58
Others	8.75	10.39
<b>Total</b>	<b>13.70</b>	<b>19.77</b>
Included in non-current Inventories (Refer note 14)	0.06	0.06

### Finished goods including stock-in-trade

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
Engines between 2.5 HP to 740 HP	29.25	26.90
Generating Sets between 5 KVA to 600 KVA	2.47	2.11
Goods Traded - Engines and Gensets	1.52	0.18
Goods Traded : K-Oil	2.58	1.43
Others	7.41	7.39
<b>Total</b>	<b>43.23</b>	<b>38.01</b>

### NOTE 17 : TRADE RECEIVABLES

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>	<b>—</b>	<b>—</b>
<b>Other receivables</b>	<b>177.36</b>	<b>288.66</b>
Secured, considered good	—	—
Unsecured, considered good	177.36	288.66
<b>Total</b>	<b>177.36</b>	<b>288.66</b>

## Notes to the Financial Statements

### NOTE 18 : CASH AND BANK BALANCES

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
<b>Cash and cash equivalents</b>	<b>52.42</b>	<b>23.18</b>
<b>Cash on hand</b>	<b>0.05</b>	<b>0.06</b>
<b>Balance with Bank</b>	<b>52.37</b>	<b>23.12</b>
Current accounts and cash credit	50.77	22.09
Unpaid dividend accounts	1.60	1.03
<b>Other bank balances</b>	<b>0.01</b>	<b>1.60</b>
Deposits with original maturity of more than three months but less than 12 months	0.01	1.60
<b>Total</b>	<b>52.43</b>	<b>24.78</b>

### NOTE 19 : SHORT-TERM LOANS AND ADVANCES

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
Loans and advance to suppliers (unsecured, considered good)	4.68	15.66
Loans and advance to employees (unsecured, considered good)	1.13	1.48
Balance with collectorate of central excise and customs	3.86	5.39
Sales tax / VAT / service tax receivable (net)	54.88	57.77
Tax Paid in Advance (Net of Provision)	–	2.25
Other loans & advances	37.17	10.22
<b>Total</b>	<b>101.72</b>	<b>92.77</b>

### NOTE 20 : OTHER CURRENT ASSETS

Particulars	₹ in Crs.	
	As at 31 March 2014	As at 31 March 2013
Export incentive receivable	5.83	4.62
Subsidy receivable for setting up Kagal plant	28.10	15.67
Others	1.33	0.23
<b>Total</b>	<b>35.26</b>	<b>20.52</b>



## Notes to the Financial Statements

### NOTE 21 : REVENUE FROM OPERATIONS

Particulars	₹ in Crs.	
	2013-14	2012-13
Sale of products (gross)	2,400.01	2,434.39
Less : Excise duty	188.04	200.79
<b>Net sale of products</b>	<b>2,211.97</b>	<b>2,233.60</b>
Sale of services	74.99	86.05
<b>Net sales and services</b>	<b>2,286.96</b>	<b>2,319.65</b>
<b>Operating income</b>	<b>33.04</b>	<b>37.68</b>
Sale of scrap	10.08	12.46
Cash discount received	0.45	1.85
Commission received	4.58	7.46
Export incentives	7.51	6.78
Refund of sales tax, octroi etc	0.07	0.18
Sundry credit balances appropriated	0.25	0.64
Provisions no longer required written back	7.16	7.01
Miscellaneous receipts	2.94	1.30
<b>Total</b>	<b>2,320.00</b>	<b>2,357.33</b>

### Class of Goods

Particulars	₹ in Crs.	
	2013-14	2012-13
Engines between 2.5 HP to 740 HP	1,205.35	1,326.23
Generating Sets between 5 KVA to 600 KVA	246.19	304.47
Generating Sets between 1.6 MW to 4.4 MW	190.31	52.59
Goods Traded : Engines and Gensets	24.42	21.19
Goods Traded : K-Oil	166.93	168.67
Goods Traded : Alternators	55.71	—
Others	398.05	446.50
<b>Total</b>	<b>2,286.96</b>	<b>2,319.65</b>

### NOTE 22 : OTHER INCOME

Particulars	₹ in Crs.	
	2013-14	2012-13
<b>Interest</b>	<b>4.93</b>	<b>1.91</b>
On income tax refund	4.33	0.78
On others	0.60	1.13
Dividend on short term investments	30.02	33.88
Profit on Sale of Mutual Fund investments (net)	0.11	0.47
Surplus on sale of assets	0.46	0.67
Miscellaneous income	2.28	2.57
<b>Total</b>	<b>37.80</b>	<b>39.50</b>

## Notes to the Financial Statements

### NOTE 23 : COST OF MATERIALS CONSUMED

Particulars	₹ in Crs.	
	2013-14	2012-13
Raw materials and components consumed	1,229.04	1,307.68
Freight, octroi and entry tax	26.75	30.87
<b>Total</b>	<b>1,255.79</b>	<b>1,338.55</b>

### Raw materials and components consumed :

Particulars	₹ in Crs.	
	2013-14	2012-13
Components	1,223.25	1,300.35
Non-ferrous Metals	4.66	6.44
Steel and Steel Strips	0.14	0.24
Others	0.99	0.65
<b>Total</b>	<b>1,229.04</b>	<b>1,307.68</b>

### Imported and indigenous raw materials consumption (including components) :

Particulars	₹ in Crs.	
	2013-14	2012-13
Imported	133.00	105.07
% to total raw material consumption	10.82%	8.03%
Indigenous	1,096.04	1,202.61
% to total raw material consumption	89.18%	91.97%
<b>Total</b>	<b>1,229.04</b>	<b>1,307.68</b>

### NOTE 24 : PURCHASES OF STOCK-IN-TRADE

Particulars	₹ in Crs.	
	2013-14	2012-13
Engines and Gensets	18.35	12.57
K-Oil	114.85	119.82
Alternators	53.06	—
<b>Total</b>	<b>186.26</b>	<b>132.39</b>

## Notes to the Financial Statements

### NOTE 25 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

Particulars	₹ in Crs.	
	2013-14	2012-13
<b>Work-in-process</b>	<b>6.07</b>	<b>(10.68)</b>
Opening inventory	19.83	9.15
Closing Inventory	13.76	19.83
<b>Finished goods including stock-in-trade</b>	<b>(5.22)</b>	<b>(15.09)</b>
Opening inventory	38.01	22.92
Closing Inventory	43.23	38.01
<b>Changes in inventory</b>	<b>0.85</b>	<b>(25.77)</b>
<b>Increase/(decrease) in excise duty of finished goods</b>	<b>0.61</b>	<b>0.68</b>
<b>Total</b>	<b>1.46</b>	<b>(25.09)</b>

### NOTE 26 : EMPLOYEE BENEFITS EXPENSE

Particulars	₹ in Crs.	
	2013-14	2012-13
Salaries, wages, gratuity, bonus, commission, etc	133.02	125.66
Contribution to provident and other funds	12.99	12.69
Welfare and training expenses	16.05	15.59
Provident and other funds' expenses	0.52	0.44
<b>Total</b>	<b>162.58</b>	<b>154.38</b>

### NOTE 27 : FINANCE COSTS

Particulars	₹ in Crs.	
	2013-14	2012-13
Interest expense	0.42	1.87
<b>Total</b>	<b>0.42</b>	<b>1.87</b>

### NOTE 28 : DEPRECIATION AND AMORTIZATION EXPENSE

Particulars	₹ in Crs.	
	2013-14	2012-13
<b>Depreciation</b>	<b>98.18</b>	<b>92.42</b>
Tangible assets	96.48	91.01
Intangible assets	1.70	1.41
<b>Amount written off against leasehold land</b>	<b>0.13</b>	<b>0.13</b>
<b>Total</b>	<b>98.31</b>	<b>92.55</b>

## Notes to the Financial Statements

### NOTE 29 : OTHER EXPENSES

Particulars	₹ in Crs.	
	2013-14	2012-13
<b>Manufacturing expenses</b>	<b>198.91</b>	<b>213.13</b>
Stores consumed	62.38	67.78
Power and fuel	20.52	22.56
Machinery spares	8.55	7.12
Repairs to machinery	6.52	5.75
Job work charges	17.87	17.30
Labour charges	9.04	11.04
Cost of services	63.27	73.78
Others manufacturing expenses	10.76	7.80
<b>Selling expenses</b>	<b>94.01</b>	<b>102.18</b>
Commission	10.34	11.51
Freight and forwarding	27.14	30.61
Sales warranty claims	28.17	27.15
Royalty	5.72	5.95
Advertisement and publicity	12.69	5.15
Provision for doubtful debts and advances (net)	0.76	9.16
Others selling expenses	9.19	12.65
<b>Administration expenses</b>	<b>119.25</b>	<b>98.19</b>
Rent	28.44	26.57
Rates and taxes	0.55	0.45
Insurance	0.59	0.49
Repairs to building	2.12	1.52
Other repairs and maintenance	20.80	19.22
Travelling and conveyance	17.81	13.30
Communication expenses	3.10	2.86
Printing and stationery	1.30	1.31
Professional charges	21.23	9.25
Auditor's remuneration	0.45	0.40
Donations	2.14	2.22
Non executive directors' fees / commission	1.52	0.59
Miscellaneous expenses	17.97	17.78
Loss on assets sold, demolished, discarded and scrapped	0.21	1.68
Bad debts and irrecoverable balances written off	1.02	0.55
<b>Total</b>	<b>412.17</b>	<b>413.50</b>

### NOTE 30 : EXCEPTIONAL ITEMS [INCOME / (EXPENSES)]

Particulars	₹ in Crs.	
	2013-14	2012-13
<b>Exceptional expenses</b>		
Voluntary Retirement Scheme (VRS) to Team Members	-	(19.08)
<b>Total</b>	<b>-</b>	<b>(19.08)</b>

## **NOTE 31: NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2014**

### **1. Significant Accounting Policies**

#### **1.1 Basis of preparation of Financial Statements**

The Financial Statements have been prepared in accordance with Indian Generally Accepted Accounting Principles (IGAAP) under the historical cost convention on the accrual basis, except where specified otherwise and in case of significant uncertainties.

IGAAP comprises mandatory accounting standards prescribed by Companies (Accounting Standards) Amendment Rules, 2006, provisions of the Companies Act, 1956 and the guidelines issued by the Securities and Exchange Board of India.

Revised Schedule VI notified under the Companies Act, 1956 has become applicable to the company for preparation and presentation of financial statements from the year ended 31 March 2012. Accordingly all assets and liabilities have been classified as current or noncurrent as per Company's normal operating cycle and / or other criteria set out in revised Schedule VI.

#### **1.2 Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any changes in accounting estimates are recognised in the profit & loss account of the period when such changes are known / materialise.

#### **1.3 Fixed Assets**

- a. Tangible Fixed assets, other than Leasehold Land, are stated at cost of acquisition or construction less accumulated depreciation. Leasehold land is valued at cost less amount written off up to the balance sheet date. Cost includes the purchase price and all other attributable costs incurred for bringing the asset to its working condition for intended use.
- b. Expenditure on New Projects and Expenditure during Construction :  
In case of new projects, expenditure incurred including interest on borrowings and financing costs of specific loans, prior to commencement of commercial production is capitalized and included in the cost of assets.
- c. Capital work-in-progress comprises cost of fixed assets that are not yet installed and ready for their intended use at the balance sheet date.
- d. Intangible assets are recorded at the consideration paid for acquisition. Expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses.
- e. Own manufactured assets are capitalised at cost including an appropriate share of allocable expenses.

## 1.4 Depreciation and Amortization

Depreciation is charged on the assets as follows:

Sr.	Particulars of Asset*	Depreciation Method	Depreciation Rate @ \$	Basis for charging Depreciation
01	Land Freehold	N.A.	-	Asset is not depreciated
02	Land Leasehold	Straight Line Method (SLM)	Amortised over lease period	
03	Buildings (other than factory buildings)	SLM	1.63%	Rate prescribed under Schedule XIV to the Companies Act, 1956
04	Factory Buildings	SLM	3.34%	
05	Buildings (temporary structures)	SLM	100%	
06	Plant & Equipment (other than Patterns & Tooling Equipment)#	SLM	10.34%	Rate prescribed for 3 shift basis under Schedule XIV to the Companies Act, 1956
07	Plant & Equipment – Patterns & Tooling Equipment	SLM	25%	Estimated useful life of the asset
08	Furniture & Fixture	SLM	Range from 10% to 25%	
09	Vehicles	SLM	20%	
10	Aircraft	SLM	6.67%	
11	Office Equipment	SLM	12.50%	
12	Computers	SLM	Range from 20% to 33.33%	
13	Electrical Installations	SLM	6.67%	
14	Intangible Assets	SLM	Range from 10% to 33.33%	Amortised over estimated useful life of respective individual asset

\* Jigs and Fixtures, Dies and Patterns costing below ₹ 1 lac and other fixed assets costing below ₹ 5,000/- are charged to revenue in the year of acquisition.

@ Depreciation on additions is provided from the beginning of the month in which the asset is added

\$ Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.

# Foreign exchange fluctuations gain / loss on imported plant and equipment is capitalized in the cost of the respective fixed asset. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

## 1.5 Investments

Investments which are readily realizable and are intended to be held for not more than one year from the date on which investments are made are classified as Current investments, mainly comprising investments in mutual funds. Such investments are stated at cost, adjusted for diminution in their value.

All other investments are classified as Long term investments and are stated at cost less diminution, other than temporary, in their value.



## 1.6 Inventories

- a. Stores and spares, raw materials and components are valued at cost or net realizable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition. Cost is ascertained using weighted average method.
- b. Work-in-process including finished components and finished goods are valued at cost or realisable value whichever is lower. Cost includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity. Finished goods lying in the factory premises, branches and depots are valued inclusive of excise duty.
- c. Materials-in-transit and materials in bonded warehouse are valued at actual cost incurred up to the date of balance sheet.
- d. Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## 1.7 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

## 1.8 Foreign Currency Transactions

- a. Initial Recognition  
Foreign currency transactions are recorded in Indian currency, by applying to the foreign currency amount the exchange rate between the Indian currency and the foreign currency at the date of the transaction.
- b. Conversion  
Current assets and current liabilities, Secured Loans, being monetary items, designated in foreign currencies are revalored at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.
- c. Exchange Differences  
Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31 March 2009, as amended vide G.S.R. 378(E) dated 11 May 2011, and the clarification provided vide Ministry of Corporate Affairs circular 25 / 2012 dated 9 August 2012, eligible exchange difference on foreign currency loans utilized for acquisition of assets, up to 31 March, 2014, is adjusted in the cost of the asset to be depreciated over the balance life of the asset.
- d. Forward Contracts  
Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts is intended to reduce the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose. Mark to Market Losses or Gains are recognized in

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the profit and loss account subject to (c). above. However, Mark to Market Losses or Gains on instruments to hedge highly probable forecast transactions which serve as effective hedges, as determined under the Accounting Standard 30, are accumulated in the Hedge Reserve until the underlying transaction occurs upon which the respective accumulated balances are recognized in the profit and loss account.

In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate (Spot rate) prevailing on the date of forward contract (i.e. forward premium / discount) is amortised as income or expense over the life of the contract, subject to (c) above.

e. **Option Contracts**

Company uses foreign exchange option contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange option contracts reduces the risk or cost to the Company. Foreign Exchange option contracts are not used for trading or speculation purpose.

Outstanding foreign exchange option contracts on the date of Balance Sheet are marked to market (MTM). MTM losses or gains, if any, are recognized in the Profit and Loss account subject to (c) above. However, in respect of instruments to hedge highly probable forecast transactions which serve as effective hedges as determined under the accounting standard 30, the gains and losses are accumulated in the Hedge reserve until the underlying transaction occurs upon which the respective accumulated balances are recognized in the profit and loss account.

## **1.9 Employee Benefits**

a. **Short Term Employee Benefits:**

All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and the same are recognised in the period in which the employee renders the related service.

b. **Post-Employment Benefits:**

i. **Defined Contribution Plans:**

The Company's approved superannuation schemes, state government provident fund scheme, employee state insurance scheme are defined contribution plans. The contribution paid / payable under the schemes is recognised during the period in which the employee renders the related service.

ii. **Defined Benefit Plans:**

The employee's gratuity fund scheme, long term compensated absences, pension, post-retirement medical and long term service award benefit schemes are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on the net basis.

In the case of Funded Gratuity liability, amount due to the fund within 12 months is treated as current liability. In the case of pension, post-retirement medical benefit and Long term service award benefit scheme the amount expected to be paid / expected to settle within next 12 months is treated as current and balance amount is treated as non-current. In the case of Long Term Compensated absence the determination of current

and non-current liability is based on unconditional right to defer its settlement in next 12 months from the reporting date and other factors such as Attrition rate, retirement in next 12 months.

iii. Termination Benefits:

Termination benefits such as compensation under voluntary retirement scheme are recognised in the year in which termination benefits become payable.

### **1.10 Warranty**

Product warranty provision is estimated on the basis of past experience, and is accrued in the year of sale.

### **1.11 Research and Development**

Capital expenditure incurred on research & development is capitalized as fixed assets. Revenue expenditure for carrying out the research activity is charged to the Profit and Loss Account in the year in which it is incurred.

Expenditure incurred on development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset.

### **1.12 Revenue Recognition**

- a. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed on to the buyer, which generally coincides with their delivery to the buyer. Sales are stated net of discounts, rebates and returns.
- b. Export sales are accounted on the basis of the dates of "Shipped on Board" Bill of Lading, other delivery documents as per contract.
- c. Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim is fulfilled.
- d. Income from services is recognized on completion of services as per the terms of specific contracts.
- e. Income from dividend on investments is accrued in the year in which it is declared, whereby right to receive is established.
- f. Profit / loss on sale of investments is recognized on the contract date.

### **1.13 Government Grant**

Grants and subsidies from the government are recognized if the following conditions are satisfied,

- There is reasonable assurance that the Company will comply with the conditions attached to it.
- Such benefits are earned and reasonable certainty exists of the collection.

Government grants or subsidies given with reference to the total investment in an undertaking or setting up of new industrial undertaking is treated as capital receipt and credited to capital reserve. The said capital reserve will not be available for distribution of dividend nor is it considered as deferred income.

### **1.14 Borrowing Cost**

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the month in which the asset is ready to use, as part of the cost of that asset.

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Other borrowing costs are recognized as expenses in the period in which these are incurred.

### **1.15 Income Tax**

Tax expense comprises of both current and deferred tax. Provision for current tax is made on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.

Deferred Tax resulting from timing differences between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystalize, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with reasonable certainty that there would be adequate future taxable income against which deferred tax assets can be realised. However, deferred tax asset arising on account of unabsorbed depreciation and business losses are recognised only if, there is virtual certainty supported by convincing evidence that there would be adequate future taxable income against which the same can be realised / set off.

### **1.16 Earnings Per Share**

Earnings per share is calculated by dividing the net profit or loss for the year after prior period adjustment attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

### **1.17 Cash Flow Statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature and any deferral or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

### **1.18 Segment Reporting**

#### **a. Identification of Segments**

The Company's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof (Engine Business Segment) used for various applications such as Agriculture, Industrial, Stationery Power Plants, Construction Equipment, etc.

#### **b. Intersegment Transfers**

The Company generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

#### **c. Allocation of common costs**

Common allocable costs are allocated to the Engine Segment according to the sales of each segment to the total sales of the Company.

#### **d. Unallocated items**

Corporate assets and liabilities, income and expenses which relate to the Company as a whole and are not allocable to segments, are included under unallocated items.

### **1.19 Impairment of Assets**

The Company assesses at each balance sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount (economic value in use) of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as

the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the profit and loss account. If at any subsequent balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the profit and loss account.

## 1.20 Provisions and Contingencies

Necessary provisions are made for the present obligations that arise out of past events entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

However a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

## 2. Additional Notes to the Financial Statements

**2.1** In FY 2012-13, after approval of Reserve Bank of India, Company had pre-paid entire outstanding ECB loan balance of JPY1,890.15 Million i.e. ₹112.14 Crs on 4<sup>th</sup> March 2013. Resulting from repayment of all ECBS, the Company has decided to dissolve the Security Trustee arrangements and sought no objection on 4 April 2013, from The Hongkong and Shanghai Banking Corporation Limited, Mumbai (HSBC), the Security Trustee, for release of the charge secured by way of hypothecation (First Charge) on all movable plant and machinery both present and future, located at Khadki, Pune, Nasik, Kagal and Rajkot for ₹ 750 Crs. The Company has filed Form 17 with Registrar of Companies, Pune for satisfaction of aforesaid charge on 3 May 2013. The Company has received certificate of satisfaction of charge from Registrar of Companies, Pune, on 3 May 2013.

## 2.2 Contingent Liabilities

	₹ in Crs.	
	As at 31 Mar 2014	As at 31 Mar 2013
2.2(A) Contingent Liabilities not provided for		
a. Disputed Central Excise Demands	4.58	3.32
b. Disputed Sales Tax & Octroi Demands	6.21	6.21
c. Disputed Customs Duty Demands	0.86	1.08
d. Disputed Income Tax Liability – matter under appeal	10.42	22.70
e. Claims against Company not acknowledged as debts	83.68	82.86
f. Bills discounted not matured	37.84	–
	<u>143.59</u>	<u>116.17</u>

2.2(B) The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which, remaining future obligations aggregates USD 36.19 million (previous year USD 66.46 million). Non fulfillment of the balance of such future obligations, if any, entails options / rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the company under the said scheme, by March 31, 2014 – has been fulfilled.

<b>2.3</b>	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	8.29	14.65
<b>2.4</b>	Other Commitments		
	Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis	118.00	118.00
<b>2.5</b>	Charge of Hypothecation referred to in Note no. 6 for working capital facilities extends to letter of credit issued and guarantees given by the Company's bankers		
	Aggregate amount of such letters of credit outstanding	21.28	36.21
	Aggregate value of such guarantees outstanding	149.01	142.91

**2.6 Payment to Auditors (Net of Service tax)**

(₹ in Crs.)

Sr. No.	Particulars	2013-14	2012-13
A	Statutory Auditors		
	a. As Auditors	0.27	0.23
	b. Tax Audit	0.05	0.04
	c. Limited Review	0.03	0.03
	d. In other capacity		
	Certification fees	0.02	0.02
	Reimbursement of expenses	0.02	0.01
	<b>TOTAL (A)</b>	<b>0.39</b>	<b>0.33</b>
B	Cost Auditors		
	a. As Auditors	0.06	0.06
	b. In other capacity		
	Certification fees	0.00	0.01
	Reimbursement of expenses	—	—
	<b>TOTAL (B)</b>	<b>0.06</b>	<b>0.07</b>
	<b>Grand Total (A+B)</b>	<b>0.45</b>	<b>0.40</b>

**2.7 C. I. F. Value of Imports, expenditure and earnings in foreign currencies:**

(₹ in Crs.)

Particulars	2013-14	2012-13
<b>A. CIF Value of Imports:</b>		
i. Raw Materials (including components, goods in transit, material in bonded warehouse)	130.44	115.13
ii. Capital Goods	3.05	13.13
<b>Total</b>	<b>133.49</b>	<b>128.26</b>
<b>B. Expenditure in foreign currency</b>		
i. Interest	0.25	1.54
ii. Travelling	1.47	1.30
iii. Commission on Exports	8.40	7.23
iv. Advertisement & Publicity	0.79	0.78
v. Legal & Professional Fees	0.26	0.15
vi. Others	2.23	3.41
<b>Total</b>	<b>13.40</b>	<b>14.41</b>
<b>C. Earnings in foreign currencies</b>		
i. FOB value of exports	198.35	167.84
ii. Other matters	–	–
<b>Total</b>	<b>198.35</b>	<b>167.84</b>
<b>D. Exchange (gains)/ losses on account of fluctuations in foreign currency rates recognized in the Profit &amp; Loss account including in</b>		
a. Miscellaneous Expenses	0.01	1.91
<b>Total</b>	<b>0.01</b>	<b>1.91</b>

**2.8** Prior period expenses for the year (net of income) is ₹ 0.58Crs. (PY ₹ 0.30Crs.)

**2.9** The Sales for the current year includes an amount of ₹ 211.62Crs. (PY ₹ 62.15 Crs) on account of deemed exports of goods.

**2.10 Foreign Exchange Derivatives and Exposures not hedged as at 31March 2014**

**(A) Foreign Exchange Derivatives**

Amounts in Foreign Currencies in 000's

Nature of Instrument	Currency	Sale / Purchase	31 March 2014	31 March 2013
Forward Contracts	USD	Purchase	1,220	1,140
	USD	Sale	–	1,598
	EUR	Purchase	–	2,264
Option Contracts	USD	Purchase	–	625
	EUR	Purchase	–	500

All derivative contracts stated above are for the purpose of hedging the underlying foreign currency exposure.



**(B) Exposure Not Hedged**

Amounts in Foreign Currencies in 000's

Nature of Exposure	Currency	31 March 2014	31 March 2013
Receivable	USD	3,007	2,003
	EUR	16	10
Payable	USD	5,696	5,603
	EUR	4,453	2,062
	GBP	40	94
	JPY	320	8,300
	CHF	0	0

- 2.11 The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2014. The disclosure pursuant to the said Act is as under.

₹ in Crs.

Particulars	2013-14	2012-13
Total outstanding to MSME suppliers	5.86	5.62
Payment made to suppliers (other than interest) beyond the appointed day, during the year	0.11	1.26
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.00	0.01
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.09	0.09

- 2.12 Research and Development Expenditure eligible for deduction under section 35(2AB) of Income Tax Act, 1961:

₹ in Crs.

Sr. No.	Particulars	2013-14	2012-13
<b>A</b>	<b>Revenue Expenditure</b>		
	<b>Manufacturing Expenses :</b>		
	Raw Material, Store, Spares & Tools Consumed	4.31	3.52
	Machinery Repairs	0.25	0.56
	<b>Payments to &amp; Provision for Employees :</b>		
	Salaries, Wages, Bonus, Allowances, etc.	8.42	4.93
	Contribution to Provident & Other Funds & Schemes	0.63	0.33
	Other Benefits	—	0.01
	<b>Other Expenses :</b>		
	Legal & Professional charges	1.64	1.57
	EDP Expenses	0.87	0.92
	Power Charges	1.24	0.91
	Travelling & Conveyance Expenses	0.23	0.20
	Other Expense	1.56	2.07
	Repairs	0.20	0.29
	<b>Sub Total (A)</b>	<b>19.35</b>	<b>15.31</b>
<b>B</b>	<b>Capital Expenditure</b>	<b>2.92</b>	<b>2.95</b>
	<b>Total Eligible Research &amp; Development Expenditure (A + B)</b>	<b>22.27</b>	<b>18.26</b>

Approval for weighted deduction received from DSIR for the period 1 April 2011 to 31 March 2016

**2.13** The company, as per Ministry of Corporate Affairs notification dated 31 March 2009 as amended vide G.S.R. 378(E) dated 11 May 2011, G.S.R. 913(E) dated 29 December 2011, & clarification provided vide circular 25 / 2012 dated 9 August 2012, had exercised the option of implementing the provisions of paragraph 46 of Accounting Standard (AS 11) "The effects of changes in Foreign Exchange Rates" prescribed by Companies (Accounting Standards) Amendment Rules, 2006. The Company had long term foreign currency loans during the previous year, which were categorized as long-term foreign currency monetary items as mentioned in the notification. The aforesaid loans were utilized for the acquisition of assets. Accordingly company had capitalised exchange difference loss of ₹NIL (P.Y. loss ₹ 3.41Cr.) for the current financial year in respect of its foreign currency loans.

**2.14** Disclosure pursuant to Accounting Standard (AS15) – Revised 2005 "Employee Benefits" prescribed by Companies (Accounting Standards) Amendment Rules, 2006

**(A) Defined Contribution Plans:**

Amount of ₹ 9.32 Crs. (P.Y. ₹ 8.39Crs.) is recognised as expenses and included in Note No. 26 "Employee Cost"

**(B) Defined Benefit Plans:**

**i. Amount Recognised in the Balance sheet :**

₹ in Crs.

Particulars	2013-14			2012-13		
	Gratuity	Compen- sated Absences	Pension, Post retirement Medical scheme and Long Service award scheme	Gratuity	Compen- sated Absences	Pension, Post retirement Medical scheme and Long Service award scheme
Present value of Defined Benefit obligation	32.19	–	–	28.63	–	–
Less: Fair value of Plan Assets	(32.85)	–	–	(26.77)	–	–
Present value of unfunded obligation	–	21.23	2.86	–	20.11	2.64
<b>Net Liability / ( Asset) recognised in the Balance Sheet</b>	<b>0.66</b>	<b>21.23</b>	<b>2.86</b>	<b>1.86</b>	<b>20.11</b>	<b>2.64</b>

ii. Amount recognised in the Profit and Loss Account are as follows :

₹ in Crs.

Particulars	2013-14			2012-13		
	Gratuity	Compen- sated Absences	Pension, Post retirement Medical scheme and Long Service award scheme	Gratuity	Compen- sated Absences	Pension, Post retirement Medical scheme and Long Service award scheme
Current Service Cost	2.65	2.42	0.05	2.27	2.29	0.05
Interest Cost	2.23	1.55	0.21	1.97	1.36	0.43
Expected return on Plan Assets	(2.30)	–	–	(1.87)	0.46	–
Settlement Cost / (Credit )	–	–	–	1.03	–	–
Actuarial Losses / ( Gains)	1.10	(0.82)	0.13	1.12	0.87	(0.76)
Past service cost	–	–	–	–	–	–
<b>Total included in "Employee Cost"</b>	<b>3.68</b>	<b>3.15</b>	<b>0.39</b>	<b>4.52</b>	<b>4.98</b>	<b>(0.28)</b>

iii. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation:

₹ in Crs.

Particulars	2013-14			2012-13		
	Gratuity	Compen- sated Absences	Pension, Post retire- ment Medical scheme and Long Service award scheme	Gratuity	Compen- sated Absences	Pension, Post retire- ment Medical scheme and Long Service award scheme
Present value of Defined Benefit obligation at the beginning of the year	28.63	20.11	2.64	36.51	24.64	7.26
Interest cost	2.23	1.55	0.21	1.97	1.36	0.43
Current service cost	2.65	2.42	0.05	2.27	2.29	0.05
Settlement Cost / (Credit )	–	–	–	(8.62)	(5.56)	–
Actuarial Losses / ( Gains)	0.98	(0.82)	0.13	1.65	0.87	(0.76)
Benefits paid	(2.30)	(2.03)	(0.17)	(5.15)	(3.49)	(4.34)
<b>Present value of Defined Benefit obligation at the close of the year</b>	<b>32.19</b>	<b>21.23</b>	<b>2.86</b>	<b>28.63</b>	<b>20.11</b>	<b>2.64</b>

**iv. Changes in the fair value of Plan Assets and the reconciliation thereof:**

₹ in Crs.

Particulars	2013-14			2012-13		
	Gratuity	Compen- sated Absences	Pension, Post retire- ment Medical scheme and Long Service award scheme	Gratuity	Compen- sated Absences	Pension, Post retire- ment Medical scheme and Long Service award scheme
Fair value of Plan Assets at the beginning of the year	26.77	–	–	36.80	–	–
Add :Expected return on Plan Assets	2.30	–	–	1.87	–	–
Add / (Less) : Actuarial (Losses) / Gains	(0.11)	–	–	0.52	–	–
Add : Contributions by employer	6.11	–	–	2.09	–	–
Less: Benefits Paid	(2.22)	–	–	(4.86)	–	–
Less : Settlement Paid	–	–	–	(9.65)	–	–
<b>Fair value of Plan Assets at the close of the year</b>	<b>32.85</b>	<b>–</b>	<b>–</b>	<b>26.77</b>	<b>–</b>	<b>–</b>

**Broad Categories of plan assets as a percentage of total assets as at 31 March 2014.**

Particulars	2013-14			2012-13		
	Gratuity	Compen- sated Absences	Pension, Post retire- ment Medical scheme and Long Service award scheme	Gratuity	Compen- sated Absences	Pension, Post retire- ment Medical scheme and Long Service award scheme
a. Government of India Securities	0%	–	–	0%	–	–
b. Corporate Bonds	0%	–	–	0%	–	–
c. Special Deposit Scheme	21%	–	–	26%	–	–
d. Insured Managed Funds	56%	–	–	63%	–	–
e. Others	23%	–	–	11%	–	–
<b>f. Total</b>	<b>100%</b>	<b>–</b>	<b>–</b>	<b>100%</b>	<b>–</b>	<b>–</b>

**v. Actuarial Assumptions as at 31 March 2014**

Particulars	2013-14			2012-13		
	Gratuity	Compensated Absences	Pension, Post retirement Medical scheme and Long Service award scheme	Gratuity	Compensated Absences	Pension, Post retirement Medical scheme and Long Service award scheme
a. Discount Rate	9.20%	9.20%	9.20%	8.10%	8.10%	8.10%
b. Expected rate of return on Plan Assets	8.40%	–	–	8.00%	–	–
c. Salary Escalation rate- Management Staff	7.50%	7.50%	–	7.25%	7.25%	–

**vi. Experience Adjustments on plan assets (Loss) / Gain ₹ (0.11) Crs. (P.Y. ₹ 0.52 Crs.)**

**vii. General Description of the plans :**

The Company operates gratuity plan wherein every employee is entitled to the benefit as per scheme of the company, for each completed year of service. The same is payable on retirement or termination whichever is earlier. The benefit vests only after five years of continuous service.

**2.15** The Company had in the previous year identified two separate reportable segments namely “Engines” and “Other”. The “Other” comprised of Bearings business and revenue related to non-engine activity. In view of the disposal of Bearings business and with due consideration given to the criteria for reportable business segments as per AS 17 (“Segmental Reporting”), the requirement of Segmental disclosure is not applicable.

**2.16** Related parties, as defined under Clause 3 of Accounting Standard (AS 18) “Related Party Disclosures” prescribed by Companies (Accounting Standards) Amendment Rules, 2006, have been identified on the basis of representation made by the Key Management Persons and taken on record by the Board. Disclosures of transactions with Related Parties are as under:

**(A) Description of Related Parties**

**i) Name of the Related party and nature of relationship where control exists:**

Sr.	Related Party Category	Company
1	Companies controlled by KOEL (KOEL controlling > 50% of voting power)	None
2	Holding Company	Kirloskar Brothers Investments Limited
3	Fellow Subsidiary Companies	Kirloskar Pneumatic Company Limited Nasik Silk Industries Limited Kirloskar Road Railer Limited (Subsidiary of Kirloskar Pneumatic Company Limited)
4	Associate Company	None
5	Joint Venture Company	None
6	Enterprises over which Key Management Personnel exercise control/significant influence	Achyut & Neeta Holdings & Finance Private Limited Kirloskar Integrated Technologies Limited Lakeland Universal Limited BVI Navsai Investments Private Limited Snow Leopard Momentum LLP
7	Enterprises over which relatives of Key Management Personnel exercise control/significant influence	Alpak Investments Private Limited

**ii) Key Management Personnel and their relatives:**

Sr. No.	Key Management Personnel	Name of Relative	Relationship
a	Atul C. Kirloskar Executive Chairman	Arti A. Kirloskar Gauri A. Kirloskar (Kolenaty) Aditi A. Kirloskar (Sahni) Rahul C. Kirloskar Suman C. Kirloskar	Wife Daughter Daughter Brother Mother
b	Gautam A. Kulkarni Executive Vice Chairman	Jyotsna G. Kulkarni Ambar G. Kulkarni Neeta A. Kulkarni	Wife Son Mother
c	Nihal G. Kulkarni Managing Director	Shruti N. Kulkarni Ambar G. Kulkarni Jyotsna G. Kulkarni	Wife Brother Mother
d	Rajendra R. Deshpande Whole time Director	Veena R. Deshpande Kaustubh R. Deshpande Sourabh R. Deshpande	Wife Son Son

**(B) Transactions with related parties**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2013-14		2012-13	
		Amount	Amount from major parties	Amount	Amount from major parties
<b>1</b>	<b>Gross Sales</b>				
	Companies over which Key Management personnel exercise control / significant influence	–		0.07	
	Kirloskar Integrated Technologies Limited		–		0.07
	Fellow Subsidiary Companies	1.29		0.66	
	Kirloskar Pneumatic Company Limited		1.29		0.66
	<b>Total</b>	<b>1.29</b>	<b>1.29</b>	<b>0.73</b>	<b>0.73</b>
<b>2</b>	<b>Sales Return</b>				
	Companies over which Key Management personnel exercise control / significant influence	0.01		–	
	Kirloskar Integrated Technologies Limited		0.01		–
	Fellow Subsidiary Companies	–		0.03	
	Kirloskar Pneumatic Company Limited		–		0.03
	<b>Total</b>	<b>0.01</b>	<b>0.01</b>	<b>0.03</b>	<b>0.03</b>
<b>3</b>	<b>Purchases</b>				
	Companies over which Key Management personnel exercise control / significant influence	0.01		–	
	Kirloskar Integrated Technologies Limited		0.01		–
	<b>Total</b>	<b>0.01</b>	<b>0.01</b>	–	–
<b>4</b>	<b>Purchase of Fixed Assets</b>				
	Companies over which Key Management personnel exercise control / significant influence	–		0.47	
	Kirloskar Integrated Technologies Limited		–		0.47
	Fellow Subsidiary Companies	–		1.21	
	Kirloskar Pneumatic Company Limited		–		1.21
	<b>Total</b>	–	–	<b>1.68</b>	<b>1.68</b>
<b>5</b>	<b>Sales of Fixed Assets</b>				
	Fellow Subsidiary Companies	–		–	
	Kirloskar Pneumatic Company Limited		–		–
	<b>Total</b>	–	–	–	–
<b>6</b>	<b>Rendering of Services from</b>				
	Key Management Personnel	15.40		15.34	
	Atul C. Kirloskar		4.63		4.64
	Gautam A. Kulkarni		4.65		4.61
	Rajendra R. Deshpande		2.83		2.81
	Nihal G. Kulkarni		3.29		3.28
	Relative of Key Management Personnel	1.10		0.09	
	Rahul C. Kirloskar		1.10		0.09
	<b>Total</b>	<b>16.50</b>	<b>16.50</b>	<b>15.43</b>	<b>15.43</b>



₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2013-14		2012-13	
		Amount	Amount from major parties	Amount	Amount from major parties
<b>7</b>	<b>Rendering of Services to</b>				
	Fellow Subsidiary Companies	–		0.08	
	Kirloskar Pneumatic Company Limited		–		0.08
	<b>Total</b>	<b>–</b>	<b>–</b>	<b>0.08</b>	<b>0.08</b>
<b>8</b>	<b>Expenses paid to</b>				
	Companies over which Key Management personnel exercise control / significant influence	0.05		–	
	Kirloskar Integrated Technologies Limited		0.05		–
	<b>Total</b>	<b>0.05</b>	<b>0.05</b>	<b>–</b>	<b>–</b>
<b>9</b>	<b>Reimbursement of Expenses</b>				
	Companies over which Key Management personnel exercise control / significant influence	0.06		–	
	Kirloskar Integrated Technologies Limited		0.06		–
	Fellow Subsidiary Companies	0.06			
	Kirloskar Pneumatic Company Limited		0.06		
	<b>Total</b>	<b>0.12</b>	<b>0.12</b>	<b>–</b>	<b>–</b>
<b>10</b>	<b>Rent Paid</b>				
	<b>Holding Company</b>	<b>0.03</b>			
	Kirloskar Brothers Investments Limited		0.03		
	<b>Relative of Key Management Personnel</b>	<b>0.36</b>		<b>0.36</b>	
	Arti A. Kirloskar		0.18		0.18
	Jyotsna G. Kulkarni		0.18		0.18
	<b>Companies over which Key Management personnel exercise control / significant influence</b>			<b>0.13</b>	
	Kirloskar Integrated Technologies Limited				0.13
	<b>Total</b>	<b>0.39</b>	<b>0.39</b>	<b>0.49</b>	<b>0.49</b>
<b>11</b>	<b>Dividend Paid</b>				
	<b>Key Management Personnel</b>	<b>1.97</b>		<b>1.58</b>	
	Atul C. Kirloskar		1.01		0.81
	Gautam A. Kulkarni		0.96		0.77
	Rajendra R. Deshpande		0.01		0.00
	<b>Relative of Key Management Personnel</b>	<b>4.72</b>		<b>3.77</b>	
	Rahul C. Kirloskar		0.96		0.77
	Arti A. Kirloskar		1.80		1.44
	Jyotsna G. Kulkarni		1.93		1.54
	Neeta A. Kulkarni		0.00		0.00
	Suman C. Kirloskar		0.03		0.02
	<b>Holding Company</b>	<b>39.16</b>		<b>30.39</b>	
	Kirloskar Brothers Investments Limited		39.16		30.39
	<b>Total</b>	<b>45.85</b>	<b>45.85</b>	<b>35.74</b>	<b>35.74</b>

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2013-14		2012-13	
		Amount	Amount from major parties	Amount	Amount from major parties
	<b>Outstanding</b>				
<b>1</b>	<b>Accounts Payable</b>				
	<b>Holding Company</b>	<b>0.03</b>			
	Kirloskar Brothers Investments Limited		<b>0.03</b>		
	<b>Companies over which Key Management personnel exercise control / significant influence</b>	<b>-</b>		<b>0.19</b>	
	Kirloskar Integrated Technologies Limited		-		0.19
	Fellow Subsidiary Companies	-		0.10	
	Kirloskar Pneumatic Company Limited		-		0.10
	<b>Key Management Personnel</b>				
	<b>Commission</b>	<b>9.80</b>		<b>9.80</b>	
	Gautam A. Kulkarni		3.00		3.00
	Rajendra R. Deshpande		1.80		1.80
	Atul C. Kirloskar		3.00		3.00
	Nihal G. Kulkarni		2.00		2.00
	<b>Relative of Key Management Personnel</b>	<b>1.09</b>		<b>0.09</b>	
	Rahul C. Kirloskar		<b>1.09</b>		0.09
	<b>Superannuation</b>	<b>0.30</b>		<b>0.30</b>	
	Gautam A. Kulkarni		0.09		0.09
	Rajendra R. Deshpande		0.06		0.06
	Atul C. Kirloskar		0.09		0.09
	Nihal G. Kulkarni		0.06		0.06
	<b>Other Allowances</b>	<b>0.06</b>		<b>0.34</b>	
	Gautam A. Kulkarni		0.02		0.22
	Rajendra R. Deshpande		-		0.02
	Atul C. Kirloskar		0.02		0.08
	Nihal G. Kulkarni		0.02		0.02
	<b>Total</b>	<b>11.25</b>	<b>11.25</b>	<b>10.82</b>	<b>10.82</b>
<b>2</b>	<b>Accounts Receivable</b>				
	<b>Companies over which Key Management personnel exercise control / significant influence</b>	<b>10.25</b>		<b>10.49</b>	
	Kirloskar Integrated Technologies Limited		10.25		10.49
	Fellow Subsidiary Companies	0.31		0.28	
	Kirloskar Pneumatic Company Limited		0.31		0.28
<b>3</b>	<b>Provision for Doubtful Trade Receivables</b>				
	<b>Companies over which Key Management personnel exercise control / significant influence</b>	<b>10.22</b>		<b>10.42</b>	
	Kirloskar Integrated Technologies Limited		10.22		10.42
	<b>Total</b>	<b>0.34</b>	<b>0.34</b>	<b>0.35</b>	<b>0.35</b>

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2013-14		2012-13	
		Amount	Amount from major parties	Amount	Amount from major parties
4	<b>Security Deposit- Receivable</b>				
	<b>Relative of Key Management Personnel</b>	2.00		2.00	
	Arti A. Kirloskar		1.00		1.00
	Jyotsna G. Kulkarni		1.00		1.00
	<b>Total</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>
5	<b>Security Deposit- Payable</b>				
	<b>Fellow Subsidiary Companies</b>	-		0.01	
	Kirloskar Pneumatic Company Limited		-		0.01
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>0.01</b>	<b>0.01</b>

The above figures do not include provision for leave encashment and gratuity, as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for Leave encashment & gratuity.

- 2.17 The disclosure required by Accounting Standard (AS-29) "Provisions, Contingent Liabilities, Contingent Assets" prescribed by Companies (accounting standards) Amendment Rules, 2006 are as follows:

₹ in Crs.

Class of provision	Carrying amount as on 31 March 2013	Provisions made / Increase / (Decrease) in Provision	Amounts used during the year	Amounts reversed during the year	Carrying amount as on 31 March 2014
Warranty	21.76	29.62	30.91	4.12	16.35

**(A) Nature of Obligation**

Warranty is given to customers at the time of sale of engines and generating sets manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts / engines and after sales services during warranty period which varies from 1 year to 4 years.

**(B) Expected Timing of resulting Outflow**

Majority of warranty claims will be incurred in the next financial year and balance will be incurred in the following years.

## 2.18 Earnings Per Share (Basic and Diluted)

Particulars	2013-14	2012-13
Profit for the year after taxation (₹ in Crs.)	178.45	198.84
Total number of equity shares at the end of the year	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Earning Per Share	14,46,14,326	14,49,21,368
Basic and Diluted Earning Per Share (in ₹)	12.34	13.72

Earning per share is calculated in accordance with Accounting Standard (AS 20) "Earning Per Share" prescribed by Companies (Accounting Standards) Amendment Rules, 2006.

**2.19** Disclosure required as per clause 32 of the Listing Agreement is as follows:

### Holding Company

Kirloskar Brothers Investments Limited

There are no loans and advances in the nature of loans to firms / companies in which Directors are interested.

There are no Investment in the firms / companies in which Directors are interested.

**2.20** Previous year's figures have been re-grouped wherever considered necessary to make them comparable with those of the current year.

Signatures to Note 1 to 31, forming part of the Financial Statements.

As per our attached report of even date.

For and on behalf of the Board of Directors.

FOR M/S P. G. BHAGWAT  
Chartered Accountants  
Firm Registration Number : 101118W

NIHAL G. KULKARNI  
Managing Director

R. R. DESHPANDE  
Executive Director

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Assistant Company Secretary

Pune : 25 April 2014

Pune : 25 April 2014

**KIRLOSKAR OIL ENGINES LIMITED**

CIN: L29120PN2009PLC133351

Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune 411 003 (Maharashtra). Ph. No. : 020-25810341

Email: [investors@kirloskar.com](mailto:investors@kirloskar.com), Website: [www.koel.co.in](http://www.koel.co.in)

**ATTENDANCE SLIP**

**Annual General Meeting on 12 August 2014 at 11.30 A.M.**

Ledger Folio No./ DP ID and Client ID. ....

Full name of the Member (in capital) .....

.....

I certify that I am a member/proxy for the member of the Company.

I hereby record my presence at the Annual General Meeting of the Company at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, on Tuesday, 12 August 2014 at 11.30 A.M.

Member's/ Proxy's Signature .....

Proxy's full name (in capital) .....

.....

**Note: Please fill in this Attendance Slip and hand over at the entrance of the Hall.**

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## KIRLOSKAR OIL ENGINES LIMITED

CIN: L29120PN2009PLC133351

Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune 411 003 (Maharashtra). Ph. No. : 020-25810341

Email: [investors@kirloskar.com](mailto:investors@kirloskar.com), Website: [www.koel.co.in](http://www.koel.co.in)

### PROXY FORM

Name of the member (s):
Registered address:
E-mail Id:
Folio No / DP ID-Client ID:

I / We, being the member (s) of ..... shares of the above named company, hereby appoint

1. Name: ..... Address: .....  
E-mail Id: ..... Signature:....., or failing him
2. Name: ..... Address: .....  
E-mail Id: ..... Signature:....., or failing him
3. Name: ..... Address: .....  
E-mail Id: ..... Signature:....., or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Tuesday, 12 August 2014 at 11.30 a.m. at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Item No.	Description of Resolution	Optional*	
		For	Against
Ordinary Business			
1.	Adoption of Statement of Profit and Loss, Balance Sheet, Report of Board of Directors and Auditors for Financial Year ended 31 March 2014.		
2.	Declaration of dividend on equity shares for the Financial Year ended 31 March 2014.		
3.	Re-Appointment of Rahul C. Kirloskar who retires by rotation.		
4.	Appointment of Auditors and fixing their remuneration.		
Special Business			
5.	Appointment of U. V. Rao as an Independent Director.		
6.	Appointment of R. Srinivasan as an Independent Director.		
7.	Appointment of Pratap G. Pawar as an Independent Director.		
8.	Appointment of M. Lakshminarayan as an Independent Director.		
9.	Appointment of Dr. Naushad D. Forbes as an Independent Director.		
10.	Appointment of Mahesh R. Chhabria as an Independent Director.		

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Item No.	Description of Resolution	Optional*	
11.	Appointment of Gauri Kirloskar as a Director.		
12.	Modification in the term of appointment of Nihal G. Kulkarni, Managing Director.		
13.	Approval of remuneration of the Cost Auditors.		
14.	Payment of commission to Non-Executive Directors.		
15.	Substitution of Article 121 of the Articles of Association of the Company to increase the maximum number of directors to 15.		

Signed this ..... day of ..... 2014

Please affix  
Revenue  
Stamp

Signature of Shareholder(s) .....

Signature of Proxy holder(s) .....

**Note:**

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Annual General Meeting.
- \*3. It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.
4. Please complete all details including details of member(s) in above box before submission.

Executive Director Mr. R. R. Deshpande unveils KOEL's Vision



KOEL's participation in Middle East Electricity Exhibition



The Engineering Export Promotion Council (EEPC) conferred the 'Star Performer Award' to KOEL for the fifth consecutive year



KOEL's CSR initiative, SAAKAV:  
A life skill training programme for children who are the future of our nation



Enriching Lives

**KIRLOSKAR OIL ENGINES LIMITED**

A Kirloskar Group Company

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune - 411 003 INDIA.

Tel.: +91(20) 2581 0341 Fax: +91(20) 2581 3208 / 2581 0209

Email: [investors@kirloskar.com](mailto:investors@kirloskar.com) Website: [www.koel.co.in](http://www.koel.co.in)

CIN - L29120PN2009PLC133351



# KIRLOSKAR OIL ENGINES LIMITED

Enriching Lives

## FORM A

(Pursuant to Clause 31 of the Listing Agreement)

1.	Name of the Company	Kirloskar Oil Engines Limited
2.	Annual Financial Statement for the year ended	31 <sup>st</sup> March 2014
3.	Type of Audit observation	Un-qualified
4.	Frequency of Observation	Auditor has issued unqualified Audit Report from 1 <sup>st</sup> Financial Year of the Company i.e. for the period ended 31 March 2010

For Kirloskar Oil Engines Limited

Nihal Kulkarni  
Managing Director

For Kirloskar Oil Engines Limited

T. Virudkumar  
Chief Financial Officer

For Kirloskar Oil Engines Limited

U. V. Rao  
Chairman of Audit Committee

Date : 25 April 2014

For M/s. P. G. Bhagwat  
Chartered Accountants  
Firm's Reg. No. 101118W

Nachiket Deo  
Partner  
Membership No.:117695

Date : 25 April 2014



CIN:L29120PN2009PLC133351



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## **KIRLOSKAR OIL ENGINES LIMITED**

A Kirloskar Group Company

### **NOTICE**

Notice is hereby given that the Annual General Meeting of Kirloskar Oil Engines Limited will be held on Tuesday, the 12<sup>th</sup> day of August 2014 at 11.30 a.m. at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, to transact the following business:

#### **ORDINARY BUSINESS**

##### **ITEM NO.1**

To receive, consider and adopt the Audited Statement of Profit and Loss for the Financial Year ended 31 March 2014, the Balance Sheet as at that date and the Reports of the Board of Directors and Auditors thereon.

##### **ITEM NO.2**

To declare dividend on equity shares for the Financial Year ended 31 March 2014.

##### **ITEM NO.3**

To appoint a director in place of Rahul C. Kirloskar (DIN 00007319) who retires by rotation and being eligible, offers himself for re-appointment.

##### **ITEM NO.4**

To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to Section 139 and other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), M/s P. G. Bhagwat, Chartered Accountants (Firm Registration no. 101118W), be and are hereby re-appointed as Auditors of the Company to hold office from conclusion of this Annual General Meeting till the conclusion of second consecutive Annual General Meeting to be held for Financial Year 2016-17 (subject to ratification of their appointment at every Annual General Meeting), at such remuneration as shall be fixed by the Board of Directors of the Company.”

#### **SPECIAL BUSINESS**

##### **ITEM NO.5**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and read with Schedule IV and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), U.V. Rao (DIN 00012490), Director of the Company in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of two consecutive years upto 11 August 2016.”



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### **ITEM NO.6**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and read with Schedule IV and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), R. Srinivasan (DIN 00043658), Director of the Company in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of three consecutive years upto 11 August 2017.”

### **ITEM NO.7**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and read with Schedule IV and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Pratap G. Pawar (DIN 00018985), Director of the Company in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years upto 11 August 2019.”

### **ITEM NO.8**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and read with Schedule IV and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), M. Lakshminarayan (DIN 00064750), Director of the Company in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years upto 11 August 2019.”

### **ITEM NO.9**

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and read with Schedule IV and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Dr. Naushad D. Forbes (DIN 00630825), Director of the Company in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years upto 11 August 2019.”



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### **ITEM NO.10**

To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 152 and read with Schedule IV and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mahesh R. Chhabria (DIN 00166049) , who was appointed as an Additional Director by the Board of the Directors of the Company with effect from 17 June 2014 and who holds office of Director up to the date of this Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years upto 11 August 2019.”

### **ITEM NO.11**

To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149, 161 and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Gauri Kirloskar (DIN 03366274), who was appointed as an Additional Director by the Board of the Directors of the Company with effect from 17 June 2014 and who holds office of Director up to the date of this Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing her candidature for the office of Director, be and is hereby appointed as Director of the Company who shall be liable to retire by rotation.”

### **ITEM NO. 12**

To consider and if thought fit to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to applicable provisions of the Companies Act, 2013, one of the term of appointment of Nihal G. Kulkarni as Managing Director be and is hereby modified with effect from 1 April 2014 as under:

‘Nihal G. Kulkarni shall be director liable to retire by rotation.’

RESOLVED FURTHER THAT, all other terms and conditions of his appointment remain unchanged.”

### **ITEM NO. 13**

To consider and if thought fit , to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to provisions of Section 148 and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the remuneration upto ₹ 7,00,000/- plus service tax as applicable and out of





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pocket expenses on actual basis as approved by the Board of Directors of the Company, to be paid to M/s. Parkhi Limaye and Co., Cost Accountants, for the conduct of cost audit of the Company as may be prescribed by the Central Government for Financial Year ended 31 March 2015 be and is hereby ratified and confirmed.”

### ITEM NO. 14

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 197 and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), and clause 49 of the Listing Agreement, the consent of the members of the Company be and is hereby accorded to the Board of Directors to decide and to pay the remuneration by way of commission (over and above the payment of sitting fees) to the Directors of the Company (other than Managing Director or a Director who is in the Whole time employment of the Company), a sum not exceeding one percent per annum of the Net profit of the Company computed in the manner laid down in Section 198 and other applicable provisions, if any of the Companies Act, 2013, for each financial year, commencing from the Financial Year 2014-15.”

### ITEM NO. 15

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 14 and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the existing Article 121 of the Articles of Association of the Company be deleted and the following shall stand substituted in its place:

Article No. 121 – Number of Directors

Unless and otherwise determined by the Company in general meeting, the number of directors shall not be less than 3 (three) and shall not be more than 15 (fifteen).

RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

By Order of the Board of Directors

Smita Raichurkar  
Asst. Company Secretary

Place : Pune  
Date : 17 June 2014



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### NOTES

- i. A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

**A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.**

- ii. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours before the time fixed for holding the meeting. Proxies submitted on behalf of the Companies, Societies etc., must be supported by appropriate resolution / authority, as applicable.
- iii. The statement pursuant to Section 102 of the Companies Act, 2013, relating to the special business to be transacted at the meeting is annexed hereto.
- iv. Details pursuant to clause 49 of the Listing agreement with the stock exchanges in respect of directors seeking appointment/re-appointment at Annual General Meeting forms part of the notice.
- v. The Register of Members and Share Transfer Books of the Company will remain closed from 5 August 2014 to 12 August 2014, both days inclusive.
- vi. Dividend on shares as recommended by the Directors, if declared, at this Annual General Meeting, will be paid to those members
- a) whose names appears as beneficial owners as at the end of Business hours on 4 August 2014, in the list of beneficial owners made available by National Securities Depository Limited and Central Depository Services (India) Limited in respect of shares held in dematerialised form; and
- b) whose names appears as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with Company / Registrar and Share Transfer Agent (R & T Agent) on or before 4 August 2014.
- vii. Pursuant to Sections 205A and 205C of the Companies Act, 1956, any money transferred to the unpaid dividend account, which remains unpaid or unclaimed for a period of 7 years from the date of such transfer is required to be transferred to the 'Investor Education and Protection Fund' (IEPF) set up by the Central Government. Accordingly, the unpaid / unclaimed dividend for the period ended 31 March 2010 and Financial Year 2010-11 onwards will become transferable at the end of respective seven years to the said Fund. Once the amount is so transferred, no claim shall lie against the Fund or the Company in respect of dividend amount thereafter. Shareholders are requested to send their claims, if any, for the period ended 31 March 2010 and Financial Year 2010-11 onwards, before the amount becomes due for transfer to the above Fund. Shareholders are requested to encash the dividend warrants immediately on their receipt by them. The details of due dates for transfer of unclaimed dividend to IEPF are as under:



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Year	Date of Declaration	Date of Payment	Dividend %	Dividend in ₹ per share	Date on which dividend will be transferred to IEPF
2009-10	9 July 2010	20 July 2010	200	4	13 August 2017
2010-11	21 July 2011	10 August 2011	200	4	25 August 2018
2011-12	19 July 2012	30 July 2012	200	4	23 August 2019
2012-13	25 July 2013	6 August 2013	250	5	29 August 2020

The details of unclaimed and unpaid amount of Dividend due to the shareholders of the Company as on 25 July 2013 for the period ended 31 March 2010 and Financial Year 2010-11 onwards, are available on the Company's website [www.koel.co.in](http://www.koel.co.in) under path "**Investor>IEPF/Others**"

### viii. Register National Electronic Clearing Service (NECS) Mandate

In order to get your dividend through NECS, members who are holding shares in physical form are requested to inform their bank account details such as the name of the bank, branch, its address, account number, 9 digit MICR code, IFSC code and type of account i.e. Savings or Current or Cash Credit etc. to Link Intime India Private Limited, R & T Agent of the Company having its office at 'Akshay' Complex, Block No. 202, 2<sup>nd</sup> Floor, Off Dhole Patil Road, Near Ganesh Temple, Pune – 411 001. Shareholders holding shares in dematerialised form are requested to inform their bank account particulars to their respective Depository Participant (DP) and not to the R & T Agent of the Company. Those shareholders who do not opt for NECS facility may inform only bank account number and bank name for printing the same on the dividend warrant to ensure safety. Members who wish to avail the above facility are requested to submit required information to R & T Agent on or before the closing hours on 4 August 2014.

### ix. Permanent Account Number (PAN)

Securities and Exchange Board of India (SEBI) has mandated the submission of PAN by every participant in securities market. Members are requested to submit their PAN to their DPs (in case of shares held in dematerialised form) or to the Company / R & T Agent (in case of shares held in physical form).

x. Members are requested to immediately notify the R & T Agent (DP, in case of shares held in dematerialised form) of any change in their address.

xi. In case members wish to ask for any information about accounts and operations of the Company, they are requested to send their queries in writing at least 7 days in advance of the date of the meeting so that the information can be made available at the time of the meeting.

### xii. Dematerialisation of Share

Members are requested to avail the facility of dematerialisation by opening Depository accounts with the DPs of either National Securities Depository Limited or Central Depository Services (India) Limited and get the equity share certificates held by them dematerialised, in order to avoid hassles involved with physical shares such as possibility of loss/ mutilation of share certificate(s), and to ensure safe and speedy transaction in securities.



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xiii. Members having multiple folios are requested to intimate to the Company / R & T Agent such folios, to consolidate all shareholdings into one folio.

xiv. Members are requested to submit Nomination forms duly filed with R & T Agent in case of holding of shares in physical form and with their respective DPs, in case of shares held in dematerialised form. The Nomination Form is available with R & T Agent of the Company.

xv. **Register E-mail Address**

**To support Green Initiative, Members are requested to register their e-mail addresses with the Company / R & T Agent viz. Link Intime India Private Limited, in case of holding of shares in physical form and with concerned DPs in case of shares held in dematerialised form.**

xvi. The relevant documents referred to in the Notice will be open for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

xvii. Members are requested to bring their attendance slip and copy of the annual report at the meeting.

xviii. **Voting through electronic means**

- I. Pursuant to provisions of Section 108 of the Companies Act, 2013 read with the rules made thereunder and Clause 35B of the Listing Agreement, the Company is providing facility of e-voting system to the members holding shares as on 4 July 2014 being cut-off date (record date), to exercise their right to vote on business to be transacted at the Annual General Meeting (AGM) of the Company. The Company has engaged National Securities Depository Limited (NSDL) to provide e-voting facility.

The instructions for Voting through electronic means are as under:

**A. In case a Member receives an email from NSDL** [for members whose email IDs are registered with the Company / R & T Agent viz. Link Intime India Private Limited / Depository Participants(s)]:

1. Open email and open PDF file viz. **“KOEL e-Voting.pdf”** with your Folio no. / Client ID as password. The said PDF file contains your User ID and password/PIN for e-voting. Please note that the password is an initial password.
2. Open internet browser and type URL viz. **<https://www.evoting.nsdl.com>**
3. Click on Shareholder-Login
4. Insert ‘USER ID’ and ‘Initial Password’ as noted in Step 1 above and click ‘Login’.
5. The Password Change Menu will appear on your screen. Change to a new Password of your choice making sure that, it contains a minimum of 8 digits or characters or combination of the two. Please take utmost care to keep your Password confidential.
6. Once e-Voting home page opens, Click on e-Voting > Active Voting Cycles
7. Select the EVEN (E-Voting Event Number) of Kirloskar Oil Engines Limited.
8. Now you are ready for e-voting as ‘the Cast Vote’ page opens.
9. Cast your vote by selecting appropriate option and click Submit and also Confirm when prompted.
10. Upon confirmation, the message ‘Vote cast successfully’ will be displayed. Please note that once your vote is cast on selected resolution, it cannot be modified.



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11. Institutional shareholders (i.e. members other than individuals, HUF, NRIs etc.) are required to send a scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature (s) of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail at [mjrpcs@gmail.com](mailto:mjrpcs@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

**B. In case a Member receives physical copy of the Notice of AGM** [for members whose email IDs are not registered with the Company / R&T Agent viz. Link Intime India Private Limited / Depository Participant(s) or requesting physical copy]:

1. Initial password will be provided separately:  
EVEN (E-Voting Event Number) USER ID PASSWORD/PIN
2. Please follow all steps from Sr. No. (2) to (11) above, to cast vote.

- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available on the website [www.evoting.nsdl.com](http://www.evoting.nsdl.com) under the 'Downloads section'. You can also contact NSDL via email at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
- III. If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for casting your vote.
- IV. You can also update your mobile number and e-mail ID in the user profile details of the Folio, which may be used for sending future communication(s).
- V. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on 4 July 2014.
- VI. **The e-voting period commences on 6 August 2014 (9:00 am) and ends on 8 August 2014 (6:00 pm).** During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 4 July 2014, may cast their vote electronically. The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- VII. M. J. Risbud, Practicing Company Secretary, Pune, (Membership No. FCS 810 CP No. 185) has been appointed as the Scrutinizer to scrutinize the e-voting process in a fair and transparent manner.
- VIII. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and make a Scrutinizer's Report of the votes cast in favour of or against, if any, forthwith to the Chairman of the Company.
- IX. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.koel.co.in](http://www.koel.co.in) and on the website of NSDL [www.nsdl.co.in](http://www.nsdl.co.in) within two (2) days of passing of the resolutions at the Annual General Meeting of the Company on 12 August 2014 and communicated to the Stock Exchanges viz. BSE Limited and National Stock Exchange of India Limited.



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### xix. For members who wish to vote through Ballot Forms

- I. The Ballot Form is provided for the benefit of Members, who do not have access to e-voting facility.
- II. Pursuant to clause 35B of the Listing Agreement, members who do not have access to e-voting facility, may exercise their right to vote on business to be transacted at the Annual General Meeting of the Company by submitting the Ballot Form enclosed to this Notice.
- III. Members may fill in the Ballot Form enclosed with the Notice (no other form or photocopy of the form will be accepted) and send the same in a sealed envelope addressed to the Scrutinizer, viz. M. J. Risbud, Practicing Company Secretary c/o Link Intime India Private Limited, (Unit: Kirloskar Oil Engines Limited), Block No. 202, Akshay Complex, 2<sup>nd</sup> Floor, Off Dhole Patil Road, Near Ganesh Temple, Pune - 411001, **so as to reach by 6 pm on 8 August 2014**. The Ballot Form received thereafter will be strictly treated as not received.
- IV. **A Member can opt for only one mode of voting i.e. either through e-voting or by the Ballot. If a Member casts votes by both modes, then voting done through e-voting shall prevail and the Ballot Form shall be treated as invalid.**
- V. Please follow the instructions as mentioned in the Ballot Form.
- VI. The Results declared alongwith the Scrutinizer's Report shall be placed on the Company's website [www.koel.co.in](http://www.koel.co.in) within two days of passing of the resolutions at the AGM of the Company and communicated to the BSE Limited and National Stock Exchange of India Limited.

By Order of the Board of Directors

Smita Raichurkar  
Asst. Company Secretary

Place : Pune

Date : 17 June 2014



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## KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

### ANNEXURE TO THE NOTICE

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 AND CLAUSE 49 OF THE LISTING AGREEMENT

##### ITEM NO. 3 OF THE NOTICE

Rahul C. Kirloskar retires by rotation and being eligible offers himself for re-appointment.

He holds 19,23,155 (1.33%) equity shares in the Company.

Rahul C. Kirloskar is qualified as B.S (Mechanical Engineering) USA. He has been with the Kirloskar Group of Companies for more than 25 years at senior levels in different capacities. He has resigned as a whole time director of Kirloskar Oil Engines Limited with effect from 21 January 2012 and continues as Non-Executive Director. Presently, he is the Executive Chairman in Kirloskar Pneumatic Company Limited. He has actively participated in a week long intensive course for top management professionals of major international Companies on Total Quality Management (TQM) in Japan, conducted by Japanese Union of Scientists and Engineering (JUSE). This course has exposed him to the latest methods of TQM prevailing in Japan. He is also on the Board of several companies. He has also been Chairman of the CII Pune Zonal Council as well as CII Maharashtra Council.

He is a director in the following other companies:

Kirloskar Pneumatic Company Limited@	Asara Sales & Investments Private Limited
Kirloskar Proprietary Limited	Pratibha Communications Private Limited
GreenTek Systems (India) Limited	Pune City Connect Development Foundation
Kirloskar Ferrous Industries Limited	Kirloskar Kenya Limited, Nairobi, Kenya
Alpak Investments Private Limited	

@ Investor Grievances Committee - Member

Rahul C. Kirloskar may be deemed to be concerned or interested, financially or otherwise, to the extent for his shareholding in respect of his re-appointment. Atul C. Kirloskar, Director of the Company, being brother and other relatives of Rahul C. Kirloskar, to the extent of their shareholding in the Company, may be deemed to be concerned or interested financially or otherwise in this resolution.

Except above, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

##### ITEM NO.5 OF THE NOTICE

Pursuant to the provisions of Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder, U.V. Rao is proposed to be appointed as an Independent Director for a term of two consecutive years upto 11 August 2016.





## KIRLOSKAR OIL ENGINES LIMITED

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The Company has received a notice in writing from a member along with deposit of requisite amount under Section 160 of the Companies Act, 2013, proposing the candidature of U.V. Rao for the office of Director of the Company.

U.V. Rao, former Chief Executive Officer and Managing Director of Larsen and Toubro Limited, is a B.E. in Electrical Engineering; Post Graduate from the Indian Institute of Science, Bangalore, in Power Engineering; Post Graduate from Bombay University in Industrial Management; and has studied Advanced Management at the Harvard Business School and at Stanford University USA.

He is the past President of Indian Electrical and Electronic Manufacturer's association, past Chairman CII {WR}, past Honorary Consul-General for Denmark for Western India, past Chairman Indo-Danish Business Committee; past member Board of governors, IIM Ahmedabad, past Member of the Capital Goods Committee of Planning Commission, Government of India, past member Development Council for Heavy Electrical Industries, and Earth moving Machineries, Government of India, etc.

He has had nearly 4 decades of experience in Larsen & Toubro Limited, during which time he held various positions in marketing, manufacturing and management including that of running the company as its Chief Executive Officer and Managing Director.

He is the recipient of several National and International Awards for excellence in his profession.

He holds directorship in the following other companies:

Kirloskar Brothers Limited*	Dickinson Fowler Private Limited
TIL Limited**	

\* Audit Committee – Member

\*\* Audit Committee – Chairman

He holds Nil (0.00%) equity shares in the Company.

He is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as director.

The Company has also received declaration from U.V. Rao that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder.

The Board is of the opinion that U.V. Rao fulfills the conditions specified in the said Act and the rules made thereunder and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and he is independent of the management.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of U.V. Rao as an Independent Director.

The draft letter for appointment of U.V. Rao as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

Except U.V. Rao, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

The Board recommends resolution set out in Item no. 5 of the notice for approval of members.



## KIRLOSKAR OIL ENGINES LIMITED

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### ITEM NO.6 OF THE NOTICE

Pursuant to the provisions of Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder, R. Srinivasan is proposed to be appointed as an Independent Director for a term of three consecutive years upto 11 August 2017.

The Company has received a notice in writing from a member along with deposit of requisite amount under Section 160 of the Companies Act, 2013, proposing the candidature of R. Srinivasan for the office of Director of the Company.

R. Srinivasan did his graduation in Mechanical Engineering from the University of Madras. He underwent practical training with Buckau Wolf, Grevenbroich, and later with M/s Krupp Widia, Essen, West Germany.

He has served Widia, an Indo-German Joint Venture Limited initially as a Works Manager and later as its Managing Director till 1994. He is the past Chairman of CII, Karnataka and Governing Council of CMTI, Bangalore. He is the Past President of Greater Mysore Chamber of Commerce and Indian Machine Tool Manufacturers Association.

He is a director in the following other companies:

ACE Designers Limited**	Yuken India Limited*
Murugappa Morgan Thermal Ceramics Limited	Edutech NTTF India Private Limited
TTK Prestige Limited*	NTTF Industries Private Limited
Sterling Abrasives Limited	Bangalore International Exhibition Services Private Limited
TTK Healthcare Limited	Taegu Tec India Private Limited
Sundaram Fasteners Limited**	Nettur Technical Training Foundation

\* Audit Committee – Member

\*\* Audit Committee – Chairman

He holds 3,750 (0.00 %) equity shares in the Company.

He is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as director.

The Company has also received declaration from R. Srinivasan that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder.

The Board is of the opinion that R. Srinivasan fulfills the conditions specified in the said Act and the rules made thereunder and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and he is independent of the management.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of R. Srinivasan as an Independent Director.

The draft letter for appointment of R. Srinivasan as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.



## KIRLOSKAR OIL ENGINES LIMITED

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Except R. Srinivasan, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

The Board recommends resolution set out in Item no. 6 of the notice for approval of members.

### ITEM NO.7 OF THE NOTICE

Pursuant to the provisions of Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder, Pratap G. Pawar is proposed to be appointed as an Independent Director for a term of five consecutive years upto 11 August 2019.

The Company has received a notice in writing from a member along with deposit of requisite amount under Section 160 of the Companies Act, 2013, proposing the candidature of Pratap G. Pawar for the office of Director of the Company.

Pratap G. Pawar who is a Chairman of Sakal Papers Private Limited and Chairman of ASK Chemicals India Pvt. Ltd., is an Engineer from the prestigious Birla Institute of Technology & Science, (BITS), Pilani. He was the Former President of The Mahratta Chamber of Commerce, Industries & Agriculture, Pune, The Federation of Chambers and Associations all over Maharashtra, The Indian Newspaper Society, New Delhi and Indian Language Newspapers Association. He is Vice President of the World Association of Newspapers (WAN- IFRA) Paris, and also Director from January 2007. These are some of his memberships on prestigious committees across the world. He is well known social worker and is actively associated as trustee/Member with many trusts/organizations.

He is a director in the following other companies:

Bharat Forge Limited **	A.P Holdings Private Ltd
Finolex Cables Limited *@	Rajgadh Agro Farms Private Limited
Force Motors Limited*	Sakal Papers Private Limited
P.P. Holdings Limited	ASK Chemicals India Private Limited
Abhijit Pawar Media Limited	Ojas Engineering Private Ltd
Pasle Agro Farms Private Limited	Bhimthadi Developers and Miners Private Limited
Karha Developers and Miners Private Limited	

\* Audit Committee – Member

\*\* Audit Committee – Chairman

@ Share Transfer Cum Investor's Grievance Committee - Member

He holds 5,355 (0.00 %) equity shares in the Company.

He is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as director.

The Company has also received declaration from Pratap G. Pawar that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder.



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The Board is of the opinion that Pratap G. Pawar fulfills the conditions specified in the said Act and the rules made thereunder and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and he is independent of the management.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Pratap G. Pawar as an Independent Director.

The draft letter for appointment of Pratap G. Pawar as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

Except Pratap G. Pawar, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

The Board recommends resolution set out in Item no. 7 of the notice for approval of members.

### ITEM NO. 8 OF THE NOTICE

Pursuant to the provisions of Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder, M. Lakshminarayan is proposed to be appointed as an Independent Director for a term of five consecutive years upto 11 August 2019.

The Company has received a notice in writing from a member along with deposit of requisite amount under Section 160 of the Companies Act, 2013, proposing the candidature of M. Lakshminarayan for the office of Director of the Company.

M. Lakshminarayan, aged 67, holds a Master's degree in Technology from the Indian Institute of Technology, Mumbai. After working in Tata Motors for 16 years in the Pune plant, he moved to Bosch Limited (MICO). He has served in various capacities before joining the Board as Joint Managing Director in 2000.

He is presently the Managing Director of Harman International India Private Limited, a 100% subsidiary of Harman International USA. He is deeply connected with the activities of CII and was the past Chairman, CII Southern Region. He is the Chairman of WABCO India.

He is a director in the following other companies:

Rane (Madras) Limited **	TVS Automobile Solutions Limited*
Carborundum Universal Limited *	Harman International (India) Private Limited
WABCO India Limited	Wholsum Foods Private Limited
Manipal Acunova Limited	Janaadhar (India) Private Limited

\* Audit Committee – Member

\*\* Audit Committee – Chairman

He holds NIL (0.00 %) equity shares in the Company.

He is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as director.



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The Company has also received declaration from M. Lakshminarayan that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder.

The Board is of the opinion that M. Lakshminarayan fulfills the conditions specified in the said Act and the rules made thereunder and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and he is independent of the management.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of M. Lakshminarayan as an Independent Director.

The draft letter for appointment of M. Lakshminarayan as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

Except M. Lakshminarayan, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

The Board recommends resolution set out in Item no. 8 of the notice for approval of members.

### **ITEM NO. 9 OF THE NOTICE**

Pursuant to the provisions of Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder, Dr. Naushad D. Forbes is proposed to be appointed as an Independent Director for a term of five consecutive years upto 11 August 2019.

The Company has received a notice in writing from a member along with deposit of requisite amount under Section 160 of the Companies Act, 2013, proposing the candidature of Dr. Naushad D. Forbes for the office of Director of the Company.

Dr. Naushad Forbes is Director of Forbes Marshall, India's leading Steam Engineering and Control Instrumentation firm. He chairs the Steam Engineering Companies within the group. He has been a Lecturer and Consulting Professor at Stanford University in the Program in Science, Technology and Society from 1987 to 2004. He developed courses in Technology and Policy in Newly Industrialized Countries and the Management of Technology in Firms in Newly Industrialized Countries. He has written widely on innovation in developing countries and higher education in India, including a book, From Followers to Leaders, co-authored with David Wield. He received his Bachelors, Masters and PhD Degrees from Stanford University. He is on the Advisory Council IIT Bombay; Board of Directors of Godrej Industries, Kirloskar Oil Engines Limited and Jump Associates, California; Governing Council National Institute of Design and India Design Council; Trustee Ruby Hall Clinic.



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He is a director in the following other companies:

Godrej Industries Limited	Forbes Marshall (Hyd.) Private Limited
J. N. Marshall Private Limited	Forbes Solar Private Limited
Forbes Marshall Private Limited	Forbesvyncke Private Limited
Forbes Marshall Arca Private Limited	Spirax Marshall Private Limited
Krohne Marshall Private Limited	Codel International Inc., UK
Forbes Marshall (Lanka) Private Limited	Forbes Marshall Canada, Inc.
Forbes Marshall Codel Private Limited	Jump Associates San Mateo, California

He is neither a Member nor a Chairman of any Committees in the other Public Limited Companies.

He holds 9,000 (0.00 %) equity shares in the Company.

He is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as director.

The Company has also received declaration from Dr. Naushad D. Forbes that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder.

The Board is of the opinion that Dr. Naushad D. Forbes fulfills the conditions specified in the said Act and the rules made thereunder and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and he is independent of the management.

The Board considers that his continued association would be of immense benefit to the Company and it is desirable to continue to avail services of Dr. Naushad D. Forbes as an Independent Director.

The draft letter for appointment of Dr. Naushad D. Forbes as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

Except Dr. Naushad D. Forbes, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

The Board recommends resolution set out in Item no. 9 of the notice for approval of members.

### ITEM NO. 10 OF THE NOTICE

Pursuant to the provisions of Section 161(1) of the Act read with the Articles of Association of the Company, the Board of Directors of the Company appointed, Mahesh R. Chhabria as an Additional Director of the Company with effect from 17 June 2014.

In terms of the provisions of Section 161(1) of the Act, Mahesh R. Chhabria would hold office up to the date of this Annual General Meeting. He is also proposed to be appointed as an Independent Director for a term of five consecutive years upto 11 August 2019, pursuant to Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder.



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The Company has received a notice in writing from a member along with deposit of requisite amount under Section 160 of the Companies Act, 2013, proposing the candidature of Mahesh R. Chhabria for the office of Director of the Company.

Mahesh Chhabria has a firm belief in the emerging market growth story and corporate India's push to go global. He decided to act on this belief by joining Actis which is recognized as a long-standing investor in India with an emerging market sector-based approach to investing both in minority and control deals. Mahesh R. Chhabria previously worked at 3i India, where he was a partner in the firm's Growth Capital Group and the lead partner globally for the Healthcare sector, heading up and contributing to 3i investments in India and international markets. Before making the move to private equity in 2006, Mahesh R. Chhabria was co-head of investment banking at Enam, one of the leading domestic investment banks in India. He holds a Bachelor of Commerce from the University of Mumbai, and is an Associate Member of the Institute of Chartered Accountants of India. Since joining Actis in 2010, he has plunged himself into the business: forging new contacts, and calling upon his existing network to help build value in Actis India-based portfolio.

He is a director in the following other companies:

AGS Transact Technologies Limited	Securevalue India Limited**
Symbiotec Pharmalab Limited	Actis Advisers Private Limited

\*\* Audit Committee – Chairman

He holds 8,512 (0.00 %) equity shares in the Company.

He is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as director.

The Company has also received declaration from Mahesh R. Chhabria that he meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder.

The Board is of the opinion that Mahesh R. Chhabria fulfills the conditions specified in the said Act and the rules made thereunder and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and he is independent of the management.

The Board considers that his experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Mahesh R. Chhabria as an Independent Director for a term of five consecutive years upto 11 August 2019.

The draft letter for appointment of Mahesh R. Chhabria as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

Except Mahesh R. Chhabria and his relatives to the extent of their shareholding in the Company, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

The Board recommends resolution set out in Item no. 10 of the notice for approval of members.





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### ITEM NO. 11 OF THE NOTICE

Pursuant to the provisions of Section 161(1) of the Act read with the Articles of Association of the Company, the Board of Directors of the Company appointed, Gauri Kirloskar as an Additional Director of the Company with effect from 17 June 2014.

In terms of the provisions of Section 161(1) of the Act, Gauri Kirloskar would hold office up to the date of this Annual General Meeting.

The Company has received a notice in writing from a member along with deposit of requisite amount under Section 160 of the Companies Act, 2013, proposing the candidature of Gauri Kirloskar for the office of Director of the Company.

Gauri Kirloskar has a B.Sc. in Business Administration (Finance) from the Carnegie Mellon University, USA. She worked for two years as an analyst in the Merrill Lynch Mergers & Acquisitions group, advising on over \$ 10 billion of mergers, divestitures and corporate restructuring with clients spanning across multiple industries and around the globe.

Following her time at Merrill Lynch, Gauri Kirloskar joined the Corporate Finance and Strategy Group at Pearson Plc, a \$ 15 billion (Enterprise Value) Education and Publishing Conglomerate where for two years she executed the firm's bolt-on acquisition strategy. She is currently an Executive Director of Kirloskar Integrated Technologies Limited and GreenTek Systems (India) Limited.

She is a director in the following other companies:

GreenTek Systems (India) Limited	Kirloskar Integrated Technologies Limited
Kirloskar Industries Limited	

She is neither a Member nor a Chairman of Committees in the other Public Limited Companies.

She holds NIL (0.00%) equity shares in the Company.

She is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013 and has given her consent to act as Director.

The Board considers that her experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Gauri Kirloskar as a Director.

Atul C. Kirloskar, Director of the Company, being father and her other relatives, to the extent of their shareholding in the Company, may be deemed to be concerned or interested in this resolution.

Except above and Gauri Kirloskar being appointee, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

The Board recommends resolution set out in Item no. 11 of the notice for approval of members.

### ITEM NO. 12 OF THE NOTICE

Pursuant to Section 149 of the Companies Act, 2013, Independent Directors are not liable to retire by rotation.

Currently as per provisions of Companies Act, 1956 and Articles of Association of the Company and as per terms



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of appointment, Executive Chairman, Executive Vice Chairman and Managing Director are non-retiring directors.

Nihal G. Kulkarni was appointed by the members of the Company in its meeting held on 19 July 2012. As per his term of appointment, he shall be non-retiring director.

In order to comply with provisions of Companies Act, 2013, approval of the members is sought for modification of the term of his appointment as set out in the resolution.

He holds 1,59,756 (0.11 %) equity shares in the Company.

Nihal G. Kulkarni may be deemed to be concerned or interested, financially or otherwise in this resolution, to the extent for aforesaid shareholding. Gautam A. Kulkarni, Director of the Company, being father and other relatives of Nihal G. Kulkarni, to the extent of their shareholding in the Company, may be deemed to be concerned or interested in this resolution.

Except above, none of the other Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

### **ITEM NO. 13 OF THE NOTICE**

The Board of Directors on the recommendation of Audit Committee has approved the appointment of M/s. Parkhi Limaye and Co., Cost Accountants to conduct the cost audit of the Company as may be prescribed by the Central Government for Financial Year ended 31 March 2015, at the remuneration upto ₹ 7,00,000/- plus service tax as applicable and out of pocket expenses on actual basis.

Pursuant to provisions of Section 148 and all other applicable provisions of Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the remuneration payable to the Cost Auditors has to be ratified by the members of the Company.

The Board recommends resolution set out in Item no. 13 of the notice for approval and ratification by the members of the Company.

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financially or otherwise in this resolution.

### **ITEM NO. 14 OF THE NOTICE**

The members of the Company in its meeting held on 9 July 2010 and the Central Government had approved the payment of remuneration by way of commission, not exceeding in aggregate, 1% of the net profit of the Company computed in accordance with provisions of Section 198, 349 and 350 of the Companies Act, 1956, to the Non-Executive Directors of the Company in any Financial Year upto a period of 5 years, commencing from Financial Year ended on 31 March 2010.

It is proposed to seek approval of the members for payment of Commission to the Non-Executive Directors of the Company, in each Financial Year commencing from the Financial Year 2014-15, pursuant to Section 197 (including other applicable provisions if any) of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), and clause 49 of the Listing Agreement.



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The Board recommends special resolution set out in Item no. 14 of the notice for approval by the members of the Company.

All Non-Executive Directors of the Company may be deemed to be concerned or interested in this resolution to the extent of their shareholding and commission which may be received by each of them. The relatives of Non-Executive Directors of the Company may be deemed to be concerned or interested in this resolution to the extent of their shareholding.

Atul C. Kirloskar, Director of the Company, being brother of Rahul C. Kirloskar and father of Gauri Kirloskar and other relatives of Rahul C. Kirloskar and Gauri Kirloskar, to the extent of their shareholding in the Company, may be deemed to be concerned or interested financially or otherwise in this resolution.

Except above, none of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested financially or otherwise in this resolution.

### ITEM NO. 15 OF THE NOTICE

Section 149 (1) of the Companies Act, 2013, allows maximum strength of fifteen directors on the Board.

As per existing Article 121 of the Articles of Association, the number of directors of the Company shall not be less than three nor more than twelve.

Consequently Article 121 of the Articles of Association of the Company is sought to be amended in the manner set out in the resolution.

In terms of Section 14 of the Companies Act, 2013, the resolution set out at Item no. 15 of the Notice requires approval of the members by passing special resolution.

None of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested financially or otherwise in this resolution.

By Order of the Board of Directors

Smita Raichurkar  
Asst. Company Secretary

Place : Pune

Date : 17 June 2014