

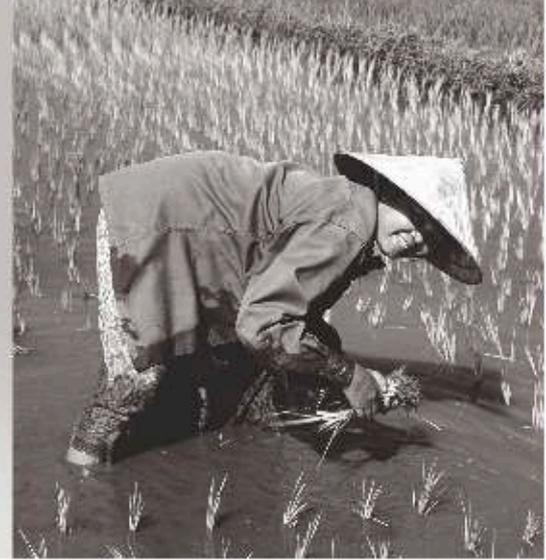
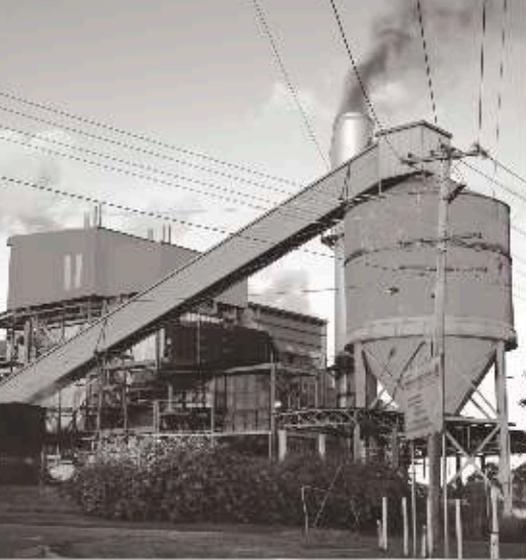


Enriching Lives

**KIRLOSKAR PNEUMATIC CO. LTD.**

37<sup>th</sup> ANNUAL REPORT 2011 - 2012

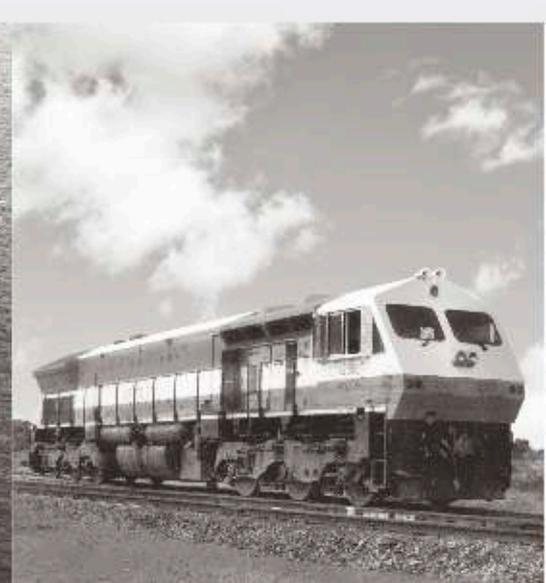
*Invisible yet Omnipresent*



**A**t Kirloskar we believe in working silently yet relentlessly towards one definite goal- Enriching Lives. You may not spot us easily, but we are always around you, fulfilling your every need. Be it the power that lights up your world, the fluids that flow in numerous industries, water that quenches thirst, the engines that power innumerable equipments, gensets that provide critical back-up power, compressors that help CNG reach to millions and refrigeration that preserves food. Kirloskar works silently and reliably to make sure your life is hassle-free. And, in our inconspicuous presence lies, our true commitment to engineering that enriches your lives.



- Kirloskar Compressors work round-the-clock for preservation & processing of foods and beverages, not just in India but also in the Middle East, SE Asia, Indo-China, Australia, Europe and Africa.
- Kirloskar Compressors play a vital role in Gas Compression by promoting natural alternatives for oil & gases, thereby creating a cleaner and greener world.
- KPCL specialises in delivering energy efficient and reliable Compressed Air Solutions across various industrial sectors viz. steel, power, pharma, nuclear, automobiles, construction and engineering. It also provides special tailor-made equipments for various applications.
- Indian Railway Locomotives plying passenger and goods trains across the length & breadth of nation using Kirloskar Traction Gears & Pinions.



<b>BOARD OF DIRECTORS</b>	Mr. Rahul C. Kirloskar Mr. Atul C. Kirloskar Mr. Sanjay C. Kirloskar Mr. Vikram S. Kirloskar Mr. A. C. Mukherji Mr. J. Y. Tekawade Mr. P. S. Jawadekar Mr. G. Krishna Rao Mr. D. R. Swar Mr. Sunil Shah Singh Mr. Aditya Kowshik	Executive Chairman (w.e.f. January 23,2012) (Appointed w.e.f. January 23,2012)
<b>COMPANY SECRETARY</b>	Mr. Jitendra R. Shah	Managing Director
<b>STATUTORY AUDITORS</b>	M/s. P. G. Bhagwat Chartered Accountants, Pune	
<b>BANKERS</b>	Bank of India Bank of Maharashtra ICICI Bank Ltd.	Union Bank of India HDFC Bank Ltd.
<b>REGISTRAR &amp; TRANSFER AGENTS</b>	<b>LINK INTIME (INDIA) PVT. LTD.</b> <b>Pune Office :</b> Akshay Complex, No. 202, 2nd Floor, Near Ganesh Temple, Off Dhole Patil Road, Pune 411 001	<b>Mumbai Office :</b> C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup West, Mumbai 400 078
<b>REGISTERED OFFICE</b>	<b>Hadapsar Industrial Estate,</b> Pune 411 013	
<b>LOCATION OF PLANTS</b>	<b>Pune and Saswad</b>	

**Information for shareholders**

**Annual General Meeting**

Day & Date	:	Tuesday, July 17, 2012
Time	:	02.30 p.m.
Venue	:	Pudumjee Hall Maharatta Chamber of Commerce, Industries And Agriculture, Tilak Road, Pune 411 002
Date of Book Closure	:	10th July, 2012 to 17th July, 2012 (both days inclusive)

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## NOTICE OF 37th ANNUAL GENERAL MEETING

NOTICE is hereby given that the 37th Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Tuesday the 17th day of July, 2012 at 2:30 p.m. at Pudumjee Hall, Maharashtra Chamber of Commerce, Industries & Agriculture, Tilak Road, Pune - 411 002 to transact the following business :

### ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2012 and the Profit and Loss Account for the year ended 31st March, 2012 and the Auditors' and Directors' Report thereon.
2. To declare dividend on equity shares for the financial year ended on 31st March, 2012.
3. To appoint a Director in place of Mr. Sanjay C. Kirloskar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. G. Krishna Rao, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. D. R. Swar, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Statutory Auditors to hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

### SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as an **ORDINARY RESOLUTION**.

"RESOLVED that Mr. Atul C. Kirloskar who was appointed as an Additional Director of the Company by the Board of Directors with effect from January 23, 2012 in the terms of Section 260 of the Companies Act, 1956 and Article 88 of the Articles of Association of the Company and in respect of whom the Company having received notice in writing under Section 257 of the Act from a member proposing his candidature, be and is hereby appointed as Director of the Company and the period of his office shall be liable to determination by retirement of directors by rotation."

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 198, 269, 309, 310 and 311 read with Schedule XIII to the Companies Act, 1956 and subject to such other approvals as may be necessary, consent of the Members be and is hereby accorded to the appointment of Mr. Rahul C. Kirloskar, Chairman as the Whole-Time Director to be designated as the Executive Chairman of the Company for a period of five years with effect from January 23, 2012 on the terms and conditions and remuneration as set out in the explanatory statement and contained in the agreement entered into between the Company and Mr. Rahul C. Kirloskar with liberty to the Board of Directors to alter and vary the said terms of appointment and remuneration but so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956, or any amendments thereto, as may be agreed to between the Board of Directors and Mr. Rahul C. Kirloskar."

### NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY.
2. The Proxy Form duly executed and stamped should reach the Company's Registered Office 48 hours before the time of the Meeting.
3. The Register of Members and the Share Transfer Books of the Company will remain closed from Tuesday the 10th day of July, 2012 to Tuesday, the 17th day of July, 2012 (both days inclusive).
4. The dividend as recommended by the Board, if declared at the meeting, will be paid after July 17, 2012 to those

members whose names appear on the Company's Register of Members on July 10, 2012. In respect of the shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL).

5. In order to get their dividend through Electronic Clearing Service (ECS) members who are holding shares in physical form are requested to inform their Bank Account Details i.e Name of the Bank, Branch, its address, Account Number and Type of Account to Link Intime India Pvt Ltd. (LI IPL) or to the Company. Shareholders holding shares in Electronic Form are requested to inform their Bank Account details to their respective Depository Participants. Those shareholders who do not opt for ECS facility may inform their details to the LI IPL for printing the same on the Dividend Warrants to ensure safety.
6. Under the provisions of the Income Tax Act, 1961, dividend amount is tax free in the hands of shareholders.
7. Members are hereby informed that unclaimed dividend upto the financial year 2004-05 have already been deposited by the Company to the Investor Education and Protection Fund (IEPF) constituted by the Central Government under section 205C of the Companies Act, 1956. Further, under the amended provisions of Section 205B of the Companies Act, 1956, no claim shall lie for the unclaimed dividend from IEPF by the shareholders.
8. Members are requested to sign at the place provided on the attendance slip and handover the same at the entrance of the Meeting.
9. Queries on Accounts of the Company, if any, may please be sent to the Company Secretary at the Registered Office of the Company seven (7) days in advance of the Meeting so that the answers may be made available at the Meeting.
10. Relevant documents referred to in the accompanying notice are open for inspection by the Members at the Registered Office of the Company on all working days between 11.00 a.m. and 1.00 p.m. upto the date of the meeting
11. Members are requested to bring their personal copy of the Annual Report to the Meeting.
12. Re-appointment of Directors at the Annual General Meeting :

Mr. Sanjay C. Kirloskar, Mr. G. Krishna Rao and Mr D. R. Swar retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49(IV)(G)(i) of the Listing Agreement relating to the Code of Corporate Governance, the particulars of the aforesaid Directors are given below :

**Profile of Directors retiring by rotation :**

- A. Mr Sanjay C. Kirloskar graduate with Mechanical Engineering from Illinois Institute of Technology, Chicago, U.S.A. He gained valuable experience through practical training in a number of Kirloskar Group Companies. He held the positions of Vice President Operations and Executive Vice President of Kirloskar Brothers Limited. Mr Sanjay C. Kirloskar is presently the Chairman and Managing Director of Kirloskar Brothers Limited.

The Directorship in other companies is as follows:

<b>Name of the Company</b>	<b>Board position held</b>
Kirloskar Brothers Ltd.	Chairman and Managing Director
Kirloskar Construction and Engineers Ltd.	Director
Kirloskar Ferrous Industries Ltd.	Director
Kirloskar Ebara Pumps Ltd.	Chairman
Kirloskar Proprietary Ltd.	Director
Kulkarni Power Tools Ltd.	Director
Prakar Investment Pvt. Ltd.	Chairman
Asara Sales and Investments Pvt. Ltd.	Director

Mr. Sanjay C. Kirloskar does not hold any shares in the Company.

Mr Atul C. Kirloskar and Mr Rahul C. Kirloskar, Directors of the company, being the brothers, are related to each other.

- B. Mr. G. Krishna Rao is B.Com, ACA and I.C.I.I. He was in senior level position in General Insurance Corporation of India for several years. He has a vast experience in Finance and Insurance matters.

Mr. G. Krishna Rao does not hold any Directorship / Committee membership in other companies.

Mr. G. Krishna Rao does not hold any shares in the company.

Mr. G. Krishna Rao is not related to any other director on the Board of the Company as per Section 6 of the Companies Act, 1956.

- C. Mr. D. R. Swar is a graduate in Mechanical Engineering, started his career with Mahindra and Mahindra, Automotive Division for 16 years, then worked with Greaves Cotton Co. Ltd. for 5 years. In both these Companies, he pre-dominantly worked in Vendor Development / Purchase and Materials Management. He joined Kirloskar Oil Engines Limited (KOEL) in 1987 and worked for 20 years in various senior positions, out of which last seven years as Executive Director. He has experience in varied fields such as purchase, vendor developments, materials management, manufacturing and overall business operations. As a head in material division in KOEL he implemented cost reduction programmes vigorously. His efforts in productivity improvement, cost reduction, introductions of new concepts in manufacturing paid rich dividends to KOEL. Besides being a qualified Engineer, Mr. D. R. Swar holds Diploma in Purchase Management from American Society and Diploma in Material Management and Production Management, both from Jamanalal Bajaj Institute of Management. He also attended Senior Management Development Programme at IIM, Ahmedabad.

The Directorship/Committee membership in other companies is as follows:

Name of the Company	Board position held
G. G. Dandekar Machine Works Ltd.	Director
Swaraj Engines Ltd.	Director
Kirloskar Oil Engines Ltd.	Director
Kirloskar Integrated Technologies Ltd.	Director

Mr. D. R. Swar does not hold any shares in the Company.

Mr D. R. Swar is not related to any other director on the Board of the Company as per Section 6 of the Companies Act, 1956.

By Order of the Board of Directors

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : April 24, 2012



**Jitendra R Shah**  
Company Secretary

## ANNEXURE TO THE NOTICE

**Explanatory statement as required under Section 173(2) of the Companies Act, 1956.**

### ITEM NO. 7 OF THE NOTICE

Mr. Atul C. Kirloskar joined the Board of the Company as a Non Executive Director on January 23, 2012 as per Section 260 of the Companies Act, 1956 read with Article 88 of the Articles of Association of the Company. Mr. Atul C. Kirloskar holds office only till the date of the forthcoming Annual General Meeting.

A Notice has been received from a member along with Deposit of Rs.500/- as required under section 257 of the Companies Act, 1956 proposing Mr. Atul C. Kirloskar candidature for the office of Director.

Mr. Atul C. Kirloskar did his graduation B.E., WIT, from USA.

Mr. Atul C. Kirloskar began his career with the erstwhile Kirloskar Cummins Limited in the year 1978, where he started out as a trainee. In December 1981, he was appointed as the Chief Executive of Cummins Diesel Sales and Services. On November 1, 1984, he was appointed as the Executive Vice President of Kirloskar Oil Engines Limited (KOEL). He was co-opted on the Board of KOEL on August 6, 1985 wherein he took over as the Managing Director. In 1988, he was also appointed as the Vice Chairman of KOEL and held the position till July 25, 1998 when he was elected as Chairman of the Board of KOEL. He is a member of the World Economic Forum. He has served as President of MCCIA from September 2002 to September 2004, and was Chairman of CII National Committee of Defence from 1998 to 2008.

The Directorship in other companies is as follows:

<b>Name of the Company</b>	<b>Board position held</b>
G. G. Dandekar Machine Works Ltd.	Chairman
Five Stars Bulkcarriers Ltd.	Director
GreenTek Systems (India) Ltd.	Director
Kirloskar Brothers Investments Ltd.	Chairman
Kirloskar Ferrous Industries Ltd.	Chairman
Kirloskar Industries Ltd.	Chairman
Kirloskar Oil Engines Ltd.	Chairman
Kirloskar Proprietary Ltd.	Director
Asara Sales and Investments Pvt. Ltd.	Chairman
Navsai Investments Pvt. Ltd.	Chairman
Toyota Kirloskar Motor Pvt. Ltd.	Director

Mr. Atul C. Kirloskar holds 1,14,330 shares in the Company.

Mr. Sanjay C. Kirloskar and Mr Rahul C. Kirloskar, Directors of the company, being the brothers, are related to each other.

### ITEM NO. 8 OF THE NOTICE

The Board of Directors of the Company, in its meeting held on January 23, 2012, appointed Mr. Rahul C. Kirloskar, Chairman as a Whole-Time Director designated as the "Executive Chairman" of the Company, for a period of 5 years from January 23, 2012. The said appointment as Whole Time Director as well as remuneration is subject to approval by the members of the Company in the ensuing Annual General Meeting.

Mr. 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 actively participated in extensive course for top management professionals of major international Companies on Total Quality Management (TQM) in Japan, conducted by Japanese Union of Scientists and Engineers (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.

The details of remuneration payable to Mr. Rahul C. Kirloskar are as under :

**SALARY:**

Rs.10,00,000/- (Rupees Ten Lakhs only) per month.

**PERQUISITES:**

In addition to the aforesaid salary, Mr. Rahul C. Kirloskar as Executive Chairman shall be entitled to the following perquisites:

- a. Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities and repairs shall be borne by the Company.
- b. Reimbursement of all medical expenses incurred for self and family.
- c. Leave travel assistance for self and family not exceeding Rs.2,00,000/- per annum.
- d. Fees of clubs, subject to a maximum of two clubs, which will include admission fee but will not include life membership fees.
- e. Personal accident insurance, premium whereof does not exceed Rs.25,000/- per annum.
- f. A car with driver.
- g. Telephone and fax facilities at residence.
- h. Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.
- i. Gratuity at the rate of 30 days' salary for each completed year of service as per the Scheme of the Company, and
- j. Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed at the end of the tenure.
- k. Education Allowance for the education of his Children as per Company Rules.

"Family" for the above purpose means wife, dependent children and dependent parents of the Executive Chairman.

Perquisites shall be evaluated as per the provisions of the Income tax Rules.

**COMMISSION**

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Executive Chairman shall not exceed the limit laid down under Section 309 of the Companies Act, 1956.

**MINIMUM REMUNERATION**

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as Whole-time Director, remuneration by way of salary, perquisites and other allowances shall be in accordance with the ceiling prescribed in Section II of Part II of Schedule XIII to the Companies Act, 1956 or any statutory modification thereof.

Mr. Rahul C. Kirloskar will be a Director liable to retire by rotation and his re-appointment as such Director shall not be deemed to constitute a break in his appointment as Executive Chairman.

Mr. Rahul C. Kirloskar is interested to the extent of remuneration payable to him. Mr. Atul C. Kirloskar and Mr. Sanjay C. Kirloskar, Directors of the Company being the brothers are related to each other and hence may be deemed to be interested in his appointment.

No other Director of the Company is concerned or interested.

By Order of the Board of Directors

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : April 24, 2012



**Jitendra R Shah**  
Company Secretary

## DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting their Report along with the Audited Accounts for the year ended March 31, 2012.

### FINANCIAL RESULTS

The Financial results for the year ended March 31, 2012 are summarised below:

	2011-12	2010-11
Gross Profit	<b>1,005,288,670</b>	771,741,899
Less:		
Depreciation & Amortization Expenses	<b>120,572,158</b>	117,511,931
Provision for Taxation	<b>265,571,187</b>	215,102,416
Profit after tax	<b>619,145,325</b>	439,127,552
Surplus from previous year	<b>177,122,565</b>	167,131,142
Add / (Less)		
Transferred to General Reserve	<b>400,000,000</b>	250,000,000
Proposed Dividend	<b>154,132,056</b>	154,132,056
Tax on Proposed Dividend	<b>25,004,073</b>	25,004,073
Retained Earnings	<b>217,131,761</b>	177,122,565

### OPERATIONS

A net sale of Rs.6,666 Millions was achieved during the year as against Rs. 4,917 million in last year. This 36% increase in revenue growth over the previous year has also contributed to a Profit Before Tax growth of Rs. 231 Millions.

The revenue of Compression Segment grew by Rs. 1,428 Millions to Rs. 5,781 Millions and growth in all product segments and dominance in all are as continued.

As committed to you last year the revamp of Transmission Division Operations has resulted in a great increase from Rs. 565 Millions to Rs. 885 Millions and has become operationally profitable.

We successfully delivered our largest Centrifugal Compressor based Refrigeration System for the first Coal Gasification Plant in India.

Export grew from Rs. 129 Millions to Rs. 319 Millions over the previous year.

### ENERGY CONSERVATION

We have received National level award for Excellence in Energy Management from CII on December 1, 2011.

We have also received a State level award for Excellence in Energy Conservation and Management from Maharashtra Energy Development Agency on March 13, 2012 for the year 2008-09.

### DIVIDEND

The Board of Directors have recommended a dividend of Rs. 12/- (120%) per equity share for the year ended March 31, 2012 as against Rs. 12/- (120%) per equity share paid last year.

### FIXED DEPOSIT

As on March 31, 2012 there are no fixed deposits either outstanding or unclaimed.

## PROSPECTS

The year 2011-12 tested the resilience of our business segment in the face of high interest rates and moderate demand slow down. Despite challenges our revenues increased to 36 % from 9 % (i.e. from Rs. 4,917 million in 2010-11 to Rs. 6,666 million in 2011-12).

The optimism we had on the growth of the Indian Economy was tempered by the 2nd Quarter of the year. The Wind Mill market shrunk due to various factors.

Investment in the Oil and Gas, Power and other infrastructure projects slowed down significantly.

For the Current Financial year 2012-13, your Company has a cautious outlook on the economy considering recession in global economy the anticipated rise in Foreign Exchange rates, crude oil prices, inflationary pressures in the Indian economy and high interest rates.

Consequently, your Company is carrying a lower order board as compared to the previous year. However, the silver lining is that we have an unprecedentedly large enquiry level.

## DIRECTORS

Mr. Sanjay C. Kirloskar, Mr. D. R. Swar and Mr. G. Krishna Rao retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The Board of Directors at their meeting held on January 23, 2012 appointed Mr. Atul C. Kirloskar as an Additional Director of the Company. Pursuant to Section 260 of the Companies Act, 1956, Mr. Atul C. Kirloskar ceases to be a Director at the ensuing Annual General Meeting. The Company has received notice in writing proposing his candidature for the office of Director. The necessary resolutions for their appointment are being placed before you.

The Board of Directors at their meeting held on January 23, 2012 appointed Mr. Rahul C. Kirloskar, Chairman as a Whole-Time Director and designated him as an Executive Chairman for a period of 5 years.

## CORPORATE GOVERNANCE

Your Company conforms to the norms of Corporate Governance as envisaged in the Listing Agreement with the Bombay Stock Exchange Ltd. A separate report on Corporate Governance, along with Statutory Auditors' Certificate on the Compliance, Management Discussions and Analysis, is attached and forms part of the Annual Report.

## STATUTORY DISCLOSURES

### 1. Conservation of Energy, Technology Absorption and Foreign Exchange

The information required under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, pertaining to Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo, is given in the Annexure I to this Report and forms part of this Report.

### 2. Particulars of Employees

Information in accordance with sub-section (2A) of Section 217 of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, is given in the Annexure to the Directors' Report. However as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Report and the Accounts is being sent to the Members of your Company excluding the aforesaid information. Any Member interested in obtaining the said annexure may write to the Secretarial Department at the Registered Office of the Company.

### 3. Subsidiary Company

During the year Kirloskar RoadRailer Limited has become Subsidiary of the Company. The activity of manufacturing facility of RoadRailer are set up at Nashik and the actual production will be commencing from the current financial year.

In accordance with the general circular No. 2/2011 dated February 8, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of Kirloskar RoadRailer Limited are not being attached with the Balance Sheet of the Company. However the financial information of Kirloskar RoadRailer Limited is disclosed in the Annual Report in compliance with the said circular. The Company will make available the Annual Accounts of Kirloskar RoadRailer Limited and the related detailed information to any member of the Company who may be interested in obtaining the same.

The consolidated financial statement prepared as per applicable provisions and duly audited by the statutory auditors, is presented elsewhere in this annual report.

#### **4. Directors' Responsibility Statement**

The Directors confirm that :

- i. In preparation of Annual Accounts, the applicable accounting standards have been followed.
- ii. The Directors have selected such accounting policies and applied them consistently in order to show true and fair view of the state of affairs.
- iii. The Directors have taken proper care in maintaining accounting records as per the provisions of the Companies Act, 1956, for safeguarding your Company's Fixed Assets for preventing and detecting fraud and other irregularities.
- iv. The Annual Accounts are prepared on the principle of going concern.

#### **5. Cash Flow**

A Cash Flow statement for the year ended March 31, 2012 is attached to the Balance Sheet.

#### **AUDITORS**

The Auditors of the Company, M/s. P. G. Bhagwat, Firm Registration No. 101118W, Chartered Accountants, Pune, retire at the conclusion of ensuing Annual General Meeting and are eligible for re-appointment. The requisite certificate pursuant to Section 224(1-B) of the Companies Act, 1956 has been received.

#### **EMPLOYEES**

Your Company follows unique methods towards human resource retention and development. The human skills development part is taken care of through competency mapping and identifying training needs. Training programs are designed in such a way that it addresses knowledge and skill enhancement. Empowerment and rewarding good performances ensures motivation and healthy working environment.

Industrial relations continued to be cordial during the year. Your Company has 1013 permanent employees on its roll as on March 31, 2012.

#### **ACKNOWLEDGMENT**

The Directors wish to convey their appreciation to all your Company's employees for their enormous personal efforts as well as their collective contribution to your Company's performance. The Directors would also like to thank the employees, shareholders, customers, dealers, suppliers, bankers and all the other stakeholders for their continuous support and their confidence in its management.

For and on behalf of the Board of Directors



**RAHUL C. KIRLOS KAR**

Chairman

Place : Pune

Date : April 24, 2012

## ANNEXURE I TO THE DIRECTORS' REPORT

Information as required under Section 217(1)(e) of the Companies Act, 1956.

### A. Conservation of Energy

#### ENERGY CONSERVATION

a) Energy Conservation measures taken:

- Switch 'OFF' Power and Lighting Transformer to reduce losses.
- Maintain Unity Power Factor and avail the 7% incentive benefit from MSEDCL on Electricity Consumption.
- RTGS system for availing prompt payment discount from MSEDCL.
- Maximum demand control through remote control operation.
- Rigorous Maintenance of Air Compressed Grid and Reduced Air Leakage.
- Removed the Open Air Cleaning Pipes and Installation of Energy Efficient Air Guns.
- Installation of Energy Efficient three star label split Air Conditioners.
- Installation of 4 x 54 T5 tube lights instead of 250-Watt mercury lamp in new shed.
- Installation of 4 x 14 tube lights instead of 40 x 2 watt fitting in ISD Building and ACD conference.
- Installation of translucent sheets in non ferrous foundry for improved illumination level during the day.
- Utilized compressed air in screw assembly testing in grid.
- Saving in oil consumption through oil extraction from chips using a Centrifuge.
- Cycle time reduction using new cutters in hobbing operation.

b) Additional Investments and Proposals, if any, being implemented for reduction of consumption of energy.

#### Proposals :

- Wind ventilators in Machine shop, assembly and Foundry.
- Energy efficient star labeled split Air Conditioners.
- Air System pressure reduction from 7 bar to 6.5 bar.
- Maintain Unity Power Factor and avail the 7% incentive benefit from MSEDCL on Electricity Consumption.
- Interchanging 55 Kw Compressor instead of 30 Kw in foundry.
- Soft starter for 75 kw motor to control maximum demand.
- Relining of furnace in heat treatment shop.

#### Investment :

Estimated additional investment for above proposals is about **Rs.5.8 Million**.

c) **Impact of the measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods.**

Estimated saving from activities mentioned in (a) and (b) above is about **Rs.10.50 Million** per year.

d) **Total Energy consumption and energy consumption per unit of production as per prescribed Form-A.**

Not given, as the Company is not covered under the list of specified industries.

### B. Technology Absorption :

#### Research and Development (R and D) :

1. **Specific areas in which R and D is carried out by the Company :**

- Design of new versions for water well sector ( K 300, K 1018, K 1415).
- Introduction of new model of portable compressor KDP185.

- Introduction of couple less recip compressor.
- Design of Unified Nitrogen and Air Charger.
- Development of Refrigeration Compressor KCX9 (Air Cooled Series).
- Development of Engineered Compressor Drive Set (KC/KCX) .
- Indigenous CNG Compressor prototype developed and tested.
- KRCW SERIES - Vapor Absorption Chiller (Steam Driven).
- Design and Development of Segment Gears.
- Design and Development of High Speed Gears.
- Introduction of New Gear Cutting Process for higher productivity.

## 2. Benefits derived as a result of above R and D :

- Indegenous in house capacity to design rotary compressors.
- Create prominent presence of KPCL in water well market.
- Penetration in the market for industrial segment and general engineering with the help of oil injected screw compressors.
- Introduction of new model of Diesel Portable Compressor in international market.
- Increasing of KC/KCX Compressor / Engineered Compressor Drive Set share in export market.
- New market entry in vapor absorption chiller.
- Business growth in Marine Refrigeration and Air - Conditioning (HVAC solutions) market.
- Business growth in Cement and Power Industry.
- New market for products in Pump and Compressor Drives.

## 3. Future plan of Action :

- Extend design of centrifugal compressor to cove complete market requirements.
- Create own technology for oil free screw compressors.
- Integrated packages of electrical oil injected screw compressors.
- Design and Development of new two stage Refrigeration Compressors (Air cooled series).
- Design and Development of new combinations in CNG compressors.
- Design and Development of KRCD SERIES - Vapour Absorption Chiller (Direct fired).
- Manufacture of CNG Compressors.
- Design of refrigeration system with Centrifugal Compressor (compliant to API 617).
- Development of MW Class Wind Turbine Gearboxes for various customers.
- Prototype development of High Speed Gearbox.

## 4. Expenditure on R and D

(Rs.in Million)

a) Capital	NIL
b) Recurring	42.93
c) Total	<u>42.93</u>
d) Total R and D Expenditure as a Percentage of total turnover	0.64%

## 5. Technology Absorption, Adaptation and Innovation :

### 1. Efforts in brief, made towards Technology Absorption, Adaptation and Innovation:

- Absorption of design principles and software application skills for rotary compressors to create own design and research capabilities.
- Absorption of Planetary Technology.
- Building expertise for the application and product in the area of special products.

- Absorption of new Innovative Technology in Gear Manufacturing.
- Building expertise for the application in wide Industrial Segment i.e. from Cement / Steel / Sugar and Power etc.

**2. Benefits derived as a result of the above efforts :**

- Increase in market share through addition of new range of products.
- Products with latest technology available to customer.
- Minimise breakdown of equipments, resulting into customer satisfaction.
- Bridging product gaps in the domestic and International market.
- Using latest technology for higher productivity and thereby increase in profitability.
- Increasing use of available expertise for manufacturing products to get share in untapped market.

**3. Information regarding Imported Technology during last 5 years**

Technology Imported and fully absorbed	Year of Import
Development of Centrifugal Compressor	2010
Dry Screw Compressors	2008
Development of NOPV MG-88/CW Marine Gearbox	2007

**C. Foreign Exchange Earnings and Outgo :**

Foreign exchange outgo	Rs.1,001 Million
Foreign exchange earned	Rs. 319 Million

For and on behalf of the Board of Directors



**RAHUL C. KIRLOSKAR**

Chairman

Place : Pune

Date : April 24, 2012

## REPORT ON CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company as a part of Kirloskar Group, is committed to maintain high standards of Corporate Governance. To us, Corporate Governance means conduct of business with transparency, accountability and business prosperity with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of all other stakeholders as well.

### 2. BOARD OF DIRECTORS

#### i. Composition and Category of Directors :

The Board of Directors of the Company represents an optimum mix of professionalism, knowledge and experience, comprises of Executive, Non-Executive and Independent Directors. The Chairman is a Executive Director. In all, there are 11 Directors including 6 Non-Executive and Independent Directors, 3 Non-Executive Directors and 2 Executive Directors. As on March 31, 2012, the composition of the Board of Directors of the Company meets the stipulated requirements of clause 49 of the Listing Agreement of the Stock Exchange.

#### ii. Number of Meetings :

During the year ended on March 31, 2012, seven Board Meetings were held on April 27, 2011, June 28, 2011, July 22, 2011, September 21, 2011, October 19, 2011, January 23, 2012 and March 20, 2012. The Annual General Meeting of the Company was held on June 28, 2011.

#### iii. Director's attendance record and directorships held :

The details of attendance of the Directors at the various Board Meetings, Annual General Meeting and also the number of other Directorships and Committee Memberships / Chairmanships are as follows :

Name of the Director and Position	No. of Board Meetings attended	Directorships in other companies as disclosed			
		Public	Private	Committee Membership*	Committee Chairmanship
<b>Non - Executive Directors</b>					
Mr. Atul C. Kirloskar #	2	8	3	1	-
Mr. Sanjay C. Kirloskar	5	6	2	1	-
Mr. Vikram S. Kirloskar	2	5	11	1	-
<b>Independent and Non - Executive Directors</b>					
Mr. A. C. Mukherji	6	7	-	9	4
Mr. J. Y. Tekawade	7	-	1	-	-
Mr. P. S. Jawadekar	6	2	1	1	-
Mr. G. Krishna Rao	7	-	-	-	-
Mr. D. R. Swar	4	4	-	1	1
Mr. Sunil Shah Singh	6	1	-	-	-
<b>Executive Directors</b>					
Mr. Rahul C. Kirloskar @ Chairman	7	5	3	1	-
Mr. Aditya Kowshik Managing Director	6	-	1	-	-

\* Only two Committees i.e. the Audit Committee and Investors' Grievance Committee are considered for this purpose.

# Mr. Atul C. Kirloskar was appointed as an additional Director on January 23, 2012.

@ Mr. Rahul C. Kirloskar, Chairman was appointed as Whole-Time Director on January 23, 2012, thereafter his status was changed from Non-Executive Chairman to Executive Chairman.

**All Directors as on that date except Mr. Vikram S. Kirloskar and Mr. D. R. Swar attended the Annual General Meeting held on June 28, 2011.**

### 3. AUDIT COMMITTEE

#### I. Composition :

The Audit Committee consists of Mr. A. C. Mukherji, Mr. G. Krishna Rao, and Mr. J. Y. Tekawade.

Mr. A. C. Mukherji, Independent Director is the Chairman of the Audit Committee.

Chairman, Managing Director, Vice President and Finance Controller attend the Audit Committee Meetings. The representatives of the Statutory Auditors, Internal Auditors and Operational Heads are invited to the Meetings. The Internal Auditors submit their report to the Audit Committee. Company Secretary acts as Secretary to the Audit Committee.

#### ii. Terms of Reference :

The role and terms of reference of the Audit Committee covers the areas mentioned under Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956 besides other terms as may be referred by the Board of Directors. These include oversight of Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; reviewing annual and quarterly financial statements with management before submission to the Board; reviewing the adequacy of internal control systems and performance of external and internal auditors with management.

#### iii. Meetings and attendance of the Audit Committee :

The Audit Committee met six times during the year i.e. on April 27, 2011, June 28, 2011, July 22, 2011, September 21, 2011, October 19, 2011 and January 23, 2012 which was attended by all the members.

### 4. SUBSIDIARY COMPANY

The Company has one Non-Listed Subsidiary Company namely Kirloskar RoadRailer Limited.

The minutes of the Board Meeting as well as statements of all significant transactions of the subsidiary company are placed regularly before the Board of Directors for their review.

### 5. REMUNERATION COMMITTEE

#### I. Composition :

The Remuneration Committee comprises of 3 Directors consisting of Mr. P. S. Jawadekar, who is the Chairman of the Committee, Mr. G. Krishna Rao and Mr. J. Y. Tekawade. Company Secretary acts as Secretary to the Committee.

#### ii. Terms of Reference :

The functioning and terms of reference of the Remuneration Committee are as prescribed under Clause 49 of the Listing Agreement. It determines the Company's policy on all elements of remuneration packages of all the Directors including salary, benefits, bonus, stock options, pension rights and compensation payment etc.

#### iii. Meetings and attendance of the Remuneration Committee :

During the year, two Remuneration Committee Meetings were held on April 27, 2011 and January 23, 2012, and both were attended by all the members.

#### iv. Remuneration Policy :

The Board determines the remuneration payable to the Executive Directors taking into account their qualification, expertise and contribution and based on recommendations of the Remuneration Committee.

Non-Executive Directors are paid sitting fees for attending Board / Committee Meetings as decided by the Board within the limits prescribed under the Companies Act, 1956.

Commission payable to Non-Executive Directors is limited to a fixed amount per year as determined and approved by the Board based on their attendance and contribution at the Board and Committee Meetings based on recommendations of the Remuneration Committee. The total amount of commission to Non-Executive Directors is within the limit of 1% of the net profits of the Company for the year, calculated as per the provisions of the Companies Act, 1956, subject to necessary approvals, as applicable, if any.

v. Details of remuneration paid / payable to Directors during the year 2011-12:

A. Non Executive Directors

Name of Director	Sitting Fees (Rs.)	Commission on Net profit* (Rs.)	Salary and Perquisites (Rs.)	Total (Rs.)	No. of shares held
Mr. Rahul C. Kirloskar (upto 22-01-2012)	90,000	3,00,000	–	3,90,000	115,579
Mr. Atul C. Kirloskar	10,000	1,20,000	–	1,30,000	114,330
Mr. Sanjay C. Kirloskar	25,000	3,00,000	–	3,25,000	–
Mr. Vikram S. Kirloskar	10,000	1,20,000	–	1,30,000	–
Mr. A. C. Mukherji	55,000	9,85,000	–	10,40,000	–
Mr. J. Y. Tekawade	85,000	11,70,000	–	12,55,000	104
Mr. P. S. Jawadekar	40,000	3,60,000	–	4,00,000	–
Mr. G. Krishna Rao	85,000	11,70,000	–	12,55,000	–
Mr. D. R. Swar	65,000	2,40,000	–	3,05,000	–
Mr. Sunil Shah Singh	30,000	3,60,000	–	3,90,000	–

\* Payable only on adoption of accounts in the ensuing Annual General Meeting

B. Remuneration paid / payable to Mr. Rahul C. Kirloskar, Executive Chairman and Mr. Aditya Kowshik, Managing Director

Amount in Rupees

Particulars	Mr. Rahul C. Kirloskar From January 23, 2012 to March 31, 2012	Mr. Aditya Kowshik From April 1, 2011 to March 31, 2012
Salary	22,90,323	42,00,000
House Rent Allowance	-	4,20,000
Contribution to:		
Provident Fund	2,74,839	5,04,000
Superannuation Fund	3,43,548	6,30,000
Gratuity Fund	1,90,860	3,50,000
Other perquisites	4,06,675	3,50,136
Commission*	50,00,000	1,25,00,000
<b>TOTAL</b>	<b>85,06,245</b>	<b>1,89,54,136</b>
<b>No. of shares held</b>	<b>1,15,579</b>	<b>NIL</b>

\* Payable only on adoption of accounts in the ensuing Annual General Meeting

6. INVESTORS' GRIEVANCE COMMITTEE

The Committee functions under the Chairmanship of Mr. G. Krishna Rao, a Independent Non-Executive Director, Mr. Rahul C. Kirloskar, Executive Director and Mr. J. Y. Tekawade, Independent Non-Executive Director as its members. Company Secretary is the Compliance Officer.

During the year, two Investors' Grievance Committee meetings were held on April 27, 2011 and October 19, 2011 and both were attended by all the members.

The Company has received 6 complaints during the year and all of them were resolved. There were no complaints pending as on March 31, 2012.

## 7. GENERAL BODY MEETINGS

### i. The details of the last three Annual General Meetings are as follows :

Date	Time	Location
June 28,2011	11.00 am	Mahratta Chamber of Commerce. Industries and Agriculture, Tilak Road, Pune 411 002
July 26,2010	11.30 am	Mahratta Chamber of Commerce. Industries and Agriculture, Tilak Road, Pune 411 002
July 18, 2009	02.30 pm	Kirloskar Kisan Compound, Karve Road, Kothrud, Pune 411 038

### ii. Special Resolutions passed in last 3 AGM's :

The shareholders of the Company have passed the following (1) one special resolution at the following Annual General Meeting.

#### June 28, 2011

Payment of Commission to the Director who is neither in the whole time employment of the Company nor a Managing Director, provided in Section 198, 309, 310, 349, 350 of the Companies Act, 1956.

### iii. Postal Ballot

The Company on June 10, 2011 passed the following two ordinary Resolutions through Postal Ballot

1. Increase in the borrowing limits up to Rs.1000 Crores (Rupees One Thousand Crores only) under Section 293(1)(d) of the Companies Act, 1956 and
2. Creation of charges up to Rs.1000 Crores (Rupees One Thousand Crores Only) under Section 293(1)(a) of the Companies Act, 1956

Mr. Shridhar Mudliar, Practising Company Secretary was appointed as Scrutiniser for the process. The resolution was approved by 99.96 % and 99.95 % votes respectively.

## 8. DISCLOSURES

- i. During the year 2011-12, the Company had no materially significant related party transaction that has potential conflict of interest with the interest of Company at large.
- ii. There was no non-compliance by the Company, penalties or strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital Markets, during the last three years.
- iii. The Company does not have a formal Whistle Blower Policy. However, no personnel has been denied access to the Audit Committee.
- iv. The Company has complied with all mandatory requirements of clause 49 of the listing agreement. Company has not adopted any non-mandatory requirements of clause 49 except that it has formed the Remuneration Committee.
- v. Disclosure(s) relating to the full particulars of the Cost Auditor along with other details pursuant to the General Circular No. 15/2011 dated April 11, 2011 issued by the Ministry of Corporate Affairs.

Pursuant to the approval of the Central Government under Section 233B of the Companies Act, 1956, the Company has appointed Mr. S. G. Jog, Membership No. 5599, Cost Accountants as Cost Auditor of the Company. Further the due date of filing the Cost Audit Report for the financial year 2011-12 by the Cost Auditor is September 30, 2012.

## 9. MEANS OF COMMUNICATION

The quarterly, half yearly, nine monthly and yearly financial results are published in the leading news papers viz. all editions of Business Standard (English) and Loksatta (Marathi). The Company updates its results on the website [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com) and its group companies website at [www.kirloskar.com](http://www.kirloskar.com).

Meeting and tele-conference were held with Investors and Analysts. They were also provided with a copy of Quarterly Results after the results were faxed to the Stock Exchange. A copy of the Report of tele-conference is also uploaded on the website of the Company.

## 10. GENERAL SHAREHOLDER INFORMATION

### i. Annual General Meeting :

<b>Date</b>	: July 17, 2012
<b>Day</b>	: Tuesday
<b>Time</b>	: 2:30 p.m.
<b>Venue</b>	: Pudumjee Hall, Maharashtra Chamber of Commerce, Industries & Agriculture, Tilak Road, Pune - 411 002

ii. **Financial Year** : 1st April to 31st March

iii. **Book Closure** : 10th July 2012 to 17th July, 2012  
(both days inclusive)

iv. **Dividend Payment Date** : on or after 17th July 2012

v. **Listing on** : Bombay Stock Exchange Limited

vi. **Stock Code** : 505283

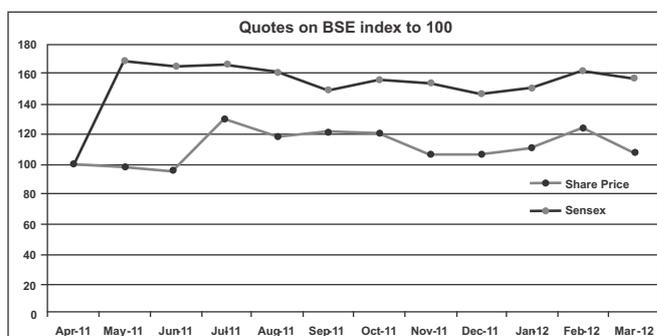
vii. **Depositories** : National Securities Depository Ltd. (NSDL)  
Central Depository Services (I) Ltd. (CDSL)  
ISIN No. - INE811A01012

### viii. Market Price Data :

Market Price Data as per Bombay Stock Exchange Ltd., i.e. High-Low and close for each month during this financial year

Year	High (Rs.)	Low (Rs.)	Close (Rs.)
April 2011	461.60	400.00	437.25
May 2011	457.95	397.05	406.90
June 2011	440.00	396.00	432.95
July 2011	600.15	425.15	523.05
August 2011	548.00	477.25	507.60
September 2011	558.00	502.50	509.95
October 2011	556.80	472.50	481.20
November 2011	487.90	440.00	469.00
December 2011	493.50	400.00	416.75
January 2012	508.90	405.00	467.70
February 2012	574.20	456.55	469.55
March 2012	493.00	445.00	485.75

### ix. Stock Performance in comparison to BSE Sensex :



### x. Registrar and Transfer Agent :

M/s. Link Intime (India) Private Limited are the Registrar and Transfer Agents for shares in physical form as well as electronic mode.

**xi. Share Transfer System :**

Share Transfers are registered and returned within a period of 15 days from the date of receipt, provided the documents are correct and valid in all respects.

**xii. Distribution of Shareholding as on March 31, 2012**

HOLDING		No. of Members	Percentage	No. of Shares of Rs.10/- each	% to Capital
UPTO	500	18,921	97.07	7,89,075	6.14
	501	307	1.58	2,54,836	1.98
	1,001	114	0.58	1,70,796	1.33
	2,001	42	0.21	1,06,100	0.83
	3,001	17	0.09	61,499	0.48
	4,001	15	0.08	69,252	0.54
	5,001	21	0.11	1,45,385	1.13
	10,001	55	0.28	1,12,47,395	87.57
<b>TOTAL</b>		<b>19,492</b>	<b>100.00</b>	<b>1,28,44,338</b>	<b>100.00</b>

**xiii. Shareholding Pattern as on March 31, 2012**

	Category	No. of Shares of Rs.10/- each	Percentage of shareholding
A.	Promoter's	74,61,763	58.09
B.	Mutual Funds and UTI	23,00,846	17.91
C.	Banks, Financial Institutions and Insurance Companies	72,010	0.56
D.	Other Corporate Bodies	10,67,963	8.31
E.	General Public	19,12,627	14.90
F.	NRIs	29,129	0.23
	<b>Grand Total</b>	<b>1,28,44,338</b>	<b>100.00</b>

**xiv. Dematerialisation of Shares and liquidity :**

The name of the Company appears in the compulsory Trading List and 96.28% of Share Capital is in Electronic Form as on March 31, 2012.

**xv. Company has not issued GDRs / ADRs / Warrants or any convertible instruments.****xvi. Plant Locations and Address for Correspondence :****Registered Office of the Company**

Secretarial Department  
Kirloskar Pneumatic Co. Ltd.  
Hadapsar Industrial Estate,  
Pune 411 013  
Phone No. 020 - 26727000  
Fax No. 020 - 26870297 / 634  
Email : sec@kpcl.net  
Website : www.kirloskarkpcl.com

**Plant Locations :**

**PUNE**  
Hadapsar Industrial Estate,  
Pune 411 013

**Saswad**

Saswad,  
Tal.: Purandar  
Dist. Pune

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**Registrar and Transfer Agent :**

**Link Intime (India) Private Limited**

**Pune Office :**

Akshay Complex, No. 202, 2nd Floor,  
Near Ganesh Temple,  
Off Dhole Patil Road,  
Pune 411 001  
Phone Nos.: 020-26160084 / 1629 / 3503  
Fax No. 020 – 26163503  
Email : pune@linkintime.co.in

**Mumbai Office :**

C-13, Pannalal Silk Mills Compound,  
LBS Marg, Bhandup, West  
Mumbai 400 078  
Phone No. : 022-25963838  
Fax No. 022-25946970  
Email : mumbai@linkintime.co.in

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**DECLARATION FOR COMPLIANCE WITH THE CODE OF CONDUCT**

Pursuant to Clause 49 I (D)(ii) of the Listing Agreement I, hereby declare that all Board Members and Senior Management personnel have affirmed compliance with the Code of Conduct made effective from April 1, 2005.

**Kirloskar Pneumatic Company Limited**



**Aditya Kowshik**  
Managing Director

Pune, April 24, 2012

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE****To the members of Kirloskar Pneumatic Company Limited**

We have examined the compliance of conditions of Corporate Governance by Kirloskar Pneumatic Company Limited, for the year ended 31<sup>st</sup> March, 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company, with the Stock Exchange(s).

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

In our opinion and to the best of our information and according to the explanations 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 further state that, such compliance is neither an assurance as to the 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  
Firm Registration No. : 101118W  
Chartered Accountants

**S. S. Athavale**  
Partner  
Membership No. : 83374

Place : Pune  
Date : April 24, 2012

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## MANAGEMENT DISCUSSIONS AND ANALYSIS

### INDUSTRY STRUCTURE AND DEVELOPMENT

Notwithstanding the recessionary trend in the Market your Company has ended the year with the healthy growth.

### BUSINESS SEGMENTS (SEGMENT-WISE PERFORMANCE)

The Company has two major business segments viz. Compression Systems and Transmission Products.

#### Compression Systems

The Compression Systems are set-up at Hadapsar and Saswad, both at Pune, manufacturing a wide variety of compressors, and also undertaking design, packaging of conventional and high-tech air, gas and refrigeration systems serving various industries such as Power Generation, Air Separation, Textile, Iron and Steel, Oil and Gas, Cement, Sugar, Defence, Railways, Construction and Mining, Fertilizers, Pharmaceuticals, Dairy, Brewery, Fish and Meat Processing, Cold Storage, Ice Plant etc. The plant at Saswad also packages Gas Compression systems for CNG Stations and for the Upstream, Downstream and Distribution sectors.

#### Transmission Products

Transmission Products are manufactured at Hadapsar, Pune. Addressed markets are for Railways, Wind Power, Marine and Industrial Gearboxes.

### PERFORMANCE

During the year, the turnover of Compression Systems Segment, was Rs.5,781 Millions, (previous year Rs.4,352 Millions)

The turnover of Transmission Products Segment was Rs.885 Millions, (previous year Rs.565 Millions).

### OUTLOOK

Your Company is focused on

- 1) Oil and Gas
- 2) Food
- 3) Power
- 4) Railways
- 5) Marine

In the current year considering the increase in business of Air Conditioning and Refrigeration Division, we propose to increase existing compressor manufacturing capacity by setting up an Environment friendly world class manufacturing facility at Saswad.

In the second quarter of the current year, the manufacturing of the RoadRailer will commence at our Plant in Nasik.

### OPPORTUNITIES, THREATS AND CONCERNS

#### Compression Systems Segment

The Company continues to design and develop various new models of reciprocating compressors for air and gas applications. The Company has also developed and introduced new and improved screw compression packages. Your Company has the ability to produce cost effective state of the art packages and effective after sales and service will enable it to retain its market share. Our growing business in the export market for KC Compressors and our dominance in the Indian Market is attracting more multinationals companies into India.

The Compression Industry is slated for a major growth, though the competition is getting tougher as more multinational companies are entering into India.

Raw material cost pressures and talent availability is becoming a major concern over the past couple of years.

## **Transmission Products Segment**

### **Rail Traction Sector**

The Indian Railways continues to invest and upgrade their Rolling Stock thereby leading to continuous business growth in traction gearing for your Company.

### **Industrial Sector**

Your Company is actively pursuing the Markets to promote Customized Industrial Gearboxes by leveraging the past track record and the newly added infrastructure.

With opening up of markets, international acquisitions, competition from overseas has intensified. Focused cost reduction projects, new vendor development activities and manufacturing and technology up gradation projects have been taken up to counter these issues.

## **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

The Company has adequate internal control systems to ensure maintenance of proper accounting records, their accuracy and Accounting Standards, safeguarding of Company's assets and assessing its risk for insurance coverage.

Our Company has appointed Internal Auditors for review of Internal Control Systems. The detailed reports of Internal Auditors are presented to the Audit Committee. The compliances of observations of Internal Auditors are monitored by the management.

## **SAFETY, HEALTH AND ENVIRONMENT**

The Company is ISO 9001, ISO 14001 and OHSAS 18001 certified and is giving due importance to safety, health and environment related issues. The employees are educated and trained to improve awareness and skills in their respective areas of operations. The Company is fulfilling all statutory and regulatory requirements, conformance as per the Safety and Environmental requirements as per ISO 14001 and OHSAS 18001 respectively.

During the year the Company is planning to go for Integrated Management System (IMS) i.e QMS, EMS and OHSAS

Besides effluent treatment of waste products, lot of attention has been given to improve greenery all around the manufacturing plants, through tree plantation programmes.

Sand Recovery Plant has been commissioned to reduce waste in the Foundry which will help in environment sustenance as well as cost reduction.

The Company has a well equipped Occupational Health Centre that delivers qualitative preventive health services not only to the employees but also to their families and to the society at large. First aid preparedness in Factories is ensured round the clock. Medical surveillance that includes pre-employment, periodic medical examinations and occupational rehabilitation is ensured so that employee health and well being are maintained. Hospitalized employees are given meaningful help and reassurance. Annual Wellness Planner ensures that all employees are covered under preventive health checks and health promotion programmes.

## **CORPORATE SOCIAL RESPONSIBILITY ( CSR )**

The Company aspires to be an excellent, society oriented and ethical company. Corporate social responsibility is an important component of the Company Mission Statement. CSR includes creating healthy and safe working conditions that protect people as well as the environment. All efforts are made to ensure that the processes and the products of the Company are eco-friendly. The Company has evolved CSR Initiatives for the surrounding community that focuses on education, health and environment. Some of the examples of CSR Initiatives are self development program for socio-economically challenged students, support to meritorious, socially and physically challenged students, Kirloskar Eco Clubs in schools, blood donation camps, community health camps, eye care for school children, teachers training, health awareness and health checks, HIV / AIDS Workplace Intervention. WASH (Water, Sanitation, Hygiene) initiative for schools in collaboration with Kirloskar Foundation etc. The Company actively encourages employee volunteering in all its CSR initiatives. During the year the Company has spent 1.20% of the Net Profit on Corporate Social Responsibility.

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## **HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

To meet the Company's long term vision and various emerging challenges, the Company has put together a number of initiatives, e.g. significant strides have been made in organizational renewal programme, with focus on enhancing organizational efficiencies, employee competencies and commitment, keeping in mind the flexibility required to meet changing market requirements and to use manpower gainfully and enhance their productivity.

Upgrading skills and competencies across all levels and functions especially to meet the technological challenges will gather momentum. The Company plans to continue to build on people and processes.

The Company's Future Leaders Programme seeks to identify, leverage and appropriately deploy talent within the Company keeping in view the long-term objectives of the Company.

The Company is also focusing beyond the workplace with programmes such as training to its employees and engaging and recognizing employees in social activities.

The relations with the employees at all levels continue to be cordial. As on March 31, 2012, the total strength was 1013 employees.

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**AUDITOR'S REPORT TO THE MEMBERS OF KIRLOSKAR PNEUMATIC COMPANY LIMITED**

1. We have audited the attached balance sheet of **KIRLOSKAR PNEUMATIC COMPANY LIMITED**, as at 31st March, 2012, and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.  
The financial statements of the Company for the year ended 31st March, 2011 were audited by other independent auditor whose report dated 27th April, 2011, expressed an unqualified opinion on those statements. The audited balances as on 31st March, 2011 have been considered as opening balances for the purpose of these financial statements.
3. As required by the Companies (Auditor's Report) Order, 2003, (as amended by Companies (Auditor's Report) (Amendment) Order, 2004) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) 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 ;
  - (iii) The balance sheet and profit and loss account and the cash flow statement dealt with by this report are in agreement with the books of account ;
  - (iv) In our opinion, the balance sheet and profit and loss account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on 31st March, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) 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 Companies Act, 1956, 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 31st March, 2012;
    - (b) in the case of the Profit and Loss Account, 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.

**For M/S P G BHAGWAT**

Chartered Accountants

Firm Registration Number : 101118W

**Sanjay Athavale**

Partner

Membership Number : 83374

Pune  
April 24, 2012

## ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our above report of even date)

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) All the Fixed Assets have been physically verified by the management during the year and there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. The discrepancies noticed during such verification have been properly dealt with in the books of account.  
(c) During the year, the company has not disposed off major part of the Fixed Assets.
2. (a) The inventory has been physically verified during the year by the management, which, is in our opinion, at reasonable intervals.  
(b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.  
(c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stock and the book records.
3. (a) The Company has not granted any loans to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.  
(b) The Company has not taken any loans from companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, 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.  
(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 five Lacs rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public with the provisions of Sections 58A and 58AA of the Companies Act, 1956, and the rules framed there under.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. The Company is maintaining cost records as prescribed under Section 209 (1) (d) of the Companies Act, 1956. However, we have not verified the same for completeness or accuracy.
9. (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues with the appropriate authorities. There were no amounts payable in respect of the statutory dues outstanding, as at 31.03.2012 for a period of more than six months from the date they became payable.  

According to the information and explanations given to us, no undisputed amounts payable in respect of Sales Tax, Income Tax, Custom Duty / Wealth Tax, Excise Duty / Cess and Service Tax were outstanding, as at the balance sheet date for a period of more than six months from the date they became payable.

- (b) According to the records of the Company, there are no dues of Sales Tax, Income Tax, Customs Duty/Wealth Tax, Excise Duty/Cess and Service Tax which have not been deposited on account of any dispute, except:

Name of the Statute	Nature of dues	Amount (Rs.)	Period to which amount relates	Forum
Excise Duty	Demand of penalty on reversal of Cenvat Credit not made	18,44,000	FY 1997-98 to 2001-02 upto Feb-2002	CESTAT, Delhi
Service Tax	Penalty	3,09,556	FY 2003-04 to 2005-06	CESTAT, Mumbai
Sales Tax	Non-production of C Forms	83,000	AY 1992-93	Mumbai High Court, Mumbai Sales Tax Tribunal
	Appeal against incorrect Assessment Order	5,99,000	AY 2004-05 and 2005-06	Commissioner Appeal
	Demand under Works Contract Tax	1,88,000	AY 1985-86	Tribunal
	Demand under Work Contract Tax	2,87,000	AY 1985-86, 1986-87 and 1987-88	High Court
Income Tax	Disallowance of certain expenditure	7,12,247	AY 1960-70 to AY 1978-79	High Court

10. The Company has no accumulated losses as on the Balance Sheet date. The Company has not incurred cash losses during the financial year covered by our audit nor during the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit funds are not applicable to the Company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments.
15. As informed to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
16. During the year, Term Loans have not been raised by the company.
17. The funds raised on short term basis have not been used for long term investment.
18. The Company has not made preferential allotment of shares during the year.
19. No money has been raised by debenture issues during the year.
20. No money has been raised by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For M/S P G BHAGWAT**

Chartered Accountants

Firm Registration Number : 101118W

**Sanjay Athavale**

Partner

Membership Number : 83374

Pune  
April 24, 2012

## BALANCE SHEET AS AT 31ST MARCH, 2012

	Note No.	Rs.	As at 31st March 12 Rs.	As at 31st March 11 Rs.
<b>I. EQUITY AND LIABILITIES</b>				
<b>(1) SHAREHOLDERS' FUNDS :</b>				
(a) Share Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	<u>2,168,977,649</u>		<u>1,739,122,980</u>
			<b>2,297,421,029</b>	<b>1,867,566,360</b>
<b>(2) SHARE APPLICATION MONEY PENDING ALLOTMENT :</b>				
			-	-
<b>(3) NON CURRENT LIABILITIES :</b>				
(a) Long Term Borrowings	3	62,548,750		123,255,000
(b) Deferred Tax Liability (Net)	4	4,274,365		15,703,178
(c) Other Long Term Liabilities	5	13,174,461		13,852,956
(d) Long Term Provisions	6	<u>26,500,705</u>		<u>15,098,489</u>
			<b>106,498,281</b>	<b>167,909,623</b>
<b>(4) CURRENT LIABILITIES :</b>				
(a) Short Term Borrowings		-		-
(b) Trade Payables	7	1,077,945,194		1,012,951,016
(c) Other Current Liabilities	8	862,108,860		1,091,558,104
(d) Short Term Provisions	9	<u>488,123,129</u>		<u>433,210,486</u>
			<b>2,428,177,183</b>	<b>2,537,719,606</b>
<b>Total</b>			<b><u>4,832,096,493</u></b>	<b><u>4,573,195,589</u></b>
<b>II. ASSETS :</b>				
<b>(1) NON CURRENT ASSETS :</b>				
(a) Fixed Assets				
(i) Tangible Assets	10	780,576,593		726,577,501
(ii) Intangible Assets	11	125,275,639		121,242,806
(iii) Capital work in progress		20,424,092		43,914,862
(b) Non Current Investments	12	30,713,098		29,708,286
(c) Long Term Loans and Advances	13	45,170,926		29,167,386
(d) Other Non Current Assets	14	<u>28,465,895</u>		<u>28,465,895</u>
			<b>1,030,626,243</b>	<b>979,076,736</b>
<b>(2) CURRENT ASSETS :</b>				
(a) Current Investments	15	1,000,000,000		578,898,573
(b) Inventories	16	821,739,537		824,221,277
(c) Trade Receivables	17	1,350,411,642		1,437,381,168
(d) Cash and Bank Balances	18	251,346,348		274,224,067
(e) Short Term Loans and Advances	19	84,054,519		270,823,322
(f) Other Current Assets	20	<u>293,918,204</u>		<u>208,570,446</u>
			<b>3,801,470,250</b>	<b>3,594,118,853</b>
<b>Total</b>			<b><u>4,832,096,493</u></b>	<b><u>4,573,195,589</u></b>
Notes forming part of the Financial Statements	1 - 49			

As per our attached report of even date

For and on behalf of Board of Directors

**For M/s P. G. Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director

**Rahul C. Kirloskar**  
Executive Chairman

**S. S. Athavale**  
Partner  
Membership No. 83374  
Pune, April 24, 2012

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2012

## STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2012

	Note No.	Rs.	Current Year Rs.	Previous Year Rs.
I Revenue from Operations	21		7,116,135,665	5,274,701,251
Less: Excise Duty			449,994,327	357,386,036
Net Revenue from Operations			6,666,141,338	4,917,315,215
II Other Income	22		135,608,640	97,675,452
III <b>Total Revenue ( I + II )</b>			<b>6,801,749,978</b>	<b>5,014,990,667</b>
IV EXPENSES :				
Cost of Materials Consumed	23	3,716,009,822		2,785,600,714
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	24	202,677,085		(62,414,869)
Employee Benefits Expenses	25	705,085,055		612,174,338
Finance Costs	26	11,947,323		18,952,075
Depreciation and Amortization Expense	27	120,572,158		117,511,931
Other Expenses	28	1,160,742,023		888,936,510
<b>Total Expenses</b>			<b>5,917,033,466</b>	<b>4,360,760,699</b>
V Profit before Exceptional and Extraordinary Items and Tax ( III - IV )			884,716,512	654,229,968
VI Exceptional Items			-	-
VII Profit before Extraordinary Items and Tax ( V-VI )			884,716,512	654,229,968
VIII Extraordinary Items			-	-
IX Profit before Tax ( VII-VIII )			884,716,512	654,229,968
X Taxation :				
Current Tax		277,000,000		220,000,000
Deferred Tax		(11,428,813)		(4,897,584)
			265,571,187	215,102,416
Profit (Loss) for the Period			<b>619,145,325</b>	<b>439,127,552</b>
Earning per Share :				
(1) Basic			48.20	34.19
(2) Diluted			48.20	34.19

Notes forming part of the Financial Statements 1- 49

As per our attached report of even date

For and on behalf of Board of Directors

For **M/s P. G. Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director

**Rahul C. Kirloskar**  
Executive Chairman

**S. S. Athavale**  
Partner  
Membership No. 83374  
Pune, April 24, 2012

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

PARTICULARS	Rs.	2011-2012 Rs.	2010-2011 Rs.
<b>(I) OPERATING ACTIVITIES</b>			
(A) PROFIT BEFORE TAXATION		<b>884,716,512</b>	654,229,968
(B) ADJUSTMENTS :			
<b>Add :</b>			
(i) Depreciation and Amortisation	<b>120,572,158</b>		117,511,931
(ii) Bad Debts	<b>5,257,985</b>		5,307,930
(iii) Loss on Assets sold	<b>2,632,341</b>		706,638
(iv) Interest on Secured / Unsecured Loans	<b>11,947,323</b>		18,952,075
		<b>140,409,807</b>	142,478,574
		<b>1,025,126,319</b>	796,708,542
<b>Less :</b>			
(i) Investment Income included above :			
(a) Dividend	<b>58,544,018</b>		24,166,617
(b) Interest Received	<b>12,406,856</b>		4,270,030
	<b>70,950,874</b>		28,436,647
(ii) Surplus on Sale of Assets	<b>2,120,844</b>		11,573,262
(iii) Profit on Sale of Investment	-		3,430
(iv) Provision no longer required	<b>2,535,001</b>		4,454,413
(v) Sundry Credit Balances appropriated	<b>4,101,812</b>		1,940,909
(vi) Income Tax paid	<b>303,556,613</b>		202,519,679
		<b>383,265,144</b>	248,928,340
<b>CASH FROM OPERATIONS</b>		<b>641,861,175</b>	547,780,202
(C) (INCREASE)/ DECREASE IN CURRENT ASSETS			
(i) Inventories	<b>2,481,740</b>		(82,622,705)
(ii) Sundry Debtors	<b>81,711,541</b>		(75,495,227)
(iii) Other Current Assets, Loans & Advances	<b>178,973,408</b>		(27,275,016)
		<b>263,166,689</b>	(185,392,948)
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		<b>(151,273,445)</b>	445,099,262
		<b>111,893,244</b>	259,706,314
<b>NET CASH FROM OPERATIONS</b>		<b>753,754,419</b>	807,486,516

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012 (Contd.)**

PARTICULARS	Rs.	2011-2012 Rs.	2010-2011 Rs.
<b>(II) INVESTMENT ACTIVITIES</b>			
(i) Investments, net.	(422,106,239)		(336,416,531)
(ii) Capital Expenditure - Tangible Assets	(156,685,775)		(118,250,542)
(iii) Capital Expenditure - Intangible Assets	(21,350,163)		(67,788,521)
(iv) Sale proceeds of Assets	5,021,061		12,171,199
		<b>(595,121,116)</b>	<b>(510,284,395)</b>
(v) Investment Income :			
(a) Dividend	58,544,018		24,166,617
(b) Interest Received	12,406,856		4,270,030
		<b>70,950,874</b>	<b>28,436,647</b>
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(524,170,242)</b>	<b>(481,847,748)</b>
<b>(III) FINANCING ACTIVITIES</b>			
(i) Increase / (Decrease) in Secured Loans	(63,470,000)		(112,260,000)
(ii) Interest on Secured / Unsecured Loans	(12,188,554)		(19,508,558)
(iii) Increase / (Decrease) in Unsecured Loans	-		(1,480,765)
(iv) Dividend & Dividend Tax paid	(176,803,342)		(177,955,602)
<b>NET CASH FROM FINANCING ACTIVITY</b>		<b>(252,461,896)</b>	<b>(311,204,925)</b>
<b>NET CHANGE IN CASH + CASH EQUIVALENTS (I + II + III)</b>		<b>(22,877,719)</b>	<b>14,433,843</b>
Cash and Cash Equivalents as at 1-4-2011 (Opening Balance)		<b>274,224,067</b>	<b>259,790,224</b>
Cash and Cash Equivalents as at 31-3-2012 (Closing Balance)		<b>251,346,348</b>	<b>274,224,067</b>

As per our attached report of even date

For and on behalf of Board of Directors

For **M/s P. G. Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director

**Rahul C. Kirloskar**  
Executive Chairman

**S. S. Athavale**  
Partner  
Membership No. 83374  
Pune, April 24, 2012

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2012

## NOTES

Note Nos. 1-49 annexed to and forming part of the Financial Statements for the year ended 31st March, 2012

	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
<b>NOTE 1 : SHARE CAPITAL :</b>		
<b>EQUITY SHARES:</b>		
<b>AUTHORISED :</b>		
15,000,000 Equity Shares of Rs. 10/- each	<u>150,000,000</u>	<u>150,000,000</u>
	<u>150,000,000</u>	<u>150,000,000</u>
<b>ISSUED AND SUBSCRIBED :</b>		
12,844,338 Equity Shares of Rs. 10/- each	<u>128,443,380</u>	<u>128,443,380</u>
	<u>128,443,380</u>	<u>128,443,380</u>
<b>PAID UP :</b>		
12,844,338 Equity Shares of Rs. 10/- each fully paid	<u>128,443,380</u>	<u>128,443,380</u>
<b>Total</b>	<u><u>128,443,380</u></u>	<u><u>128,443,380</u></u>
<b>Share Holding Details :</b>		
	<b>Nos.</b>	<b>Nos.</b>
Shareholder holding more than 5%		
a) Kirloskar Brothers Investments Ltd. (Holding Company w.e.f. 20th May 2011)	<b>6,784,884</b>	4,547,254
b) Reliance Capital Trustee Co. Ltd. A/c Reliance Diversified Power Sector Fund	<b>911,674</b>	907,674
<b>NOTE 2 : RESERVES AND SURPLUS :</b>		
<b>Capital Reserve :</b>		
As per last Account	<b>27,965</b>	27,965
<b>Securities Premium (Share Premium) Account:</b>		
As per last Account	<b>51,817,923</b>	51,817,923
<b>*Revaluation Reserve:</b>		
As per last Account	<b>10,154,527</b>	10,691,349
Less: Adjusted during the year	<u>10,154,527</u>	<u>536,822</u>
	-	10,154,527
<b>General Reserve :</b>		
As per last Account	<b>1,500,000,000</b>	1,250,000,000
Add: Set aside this year	<u>400,000,000</u>	<u>250,000,000</u>
	<b>1,900,000,000</b>	1,500,000,000
<b>Surplus :</b>		
As per last Account	<b>177,122,565</b>	167,131,142
Add : Transferred from Statement of Profit & Loss Account	<u>619,145,325</u>	<u>439,127,552</u>
	<u>796,267,890</u>	<u>606,258,694</u>
Less :		
Transfer to General Reserve	<b>400,000,000</b>	250,000,000
Proposed Dividend	<b>154,132,056</b>	154,132,056
Tax on Proposed Dividend	<u>25,004,073</u>	<u>25,004,073</u>
	<u>579,136,129</u>	<u>429,136,129</u>
<b>Total</b>	<u><u>217,131,761</u></u>	<u><u>177,122,565</u></u>
	<u><u>2,168,977,649</u></u>	<u><u>1,739,122,980</u></u>

\* On Revaluation of certain Plant & Machinery in 1984.

	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
<b>NOTE 3 : LONG TERM BORROWINGS :</b>		
<b>SECURED LOANS :</b>		
Term Loan from Bank (For security & terms of repayment, see notes below)	62,548,750	123,255,000
<b>Total</b>	<u><u>62,548,750</u></u>	<u><u>123,255,000</u></u>

(a) External Commercial Borrowing of US\$ 5,500,000 from Bank of India, UK, is secured by hypothecation of Plant and Machinery amounting to Rs.402,854,000/- purchased out of the said loan.

(b) Terms of repayment - Eight equal half yearly installments w.e.f June 2010

**NOTE 4 : DEFERRED TAX LIABILITIES :**

Deferred Tax Liabilities	32,479,714	40,841,209
Deferred Tax Assets (Refer Note no.47)	28,205,349	25,138,031
<b>Total</b>	<u><u>4,274,365</u></u>	<u><u>15,703,178</u></u>

**NOTE 5 : OTHER LONG TERM LIABILITIES :**

Deposits Received	7,761,899	6,930,575
Other Liabilities	5,412,562	6,922,381
<b>Total</b>	<u><u>13,174,461</u></u>	<u><u>13,852,956</u></u>

**NOTE 6 : LONG TERM PROVISIONS :**

Provision for Employee Benefits	26,500,705	15,098,489
<b>Total</b>	<u><u>26,500,705</u></u>	<u><u>15,098,489</u></u>

**NOTE 7 : TRADE PAYABLES :**

(i) Due to Micro, Small and Medium Enterprises	-	-
(ii) Other Trade Payables	<u>1,077,945,194</u>	<u>1,012,951,016</u>
<b>Total</b>	<u><u>1,077,945,194</u></u>	<u><u>1,012,951,016</u></u>

	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
<b>NOTE 8 : OTHER CURRENT LIABILITIES :</b>		
Current maturities of Long Term Debt	62,548,750	61,627,500
Interest accrued but not due on borrowings	1,405,860	1,647,092
Unpaid Dividends	8,832,720	6,499,933
Advances Received	229,536,024	647,712,756
Other Payables	559,785,506	374,070,823
<b>Total</b>	<b>862,108,860</b>	<b>1,091,558,104</b>

**NOTE 9 : SHORT TERM PROVISIONS :**

Provision for Employee Benefits	31,987,000	34,074,357
Provision for Income Tax	277,000,000	220,000,000
Proposed Dividend	154,132,056	154,132,056
Tax on Dividend	25,004,073	25,004,073
<b>Total</b>	<b>488,123,129</b>	<b>433,210,486</b>

**NOTE 10 : TANGIBLE ASSETS :**

PARTICULARS	TANGIBLE ASSETS								TOTAL	
	FREE HOLD LAND RS.	BUILDINGS RS.	PLANT & MACHINERY RS.	ELECTRI. INSTAL. RS.	OFFICE EQUIPMENTS RS.	FURNITURE & FIXTURE RS.	VEHICLE RS.	LEASE ASSET P&M RS.	AS AT 31/03/2012 RS.	AS AT 31/03/2011 RS.
<b>GROSS BLOCK AT COST :</b> As at 01/04/2011	2,164,553	151,742,287	1,164,499,994	20,522,162	26,597,001	38,073,092	59,014,408	49,037,904	1,511,651,401	1,433,324,481
Increase due to Revaluation on 30/06/84	-	-	10,154,527	-	-	-	-	-	10,154,527	10,691,349
Additions	-	80,457,967	46,606,590	14,968,786	7,100,312	5,569,142	15,474,458	-	170,177,255	109,334,023
Deduction in revaluation during the year	-	-	10,154,527	-	-	-	-	-	10,154,527	536,822
Deductions and adjustments	-	(154,600)	89,144,460	922,186	4,205,494	4,733,071	15,376,701	-	114,227,312	31,007,103
Apportioned Cost As at 31/03/2012	2,164,553	232,354,854	1,121,962,124	34,568,762	29,491,819	38,909,163	59,112,165	49,037,904	1,567,601,344	1,521,805,928
<b>DEPRECIATION :</b> Up to 31/03/2011	-	57,880,317	603,708,752	14,509,658	10,327,431	26,168,175	33,596,190	49,037,904	795,228,427	719,919,022
For the year	-	5,866,472	84,605,603	772,100	1,155,876	1,675,367	9,179,410	-	103,254,828	105,011,933
Deductions and Adjustments	-	24,842	90,360,311	920,207	3,999,991	3,676,669	12,476,484	-	111,458,504	29,702,528
Total Depreciation up to 31/03/2012	-	63,721,947	597,954,044	14,361,551	7,483,316	24,166,873	30,299,116	49,037,904	787,024,751	795,228,427
<b>NET BLOCK As at 31/03/2012</b>	<b>2,164,553</b>	<b>168,632,907</b>	<b>524,008,080</b>	<b>20,207,211</b>	<b>22,008,503</b>	<b>14,742,290</b>	<b>28,813,049</b>	<b>-</b>	<b>780,576,593</b>	<b>726,577,501</b>
As at 31/03/2011	2,164,553	93,861,970	570,945,769	6,012,504	16,269,570	11,904,917	25,418,218	-	726,577,501	

a) Includes premises on Ownership basis in Co-operative Societies Rs.844,900/- (Previous year Rs.844,900/-)

b) Deductions & Adjustments (PY Additions) to Gross Block include (Gain)/ Losses on fluctuations of foreign exchange rates in respect of foreign currency borrowing consequent to amendment to AS 11 aggregating to Rs.2,763,750/-, (Previous year Rs.(1,897,500/-)).

## NOTE 11 : INTANGIBLE ASSETS :

PARTICULARS	INTANGIBLE ASSETS		TOTAL	
	SOFTWARES	TECHNICAL KNOWHOW	AS AT 31/03/2012	AS AT 31/03/2011
	RS.	RS.	RS.	RS.
<b>GROSS BLOCK AT COST :</b>				
As at 01/04/2011	12,500,000	125,409,471	<b>137,909,471</b>	32,784,641
Additions	12,594,888	8,755,275	<b>21,350,163</b>	105,124,830
Apportioned Cost As at 31/03/2012	25,094,888	134,164,746	<b>159,259,634</b>	137,909,471
<b>DEPRECIATION :</b>				
Up to 31/03/2011	8,333,333	8,333,332	<b>16,666,665</b>	4,166,667
For the year	13,150,662	4,166,668	<b>17,317,330</b>	12,499,998
Total Depreciation up to 31/03/2012	21,483,995	12,500,000	<b>33,983,995</b>	16,666,665
<b>NET BLOCK</b>				
<b>As at 31/03/2012</b>	<b>3,610,893</b>	<b>121,664,746</b>	<b>125,275,639</b>	121,242,806
As at 31/03/2011	4,166,667	117,076,139	121,242,806	

	As at	As at
	31st March, 2012	31st March, 2011
Rs.	Rs.	Rs.

NOTE 12 : NON CURRENT INVESTMENTS :  
INVESTMENTS AT COST :

## Government and Trust Securities

## Quoted :

Unit Trust of India :

201.988 units of Rs.10/- each in

UTI Balanced fund (Growth)

8,063

8,063

4,811.812 (4,524.825) units of Rs.10/- each in

UTI Balanced fund (Dividend Plan-Re-investment)

83,447

78,635

91,510

86,698

3,300 Master Shares of Rs.10/- each

8,244

8,244

99,754

94,942

## Fully paid Equity Shares :

## Trade, Unquoted :

1 Share of Rs.100/- each in

Kirloskar Proprietary Ltd.

100

100

In Subsidiary Company:

100,000 (-) Equity Shares of Rs.10/- each in

Kirloskar RoadRailer Limited

1,000,000

1,000,100

100

Carried Over Rs.

1,099,854

95,042

**NOTE 12 : NON CURRENT INVESTMENTS : (Contd.)**

	Rs.	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
Brought Over Rs.		1,099,854	95,042
Other, Quoted :			
100,000 Shares of Rs. 10/- each in The Mysore Kirloskar Ltd.	2,400,000		2,400,000
Less: Provision for diminution in value	<u>(2,399,999)</u>		<u>(2,399,999)</u>
	1		1
46,990 Shares of Rs.2/- each in Housing Development Finance Corporation Ltd.	117,475		117,475
375,000 Shares of Rs. 10/- each in Kirloskar Investment and Finance Ltd.	5,000,000		5,000,000
Less: Provision for diminution in value	<u>(3,863,750)</u>		<u>(3,863,750)</u>
	1,136,250		1,136,250
10,059 shares of Rs. 10/- each in ICICI Bank Ltd.	206,101		206,101
2,000,000 Shares of Rs.5/- each in Kirloskar Ferrous Industries Ltd.	20,000,000		20,000,000
2,500 Shares of Rs.2/- each (500 Equity Shares of Rs. 10/- each) in HDFC Bank Ltd.	5,000		5,000
1,400 Equity shares of Rs. 10/- each in Punjab National Bank	<u>43,400</u>		<u>43,400</u>
		21,508,227	21,508,227
Unquoted :			
1,272 Shares of Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.	833,984		833,984
56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate	1,120,932		1,120,932
1 Share of Rs. 100/- fully paid in The Nasik Merchants' Co-operative Bank Ltd.	100		100
62,500 Shares of Rs.20/- each fully paid in The Cosmos Co-operative Bank Ltd.	1,250,000		1,250,000
Associate Company			
490,000 Equity Shares of Rs. 10/- each fully paid in Kirloskar Chillers Pvt.Ltd.	<u>4,900,000</u>		<u>4,900,000</u>
		8,105,016	8,105,016
Carried Over Rs.		30,713,097	29,708,285

**NOTE 12 : NON CURRENT INVESTMENTS : (Contd.)**

	Rs.	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
Brought Over Rs.		<b>30,713,097</b>	29,708,285
In Debentures and Bonds :			
Quoted :			
\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs.44/- per Debenture - matured on 01.06.1998 awaiting realisation	<b>1,100,000</b>		1,100,000
Less: Provision for diminution in value	<b>(1,099,999)</b>		(1,099,999)
		<b>1</b>	<b>1</b>
<b>Total</b>		<b><u>30,713,098</u></b>	<b><u>29,708,286</u></b>

	Book Value as at		Market Value as at	
	31st March, 2012 Rs.	31st March, 2011 Rs.	31st March, 2012 Rs.	31st March, 2011 Rs.
Quoted	<b>21,607,982</b>	21,603,269	<b>91,490,040</b>	95,439,402
Unquoted	<b>9,105,116</b>	8,105,017		
Total	<b><u>30,713,098</u></b>	<u>29,708,286</u>		
Aggregate provision for diminution in value	<b>(7,363,748)</b>	(7,363,748)		

\$ Included in market value at face value / paid up value, whichever is lower, as the quotations are not available.

**Note :** Investments made by the Company being of long term nature, diminution in the value of Quoted investments are generally not considered to be a permanent nature. However, provision for such diminution as considered necessary by the Management has been made in the Financial statements.

**NOTE 13 : LONG TERM LOANS AND ADVANCES :****UNSECURED, GOOD :**

(Unless otherwise stated)

Advances to Suppliers of Capital Goods	<b>12,865,560</b>	2,866,269
Deposits	<b>25,819,388</b>	20,167,638
Other Loans and Advances	<b>6,485,978</b>	6,133,479
<b>Total</b>	<b><u>45,170,926</u></b>	<u>29,167,386</u>

**NOTE 14 : OTHER NON CURRENT ASSETS :**

Long Term Trade Receivables - Unsecured	<b>28,465,895</b>	28,465,895
<b>Total</b>	<b><u>28,465,895</u></b>	<u>28,465,895</u>

	Rs.	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
<b>NOTE 15 : CURRENT INVESTMENTS AT COST :</b>			
Unquoted :			
- (1,999,415.408) units of Rs.10/- each of Reliance Monthly Interval Fund - Series II Inst. Div. Plan	-		20,002,152
- (5,119,118.507) units of Rs.10/- each of IDFC Fixed Maturity Yearly Series 35 Dividend	-		51,191,185
- (3,000,000.00) units of Rs.10/- each of IDFC Fixed Maturity Quarterly Series 63 Dividend	-		30,000,000
- (3,000,000.00) units of Rs.10/- each of Sundaram Interval Fund Qtly Plan E - Inst. Div.	-		30,000,000
- (2,000,000.00) units of Rs.10/- each of DSP BlackRock FMP 3M Series 30 Div.	-		20,000,000
- (3,999,689.912) units of Rs.10/- each of Kotak Quarterly Interval Plan - Series 9 Div.	-		40,000,000
- (2,000,000.00) units of Rs.10/- each of Kotak FMP 6 M - Series 10 Dividend	-		20,000,000
- (2,000,000.00) units of Rs.10/- each of Religare Fixed Maturity Plan-Series - V Plan F 91 Days	-		20,000,000
- (3,000,000.00) units of Rs.10/- each of DWS Fixed Term Fund Series 76 Div.	-		30,000,000
	-	-	<u>261,193,337</u>
Quoted :			
- (5,000,000) units of Rs.10/- each of Reliance Fixed Horizon Fund XV Series - 7 Div. Plan	-		50,000,000
- (5,117,649.67) units of Rs.10/- each of Reliance Fixed Horizon Fund XVII Series - 6 Div. Plan	-		51,176,497
- (5,152,873.914) units of Rs.10/- each of Birla Sunlife Fixed Term Plan Series CM Dividend	-		51,528,739
- (3,000,000.00) units of Rs.10/- each of Sundaram Fixed Term Plan AN 367 Days Div.	-		30,000,000
- (2,000,000.00) units of Rs.10/- each of Sundaram Fixed Term Plan AN 367 Days Div.	-		20,000,000
Carried Over (1) Rs.	-	-	202,705,236
Carried Over (2) Rs.	-	-	463,898,573

**NOTE 15 : CURRENT INVESTMENTS AT COST : (Contd.)**

	Rs.	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
Brought Over (1) Rs.	-	-	202,705,236
Brought Over (2) Rs.		-	463,898,573
Quoted :			
- (2,000,000.00) units of Rs.10/- each of Sundaram Fixed Term Plan AP 367 Days Div.	-		20,000,000
- (3,000,000.00) units of Rs.10/- each of Kotak FMP Series 34 Dividend	-		30,000,000
- (4,500,000.00) units of Rs.10/- each of Tata Fixed Maturity Plan Series 30 Scheme A Div.	-		45,000,000
- (2,000,000.00) units of Rs.10/- each of SBI Debt Fund Series 370 Days Div.	-		20,000,000
		-	<u>317,705,236</u>
7,000,000.00 (-) units of Rs.10/- each of DSP BlackRock FMP Series 36 3M Dividend		<b>70,000,000</b>	-
3,000,000.00 (-) units of Rs.10/- each of DSP BlackRock FMP Series 39 12M Dividend		<b>30,000,000</b>	-
5,000,000.00 (-) units of Rs.10/- each of IDFC Fixed Maturity Yearly Series 61 Dividend		<b>50,000,000</b>	-
7,000,000.00 (-) units of Rs.10/- each of IDFC FMP Yearly Series 52 Dividend		<b>70,000,000</b>	-
2,000,000.00 (-) units of Rs.10/- each of Kotak FMP Series 45 Dividend		<b>20,000,000</b>	-
3,000,000.00 (-) units of Rs.10/- each of Kotak FMP Series 75 Dividend		<b>30,000,000</b>	-
2,000,000.00 (-) units of Rs.10/- each of Reliance Fixed Horizon Fund XX Series 15 Div. Plan		<b>20,000,000</b>	-
5,000,000.00 (-) units of Rs.10/- each of Reliance Fixed Horizon Fund XX Series 13 Div. Plan		<b>50,000,000</b>	-
5,000,000.00 (-) units of Rs.10/- each of Reliance Fixed Horizon Fund XXI Series 6 Div. Plan		<b>50,000,000</b>	-
2,000,000.00 (-) units of Rs.10/- each of Religare FMP Series X Plan-E (371 Days)		<b>20,000,000</b>	-
3,000,000.00 (-) units of Rs.10/- each of Sundaram Interval Fund Quarterly Plan Fixed Term Plan-E Div.		<b>30,000,000</b>	-
Carried Over Rs.		<b>440,000,000</b>	578,898,573

**NOTE 15 : CURRENT INVESTMENTS AT COST : : (Contd.)**

	Rs.	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
Brought Over Rs.		440,000,000	578,898,573
Quoted :			
5,000,000.00 (-) units of Rs.10/- each of Sundaram Fixed Term Plan BK-366 Days Div.		50,000,000	-
4,500,000.00 (-) units of Rs.10/- each of Tata Fixed Maturity Plan Series 39 Scheme A Div.		45,000,000	-
5,000,000.00 (-) units of Rs.10/- each of Birla SunLife FMP Series-EG Div.		50,000,000	-
2,000,000.00 (-) units of Rs.10/- each of SBI Debt Fund Series 13 Months Div.		20,000,000	-
5,000,000.00 (-) units of Rs.10/- each of SBI Debt Fund Series 370 Days Div.		50,000,000	-
5,000,000.00 (-) units of Rs.10/- each of SBI Debt Fund Series 58-90 Days Div.		50,000,000	-
7,000,000.00 (-) units of Rs.10/- each of UTI Fixed Term Income Fund Series IX-V (367 Days) Div.		70,000,000	-
3,000,000.00 (-) units of Rs.10/- each of UTI Fixed Term Income Fund Series IX-VI (367 Days) Div.		30,000,000	-
7,000,000.00 (-) units of Rs.10/- each of ICICI Prudential FMP Series 57- 1 Year Plan A Div.		70,000,000	-
5,000,000.00 (-) units of Rs.10/- each of HDFC FMP 92 D March 12- Series XIX		50,000,000	-
5,000,000.00 (-) units of Rs.10/- each of HDFC FMP 370 D March 12- Series XIX		50,000,000	-
2,500,000.00 (-) units of Rs.10/- each of L & T FMP VI March (371 Days) Div.		25,000,000	-
	<b>Total</b>	<u>1,000,000,000</u>	<u>578,898,573</u>

	Book Value as at		Market Value as at	
	31st March, 2012 Rs.	31st March, 2011 Rs.	31st March, 2012 Rs.	31st March, 2011 Rs.
Quoted	1,000,000,000	317,705,236	1,019,381,450	320,644,056
Unquoted	-	261,193,337	-	-
Total	<u>1,000,000,000</u>	<u>578,898,573</u>	<u>1,019,381,450</u>	<u>320,644,056</u>

	Rs.	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
<b>NOTE 16 : INVENTORIES :</b>			
<b>Raw Materials :</b>		<b>568,905,093</b>	375,766,944
(Includes Rs.880,000/- (Rs.7,271,275/-) in Bonded Warehouse)			
<b>Work-in-progress :</b>		<b>193,775,372</b>	407,301,243
<b>Finished Goods,</b> at cost or net realisable value whichever is lower		<b>31,348,500</b>	20,499,714
<b>Stores &amp; Spares :</b>		<b>27,710,572</b>	20,653,376
	<b>Total</b>	<b>821,739,537</b>	<b>824,221,277</b>
As Certified by the Managing Director			

**NOTE 17 : TRADE RECEIVABLES : UNSECURED**

Trade Receivables - Unsecured			
(a) Outstanding over six months	<b>214,557,652</b>		202,224,229
(b) Others	<b>1,135,853,990</b>		1,235,156,939
		<b>1,350,411,642</b>	1,437,381,168
(Due from Associate Company Rs. 11,305/- (PY Nil))			
	<b>Total</b>	<b>1,350,411,642</b>	<b>1,437,381,168</b>

**NOTE 18 : CASH AND BANK BALANCES :**

Cash & Cash Equivalent :			
Cash on hand	<b>1,174,727</b>		731,282
Balances with Banks :			
In Current Accounts	<b>241,338,901</b>		266,992,852
		<b>242,513,628</b>	267,724,134
Earmarked Balances with Banks		<b>8,832,720</b>	6,499,933
	<b>Total</b>	<b>251,346,348</b>	<b>274,224,067</b>

**NOTE 19 : SHORT TERM LOANS AND ADVANCES :**

UNSECURED, GOOD :		<b>84,024,826</b>	270,784,717
(Unless otherwise stated)			
Dues from Companies promoted by the Company			
From Subsidiary (Maximum Balance during the year Rs.70,693/- (PY Nil))		<b>29,693</b>	-
From Associate Company		-	38,605
(For Names of the Companies, refer Note No. 32)			
	<b>Total</b>	<b>84,054,519</b>	<b>270,823,322</b>

	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
<b>NOTE 20 : OTHER CURRENT ASSETS :</b>		
Sundry Deposits	2,382,740	3,810,753
Balances with Central Excise	8,730,012	5,510,855
Taxes paid in Advance	282,805,452	199,248,838
<b>Total</b>	<b>293,918,204</b>	<b>208,570,446</b>

	Current Year Rs.	Previous Year Rs.
<b>NOTE 21 : REVENUE FROM OPERATIONS :</b>		
Sale of Products	6,081,138,677	4,687,586,664
Works Contract Sale	380,523,696	44,750,000
Sale of Services	204,478,965	184,978,551
<b>Total</b>	<b>6,666,141,338</b>	<b>4,917,315,215</b>

**NOTE 22 : OTHER INCOME :**

Dividend (Includes foreign dividend Rs.315,471/- Previous Year Rs.394,885/-, Withholding tax Rs.31,560/- Previous Year Rs.39,488/-)	58,544,018	24,166,617
Interest Received (Gross) (Tax deducted Rs 367,242/-, Previous Year Rs. 356,028/-)	12,406,856	4,270,030
Insurance Claim Received	203,195	305,074
Miscellaneous Receipts	43,044,841	47,129,492
Profit on Sale of Investments	-	3,430
Surplus on Sale of Assets	2,120,844	11,573,262
Sundry Credit Balances appropriated	4,101,812	1,940,909
Bad Debts / Liquidated Damages Recovered	4,520,197	1,641,148
Refund of Income Tax	8,131,876	2,191,077
Provisions no longer required Written Back	2,535,001	4,454,413
<b>Total</b>	<b>135,608,640</b>	<b>97,675,452</b>

	Rs.	Current Year Rs.	Previous Year Rs.
<b>NOTE 23 : COST OF MATERIALS CONSUMED :</b>			
Raw Materials (including components) consumed :			
Stocks at commencement	375,766,944		328,622,626
Add : Purchases	<u>3,909,147,971</u>		<u>2,832,745,032</u>
	4,284,914,915		3,161,367,658
Less : Stocks at close	<u>568,905,093</u>		<u>375,766,944</u>
		<u>3,716,009,822</u>	<u>2,785,600,714</u>
<b>Total</b>		<u><u>3,716,009,822</u></u>	<u><u>2,785,600,714</u></u>

**NOTE 24 : CHANGES IN INVENTORIES :**

(Increase) / Decrease in Stocks :

Stocks at close :			
Work-in-Progress	193,775,372		407,301,243
Finished Goods	<u>31,348,500</u>		<u>20,499,714</u>
	225,123,872		427,800,957
Less : Stocks at commencement :			
Work-in-Progress	407,301,243		360,248,071
Finished Goods	<u>20,499,714</u>		<u>5,138,017</u>
	427,800,957		365,386,088
		<u>202,677,085</u>	<u>(62,414,869)</u>
<b>Total</b>		<u><u>202,677,085</u></u>	<u><u>(62,414,869)</u></u>

**NOTE 25 : EMPLOYEE BENEFITS EXPENSES :**

Salaries, Wages, Bonus, etc.		550,757,542	480,568,844
Incentive		26,784,980	18,116,793
Contribution to Provident and Other Funds, etc.		48,322,647	48,579,727
Welfare Expenses		<u>79,219,886</u>	<u>64,908,974</u>
<b>Total</b>		<u><u>705,085,055</u></u>	<u><u>612,174,338</u></u>

**NOTE 26 : FINANCE COSTS :****Interest :**

On Loans		6,856,696	11,242,575
Other Borrowing Costs		<u>5,090,627</u>	<u>7,709,500</u>
<b>Total</b>		<u><u>11,947,323</u></u>	<u><u>18,952,075</u></u>

	Current Year Rs.	Previous Year Rs.
<b>NOTE 27 : DEPRECIATION AND AMORTISATION EXPENSE :</b>		
Depreciation of tangible assets	103,254,828	105,011,933
Amortisation of intangible assets	17,317,330	12,499,998
<b>Total</b>	<b>120,572,158</b>	<b>117,511,931</b>

**NOTE 28 : OTHER EXPENSES :**

Stores and Spares Consumed	118,962,422	102,893,984
Manufacturing Expenses	204,554,118	132,025,524
Power, Fuel and Water	74,807,475	55,964,426
Building Repairs	49,778,026	41,826,440
Machinery Repairs	20,286,946	21,459,390
Sundry Repairs	23,399,884	16,081,143
Rent	4,850,225	4,090,196
Rates and Taxes	6,088,060	5,045,804
Insurance	6,310,725	6,208,731
Commission and Discount	109,987,499	101,711,227
Royalty	19,014,130	13,861,252
Travelling Expenses	77,654,444	66,001,700
Excise Duty, net	4,632,274	3,304,157
Sales Tax	2,684,213	12,427,188
Postage, Telephones, Telex Expenses	17,451,956	15,096,283
Bank Charges	23,133,555	38,881,961
Freight Outward	48,438,721	24,132,505
Vehicle Expenses	17,338,660	15,081,433
Printing and Stationery	9,132,556	7,254,840
Legal and Professional Charges	58,088,059	37,586,010
Advertisement and Publicity Expenses	10,063,677	11,482,228
Donations	18,400,000	10,100,000
Auditors' Remuneration	1,712,000	1,741,938
Directors' Fees and Travelling Expenses	6,177,374	3,274,448
Director's Remuneration :		
Salary	24,410,323	11,256,000
Loss on Assets sold, discarded, demolished or scrapped	2,632,341	706,638
Bad Debts and Sundry Debit Balances written off	5,257,985	5,307,930
Liquidated Damages	128,255,129	55,951,858
Miscellaneous Expenses	67,239,246	68,181,276
<b>Total</b>	<b>1,160,742,023</b>	<b>888,936,510</b>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

**29 Effects of changes in foreign exchange rates :**

The company, in terms of Notification issued by Ministry of Corporate Affairs on 31st March, 2009, had exercised the option of implementing the provisions of newly inserted Paragraph 46 of Accounting Standard 11, 'Accounting for the Effects of Changes in Foreign Exchange Rates', prescribed by Companies (Accounting Standards) Amendment Rules, 2009. The Company has outstanding long term foreign currency loans which are categorized as Long Term Foreign Currency Monetary Item as referred in the said notification. Accordingly Rs.2,763,750/- being loss for the year (Previous year gain Rs 1,897,500/-) has been adjusted against the cost of Fixed Assets.

**30 Disclosure pursuant to Accounting Standard - 15 (Revised) "Employee Benefits" :**

## a. Defined Contribution Plans:

Amount of Rs.41,727,896/- (Previous Year Rs.36,602,648/-) is recognised as expense and included in "Employee Benefits Expenses" in Note 25 in the Profit and Loss Account.

## b. Defined Benefit Plans:

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

	2011-12 Rs.	2010-11 Rs.
	<b>Gratuity</b>	
a. Present value of Defined Benefit Obligation at the beginning of the year	<b>145,481,596</b>	138,599,297
b. Interest cost	<b>10,897,309</b>	11,087,944
c. Current service cost	<b>9,688,664</b>	7,617,643
d. Actuarial Losses / (Gains)	<b>(1,428,412)</b>	5,773,468
e. Benefits paid	<b>18,530,478</b>	17,596,756
f. Present value of Defined Benefit Obligation at the close of the year	<b>146,108,679</b>	145,481,596

## ii. Changes in the fair value of Plan Assets and the reconciliation thereof:

	<b>Gratuity</b>	
a. Fair value of Plan Assets at the beginning of the year	<b>144,124,683</b>	139,219,463
b. Add :Expected return on Plan Assets	<b>12,474,850</b>	12,501,976
c. Add / (Less) : Actuarial Losses / (Gains)	<b>(87,960)</b>	-
d. Add : Contributions	<b>7,500,000</b>	10,000,000
e. Less: Benefits Paid	<b>18,530,478</b>	17,596,756
f. Fair value of Plan Assets at the close of the year (includes Rs.31.26 Lacs with trust, previous year Rs.47.83 Lacs)	<b>145,657,015</b>	144,124,683

## iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the Balance Sheet:

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)**

	2011-12 Rs.	2010-11 Rs.
	<b>Gratuity</b>	
a. Present value of Defined Benefit obligation	<b>146,108,679</b>	145,481,596
b. Less: Fair value of Plan Assets - with LIC	<b>142,536,515</b>	139,341,683
c. Less: Fair value of Plan Assets - with Trust	<b>3,120,500</b>	4,783,000
d. Total Fair Value of Plan Assets	<b>145,657,015</b>	144,124,683
e. Net Liability / (Asset) recognised in the Balance Sheet	<b>451,664</b>	1,356,913

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

	Gratuity	
a. Current Service Cost	<b>9,688,664</b>	7,617,643
b. Interest Cost	<b>10,897,309</b>	11,087,944
c. Expected return on Plan Assets	<b>12,474,850</b>	12,501,976
d. Actuarial Losses / (Gains)	<b>(1,516,372)</b>	5,773,468
e. Past service costs	-	-
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	<b>6,594,751</b>	11,977,079

v. Broad Categories of plan assets as a percentage of total assets as at 31.03.12

The plan assets are with Life Insurance Corporation of India and the Trust's Investments are in State Government Securities.

vi Actuarial Assumptions at the Balance Sheet date:

	Gratuity	
a. Discount Rate	<b>8.5%</b>	8%
b. Expected rate of return on Plan Assets	<b>9.00%</b>	9.40%
c. Salary Escalation rate	<b>5%</b>	6%

Particulars	For the year ended March 31, 2012 Rs.	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.	For the year ended March 31, 2009 Rs.
Defined Benefit Obligation	<b>146,108,679</b>	145,481,596	138,599,297	126,094,913
Plan Assets	<b>145,657,015</b>	144,124,683	139,219,463	133,986,328
(Surplus) / Deficit	<b>451,664</b>	1,356,913	(620,166)	(7,891,415)
Experience Adjustment on plan liabilities (gain)/ loss	-	-	-	-
Experience Adjustment on plan assets (gain)/ loss	-	5,773,468	14,045,773	7,910,470

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

## vii General Descriptions of significant Defined plans:

## Gratuity Plan:

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

- viii The company has valued the compensated absences, as specified in AS 15 (Revised) on actuarial basis. Further Para 132 of AS 15 (Revised 2005) does not require any specific disclosure except where the expense resulting from compensated absences is of such size, nature or incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).

## 31 Details of Segment Reporting

A.	Information about Business Segment - Primary (See Note below)	2011-12			2010-11		
		Compression Systems	Transmission Equipments	Total	Compression Systems	Transmission Equipments	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Segment Revenue						
	Sales	5,781,278,792	884,862,546	6,666,141,338	4,352,638,776	564,676,439	4,917,315,215
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	5,781,278,792	884,862,546	6,666,141,338	4,352,638,776	564,676,439	4,917,315,215
2	Result						
	Segment Result	1,090,456,574	46,229,799	1,136,686,373	951,273,325	(86,560,772)	864,712,553
	Less: Unallocable Corporate Expenses (Net of Income)			240,022,538			191,530,510
	Operating Profit before Interest			896,663,835			673,182,043
	Less: Interest			11,947,323			18,952,075
	Profit before Tax			884,716,512			654,229,968
3	Other Information						
	Segment Assets	2,337,315,941	802,093,061	3,139,409,002	2,539,480,988	883,616,437	3,423,097,425
	Add: Unallocable common assets			1,692,687,491			1,150,098,164
	Total Assets			4,832,096,493			4,573,195,589
	Segment Liabilities	1,658,227,419	257,558,189	1,915,785,608	1,794,016,911	293,950,579	2,087,967,490
	Add: Unallocable common liabilities			552,066,741			478,703,561
	Total Liabilities			2,467,852,349			2,566,671,051
4	Capital Expenditure During the year	115,161,915	3,799,051	118,960,966	63,047,498	58,786,525	121,834,023
5	Depreciation	75,431,114	44,689,348	120,120,462	67,581,760	49,733,251	117,315,011
	Add: Unallocable Depreciation			451,696			196,920
				120,572,158			117,511,931
B	Secondary Segment - Geographical by Customers						
1	Segment Revenue						
	In India			6,347,606,750			4,788,047,039
	Outside India			318,534,588			129,268,176
	Total			6,666,141,338			4,917,315,215

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

### C Other Disclosures

1. Segments have been identified in line with the Accounting standard, AS-17 "Segment Reporting" (AS -17), taking in to account the organisation structure as well as the differing risks and returns.
2. Company has disclosed Business Segment as the primary segment.
3. Composition of Business Segment
 

Name of the Segment :	Comprises of :
a) Compression Systems	Air and Gas Compressors, Airconditioning and Refrigeration Compressors and Systems etc.
b) Transmission Equipments	Power Transmission Equipments (Torque Convertor), Reverse Reduction Gears for Marine Gear Engines, Industrial and Mobile application etc.
4. The Segment Revenue, Results , Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis
5. The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 48 to the Financial Statement.

### 32. Disclosure of Transactions with Related Parties as required by the AS-18

#### (A) Name of the related party and nature of relationship where control exists

##### Names of Related parties

1) Holding Company	Kirloskar Brothers Investments Ltd.	w.e.f. 20th May 2011
2) Subsidiary Company	Kirloskar RoadRailer Ltd.	w.e.f. 6th May 2011
3) Fellow Subsidiary	Kirloskar Oil Engines Ltd. Nasik Silk Ltd.	
4) Associate Company	Kirloskar Chillers Pvt . Ltd.	
5) Key Management Personnel	Mr. Rahul C. Kirloskar	Executive Chairman w.e.f. 23rd January 2012
	Mr. Aditya Kowshik	Managing Director
6) Relatives of Key Management Personnel	Mrs. Alpana Rahul Kirloskar	Wife
	Mrs. Suman C. Kirloskar	Mother
	Mr. Atul C. Kirloskar	Brother
	Mrs. Kavita Kowshik	Wife

Note : Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

## (B) Related Party Transactions

Amount in Rs.

Nature of Transaction	Year	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate Company	Key management Personnel	Relatives of Key Management Personnel	Total
Purchase of Goods/ Assets	2011-12	-	-	4,764,271	55,839	-	-	4,820,110
	2010-11	-	-	-	7,654,602	-	-	7,654,602
Sale of Goods / Assets	2011-12	-	-	-	464,822	-	-	464,822
	2010-11	-	-	-	420,906	-	-	420,906
Rent Received	2011-12	-	-	-	462,000	-	-	462,000
	2010-11	-	-	-	462,000	-	-	462,000
Dividend Received	2011-12	-	-	-	7,350,000	-	-	7,350,000
	2010-11	-	-	-	245,000	-	-	245,000
Rent Paid	2011-12	-	-	-	-	-	343,548	343,548
	2010-11	-	-	-	-	-	-	-
Dividend Paid	2011-12	77,967,048	-	-	-	-	-	77,967,048
	2010-11	-	-	-	-	-	-	-
Remuneration paid**	2011-12	-	-	-	-	27,460,381	-	27,460,381
	2010-11	-	-	-	-	12,874,734	-	12,874,734
Balance Outstanding Receivable	2011-12	-	29,693	-	11,305	-	10,000,000	10,040,998
	2010-11	-	-	-	38,605	-	-	38,605
Payable	2011-12	-	-	1,388,034	-	17,500,000	-	18,888,034
	2010-11	-	-	-	-	8,000,000	-	8,000,000
Investment	2011-12	-	1,000,000	-	4,900,000	-	-	5,900,000
	2010-11	-	-	-	4,900,000	-	-	4,900,000

\*\* The amount of Gratuity is included as per the rules of the Company

Details of Remuneration paid / payable to Key Managerial personnel are as per note no.33

Transactions with fellow subsidiary are only with Kirloskar Oil Engines Ltd.

Transactions with relatives of key management personnel is only with Mrs. Suman C. Kirloskar.

**33 Managerial Remuneration :**

- a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Directors as under :

	* Executive Chairman Rs.	**Managing Director Rs.	Total Rs.	2010-11 **Executive Director Rs.
Salary	2,290,323	4,200,000	6,490,323	2,960,000
House Rent Allowance	-	420,000	420,000	296,000
Commission	5,000,000	12,500,000	17,500,000	8,000,000
Contribution to :				
Provident Fund	274,839	504,000	778,839	355,200
Superannuation Fund	343,548	630,000	973,548	444,000
Gratuity Fund (Refer Note 1)	190,860	350,000	540,860	350,000
Other perquisites	406,675	350,136	756,811	469,534
<b>Gross Remuneration</b>	<b>8,506,245</b>	<b>18,954,136</b>	<b>27,460,381</b>	<b>12,874,734</b>

\* Appointed as Executive Chairman with effect from 23rd January 2012.

\*\* Redesignated as Managing Director with effect from 27th April 2011

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

Note :

1. As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in the above figures for the purpose of computation of net profit in terms of Section 349 of Companies Act, 1956, as per rules of the company.
  2. As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in the above figures, for the purpose of computation of Net Profit in terms of Section 349 of the Companies Act, 1956.
- b) Computation of net profit under Section 349 of the Companies Act, 1956.

	<u>2011-12</u>	<u>2010-11</u>
	<b>Rs.</b>	<b>Rs.</b>
1 Net Profit as per Profit & Loss Account	<b>884,716,512</b>	654,229,968
2 <b>ADD</b>		
Directors Remuneration	<b>32,585,381</b>	15,514,734
Loss on sale of Assets	<b>2,632,341</b>	706,638
	<b>919,934,234</b>	670,451,340
3 <b>LESS</b>		
Profit on sale of Assets and Investments	<b>2,120,844</b>	11,576,692
	<b>2,120,844</b>	11,576,692
Net Profit U/S 349	<b>917,813,390</b>	658,874,648
Maximum permissible Remuneration payable to Executive Chairman and Managing Director	<b>91,781,339</b>	32,943,732
Restricted to	<b>27,460,381</b>	12,874,734
Maximum permissible Commission payable to Non Executive Directors	<b>9,178,134</b>	6,588,746
Restricted to	<b>5,125,000</b>	2,640,000

### 34 Leases

The Company has entered into agreements in the nature of Lease / Leave and License agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and License and disclosure required as per Accounting Standard 19 with regard to the above is as under.

- a. Payment under Lease / Leave and License for period :
  - 1) Not later than 1 year Rs.5,865,048/-
  - 2) Later than 1 year but not later than 5 years Rs.6,366,335/-
- b. There are no transaction in the nature of Sub Lease.
- c. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2012 amounts to Rs.4,850,225/-
- d. Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

### 35 Intangible assets

In accordance with the Accounting Standard 26, "Intangible Assets" expenditure on Technical Know-how on Project under implementation will be amortized on commencement of commercial production. Expenditure of Rs.12,500,000/- on Technical Know-how, in respect of which commercial production has been started, has been amortised over a period of three years Software is being amortized on pro rata basis from the month of installation, over a period of one year.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

**36 Capital and other commitments:**

	2011-12 Rs.	2010-11 Rs.
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	72,946,160	32,582,774
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills and Second Charge on Fixed Assets. Amount outstanding as on 31st March 2012.	1,388,346,356	1,152,742,851

**37 Payment to Auditors (Net of Service Tax):**

(a) As Auditors	1,500,000	1,500,000
(b) In Other Capacity		
For Tax Audit	200,000	200,000
For Certificates	12,000	20,000
	<u>1,712,000</u>	<u>1,720,000</u>
(c) For Expenses	-	21,938
	<u>1,712,000</u>	<u>1,741,938</u>

**38 Proposed dividend**

Dividend recommended per share	12	12
Dividend %	120	120

**39 A. Contingent Liabilities not provided for in respect of:**

Claims against the Company not acknowledged as Debts, estimated at	305,226,955	278,648,095
Income Tax Matters under Dispute	712,247	712,247
Disputed Central Excise Matters	2,394,872	3,970,702
Disputed Sales Tax Demands	1,157,000	1,157,000
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	3,418,814	2,458,566

- B.** Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

### 40 Foreign Exchange Derivatives & Exposures not hedged at close of the year

#### (A) Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31.03.2012	31.03.2011
Forward Contracts	USD	Purchase	–	–
Currency Swap	USD	Purchase	2,750,000	4,125,000

All derivatives stated above are for the purpose of hedging the underlying foreign currency exposures to the extent outstanding.

#### (B) Exposure not hedged

Nature of Instrument	Currency	31.03.2012	31.03.2011
Receivable	GBP	4,371	4,720
	USD	438,852	410,115
	EUR	356,195	75,550
	JPY	4,907,620	–
	SEK	98,795	–
Payable	GBP	75,231	734,388
	USD	1,330,368	882,770
	EUR	580,141	421,481
	JPY	–	4,250,000
	SEK	–	30,000

(C) Exchange differences on account of settlement / revalorization of foreign currency transactions in current account are included in Miscellaneous Expenses (Rs.10,239,299/- Previous Year Rs.6,368,018/-) if such differences are in the nature of expenses and in Miscellaneous Receipts (Rs.Nil, Previous Year Rs.Nil) if such differences are in the nature of gain.

41 The information as required to be disclosed under the “Micro, Small and Medium Enterprises Development Act, 2006” has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information there are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31st March, 2012.

	2011-12 Rs.	2010-11 Rs.
<b>42 Value of Imports calculated on CIF basis</b>		
Raw Materials	<b>910,337,287</b>	468,880,048
Components and Spares	<b>23,286,037</b>	16,919,094
Capital Goods	–	41,069,844
	<b><u>933,623,324</u></b>	<b><u>526,868,986</u></b>
<b>43 Expenditure in Foreign Currencies (accrual basis) :</b>		
(i) Royalty	<b>1,407,308</b>	2,164,580
(ii) Technical Knowhow	<b>3,300,289</b>	92,624,830
(iii) Interest	<b>5,967,757</b>	7,957,820
(iv) Professional Fees	<b>20,667,846</b>	2,852,442
(v) Other matters	<b>35,952,344</b>	31,605,014

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

## 44 Details of raw material consumed

	2011-12 Rs.	2010-11 Rs.
Steel Bars and Plates	4,057,981	3,208,528
Pipes	10,029,449	8,701,224
Castings	40,559,536	41,803,868
Forgings	280,326,033	223,203,069
Foundry Raw material	35,217,966	29,451,789
Components	3,124,862,851	2,347,222,279
Others	220,956,006	132,009,957
	<u>3,716,009,822</u>	<u>2,785,600,714</u>

## 45 Imported and Indigenous Raw Materials, Components and Spares Consumption :

	2011-12		2010-11	
	Rs.	Percentage	Rs.	Percentage
<b>Raw Material</b>				
Imported	731,753,017	19.69	511,084,726	18.35
Indigenously obtained	2,755,470,435	74.15	2,076,049,990	74.53
	<u>3,487,223,452</u>	<u>93.84</u>	<u>2,587,134,716</u>	<u>92.88</u>
<b>Spares</b>				
Imported	21,069,306	0.57	15,289,004	0.55
Indigenously obtained	207,717,064	5.59	183,176,994	6.57
	<u>228,786,370</u>	<u>6.16</u>	<u>198,465,998</u>	<u>7.12</u>

	2011-12 Rs.	2010-11 Rs.
<b>46 Earnings in Foreign Currencies (accrual basis)</b>		
(i) F.O.B. Value of Exports	318,534,588	129,268,176
(ii) Dividend Received	315,471	394,885

## 47 Deferred tax asset / liability

As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs.11,428,813/- in the Profit and Loss Account, The details of which are as under.

Particulars	Rupees		
	Balance as at 1st April 2011	Arising During the Year	Balance as at 31st March 2012
I. Deferred Tax Liabilities			
a. Depreciation	40,841,209	(8,361,495)	32,479,714
II. Deferred Tax Assets			
Disallowances under section 43b of the Income Tax Act	25,138,031	3,067,318	28,205,349
Net Deferred Tax Liability	15,703,178	(11,428,813)	4,274,365

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

### 48 Significant accounting policies

#### A. System of Accounting :

- (i) The Company, except under significant and uncertain circumstances, follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
- (ii) The Financial Statements are based on historical costs.
- (iii) Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.
- (iv) Estimates and assumptions used in the preparation of the Financial Statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements which may differ from the actual results at a subsequent date.

#### B. Tangible assets

- (i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
- (ii) Land and Building, Plant and Machinery at Faridabad Unit acquired before 30th June, 1984, are taken at revalued cost and those acquired after 30th June, 1984, are valued at landed cost.
- (iii) Depreciation on Assets (other than Freehold Land) :

On Plant and Machinery given on Lease :

Depreciation on Plant and Machinery given on Lease is being provided at the rates worked on Straight Line Method over the primary period of Lease Agreement or at the rate specified in Schedule XIV to the Companies Act, 1956, whichever is higher, on pro-rata basis.

Asset	Primary Lease Period	Rate on Straight Line Method	
		Over the primary Period of Lease	As specified in Schedule XIV
Plant and Machinery	8 years	12.50%	10.34%
Plant and Machinery	5 years	20.00%	10.34%

- (i) Depreciation on Additions to the Fixed Assets up to 31st March, 1961, is being provided on "Written Down Value" Method in accordance with the Provisions of Section 205(2)(a) of the Companies Act, 1956, at the rates specified in Schedule No.XIV to the said Act.
- (ii) Depreciation on Additions to Assets from 1st April, 1961, to 30th September, 1987, is being provided for on Straight Line basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, pursuant to Circular No.1/1/86/CLV No.15-(50)84 CL VI dated 21st May, 1986, issued by the Department of Company Affairs, at the rates corresponding to the rates (inclusive of multiple shift allowance) applicable under the Income Tax Rules 1962 as in force at the time of acquisition / installation and on Additions on or after 1st October, 1987, on the same basis at the rates specified in Schedule No.XIV to the Companies Act, 1956.
- (iii) Depreciation on assets of erstwhile Faridabad unit has been charged on Straight Line Method as per rates prescribed by Schedule XIV to the Companies Act, 1956. Depreciation on additions made after 16th December, 1993, has been charged on Straight Line Method at the revised rates as prescribed in Schedule XIV to the Companies Act 1956 and substituted by Notification GSR No.756 (E) dated 16th December, 1993, of the Department of Company Affairs, Government of India.
- (iv) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as required by Schedule XIV to Companies Act, 1956.
- (v) Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)**

- (vi) Depreciation on Additions to Vehicle is being provided on pro-rata basis from the month of acquisition as useful life of asset is estimated as five years.
- (vii) Depreciation on Additions, on account of increase in rupee value due to Foreign Exchange fluctuations, is being provided at the rates of depreciation over the future life of said assets.
- (viii) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such Assets are sold, discarded or demolished.
- (ix) No Depreciation is being charged on Revaluation amount of the Fixed Assets.

**C. Intangible assets :**

Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. (Also see note no.35)

**D. Investments :**

- a. Long Term Investments are valued at Cost of acquisition less estimated diminution in value determined to be of permanent nature.
- b. Current investments are mainly comprising of investments in mutual funds and are stated at lower of cost or fair value.

**E. Inventories :**

Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.

- (i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.
- (ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
- (iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
- (iv) Jigs and Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
- (v) Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
- (vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
- (vii) Excise / Customs Duty :

Excise Duty on Finished Goods and Customs Duty on imported materials are accounted on production of Finished Goods / Receipt of materials in Customs Bonded Warehouse.

**F. Foreign Currency Conversion :****a. Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

**b. Conversion**

Current assets and current liabilities, Secured Loans designated in foreign currencies are revaloured at the rate prevailing on the date of Balance Sheet.

**c. Exchange Differences**

Exchange differences arising on the settlement and conversion on 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 they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31st March 2009, eligible exchange

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

difference on foreign currency loans is adjusted in the cost of the asset to be depreciated over the balance life of the asset. (For change and effect see Note no.29)

### 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 reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.

In respect of foreign exchange forward contracts, difference between forward contract rate and exchange 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, except in respect of the liabilities for the acquisition of qualifying assets, where such amortization is adjusted in the cost of the corresponding asset.

### G. Borrowing Cost :

Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.

### H. Sales :

(i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.

(ii) Export Sales are accounted for on the basis of dates of Bills of Lading.

(iii) Construction Contract Sales :

In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.

### I. Income Tax

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

Deferred Tax resulting from timing difference 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 crystallise, in case of Deferred Tax Liabilities with reasonable certainty and incase of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.

### J. Employee Benefits

(A) Short term Employee Benefits :

All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex gratia etc. and 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 scheme, State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.

(ii) Defined Benefits Plans:

The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)**

based on the actuarial valuation using the Projected unit Credit Method, as at the date of the balance Sheet.

(iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.

(iv) Termination benefits are recognised as an expense as and when incurred.

**K. Provisions :**

Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and which can be reliably estimated.

**49** Previous years figures have been regrouped wherever necessary to make them comparable with those of the current year.

As per our attached report of even date

For and on behalf of Board of Directors

**For M/s P. G. Bhagwat**

Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**  
Managing Director

**Rahul C. Kirloskar**  
Executive Chairman

**S. S. Athavale**

Partner  
Membership No. 83374  
Pune, April 24, 2012

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2012

Statement showing information for subsidiary company in terms of general exemption granted by the Ministry of Corporate Affairs under section 212 ( 8) of the Companies Act, 1956 vide General Circular No. 2/2011 dt. February 8,2011.

	Reporting Currency INR
Name of the Subsidiary- Kirloskar RoadRailer Ltd.	
Exchange Rate	1.00
Capital	1,000,000
Reserves	(65,843)
Total Assets	968,850
Total Liabilities	968,850
Investments Other than Investment in Subsidiary - Long Term	-
Turnover	-
Profit before Taxation	(64,843)
Provision for Taxation	-
Profit after Taxation	(64,843)
Proposed Dividend	-
Country	India

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## **CONSOLIDATED STATEMENTS**

## CONSOLIDATED STATEMENTS

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF  
KIRLOSKAR PNEUMATIC COMPANY LIMITED

We have audited the attached consolidated Balance Sheet of Kirloskar Pneumatic Company Limited and its subsidiary as at March 31, 2012, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended.

These financial statements are the responsibility of the management and have been prepared by the management on the basis of separate financial statements and other financial information regarding the components.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, and on the basis of separate audited financial statements of Kirloskar Pneumatic Company Ltd., audited by us, and its subsidiary whose financial statements are audited by another Auditor, included in the financial statements.

In view of the pending finalization of Accounts of Kirloskar Chillers P.Ltd., (an Associate company) as at 31st March 2012, the same have not been considered in the Consolidated Accounts.

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

- (a) in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2012;  
(b) in the case of the consolidated Profit and Loss Account, of the profit/ loss for the year ended on that date; and  
(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

## For M/S P G BHAGWAT

Chartered Accountants  
Firm Registration Number 101118W

Sanjay Athavale  
Partner  
Membership Number 83374  
Pune: 24.04.2012

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012

	Note No.	Rs.	As at 31st March 12 Rs.	As at 31st March 11 Rs.
<b>I. EQUITY AND LIABILITIES</b>				
(1) <b>SHAREHOLDERS' FUNDS :</b>				
(a) Share Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	2,168,911,806		1,739,122,980
			2,297,355,186	1,867,566,360
(2) <b>SHARE APPLICATION MONEY PENDING ALLOTMENT :</b>			-	-
(3) <b>NON CURRENT LIABILITIES :</b>				
(a) Long Term Borrowings	3	62,548,750		123,255,000
(b) Deferred Tax Liability (Net)	4	4,274,365		15,703,178
(c) Other Long Term Liabilities	5	13,174,461		13,852,956
(d) Long Term Provisions	6	26,500,705		15,098,489
			106,498,281	167,909,623
(4) <b>CURRENT LIABILITIES :</b>				
(a) Short Term Borrowings		-		-
(b) Trade Payables	7	1,077,945,194		1,012,951,016
(c) Other Current Liabilities	8	862,113,860		1,091,558,104
(d) Short Term Provisions	9	468,123,129		433,210,486
			2,428,182,183	2,537,719,606
	<b>Total</b>		<b>4,832,035,650</b>	<b>4,573,195,589</b>
<b>II. ASSETS :</b>				
(1) <b>NON CURRENT ASSETS :</b>				
(a) Fixed Assets				
(i) Tangible Assets	10	780,576,593		726,577,501
(ii) Intangible Assets	11	125,275,639		121,242,806
(iii) Capital work in progress		20,424,092		43,914,862
(b) Non Current Investments	12	29,713,098		29,708,286
(c) Long Term Loans and Advances	13	45,170,926		29,167,386
(d) Other Non Current Assets	14	28,465,895		28,465,895
			1,029,626,243	979,076,736
(2) <b>CURRENT ASSETS :</b>				
(a) Current Investments	15	1,000,000,000		578,898,573
(b) Inventories	16	821,739,537		824,221,277
(c) Trade Receivables	17	1,350,411,642		1,437,381,168
(d) Cash and Bank Balances	18	252,315,198		274,224,067
(e) Short Term Loans and Advances	19	84,024,826		270,823,322
(f) Other Current Assets	20	293,918,204		208,570,446
			3,802,409,407	3,594,118,853
	<b>Total</b>		<b>4,832,035,650</b>	<b>4,573,195,589</b>
Notes forming part of the Financial Statements	1-49			

As per our attached report of even date

For and on behalf of Board of Directors

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

Aditya Kowshik  
Managing Director

Rahul C. Kirloskar  
Executive Chairman

S. S. Athavale  
Partner  
Membership No. 83374  
Pune, April 24, 2012

Jitendra Shah  
Company Secretary

Suhas S. Kolhatkar  
Vice President & Finance Controller  
Pune, April 24, 2012

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH, 2012**

	Note No.	Rs.	Current Year Rs.	Previous Year Rs.
I	Revenue from Operations	21	7,116,135,665	5,274,701,251
	Less: Excise Duty		<u>449,994,327</u>	<u>357,386,036</u>
	Net Revenue from Operations		6,666,141,338	4,917,315,215
II	Other Income	22	<u>135,608,640</u>	<u>97,675,452</u>
III	<b>Total Revenue (I + II)</b>		<b>6,801,749,978</b>	<b>5,014,990,667</b>
IV	EXPENSES :			
	Cost of Materials Consumed	23	3,716,009,822	2,785,600,714
	Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	24	202,677,085	(62,414,869)
	Employee Benefits Expenses	25	705,085,055	612,174,338
	Finance Costs	26	11,947,323	18,952,075
	Depreciation and Amortization Expense	27	120,572,158	117,511,931
	Other Expenses	28	<u>1,160,806,866</u>	<u>888,936,510</u>
	<b>Total Expenses</b>		<b>5,917,098,309</b>	<b>4,360,760,699</b>
V	Profit before Exceptional and Extraordinary Items and Tax (III - IV)		884,651,669	654,229,968
VI	Exceptional Items		-	-
VII	Profit before Extraordinary Items and Tax (V-VI)		884,651,669	654,229,968
VIII	Extraordinary Items		-	-
IX	Profit before Tax (VII-VIII)		884,651,669	654,229,968
X	Taxation :			
	Current Tax		277,000,000	220,000,000
	Deferred Tax		<u>(11,428,813)</u>	<u>(4,897,584)</u>
	Profit / (Loss) for the Period		<u>265,571,187</u>	<u>215,102,416</u>
	Earning per Share :		<u>619,080,482</u>	<u>439,127,552</u>
	(1) Basic		48.20	34.19
	(2) Diluted		48.20	34.19
	Notes forming part of the Financial Statements	1-49		

**CASH FLOW STATEMENT (CONSOLIDATED) FOR THE YEAR ENDED 31ST MARCH, 2012**

PARTICULARS	Rs.	2011-2012 Rs.	2010-2011 Rs.
(I) <b>OPERATING ACTIVITIES</b>			
(A) PROFIT BEFORE TAXATION		884,651,669	654,229,968
(B) ADJUSTMENTS :			
<b>Add :</b>			
(i) Depreciation and Amortisation	120,572,158		117,511,931
(ii) Bad Debts	5,257,985		5,307,930
(iii) Loss on Assets sold	2,632,341		706,638
(iv) Interest on Secured / Unsecured Loans	<u>11,947,323</u>		<u>18,952,075</u>
		<u>140,409,807</u>	<u>142,478,574</u>
<b>Less :</b>		<u>1,025,061,476</u>	<u>796,708,542</u>
(i) Investment Income included above :			
(a) Dividend	58,544,018		24,166,617
(b) Interest Received	<u>12,406,856</u>		<u>4,270,030</u>
	70,950,874		28,436,647
(ii) Surplus on Sale of Assets	2,120,844		11,573,262
(iii) Profit on Sale of Investment	-		3,430
(iv) Provision no longer required	2,535,001		4,454,413
(v) Sundry Credit Balances appropriated	4,101,812		1,940,909
(vi) Income Tax paid	<u>303,556,613</u>		<u>202,519,679</u>
<b>CASH FROM OPERATIONS</b>		<u>383,265,144</u>	<u>248,928,340</u>
(C) (INCREASE) / DECREASE IN CURRENT ASSETS		641,796,332	547,780,202
(i) Inventories	2,481,740		(82,622,705)
(ii) Sundry Debtors	81,711,541		(75,495,227)
(iii) Other Current Assets, Loans & Advances	<u>179,003,101</u>		<u>(27,275,016)</u>
		263,196,382	(185,392,948)
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		<u>(151,269,445)</u>	<u>445,099,262</u>
<b>NET CASH FROM OPERATIONS</b>		<u>111,926,937</u>	<u>259,706,314</u>
		753,723,269	807,486,516
(II) <b>INVESTMENT ACTIVITIES</b>			
(i) Investments, net.	(421,106,239)		(336,416,531)
(ii) Capital Expenditure - Tangible Assets	(156,685,775)		(118,250,542)
(iii) Capital Expenditure - Intangible Assets	(21,350,163)		(67,788,521)
(iv) Sale proceeds of Assets	<u>5,021,061</u>		<u>12,171,199</u>
		<u>(594,121,116)</u>	<u>(510,284,395)</u>
(v) Investment Income :			
(a) Dividend	58,544,018		24,166,617
(b) Interest Received	<u>12,406,856</u>		<u>4,270,030</u>
		70,950,874	28,436,647
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<u>(523,170,242)</u>	<u>(481,847,748)</u>
(III) <b>FINANCING ACTIVITIES</b>			
(i) Increase / (Decrease) in Secured Loans	(63,470,000)		(112,260,000)
(ii) Interest on Secured / Unsecured Loans	(12,188,554)		(19,508,558)
(iii) Increase / (Decrease) in Unsecured Loans	-		(1,480,765)
(iv) Dividend & Dividend Tax paid	<u>(176,803,342)</u>		<u>(177,955,602)</u>
<b>NET CASH FROM FINANCING ACTIVITY</b>		<u>(252,461,896)</u>	<u>(311,204,925)</u>
<b>NET CHANGE IN CASH + CASH EQUIVALENTS (I+ II + III)</b>		<u>(21,908,869)</u>	<u>14,433,843</u>
Cash and Cash Equivalents as at 1-4-2011 (Opening Balance)		274,224,067	259,790,224
Cash and Cash Equivalents as at 31-3-2012 (Closing Balance)		252,315,198	274,224,067

As per our attached report of even date

For and on behalf of Board of Directors

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

S. S. Athavale  
Partner  
Membership No. 83374  
Pune, April 24, 2012

Aditya Kowshik  
Managing Director

Jitendra Shah  
Company Secretary

Rahul C. Kirloskar  
Executive Chairman

Suhas S. Kolhatkar  
Vice President & Finance Controller  
Pune, April 24, 2012

## NOTES

Note Nos. 1-49 annexed to and forming part of the Financial Statements for the year ended 31st March, 2012

	Rs.	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
<b>NOTE 1 : SHARE CAPITAL :</b>			
<b>EQUITY SHARES:</b>			
<b>AUTHORISED :</b>			
15,000,000 Equity Shares of Rs.10/- each		150,000,000	150,000,000
		<u>150,000,000</u>	<u>150,000,000</u>
<b>ISSUED AND SUBSCRIBED :</b>			
12,844,338 Equity Shares of Rs.10/- each		128,443,380	128,443,380
		<u>128,443,380</u>	<u>128,443,380</u>
<b>PAID UP :</b>			
12,844,338 Equity Shares of Rs.10/- each fully paid		128,443,380	128,443,380
		<u>128,443,380</u>	<u>128,443,380</u>
<b>Share Holding Details :</b>		<b>Nos.</b>	<b>Nos.</b>
Shareholder holding more than 5%			
a) Kirloskar Brothers Investments Ltd. (Holding Company w.e.f. 20th May 2011)		6,784,884	4,547,254
b) Reliance Capital Trustee Co. Ltd. A/c Reliance Diversified Power Sector Fund		911,674	907,674
<b>NOTE 2 : RESERVES AND SURPLUS :</b>			
<b>Capital Reserve :</b>			
As per last Account		27,965	27,965
<b>Securities Premium (Share Premium) Account:</b>			
As per last Account		51,817,923	51,817,923
<b>*Revaluation Reserve:</b>			
As per last Account	10,154,527		10,691,349
Less: Adjusted during the year	<u>10,154,527</u>		<u>536,822</u>
		-	10,154,527
<b>General Reserve :</b>			
As per last Account	1,500,000,000		1,250,000,000
Add: Set aside this year	<u>400,000,000</u>		<u>250,000,000</u>
		1,900,000,000	1,500,000,000
<b>Surplus :</b>			
As per last Account	177,121,565		167,131,142
Add : Transferred from Statement of Profit & Loss Account	<u>619,080,482</u>		<u>439,127,552</u>
	796,202,047		606,258,694
Less :			
Transfer to General Reserve	400,000,000		250,000,000
Proposed Dividend	154,132,056		154,132,056
Tax on Proposed Dividend	25,004,073		25,004,073
	<u>579,136,129</u>		<u>429,136,129</u>
		217,065,918	177,122,565
		<u>2,168,911,806</u>	<u>1,739,122,980</u>
			<u>1,739,122,980</u>
* On Revaluation of certain Plant & Machinery in 1984.			
<b>NOTE 3 : LONG TERM BORROWINGS :</b>			
<b>SECURED LOANS :</b>			
Term Loan from Bank (For security & terms of repayment, see notes below)		62,548,750	123,255,000
		<u>62,548,750</u>	<u>123,255,000</u>
(a) External Commercial Borrowing of US\$ 5,500,000 from Bank of India, UK, is secured by hypothecation of Plant and Machinery amounting to Rs.402,854,000/- purchased out of the said loan.			
(b) Terms of repayment - Eight equal half yearly installments w.e.f June 2010			
<b>NOTE 4 : DEFERRED TAX LIABILITIES :</b>			
Deferred Tax Liabilities		32,479,714	40,841,209
Deferred Tax Assets (Refer Note no.47)		<u>28,205,349</u>	<u>25,138,031</u>
		4,274,365	15,703,178
<b>NOTE 5 : OTHER LONG TERM LIABILITIES :</b>			
Deposits Received		7,761,899	6,930,575
Other Liabilities		<u>5,412,562</u>	<u>6,922,381</u>
		13,174,461	13,852,956
<b>NOTE 6 : LONG TERM PROVISIONS :</b>			
Provision for Employee Benefits		26,500,705	15,098,489
		<u>26,500,705</u>	<u>15,098,489</u>
<b>NOTE 7 : TRADE PAYABLES :</b>			
(i) Due to Micro, Small and Medium Enterprises		-	-
(ii) Other Trade Payables	1,077,945,194		1,012,951,016
		1,077,945,194	1,012,951,016
		<u>1,077,945,194</u>	<u>1,012,951,016</u>
<b>NOTE 8 : OTHER CURRENT LIABILITIES :</b>			
Current maturities of Long Term Debt		62,548,750	61,627,500
Interest accrued but not due on borrowings		1,405,860	1,647,092
Unpaid Dividends		8,832,720	6,499,933
Advances Received		229,536,024	647,712,756
Other Payables		<u>559,790,506</u>	<u>374,070,823</u>
		862,113,860	1,091,558,104
<b>NOTE 9 : SHORT TERM PROVISIONS :</b>			
Provision for Employee Benefits		31,987,000	34,074,357
Provision for Income Tax		277,000,000	220,000,000
Proposed Dividend		154,132,056	154,132,056
Tax on Dividend		25,004,073	25,004,073
		<u>488,123,129</u>	<u>433,210,486</u>

**NOTE 10 : TANGIBLE ASSETS :**

PARTICULARS	TANGIBLE ASSETS								TOTAL	
	FREE HOLD LAND RS.	BUILDINGS RS.	PLANT & MACHINERY RS.	ELECTRI. INSTAL. RS.	OFFICE EQUIPMENTS RS.	FURNITURE & FIXTURE RS.	VEHICLE RS.	LEASE ASSET P & M RS.	AS AT 31/03/2012 RS.	AS AT 31/03/2011 RS.
<b>GROSS BLOCK AT COST :</b>	2,164,553	151,742,287	1,164,499,994	20,522,162	26,597,001	38,073,092	59,014,408	49,037,904	1,511,651,401	1,433,324,481
As at 01/04/2011										
Increase due to Revaluation on 30/06/84	-	-	10,154,527	-	-	-	-	-	10,154,527	10,691,349
Additions	-	80,457,967	46,606,590	14,968,786	7,100,312	5,569,142	15,474,458	-	170,177,255	109,334,023
Deduction in revaluation during the year	-	-	10,154,527	-	-	-	-	-	10,154,527	536,822
Deductions and adjustments	-	(154,600)	89,144,460	922,186	4,205,494	4,733,071	15,376,701	-	114,227,312	31,007,103
Apportioned Cost As at 31/03/2012	2,164,553	232,354,854	1,121,962,124	34,568,762	29,491,819	38,909,163	59,112,165	49,037,904	1,567,601,344	1,521,805,928
<b>DEPRECIATION :</b>										
Upto 31/03/2011	-	57,880,317	603,708,752	14,509,658	10,327,431	26,168,175	33,596,190	49,037,904	795,228,427	719,919,022
For the year	-	5,866,472	84,605,603	772,100	1,155,876	1,675,367	9,179,410	-	103,254,828	105,011,933
Deductions and Adjustments	-	24,842	90,360,311	920,207	3,999,991	3,676,669	12,476,484	-	111,458,504	29,702,528
Total Depreciation up to 31/03/2012	-	63,721,947	597,954,044	14,361,551	7,483,316	24,166,873	30,299,116	49,037,904	787,024,751	795,228,427
<b>NET BLOCK</b>	<b>2,164,553</b>	<b>168,632,907</b>	<b>524,008,080</b>	<b>20,207,211</b>	<b>22,008,503</b>	<b>14,742,290</b>	<b>28,813,049</b>	<b>-</b>	<b>780,576,593</b>	<b>726,577,501</b>
As at 31/03/2012										
As at 31/03/2011	2,164,553	93,861,970	570,945,769	6,012,504	16,269,570	11,904,917	25,418,218	-	726,577,501	

a) Includes premises on Ownership basis in Co-operative Societies Rs.844,900/- (Previous year Rs.844,900/-)

b) Deductions & Adjustments (PY Additions) to Gross Block include (Gain)/ Losses on fluctuations of foreign exchange rates in respect of foreign currency borrowing consequent to amendment to AS 11 aggregating to Rs.2,763,750/-, (Previous year Rs.(1,897,500/-)).

**NOTE 11 : INTANGIBLE ASSETS :**

PARTICULARS	INTANGIBLE ASSETS		TOTAL	
	RS.	TECHNICAL KNOW HOW RS.	AS AT 31/03/2012 RS.	AS AT 31/03/2011 RS.
<b>GROSS BLOCK AT COST :</b>	12,500,000	125,409,471	137,909,471	32,784,641
As at 01/04/2011				
Additions	12,594,888	8,755,275	21,350,163	105,124,830
Apportioned Cost As at 31/03/2012	25,094,888	134,164,746	159,259,634	137,909,471
<b>DEPRECIATION :</b>				
Up to 31/03/2011	8,333,333	8,333,332	16,666,665	4,166,667
For the year	13,150,662	4,166,668	17,317,330	12,499,998
Total Depreciation up to 31/03/2012	21,483,995	12,500,000	33,983,995	16,666,665
<b>NET BLOCK</b>	<b>3,610,893</b>	<b>121,664,746</b>	<b>125,275,639</b>	<b>121,242,806</b>
As at 31/03/2012				
As at 31/03/2011	4,166,667	117,076,139	121,242,806	

**NOTE 12 : NON CURRENT INVESTMENTS :**

**INVESTMENTS AT COST :**

Government and Trust Securities

Quoted :

Unit Trust of India :

201,988 units of Rs.10/- each in

UTI Balanced fund (Growth)

8,063

8,063

4,811,812 (4,524,825) units of Rs.10/- each in

UTI Balanced fund (Dividend Plan-Re-investment)

83,447

78,635

3300 Master Shares of Rs.10/- each

91,510

86,698

8,244

8,244

99,754

94,942

Fully paid Equity Shares :

Trade, Unquoted :

1 Share of Rs.100/- each in

Kirloskar Proprietary Ltd.

100

100

Other, Quoted :

100,000 Shares of Rs.10/- each in

The Mysore Kirloskar Ltd.

2,400,000

2,400,000

Less: Provision for diminution in value

(2,399,999)

(2,399,999)

1

1

46,990 Shares of Rs.2/- each in

Housing Development Finance Corporation Ltd.

117,475

117,475

375,000 Shares of Rs.10/- each in

Kirloskar Investment and Finance Ltd.

5,000,000

5,000,000

Less: Provision for diminution in value

(3,863,750)

(3,863,750)

1,136,250

1,136,250

10,059 shares of Rs.10/- each in

ICICI Bank Ltd.

206,101

206,101

2,000,000 Shares of Rs.5/- each in

Kirloskar Ferrous Industries Ltd.

20,000,000

20,000,000

2,500 Shares of Rs.2/- each (500 Equity Shares

of Rs.10/- each) in HDFC Bank Ltd.

5,000

5,000

1,400 Equity shares of Rs.10/- each in

Punjab National Bank

43,400

43,400

21,508,227

21,508,227

Unquoted :

1,272 Shares of Ken. Sh. 1,000/- each in

Kirloskar Kenya Ltd.

833,984

833,984

56,250 Shares of Singapore \$ 1 each in

Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.

1,120,932

1,120,932

1 Share of Rs.100/- fully paid in

The Nasik Merchants' Co-operative Bank Ltd.

100

100

62,500 Shares of Rs.20/- each fully paid in

The Cosmos Co-operative Bank Ltd.

1,250,000

1,250,000

Associate Company

490,000 Equity Shares of Rs.10/- each

fully paid in Kirloskar Chillers Pvt.Ltd.

4,900,000

4,900,000

8,105,016

8,105,016

Carried Over Rs.

29,713,097

29,708,285

**NOTE 12 : NON CURRENT INVESTMENTS : (Contd.)**

	Rs.	As at 31st March, 2012 Rs. 29,713,097	As at 31st March, 2011 Rs. 29,708,285
Brought over Rs.			
In Debentures and Bonds :			
Quoted :			
\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs.44/- per Debenture - matured on 01.06.1998 awaiting realisation	1,100,000		1,100,000
Less: Provision for diminution in value	<u>(1,099,999)</u>		<u>(1,099,999)</u>
		1	1
<b>Total</b>		<u><u>29,713,098</u></u>	<u><u>29,708,286</u></u>
	Book Value as at		Market Value as at
	31st March, 2012	31st March, 2011	31st March, 2012
	Rs.	Rs.	Rs.
Quoted	21,607,982	21,603,269	91,490,040
Unquoted	<u>8,105,116</u>	<u>8,105,017</u>	95,439,402
Total Rs.	<u><u>29,713,098</u></u>	<u><u>29,708,286</u></u>	
Aggregate provision for diminution in value	<u>(7,363,748)</u>	<u>(7,363,748)</u>	

\$ Included in market value at face value / paid up value, whichever is lower, as the quotations are not available.

Note : Investments made by the Company being of long term nature, diminution in the value of Quoted investments are generally not considered to be a permanent nature. However, provision for such diminution as considered necessary by the Management has been made in the Financial statements.

**NOTE 13 : LONG TERM LOANS AND ADVANCES :**

UNSECURED, GOOD :

(Unless otherwise stated)

Advances to Suppliers of Capital Goods

Deposits

Other Loans and Advances

	12,865,560	2,866,269
	25,819,388	20,167,638
	6,485,978	6,133,479
<b>Total</b>	<u><u>45,170,926</u></u>	<u><u>29,167,386</u></u>

**NOTE 14 : OTHER NON CURRENT ASSETS :**

Long Term Trade Receivables - Unsecured

	28,465,895	28,465,895
<b>Total</b>	<u><u>28,465,895</u></u>	<u><u>28,465,895</u></u>

**NOTE 15 : CURRENT INVESTMENTS AT COST :**

Unquoted :

- (1,999,415.408) units of Rs.10/- each of Reliance Monthly Interval Fund - Series II Inst. Div. Plan	-	20,002,152
- (5,119,118.507) units of Rs.10/- each of IDFC Fixed Maturity Yearly Series 35 Dividend	-	51,191,185
- (3,000,000.00) units of Rs.10/- each of IDFC Fixed Maturity Quarterly Series 63 Dividend	-	30,000,000
- (3,000,000.00) units of Rs.10/- each of Sundaram Interval Fund Qty Plan E - Inst. Div.	-	30,000,000
- (2,000,000.00) units of Rs.10/- each of DSP BlackRock FMP 3M Series 30 Div.	-	20,000,000
- (3,999,689.912) units of Rs.10/- each of Kotak Quarterly Interval Plan - Series 9 Div.	-	40,000,000
- (2,000,000.00) units of Rs.10/- each of Kotak FMP 6 M - Series 10 Dividend	-	20,000,000
- (2,000,000.00) units of Rs.10/- each of Religare Fixed Maturity Plan-Series - V Plan F 91 Days	-	20,000,000
- (3,000,000.00) units of Rs.10/- each of DWS Fixed Term Fund Series 76 Div.	-	<u>30,000,000</u>
		261,193,337

Quoted :

- (5,000,000) units of Rs.10/- each of Reliance Fixed Horizon Fund XV Series - 7 Div. Plan	-	50,000,000
- (5,117,649.67) units of Rs.10/- each of Reliance Fixed Horizon Fund XVII Series - 6 Div. Plan	-	51,176,497
- (5,152,873.914) units of Rs.10/- each of Birla Sunlife Fixed Term Plan Series CM Dividend	-	51,528,739
- (3,000,000.00) units of Rs.10/- each of Sundaram Fixed Term Plan AN 367 Days Div.	-	30,000,000
- (2,000,000.00) units of Rs.10/- each of Sundaram Fixed Term Plan AN 367 Days Div.	-	20,000,000
- (2,000,000.00) units of Rs.10/- each of Sundaram Fixed Term Plan AP 367 Days Div.	-	20,000,000
- (3,000,000.00) units of Rs.10/- each of Kotak FMP Series 34 Dividend	-	30,000,000
- (4,500,000.00) units of Rs.10/- each of Tata Fixed Maturity Plan Series 30 Scheme A Div.	-	45,000,000
- (2,000,000.00) units of Rs.10/- each of SBI Debt Fund Series 370 Days Div.	-	<u>20,000,000</u>
		317,705,236
7,000,000.00 (-) units of Rs.10/- each of DSP BlackRock FMP Series 36 3M Dividend	70,000,000	-
3,000,000.00 (-) units of Rs.10/- each of DSP BlackRock FMP Series 39 12M Dividend	30,000,000	-
5,000,000.00 (-) units of Rs.10/- each of IDFC Fixed Maturity Yearly Series 61 Dividend	50,000,000	-
7,000,000.00 (-) units of Rs.10/- each of IDFC FMP Yearly Series 52 Dividend	70,000,000	-
2,000,000.00 (-) units of Rs.10/- each of Kotak FMP Series 45 Dividend	20,000,000	-
3,000,000.00 (-) units of Rs.10/- each of Kotak FMP Series 75 Dividend	30,000,000	-
2,000,000.00 (-) units of Rs.10/- each of Reliance Fixed Horizon Fund XX Series 15 Div. Plan	20,000,000	-

carried over Rs.

	290,000,000	578,898,573
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**NOTE 15 : CURRENT INVESTMENTS AT COST : : (Contd.)**

	Rs.	As at 31st March, 2012 Rs.	As at 31st March, 2011 Rs.
Brought over Rs.		290,000,000	578,898,573
Quoted :			
5,000,000.00 (-) units of Rs.10/- each of Reliance Fixed Horizon Fund XX Series 13 Div. Plan		50,000,000	-
5,000,000.00 (-) units of Rs.10/- each of Reliance Fixed Horizon Fund XXI Series 6 Div. Plan		50,000,000	-
2,000,000.00 (-) units of Rs.10/- each of Religare FMP Series X Plan-E (371 Days)		20,000,000	-
3,000,000.00 (-) units of Rs.10/- each of Sundaram Interval Fund Quarterly Plan Fixed Term Plan-E Div.		30,000,000	-
5,000,000.00 (-) units of Rs.10/- each of Sundaram Fixed Term Plan BK-366 Days Div.		50,000,000	-
4,500,000.00 (-) units of Rs.10/- each of Tata Fixed Maturity Plan Series 39 Scheme A Div.		45,000,000	-
5,000,000.00 (-) units of Rs.10/- each of Birla SunLife FMP Series-EG Div.		50,000,000	-
2,000,000.00 (-) units of Rs.10/- each of SBI Debt Fund Series 13 Months Div.		20,000,000	-
5,000,000.00 (-) units of Rs.10/- each of SBI Debt Fund Series 370 Days Div.		50,000,000	-
5,000,000.00 (-) units of Rs.10/- each of SBI Debt Fund Series 58-90 Days Div.		50,000,000	-
7,000,000.00 (-) units of Rs.10/- each of UTI Fixed Term Income Fund Series IX-V (367 Days) Div.		70,000,000	-
3,000,000.00 (-) units of Rs.10/- each of UTI Fixed Term Income Fund Series IX-VI (367 Days) Div.		30,000,000	-
7,000,000.00 (-) units of Rs.10/- each of ICICI Prudential FMP Series 57- 1 Year Plan A Div.		70,000,000	-
5,000,000.00 (-) units of Rs.10/- each of HDFC FMP 92 D March 12- Series XIX		50,000,000	-
5,000,000.00 (-) units of Rs.10/- each of HDFC FMP 370 D March 12- Series XIX		50,000,000	-
2,500,000.00 (-) units of Rs.10/- each of L & T FMP VI March (371 Days) Div.		25,000,000	-
<b>Total</b>		<b><u>1,000,000,000</u></b>	<b><u>578,898,573</u></b>
	Book Value as at		Market Value as at
	31st March, 2012	31st March, 2011	31st March, 2012
	Rs.	Rs.	Rs.
Quoted	1,000,000,000	317,705,236	1,019,381,450
Unquoted	-	261,193,337	320,644,056
<b>Total</b>	<b><u>1,000,000,000</u></b>	<b><u>578,898,573</u></b>	

**NOTE 16 : INVENTORIES :**

Raw Materials : (Includes Rs.880,000/- (Rs.7,271,275/-) in Bonded Warehouse)	568,905,093	375,766,944
Work-in-progress :	193,775,372	407,301,243
Finished Goods, at cost or net realisable value	31,348,500	20,499,714
Stores & Spares :	27,710,572	20,653,376
<b>Total</b>	<b><u>821,739,537</u></b>	<b><u>824,221,277</u></b>

As Certified by the Managing Director

**NOTE 17 : TRADE RECEIVABLES : UNSECURED**

Trade Receivables - Unsecured			
(a) Outstanding over six months	214,557,652		202,224,229
(b) Others	1,135,853,990		1,235,156,939
		1,350,411,642	1,437,381,168
(Due from Associate Company Rs.11,305/- (PY Nil))			
<b>Total</b>		<b><u>1,350,411,642</u></b>	<b><u>1,437,381,168</u></b>

**NOTE 18 : CASH AND BANK BALANCES :**

Cash & Cash Equivalent :			
Cash on hand	1,174,727		731,282
Balances with Banks :			
In Current Accounts	242,307,751	243,482,478	266,992,852
Earmarked Balances with Banks		8,832,720	267,724,134
		6,499,933	6,499,933
<b>Total</b>		<b><u>252,315,198</u></b>	<b><u>274,224,067</u></b>

**NOTE 19 : SHORT TERM LOANS AND ADVANCES :**

UNSECURED, GOOD : (Unless otherwise stated)	84,024,826	270,784,717
Dues from Companies promoted by the Company From Associate Company (For Names of the Companies, refer Note No. 32)	-	38,605
<b>Total</b>	<b><u>84,024,826</u></b>	<b><u>270,823,322</u></b>

**NOTE 20 : OTHER CURRENT ASSETS :**

Sundry Deposits	2,382,740	3,810,753
Balances with Central Excise	8,730,012	5,510,855
Taxes paid in Advance	282,805,452	199,248,838
<b>Total</b>	<b><u>293,918,204</u></b>	<b><u>208,570,446</u></b>

Rs.	Current Year Rs.	Previous Year Rs.
<b>NOTE 21 : REVENUE FROM OPERATIONS :</b>		
Sale of Products	6,081,138,677	4,687,586,664
Works Contract Sale	380,523,696	44,750,000
Sale of Services	204,478,965	184,978,551
<b>Total</b>	<b><u>6,666,141,338</u></b>	<b><u>4,917,315,215</u></b>
<b>NOTE 22 : OTHER INCOME :</b>		
Dividend (Includes foreign dividend Rs.315,471/- Previous Year Rs.394,885/-, withholding tax Rs.31,560/- Previous Year Rs.39,488/-)	58,544,018	24,166,617
Interest Received (Gross)		
(Tax deducted Rs 367,242/-, Previous Year Rs.356,028/-)	12,406,856	4,270,030
Insurance Claim Received	203,195	305,074
Miscellaneous Receipts	43,044,841	47,129,492
Profit on Sale of Investments	-	3,430
Surplus on Sale of Assets	2,120,844	11,573,262
Sundry Credit Balances appropriated	4,101,812	1,940,909
Bad Debts / Liquidated Damages Recovered	4,520,197	1,641,148
Refund of Income Tax	8,131,876	2,191,077
Provisions no longer required Written Back	2,535,001	4,454,413
<b>Total</b>	<b><u>135,608,640</u></b>	<b><u>97,675,452</u></b>
<b>NOTE 23 : COST OF MATERIALS CONSUMED :</b>		
Raw Materials (including components) consumed :		
Stocks at commencement	375,766,944	328,622,626
Add : Purchases	3,909,147,971	2,832,745,032
	4,284,914,915	3,161,367,658
Less : Stocks at close	568,905,093	375,766,944
<b>Total</b>	<b><u>3,716,009,822</u></b>	<b><u>2,785,600,714</u></b>
<b>NOTE 24 : CHANGES IN INVENTORIES :</b>		
(Increase) / Decrease in Stocks :		
Stocks at close :		
Work-in-Progress	193,775,372	407,301,243
Finished Goods	31,348,500	20,499,714
	225,123,872	427,800,957
Less : Stocks at commencement :		
Work-in-Progress	407,301,243	360,248,071
Finished Goods	20,499,714	5,138,017
	427,800,957	365,386,088
<b>Total</b>	<b><u>202,677,085</u></b>	<b><u>(62,414,869)</u></b>
<b>NOTE 25 : EMPLOYEE BENEFITS EXPENSES :</b>		
Salaries, Wages, Bonus, etc.	550,757,542	480,568,844
Incentive	26,784,980	18,116,793
Contribution to Provident and Other Funds, etc.	48,322,647	48,579,727
Welfare Expenses	79,219,886	64,908,974
<b>Total</b>	<b><u>705,085,055</u></b>	<b><u>612,174,338</u></b>
<b>NOTE 26 : FINANCE COSTS :</b>		
Interest :		
On Loans	6,856,696	11,242,575
Other Borrowing Costs	5,090,627	7,709,500
<b>Total</b>	<b><u>11,947,323</u></b>	<b><u>18,952,075</u></b>
<b>NOTE 27 : DEPRECIATION AND AMORTISATION EXPENSE :</b>		
Depreciation of tangible assets	103,254,828	105,011,933
Amortisation of intangible assets	17,317,330	12,499,998
<b>Total</b>	<b><u>120,572,158</u></b>	<b><u>117,511,931</u></b>
<b>NOTE 28 : OTHER EXPENSES :</b>		
Stores and Spares Consumed	118,962,422	102,893,984
Manufacturing Expenses	204,554,118	132,025,524
Power, Fuel and Water	74,807,475	55,964,426
Building Repairs	49,778,026	41,826,440
Machinery Repairs	20,286,946	21,459,390
Sundry Repairs	23,399,884	16,081,143
Rent	4,850,225	4,090,196
Rates and Taxes	6,088,060	5,045,804
Insurance	6,310,725	6,208,731
Commission and Discount	109,987,499	101,711,227
Royalty	19,014,130	13,861,252
Travelling Expenses	77,654,444	66,001,700
Excise Duty, net	4,632,274	3,304,157
Sales Tax	2,684,213	12,427,188
Postage, Telephones, Telex Expenses	17,451,956	15,096,283
Bank Charges	23,133,705	38,881,961
Freight Outward	48,438,721	24,132,505
Vehicle Expenses	17,338,660	15,081,433
Printing and Stationery	9,132,556	7,254,840
Legal and Professional Charges	58,088,059	37,586,010
Advertisement and Publicity Expenses	10,063,677	11,482,228
Donations	18,400,000	10,100,000
Auditors' Remuneration	1,717,000	1,741,938
Directors' Fees and Travelling Expenses	6,177,374	3,274,448
Director's Remuneration :		
Salary	24,410,323	11,258,000
Loss on Assets sold, discarded, demolished or scrapped	2,632,341	706,638
Bad Debts and Sundry Debit Balances written off	5,257,985	5,307,930
Liquidated Damages	128,255,129	55,951,858
Miscellaneous Expenses	67,298,939	68,181,276
<b>Total</b>	<b><u>1,160,806,866</u></b>	<b><u>888,936,510</u></b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012****29 Effects of changes in foreign exchange rates :**

The company, in terms of Notification issued by Ministry of Corporate Affairs on 31st March, 2009, had exercised the option of implementing the provisions of newly inserted Paragraph 46 of Accounting Standard 11, 'Accounting for the Effects of Changes in Foreign Exchange Rates', prescribed by Companies (Accounting Standards) Amendment Rules, 2009. The Company has outstanding long term foreign currency loans which are categorized as Long Term Foreign Currency Monetary Item as referred in the said notification. Accordingly Rs.2,763,750/- being loss for the year (Previous year gain Rs 1,897,500/-) has been adjusted against the cost of Fixed Assets.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

30 Disclosure pursuant to Accounting Standard - 15 (Revised) "Employee Benefits" :

- a. Defined Contribution Plans:  
Amount of Rs. 41,727,896/- (Previous Year Rs. 36,602,648/-) is recognised as expense and included in "Employee Benefits Expenses" in Note 25 in the Profit and Loss Account.
- b. Defined Benefit Plans:

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

	2011-12 Rs.	2010-11 Rs.
	<b>Gratuity</b>	
a. Present value of Defined Benefit Obligation at the beginning of the year	145,481,596	138,599,297
b. Interest cost	10,897,309	11,087,944
c. Current service cost	9,688,664	7,617,643
d. Actuarial Losses / (Gains)	(1,428,412)	5,773,468
e. Benefits paid	18,530,478	17,596,756
f. Present value of Defined Benefit Obligation at the close of the year	146,108,679	145,481,596

- ii. Changes in the fair value of Plan Assets and the reconciliation thereof:

	2011-12 Rs.	2010-11 Rs.
	<b>Gratuity</b>	
a. Fair value of Plan Assets at the beginning of the year	144,124,683	139,219,463
b. Add : Expected return on Plan Assets	12,474,850	12,501,976
c. Add / (Less) : Actuarial Losses / (Gains)	(87,960)	-
d. Add : Contributions	7,500,000	10,000,000
e. Less: Benefits Paid	18,530,478	17,596,756
f. Fair value of Plan Assets at the close of the year (includes Rs.31.26 Lacs with trust, previous year Rs.47.83 Lacs)	145,657,015	144,124,683

- iii. Amount Recognised in the Balance Sheet including a reconciliation of the present value of the defined obligation in (i) and the fair value of the plan assets in (ii) to the assets and liabilities recognised in the Balance Sheet:

	2011-12 Rs.	2010-11 Rs.
	<b>Gratuity</b>	
a. Present value of Defined Benefit obligation	146,108,679	145,481,596
b. Less: Fair value of Plan Assets - with LIC	142,536,515	139,341,683
c. Less: Fair value of Plan Assets - with Trust	3,120,500	4,783,000
d. Total Fair Value of Plan Assets	145,657,015	144,124,683
e. Net Liability / (Asset) recognised in the Balance Sheet	451,664	1,356,913

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

	2011-12 Rs.	2010-11 Rs.
	<b>Gratuity</b>	
a. Current Service Cost	9,688,664	7,617,643
b. Interest Cost	10,897,309	11,087,944
c. Expected return on Plan Assets	12,474,850	12,501,976
d. Actuarial Losses / (Gains)	(1,516,372)	5,773,468
e. Past service costs	-	-
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	6,594,751	11,977,079

- v. Broad Categories of plan assets as a percentage of total assets as at 31.03.12

The plan assets are with Life Insurance Corporation of India and the Trust's Investments are in State Government Securities.

- vi. Actuarial Assumptions at the Balance Sheet date:

	2011-12 %	2010-11 %
	<b>Gratuity</b>	
a. Discount Rate	8.5%	8%
b. Expected rate of return on Plan Assets	9.00%	9.40%
c. Salary Escalation rate	5%	6%

Particulars	For the year ended March 31, 2012 Rs.	For the year ended March 31, 2011 Rs.	For the year ended March 31, 2010 Rs.	For the year ended March 31, 2009 Rs.
Defined Benefit Obligation	146,108,679	145,481,596	138,599,297	126,094,913
Plan Assets	145,657,015	144,124,683	139,219,463	133,986,328
(Surplus) / Deficit	451,664	1,356,913	(620,166)	(7,891,415)
Experience Adjustment on plan liabilities (gain)/loss	-	-	-	-
Experience Adjustment on plan assets (gain)/loss	-	5,773,468	14,045,773	7,910,470

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

- vii. General Descriptions of significant Defined plans:

Gratuity Plan:

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

- viii. The company has valued the compensated absences, as specified in AS 15 (Revised) on actuarial basis. Further Para 132 of AS 15 (Revised 2005) does not require any specific disclosure except where the expense resulting from compensated absences is of such size, nature or incidence that its disclosure is relevant under other accounting standards. In the opinion of the management, the expense resulting from compensated absences is not significant and hence no disclosures are prepared under various paragraphs of AS 15 (Revised 2005).

31 Details of Segment Reporting

A.	Information about Business Segment - Primary (See Note below)	2011-12			2010-11		
		Compression Rs.	Transmission Systems Rs.	Total Equipments Rs.	Compression Rs.	Transmission Systems Rs.	Total Equipments Rs.
	S.No. Particulars						
	1 Segment Revenue						
	Sales	5,781,278,792	884,862,546	6,666,141,338	4,352,638,776	564,676,439	4,917,315,215
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	5,781,278,792	884,862,546	6,666,141,338	4,352,638,776	564,676,439	4,917,315,215
	2 Result						
	Segment Result	1,090,456,574	46,229,799	1,136,686,373	951,273,325	(86,560,772)	864,712,553
	Less: Unallocable Corporate Expenses (Net of Income)			240,022,538			191,530,510
	Operating Profit before Interest			896,663,835			673,182,043
	Less: Interest			11,947,323			18,952,075
	Profit before Tax			884,716,512			654,229,968
	3 Other Information						
	Segment Assets	2,337,315,941	802,093,061	3,139,409,002	2,539,480,988	883,616,437	3,423,097,425
	Add: Unallocable common assets			1,692,687,491			1,150,098,164
	Total Assets			4,832,096,493			4,573,195,589
	Segment Liabilities	1,658,227,419	257,558,189	1,915,785,608	1,794,016,911	293,950,579	2,087,967,490
	Add: Unallocable common liabilities			552,066,741			478,703,561
	Total Liabilities			2,467,852,349			2,566,671,051
	4 Capital Expenditure During the year	115,161,915	3,799,051	118,960,966	63,047,498	58,786,525	121,834,023
	5 Depreciation	75,431,114	44,689,348	120,120,462	67,581,760	49,733,251	117,315,011
	Add: Unallocable Depreciation			451,696			196,920
				120,572,158			117,511,931
B	Secondary Segment - Geographical by Customers						
	1 Segment Revenue						
	In India			6,347,606,750			4,788,047,039
	Outside India			318,534,588			129,268,176
	Total			6,666,141,338			4,917,315,215

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

## 31 Details of Segment Reporting (Contd.)

- C Other Disclosures
- Segments have been identified in line with the Accounting standard, AS-17 "Segment Reporting" (AS -17), taking in to account the organisation structure as well as the differing risks and returns.
  - Company has disclosed Business Segment as the primary segment.
  - Composition of Business Segment  
Name of the Segment : Comprises of :  
a) Compression Systems Air and Gas Compressors, Airconditioning and Refrigeration Compressors and Systems etc.  
b) Transmission Equipments Power Transmission Equipments (Torque Converter), Reverse Reduction Gears for Marine Gear Engines, Industrial and Mobile application etc.
  - The Segment Revenue, Results , Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis
  - The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 48 to the Financial Statement.

## 32. Disclosure of Transactions with Related Parties as required by the AS-18

## (A) Name of the related party and nature of relationship where control exists

Names of Related parties		
1) Holding Company	Kirloskar Brothers Investments Ltd.	w.e.f. 20th May 2011
2) Fellow Subsidiary	Kirloskar Oil Engines Ltd. Nasik Silk Ltd.	
3) Associate Company	Kirloskar Chillers Pvt. Ltd.	
4) Key Management Personnel	Mr. Rahul C. Kirloskar	Executive Chairman w.e.f. 23rd January 2012
5) Relatives of Key Management Personnel	Mr. Aditya Kowshik Mrs. Alpana Rahul Kirloskar Mrs. Suman C. Kirloskar Mr. Atul C. Kirloskar Mrs. Kavita Kowshik	Managing Director Wife Mother Brother Wife

Note : Related Party relationship is as identified by the Company based on the available information and relied upon by the Auditors.

## (B) Related Party Transactions

Nature of Transaction	Year	Holding Company	Fellow Subsidiary Company	Associate Company	Key management Personnel	Relatives of Key Management Personnel	Amount in Rs.
							Total
Purchase of Goods/Assets	2011-12	-	4,764,271	55,839	-	-	4,820,110
	2010-11	-	-	7,654,602	-	-	7,654,602
Sale of Goods / Assets	2011-12	-	-	464,822	-	-	464,822
	2010-11	-	-	420,906	-	-	420,906
Rent Received	2011-12	-	-	462,000	-	-	462,000
	2010-11	-	-	462,000	-	-	462,000
Dividend Received	2011-12	-	-	7,350,000	-	-	7,350,000
	2010-11	-	-	245,000	-	-	245,000
Rent Paid	2011-12	-	-	-	-	343,548	343,548
	2010-11	-	-	-	-	-	-
Dividend Paid	2011-12	77,967,048	-	-	-	-	77,967,048
	2010-11	-	-	-	-	-	-
Remuneration paid **	2011-12	-	-	-	27,460,381	-	27,460,381
	2010-11	-	-	-	12,874,734	-	12,874,734
Balance Outstanding Receivable	2011-12	-	-	11,305	-	10,000,000	10,011,305
	2010-11	-	-	38,605	-	-	38,605
Payable	2011-12	-	1,388,034	-	17,500,000	-	18,888,034
	2010-11	-	-	-	8,000,000	-	8,000,000
Investment	2011-12	-	-	4,900,000	-	-	4,900,000
	2010-11	-	-	4,900,000	-	-	4,900,000

\*\* The amount of Gratuity is included as per the rules of the Company

Details of Remuneration paid / payable to Key Managerial personnel are as per note no.33  
Transactions with fellow subsidiary are only with Kirloskar Oil Engines Ltd.

Transactions with relatives of key management personnel is only with Mrs. Suman C. Kirloskar.

## 33 Managerial Remuneration :

## a) Profit and Loss Account includes payments and provisions on account of Remuneration to the Executive Director as under :

	* Executive Chairman	2011-12 **Managing Director	Total	2010-11 Executive Director
	Rs.	Rs.	Rs.	Rs.
Salary	2,290,323	4,200,000	6,490,323	2,960,000
House Rent Allowance	-	420,000	420,000	296,000
Commission	5,000,000	12,500,000	17,500,000	8,000,000
Contribution to :				
Provident Fund	274,839	504,000	778,839	355,200
Superannuation Fund	343,548	630,000	973,548	444,000
Gratuity Fund (Refer Note 1)	190,860	350,000	540,860	350,000
Other perquisites	406,675	350,136	756,811	469,534
<b>Gross Remuneration</b>	<b>8,506,245</b>	<b>18,954,136</b>	<b>27,460,381</b>	<b>12,874,734</b>

\* Appointed as Executive Chairman with effect from 23rd January 2012.

\*\* Redesignated as Managing Director with effect from 27th April 2011

## Note :

- As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in the above figures for the purpose of computation of net profit in terms of Section 349 of Companies Act, 1956, as per rules of the company.
- As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in the above figures, for the purpose of computation of Net Profit in terms of Section 349 of the Companies Act, 1956.

	2011-12 Rs.	2010-11 Rs.
1 Net Profit as per Profit & Loss Account	884,716,512	654,229,968
2 ADD		
Directors Remuneration	32,585,381	15,514,734
Loss on sale of Assets	2,632,341	706,638
	<u>919,934,234</u>	<u>670,451,340</u>
3 LESS		
Profit on sale of Assets and Investments	2,120,844	11,576,692
Net Profit U/S 349	<u>2,120,844</u>	<u>11,576,692</u>
Maximum permissible Remuneration payable to Executive Chairman and Managing Director	91,781,339	32,943,732
Restricted to	27,460,381	12,874,734
Maximum permissible Commission payable to Non Executive Directors	9,178,134	6,588,746
Restricted to	5,125,000	2,640,000

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

### 34 Leases

The Company has entered into agreements in the nature of Lease / Leave and License agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and License and disclosure required as per accounting standard 19 with regard to the above is as under.

- Payment under Lease / Leave and License for period :
  - Not later than 1 year Rs.5,865,048/-
  - Later than 1 year but not later than 5 years Rs.6,366,335/-
- There are no transaction in the nature of Sub Lease.
- Payments recognised in the Profit and Loss Account for the year ended 31st March, 2012 amounts to Rs.4,850,225/-
- Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

### 35 Intangible assets

In accordance with the Accounting Standard 26, "Intangible Assets" expenditure on Technical Know-how on Project under implementation will be amortized on commencement of commercial production. Expenditure of Rs. 12,500,000/- on Technical Know-how, in respect of which commercial production has been started, has been amortised over a period of three years Software is being amortized on pro rata basis from the month of installation, over a period of one year.

### 36 Capital and other commitments:

	2011-12 Rs.	2010-11 Rs.		
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	72,946,160	32,582,774		
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills and Second Charge on Fixed Assets. Amount outstanding as on 31st March 2012.	1,388,346,356	1,152,742,851		
<b>37 Payment to Auditors (Net of Service Tax):</b>				
(a) As Auditors	1,500,000	1,500,000		
(b) In Other Capacity				
For Tax Audit	200,000	200,000		
For Certificates	12,000	20,000		
	<u>1,712,000</u>	<u>1,720,000</u>		
(c) For Expenses	-	21,938		
	<u>1,712,000</u>	<u>1,741,938</u>		
<b>38 Proposed dividend</b>				
Dividend recommended per share	12	12		
Dividend %	120	120		
<b>39 A. Contingent Liabilities not provided for in respect of:</b>				
Claims against the Company not acknowledged as Debts, estimated at	305,226,955	278,648,095		
Income Tax Matters under Dispute	712,247	712,247		
Disputed Central Excise Matters	2,394,872	3,970,702		
Disputed Sales Tax Demands	1,157,000	1,157,000		
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	3,418,814	2,458,566		
<b>B.</b> Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration. The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable.				
<b>40 Foreign Exchange Derivatives &amp; Exposures not hedged at close of the year</b>				
(A) Foreign Exchange Derivatives				
<b>Nature of Instrument</b>	<b>Currency</b>	<b>Sale / Purchase</b>	<b>31.03.2012</b>	<b>31.03.2011</b>
Forward Contracts	USD	Purchase	-	-
Currency Swap	USD	Purchase	2,750,000	4,125,000
All derivatives stated above are for the purpose of hedging the underlying foreign currency exposures to the extent outstanding.				
(B) Exposure not hedged				
<b>Nature of Instrument</b>	<b>Currency</b>	<b>31.03.2012</b>	<b>31.03.2011</b>	
Receivable	GBP	4,371	4,720	
	USD	438,852	410,115	
	EUR	356,195	75,550	
	JPY	4,907,620	-	
	SEK	98,795	-	
Payable	GBP	75,231	734,388	
	USD	1,330,368	882,770	
	EUR	580,141	421,481	
	JPY	-	4,250,000	
	SEK	-	30,000	
(C) Exchange differences on account of settlement / revaluation of foreign currency transactions in current account are included in Miscellaneous Expenses (Rs.10,239,299/- Previous Year Rs.6,368,018/-) if such differences are in the nature of expenses and in Miscellaneous Receipts (Rs.Nil, Previous Year Rs.Nil) if such differences are in the nature of gain.				
<b>41</b> The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act,2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information there are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31st March, 2012.				
<b>42 Value of Imports calculated on CIF basis</b>			2011-12 Rs.	2010-11 Rs.
Raw Materials			910,337,287	468,880,048
Components and Spares			23,286,037	16,919,094
Capital Goods			-	41,069,844
			<u>933,623,324</u>	<u>526,868,986</u>
<b>43 Expenditure in Foreign Currencies (accrual basis):</b>				
(i) Royalty			1,407,308	2,164,580
(ii) Technical Knowhow			3,300,289	92,624,830
(iii) Interest			5,967,757	7,957,820
(iv) Professional Fees			20,667,846	2,852,442
(v) Other matters			35,952,344	31,605,014
			<u>2011-12</u>	<u>2010-11</u>
<b>44 Details of raw material consumed</b>				
Steel Bars and Plates			4,057,981	3,208,528
Pipes			10,029,449	8,701,224
Castings			40,559,536	41,803,868
Forgings			280,326,033	223,203,069
Foundry Raw material			35,217,966	29,451,789
Components			3,124,862,851	2,347,222,279
Others			220,956,006	132,009,957
			<u>3,716,009,822</u>	<u>2,785,600,714</u>
<b>45 Imported and Indigenous Raw Materials, Components and Spares Consumption :</b>				
			2011-12	2010-11
	Rs.	Percentage	Rs.	Percentage
<b>Raw Material</b>				
Imported	731,753,017	19.69	511,084,726	18.35
Indigenously obtained	2,755,470,435	74.15	2,076,049,990	74.53
	<u>3,487,223,452</u>	<u>93.84</u>	<u>2,587,134,716</u>	<u>92.88</u>
<b>Spares</b>				
Imported	21,069,306	0.57	15,289,004	0.55
Indigenously obtained	207,717,064	5.59	183,176,994	6.57
	<u>228,786,370</u>	<u>6.16</u>	<u>198,465,998</u>	<u>7.12</u>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

		2011-12	2010-11
46	<b>Earnings in Foreign Currencies (accrual basis)</b>	<b>Rs.</b>	<b>Rs.</b>
	(i) F.O.B. Value of Exports	<b>318,534,588</b>	129,268,176
	(ii) Dividend Received	<b>315,471</b>	394,885

47 **Deferred tax asset / liability**

As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs. 11,428,813/- in the Profit and Loss Account. The details of which are as under.

Particulars		Balance as at	Arising During	Balance as at	Rupees
			1st April 2011	the Year	31st March 2012
I.	Deferred Tax Liabilities				
	a. Depreciation		40,841,209	(8,361,495)	32,479,714
II.	Deferred Tax Assets				
	Disallowances under section 43b of the Income Tax Act		25,138,031	3,067,318	28,205,349
	Net Deferred Tax Liability		15,703,178	(11,428,813)	4,274,365

48 **Significant accounting policies**

## A. System of Accounting:

- (i) The Company, except under significant and uncertain circumstances, follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
- (ii) The Financial Statements are based on historical costs.
- (iii) Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.
- (iv) Estimates and assumptions used in the preparation of the Financial Statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements which may differ from the actual results at a subsequent date.

## B. Tangible assets

- (i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
- (ii) Land and Building, Plant and Machinery at Faridabad Unit acquired before 30th June, 1984, are taken at revalued cost and those acquired after 30th June, 1984, are valued at landed cost.
- (iii) Depreciation on Assets (other than Freehold Land):  
On Plant and Machinery given on Lease:  
Depreciation on Plant and Machinery given on Lease is being provided at the rates worked on Straight Line Method over the primary period of Lease Agreement or at the rate specified in Schedule XIV to the Companies Act, 1956, whichever is higher, on pro-rata basis.

Asset	Primary Lease Period	Rate on Straight Line Method	
		Over the primary Period of Lease	As specified in Schedule XIV
Plant and Machinery	8 years	12.50%	10.34%
Plant and Machinery	5 years	20.00%	10.34%

- (i) Depreciation on Additions to the Fixed Assets up to 31st March, 1961, is being provided on "Written Down Value" Method in accordance with the Provisions of Section 205(2)(a) of the Companies Act, 1956, at the rates specified in Schedule No. XIV to the said Act.
- (ii) Depreciation on Additions to Assets from 1st April, 1961, to 30th September, 1987, is being provided for on Straight Line basis in accordance with the provisions of Section 205(2)(b) of the Companies Act, 1956, pursuant to Circular No. 1/1/86/CLV No. 15-(50)84 CL VI dated 21st May, 1986, issued by the Department of Company Affairs, at the rates corresponding to the rates (inclusive of multiple shift allowance) applicable under the Income Tax Rules 1962 as in force at the time of acquisition / installation and on Additions on or after 1st October, 1987, on the same basis at the rates specified in Schedule No. XIV to the Companies Act, 1956.
- (iii) Depreciation on assets of erstwhile Faridabad unit has been charged on Straight Line Method as per rates prescribed by Schedule XIV to the Companies Act, 1956. Depreciation on additions made after 16th December, 1993, has been charged on Straight Line Method at the revised rates as prescribed in Schedule XIV to the Companies Act 1956 and substituted by Notification GSR No.756 (E) dated 16th December, 1993, of the Department of Company Affairs, Government of India.
- (iv) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as required by Schedule XIV to Companies Act, 1956.
- (v) Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year.
- (vi) Depreciation on Additions to Vehicle is being provided on pro-rata basis from the month of acquisition as useful life of asset is estimated as five years.
- (vii) Depreciation on Additions, on account of increase in rupee value due to Foreign Exchange fluctuations, is being provided at the rates of depreciation over the future life of said assets.
- (viii) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the month in which such Assets are sold, discarded or demolished.
- (ix) No Depreciation is being charged on Revaluation amount of the Fixed Assets.

## C. Intangible assets:

Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. (Also see note no.35)

## D. Investments:

- a. Long Term Investments are valued at Cost of acquisition less estimated diminution in value determined to be of permanent nature.
- b. Current investments are mainly comprising of investments in mutual funds and are stated at lower of cost or fair value.

## E. Inventories:

Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.

- (i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.
- (ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
- (iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
- (iv) Jigs and Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
- (v) Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
- (vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
- (vii) Excise / Customs Duty:  
Excise Duty on Finished Goods and Customs Duty on imported materials are accounted on production of Finished Goods / Receipt of materials in Customs Bonded Warehouse.

## F. Foreign Currency Conversion:

- a. Initial Recognition  
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- b. Conversion  
Current assets and current liabilities, Secured Loans designated in foreign currencies are revalued at the rate prevailing on the date of Balance Sheet.
- c. Exchange Differences  
Exchange differences arising on the settlement and conversion on 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 they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31 March 2009, eligible exchange difference on foreign currency loans is adjusted in the cost of the asset to be depreciated over the balance life of the asset. (For change and effect see Note no.29)
- 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 reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.  
In respect of foreign exchange forward contracts, difference between forward contract rate and exchange 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, except in respect of the liabilities for the acquisition of qualifying assets, where such amortization is adjusted in the cost of the corresponding asset.

## G. Borrowing Cost:

Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.

## H. Sales:

- (i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.
- (ii) Export Sales are accounted for on the basis of dates of Bills of Lading.
- (iii) Construction Contract Sales:  
In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012 (Contd.)

- I. Income Tax  
Tax Expense comprises both current and deferred tax. Provision for current tax is made on the basis of taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.  
Deferred Tax resulting from timing difference 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 crystallise, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.
- J. Employee Benefits
- (A) Short term Employee Benefits :  
All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex gratia etc. and 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 scheme, State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.
- (ii) Defined Benefits Plans:  
The employee's gratuity fund scheme, long term compensated absences 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.
- (iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.
- (iv) Termination benefits are recognised as an expense as and when incurred.
- K. Provisions :  
Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and which can be reliably estimated.
- 49 Previous years figures have been regrouped wherever necessary to make them comparable with those of the current year.

As per our attached report of even date

For and on behalf of Board of Directors

For **M/s P. G. Bhagwat**  
Firm Registration No. 101118W  
Chartered Accountants

**S. S. Athavale**  
Partner  
Membership No. 83374  
Pune, April 24, 2012

**Aditya Kowshik**  
Managing Director

**Jitendra Shah**  
Company Secretary

**Rahul C. Kirloskar**  
Executive Chairman

**Suhas S. Kolhatkar**  
Vice President & Finance Controller  
Pune, April 24, 2012

# KIRLOSKAR PNEUMATIC COMPANY LIMITED

REGISTERED OFFICE : HADAPSAR INDUSTRIAL ESTATE, PUNE 411 013

## ATTENDANCE SLIP

PLEASE BRING THIS ATTENDANCE SLIP AND HAND IT OVER AT THE VENUE OF THE MEETING AT PUDUMJEE HALL, MAHRATTA CHAMBER OF COMMERCE, INDUSTRIES AND AGRICULTURE, PUNE - 411 002.

NAME & ADDRESS OF THE MEMBER

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

FOLIO NO.

\_\_\_\_\_

DP ID\*

\_\_\_\_\_

CLIENT ID \*

\_\_\_\_\_

I/We hereby record my/our presence at the Annual General Meeting of the Company at the Pudumjee Hall, Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune 411 002 on Tuesday, the 17th July 2012 at 02.30 p.m.

SIGNATURE OF THE MEMBER OR PROXY

\_\_\_\_\_

SHARE(S) HELD

\_\_\_\_\_

\*Applicable to members holding shares in Electronic Form

# KIRLOSKAR PNEUMATIC COMPANY LIMITED

REGISTERED OFFICE : HADAPSAR INDUSTRIAL ESTATE, PUNE 411 013

## PROXY FORM

I / We.....of  
.....of.....in the  
district of.....be ing a member(s) of the above named Company  
hereby appoint.....of.....in the district  
of.....or failing him / her  
.....of.....in the district of  
.....asmy / our Proxy to vote for me / us on my / our behalf at the Annual  
General Meeting of the Company to be held on Tuesday, the 17th July 2012 at 02.30 p.m. and at any adjournment thereof.

Signed this.....day of.....2012.

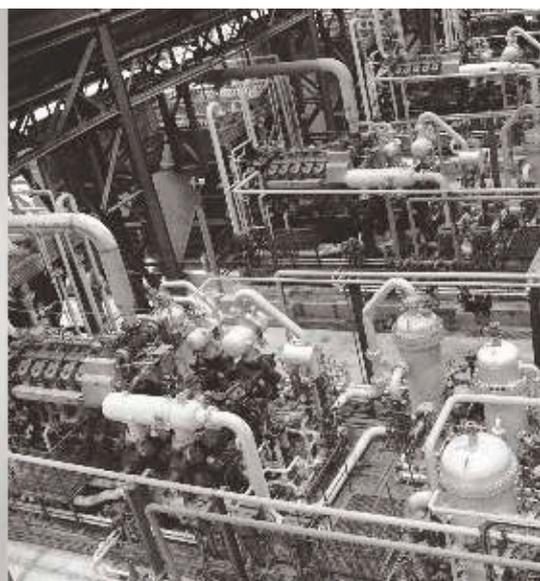
FOLIO NO.	SHARES HELD	
*DP ID	*CLIENT ID	

Affix  
Revenue  
Stamp

\*Applicable to members holding shares in Electronic Form

NOTE : The Proxy Form must be deposited at the Registered Office of the Company, not less than 48 hours before the time for holding the meeting.







Enriching Lives

**KIRLOSKAR PNEUMATIC CO. LTD.**

Regd. Office: Hadapsar Industrial Estate, Pune 411 013, INDIA.

Tel.: +91 (20) 2672 7000. Fax: +91 (20) 2687 0297 / 2681 2822

E-mail: [sec@kpcl.net](mailto:sec@kpcl.net) | Website: [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com), [www.kirloskar.com](http://www.kirloskar.com)