Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED

Annual Report 2012-13

Decades of positive change

Positive Change!

It has been our reason to be, for decades now. And, it is this thought that has been the inspiration behind a gazillion smiles, across the globe.

Through critical engineering solutions across industries; be it the water that quenches thirst of millions across regions or keeps mega power plants cool, or the engines that power countless applications, generating sets that provide standby power from telecom to defence and the refrigeration that saves millions of tonnes of food stock - Kirloskar has been working reliably and efficiently to spread and earn more and more smiles.

Your company has brought about a positive change by:

- Setting a challenging and exciting Vision for the future
- Focusing on costs and efficiencies across the organization
- Forging new partnership and cementing the existing ones
- Enlarging the product portfolio and improving on offerings to the customers

To see how Kirloskar has enriched lives, watch Television Commercials at www.kirloskarsolutions.in

Annual Report for the financial year ended 31 March 2013

BOARD OF DIRECTORS

Atul C. Kirloskar	Executive Chairman
Gautam A. Kulkarni	Executive Vice Chairman
Nihal G. Kulkarni	Managing Director
Rajendra R. Deshpande	Executive Director
Rahul C. Kirloskar	
U.V. Rao	
Pratap G. Pawar	
R. Srinivasan	
Dr. Naushad D. Forbes	
M. Lakshminarayan	
Anil N. Alawani	
Dattatraya R. Swar	

CHIEF FINANCIAL OFFICER
T. Vinodkumar

ASSISTANT COMPANY SECRETARY
Smita A. Raichurkar

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

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

REGISTRAR & SHARE TRANSFER AGENT
Link Intime India Private Limited
Block No. 202, 2nd Floor,
'Akshay' Complex, Near Ganesh Temple,
Off Dhole Patil Road, Pune- 411 001
Ph. No. 020 - 26161629 / 26160084

REGISTERED OFFICE
Laxmanrao Kirloskar Road, Khadki, Pune - 411 003
Ph. No. 020 - 25810341
www.koel.co.in

LOCATION OF FACTORIES
Pune, Nasik, Kagal and Rajkot

Information for shareholders
Annual General Meeting

Date	:	Thursday, 25 July 2013
Time	:	11.30 A.M.
Venue	:	Hotel Le Meridien Raja Bahadur Mill Road, Pune – 411 001
Proposed Dividend	:	250% (₹ 5 per share of ₹ 2 each)
Dates of Book Closure	:	18 July 2013 to 25 July 2013 (both days inclusive)

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FINANCIALS AT A GLANCE

Particulars				₹ in Crs.
	2012-13	2011-12	2010-11	2009-10
Net Sales	2319	2,276	2,364	2,219
Profit Before Tax	271	281	244	263
Profit After Tax	199	192	174	164
Dividend (%)	250	200	200	200
Dividend per share (₹)	5	4	4	4
Dividend Amount	72	58	58	58
Earning Per Share (₹)	14	13	12	11
Book Value Per Share (₹)	80	71	61	47
Share Capital	29	29	29	29
Reserves and Surplus	1125	1,004	860	651
Shareholders' Funds	1154	1,033	889	680
Loan Funds	0	169	249	270
Total Capital Employed	1154	1,202	1,138	950
Net Block	591	576	591	563

REPORT OF THE DIRECTORS

To,

The Members
of KIRLOSKAR OIL ENGINES LTD.,

The Directors are pleased to present the Fourth Annual Report together with the Audited Statement of Accounts for the year ended 31 March 2013.

Financial Highlights

A. Statement of Profit & Loss

(₹ in Crores)

Particulars	**2012-13**	**2011-12**
Total Revenue	2396.48	2362.54
Profit before exceptional and extraordinary items and tax	**289.93**	**233.00**
Exceptional Items	(19.08)	47.71
Profit before tax	**270.85**	**280.71**
Tax Expense (Current & Deferred Tax)	72.01	88.91
Profit for the Period	**198.84**	**191.80**

B. Appropriations

The Directors propose to appropriate the available surplus as follows:

(₹ in Crores)

Particulars	**2012-13**	**2011-12**
Proposed Dividend	72.31	58.25
Corporate Tax on Dividend	12.29	9.45
Transfer to General Reserve	19.88	19.18
Closing Balance of Statement of Profit & Loss	367.91	273.25

C. Borrowings and Capex

(₹ in Crores)

Particulars	**2012-13**	**2011-12**
Total borrowings	NIL	168.96
Cash and cash equivalents	24.78	27.39
Capital expenditure	121.53	106.46

D. Financial Ratios

Financial Ratios	**2012-13**	**2011-12**
Return on capital employed (%)	23.7	24.7
Book value per share (₹)	80	71
Diluted earnings per share (₹)	13.7	13.2
Dividend payout ratio (%)	42.54	35.3

Financial Performance

In an increasingly challenging environment and continuing material cost inflation, while sales increased marginally from ₹ 2,276 crores to ₹ 2,319 crores, the profit from operations (excluding exceptional items) rose from ₹ 233 crores to ₹ 290 crores, registering a good increase of 24%. This was made possible through a combination of rigorous cost restructuring and efficiency improvement programs that yielded good results and helped the Company maintain profitable growth in an otherwise difficult economic scenario.

Dividend

For the year under review, the Directors have recommend a dividend of 250% (₹ 5 per share) for the year. (PY 200%, ₹ 4 per share). Total dividend payout for the year is ₹ 84.60 crores, including payment of ₹ 12.29 crores, as dividend distribution tax.

Buyback of Equity Shares

The Board of Directors, in their meeting held on 25 January 2012, had approved a buyback of fully paid equity shares of the Company by open market purchases through the stock exchange route at a maximum price of ₹ 170 per equity share, with the aggregate buyback amount not exceeding ₹ 73.625 crores. This represents 10% of the total paid up capital and free reserves as per the latest audited balance sheet on 31 March 2011.

The Company has closed the buyback on 24 January 2013, after buying back 10,15,424 equity shares for a total consideration of ₹ 15.67 Crs (exclusive of transaction and other related costs), at an average price of ₹ 154.34 per Equity Share.

Directors

R. R. Deshpande, Rahul C. Kirloskar and D. R. Swar retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

The brief resumes and other details relating to the Directors who are proposed to be re-appointed, as required to be disclosed under Clause 49 of the Listing Agreement, form part of the Report on Corporate Governance.

Corporate Governance

Pursuant to Clause 49 of the Listing Agreement, the Management Discussion and Analysis and the Corporate Governance Report together with the Auditors Certificate on compliance with the conditions of Corporate Governance as laid down, forms part of this report.

Awards, Recognitions and Certifications

The manufacturing operations of the Company have always been recognized for its quality delivery and operational excellence. In recognition,

- The Engineering Export Promotion Council (EEPC) conferred the “Star Performer Award” to the Company for the fourth consecutive time. The award was presented by Hon’ble Chief Minister of Goa, Shri Manohar Parrikar in October 2012.

- The Company’s Digvijay Quality Circle (Kagal Plant) won the Three Star award while the Lakshya and Utkarsh Quality Circles (Nashik plant) won the Two Star awards, conferred at an international level competition organized by the Malaysian Productivity Corporation, in Kula Lumpur.

- The Vijayshree Quality circle Team (Pune Plant) bagged the 2nd runner up prize at the INDIZEN -2013. INDIZEN-2013 was the 4th National convention on operational excellence, which was organized by the Indian Business unit of the Kaizen institute, who are the global leader in operational excellence.

Auditors

a. Statutory Auditors

The Statutory Auditors M/s. P. G. Bhagwat, Chartered Accountants, Pune (Firm Registration Number 101118W) hold office till the conclusion of the ensuing Annual General Meeting. It is proposed to re-appoint them as Statutory Auditors for the Company for the FY 2013-14. The members are requested to consider their re-appointment and authorize the Board of Directors to fix their remuneration. The Company has received a letter from them, stating that their appointment if made would be in conformity to section224(1B) of the Companies Act, 1956.

b. Cost Auditors

Pursuant to the directives of the Ministry of Corporate affairs, your Company has appointed M/s.Parkhi Limaye & Co. as Cost Auditors of the Company under section 233B of the Companies Act, 1956.

c. Internal Auditors

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

Directors' Responsibility Statement

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

i. In preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

ii. they have in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March, 2013 and of the profit of the Company for the year ended on that date;

iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities; and

iv. they have prepared the annual accounts on a going concern basis.

Listing Fees

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

Statutory Disclosures

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

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

Cautionary Statement

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

Acknowledgments

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

For and on behalf of the Board of Directors

ATUL C. KIRLOSKAR
Executive Chairman

Date : 26 April 2013
Place : Pune

ANNEXURE 'A' TO THE DIRECTORS' REPORT

A. Conservation of Energy

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

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

- **Kagal Plant**

  1. Air Optimizer for compressed air circuit to maintain air pressure
  2. Installation of VFD's for CNC machine coolant motors, paint shop blower motors
  3. Replacement of old coolant pumps with low power Energy efficient pumps
  4. Installation of Solar Steam Generator for Canteen cooking
  5. LED Street Lighting
  6. Power saving logic modification for HA and R1040 Crank Case line machines to stop conveyor during idle running
  7. Use of one motor instead of two coolant motors by Logic modification
  8. Main power and air supply cut off during idle runs for all Special purpose machines on Connecting Rod, HA and R1040 Cylinder Head lines
  9. Construction of New office building with Energy Efficient VRV Air Conditioning System, Energy efficient LED and T5 Lightings, Maximum utilization of Daylight
  10. Solar Lighting for Bio-gas plant
  11. LED High-bay lighting for Genset plant expansion project

- **Pune Plant**

  1. Removal of the under loaded transformers with load shifted to other transformers to reduce transformer losses (SL90, Bearing shop)
  2. Optimizing Lighting feeder voltage through voltage controlling system
  3. Energy conservation by installing LED Street lights
  4. Separate low pressure air grid for component cleaning application
  5. Installation of timer in paint booth for degreasing pump in order to switch off pump during idle period
  6. Reduction of energy by installing descaling unit to reciprocating compressor
  7. Optimizing test cycle of various engines thereby reducing diesel consumption

- **Nashik Plant**

  1. Replacement of electromechanical system by electronic drives during reconditioning of Skoda machine
  2. Conversion of Stress Relieving furnace from Diesel fired to Gas fired

- **Rajkot Plant**

  1. Installation of VFD drive for reciprocating compressor to save power
  2. Installation of Single phase Servo Voltage Stabilizer for lighting system for entire plant
  3. Improve water quality of compressor cooling by modification in water line to improve efficiency of heat exchanger in compressor
  4. Installation of solar panel to use hot water on washing machine and minimize power utilization

Disclosure of Particulars with respect to Conservation of Energy

A. Power and fuel consumption

		Particulars	2012-13	2011-12
1		**Electricity**		
	A	**Purchased**		
		Unit (kWh)	26552131	30179371
		Total Amount in ₹	207127512	205540444
		Rate/ Unit (₹ / kWh)	7.8	6.81
	B	**Own generation**		
	i	Through diesel generator		
		Unit (kWh)	330373	551446
		Units per ltr. of diesel oil (kWh/Lit) - HSD	2.63	2.63
		Cost/unit (₹/kWh) - HSD	19.81	16.71
		Units per ltr. of diesel oil (kWh/Lit) - FO	NA	NA
		Cost/unit (₹ / kWh) - FO	NA	NA
	ii	Through steam turbine/generator		
		Unit (kWh)	NA	NA
		Units per ltr. of fuel oil/gas	NA	NA
		Cost/unit (₹/kWh)	NA	NA
2		**Coal (specify quality and where used)**		
		Quantity (tonnes)	NA	NA
		Total cost	NA	NA
		Average rate	NA	NA
3	i	**Furnace oil (Used for Power Generation)**		
		Quantity (k. ltrs.)	46.91	46.94
		Total amount	1517538	1518509
		Average rate	32.35	32.35
	ii	**HSD (Used for engine testing & Power Generation)**		
		Quantity (k. ltrs.)	1314.43	2151.95
		Total amount	65688547	95090416
		Average rate	49.97	44.19
4		**Others (Natural Gas)**		
		Quantity (SCM)	19979	NA
		Total cost	670162	NA
		Rate/unit	33.54	NA

B. Consumption per unit of production

Sr. No.	Particulars	2012-13	2011-12
	Product - Engines		
i	Total Production in BHP	6609846	6345175
ii	Electricity (KWH USED / BHP PRODUCED)	9.41	12.64

C. **Technology Absorption**

- **Research and Development**

  i) Specific areas in which R&D carried out in the company
     - Development of 2 ratings, compliant with BS III norms
     - Development, NOX certification of 9 engines by IRS
     - 2 new models for Power Generation and Industrial applications

  ii) Benefit derived as a result of above R&D
     - New market segment of excavator & motor grader
     - New market segment of stand by Genset for marine / Navy applications in higher power range
     - New market coverage for Agro-industrial segment

  iii) Future plan for action
     - Develop new technologies for cost effective emission up gradation
     - Value engineering – up gradation of current product facilities
     - New applications like marine genset and main propulsion

  iv) Expenditure on R&D

(₹ in crores)

Sr. No.	Particulars	2012-13	2011-12
1	Revenue Expenditure	24.48	22.84
2	Capital Expenditure	2.95	7.20
3	Total	**27.43**	**30.04**
4	R&D expenditure as a percentage of Total Turnover	1.2%	1.3%

- **Technology absorption, adaptation and innovation**

i. Efforts made towards technology absorption, adaptation and innovation

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

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

a. PG engines are being up-graded to meet strict emission norms expected in near future.

b. Inline with world trend of downsizing, the Company launched K1080 series products in PG market which are fuel efficient.

c. The Company was able to conceptualize a product in lower kVA rating and successfully launch in the PG market.

iii. Technology imported during the last 5 years

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

iv. Foreign exchange earnings and outgoes

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

The Company actively undertakes various initiatives for brand building and generating product awareness by participating in regional as well as key international exhibitions and trade fares. The Company also extensively advertises in key B2B regional trade magazines.

b. Total foreign exchange used and earned

(₹ in crores)

Total Foreign Exchange used & earned	2012-13	2011-12
Used	142.69	121.44
Earned	167.84	162.30

MANAGEMENT DISCUSSION & ANALYSIS

Socio Economic Environment

The global economic environment continued to be a matter of concern during the year 2012. Countries which are in severe sovereign debt distress moved deeper into recession. The downward spiral of high unemployment and weak aggregate demand compounded by fiscal austerity, high public debt burdens and financial sector fragility.

The fallout has been that the economic woes of the developed countries appear to spill over a country like India through weaker demand for exports and heightened volatility in capital flows and commodity prices. In turn, the slowing down of the economy in the developing countries may have implications for poverty reduction and narrowing of fiscal space for investments in critical areas of human development such as education, health, basic sanitation and other areas needed for accelerating the progress to achieve the Millennium Development Goals.

India's economic growth rate in the last fiscal is estimated to be sharply lower at 5%, the lowest in a decade, on account of poor performance of manufacturing, agriculture and services sectors. A weak monsoon affected performance of the agricultural sector. Policy constraints, infrastructure bottlenecks and lack of sufficient demand resulted in a further slowdown in growth of industrial sector. The subdued growth of other sectors, coupled with continued weak external demand pulled down the growth momentum of the service sector. Going forward, the key to growth is incredible and sustained implementation of economic reforms.

The boost to consumption, coupled with supply side constraints led to higher inflation. Despite slowdown in other inflation indices, food inflation continued to be higher than overall inflation. The sticky food inflation puts pressure on the Consumer Price Index inflation, which continues to be close to double digits. As a result, RBI continued to follow a policy of monetary tightening, which has also impacted GDP growth, which is expected to be 5% for the FY 2012-13.

Future outlook

Overall, the global economic environment continues to be fragile, although the balance of risks is now less skewed to the downside than it has been in recent years. Global growth is expected to be 2.4% during 2013 before strengthening to 3.1% in 2014.

The overall investor sentiment has been poor on account of continuing delays from Government in ensuring timely project clearances, availability of funds for the various infrastructure projects and the various irregularities in the telecom and mining sector. While announcement of measures to reign in the fiscal and current account deficits have been made, it would take a lot more effort on the part of the Government, for the growth momentum in the Indian Economy to improve in the short to medium term.

Company Performance

During the year 2012-13, the Company achieved sales of ₹ 2,319 crores as against ₹ 2,276 crores for the previous FY showing a marginal growth of 1.9%. However, a sizable reduction in finance costs together with cost optimization and efficiency improvement programs ensured a healthy improvement of 24% of net profit from operations (before exceptional items). The operating profit before tax and exceptional items in the current FY is ₹ 290 crores as against ₹ 233 crores in the previous year.

Business Performance

The Company caters to diverse customer needs across three key sectors of economy viz. agriculture, industry and services.

1. **Agri and Allied Business**

   The share of Agriculture and Allied sector in India's GDP declined to about 13.6% during FY 2012-13 on account of higher growth in the non-farm sectors. Major crop production fell by 3.5% in FY 2012-13 after record setting achievements in the previous year. Poor precipitation and drought like situation in some parts of Maharashtra, Gujarat, Rajasthan and Karnataka limited the production of both food and non-food crops.

   However, despite the difficult environment, the Company's Agri and Allied Business posted a healthy top line growth of 23 % in FY 2012-13 as compared to the previous year. This growth was an outcome of aggressive retailer appointment drive and prospect based marketing taken up by the field team.

   Competition in this sector is expected to remain tough and while the Company face severe price competition from the unorganized players who sell at deep discounted prices, the real concern is in the portable pump set segment where low cost Chinese imports will pose a threat if the unabated dumping continues.

   With the increase in area under irrigation, the opportunities and scope for growth in the coming years look promising.

Though 94% of Indian villages are electrified, non–availability of power continues to drive the demand for Engine driven pump-sets.

A normal monsoon remains a vital necessity for the agricultural sector. Drought ridden situations and a poor Rabi season have resulted in a slowdown and stock accumulation in the Agri sector. Hence, a good Kharif season in FY 2013-14 is imperative to lift the sentiments of the farming community and boost overall demand in this sector.

2. Industrial Engines Business

The overall slump in the economy, took its toll on the Industrial sector, where the overall market witnessed a sizeable drop of 20% compared to the previous year. From FY 2011-12 market size of 80,000 engines (₹ 1,201 Crs.) it dropped down to 64,000 engines (₹ 1,088 Crs.). While the Company also lost volumes and revenue drop in this sector was 23% as compared to the previous year, aggressive marketing and good customer relationships ensured that we retained market share in terms of number of engines sold in FY 2012-13 as compared to FY 2011-12.

Due to the economic slowdown major OEMs were saddled with finished goods inventory in first half of FY 2012-13 and had accordingly tapered their engine off take. In the second half of FY 2012-13, the Company worked closely with each OEM in ensuring that pipeline stocks were consumed, receivables were on track and fresh supplies were resumed thereby restoring an overall sense of discipline.

For the short term, the Company is working with various OEMs, to ensure that the existing engine builds, fetch us additional volumes. We are also exploring the bazaar sale segment through various Industrial Equipment Dealers. As a long term opportunity the Company is focusing on excavator, tractor and crane segment to increase Company's engine volumes.

3. Power Generation Engines Business

Despite shrinkage in the Telecom segment by 13% as compared to FY 2011-12, this segment registered a revenue growth of 9.4% as compared to the previous year. This was a result of the surge in retail and Institutional sales in Tamil Nadu and Andhra Pradesh (other than Telecom). The major factors that have had/likely to have an impact on this segment are :

- Overall slowdown in the economy which impacted the infrastructure segment consumption of DG sets
- DGS & D off take was very low due to non-closure of Rate Contracts on time
- Continued power shortage in states like Andhra Pradesh and Tamil Nadu resulting in higher sale of DG sets
- Relatively low entry barriers, permit automobile manufactures to foray into this market with their engines at deep discounted prices
- The demand in high stable power situation market is shifting to high end inverters or renewable energy sources like solar
- Telecom is shifting to "Green sites" in some urban markets and has adverse impact on DG consumption

During the fiscal, the sales and marketing team have worked on several initiatives that include re-organizing and optimizing markets and territories, improving reach, moving to consumption based supplies, improving product availability, enhancing the brand ownership and consequently the value of "Kirloskar Green" brand. As part of the new product introduction, Kirloskar Chhota Chilli, a 5 kVA portable genset was launched in May 2012. The product has met with good response in the market and the Company is now prepared to ramp up sales. All these initiatives have helped in the top line growth of 9.4% as compared to the previous year. Going forward, the Company will further consolidate on these initiatives.

4. Large Engine Business

In the FY 2011-12, the Company had received an order of ₹ 396 crores from the Nuclear Power Corporation of India (NPCIL) for supply, erection and commissioning of 16 emergency DG sets. During the year under review, the Company successfully completed all critical type tests of Institute of Electrical and Electronics Engineer (IEEE) at Nashik plant on the first of these DG set powered with 18PA6V engine. Of the total 16 DG sets, two DG sets were manufactured and dispatched to NPCIL in the financial year under review.

Given the Company's good track record and proven reliability in specific applications like Stationary Power Plant, the Company has also manufactured and supplied one X 16PA6V engine based DG set to provide emergency power using High Speed Diesel (HSD) as fuel for a refinery project.

The Company successfully commissioned first ship of naval OPV class at Goa Shipyard Ltd, which is powered with 2 X20PA6B STC engines.

The continued upward spiraling of fuel prices has resulted in a steady shrinkage of Heavy fuel Oil based DG sets. Existing Heavy fuel Oil DG set customers prefer to keep their sets on standby.

The Commercial marine segment has been adversely affected on account of the global economic slowdown which has also had an adverse impact on the Indian ship building industry.

5. **Customer Support**

The Company's commitment to provide quality service to all its customers continued unabated. An extensive network of 105 trained service dealers and 359 well equipped service outlets spread across India ensured prompt and timely after sales service to all Company's customers.

To ensure that Company's high service standards are maintained and further improved, regular audits were carried out at the premises of service dealers followed by training to bridge gaps, if any. The Company also conducted 295 service training programs for its channel partners where approximately 4,000 technicians were covered. As a step towards further improving customer service and to further minimize any downtime experienced by customers, the Company has introduced Kirloskar remote monitoring for DV series and this facility is expected to grow in the future.

Despite Company's best efforts to curb proliferation of spurious spares, much of it through education of our channel partners and customers, these continue to be freely available and this together with freelancer service activities, continue to put pressure on Company's service and spares. However, with organised customers opting for AMC, the Company sees a continuing opportunity to provide quality service with optimum lead time to repair.

Retaining quality manpower at service dealer level remains a key challenge for this business segment and given an informed customer group with high service expectations, quality service and quick response time will be a minimum expectation. The Company however remains committed to its customers and will deploy a multi-pronged strategy which would include innovative solutions in both spares and service thereby ensuring high quality service at competitive rates.

6. **Exports**

On a Year on Year basis, export revenue in the current fiscal showed a marginal increase of 2.4%. While there was substantial growth of 43% in the power generation segment, the Industrial segment remained flat and the agriculture witnessed a dip.

The Company's exports to markets like Saudi Arabia, South Africa, Nigeria, Sri Lanka, Zambia, Kenya, Tanzania, and Nepal grew by over 20% in the FY 2012-13. This was a result of focused efforts and initiatives including working closely with the distributors.

Market instability in some of the Middle East and African countries has affected the performance in those markets and political stability is expected to return to these countries in the coming FY. Iran market was the most affected by the US sanctions and is expected to continue to underperform during the coming year.

Exports contributed 7.4% of total Company revenues during the FY 2012-13. Sustained and focused efforts will be made to ensure that the share of export revenue increases.

IT and Infrastructure

The Company is making continuous investments in Business Process Automation and Information Technology. Infrastructure capacity, data security, data centralization & business process controls are all high areas of focus. The Company's IT strategy is focused towards improving efficiency and providing a platform for a decision support system that will provide for a competitive sustainable advantage and all this while ensuring the highest level of data integrity and security.

Work flow systems have not merely helped systematize work and helped in improved audit trails but also helped move towards a paperless office environment.

Research and Engineering

In order to meet customer needs and remain competitive, the Company continues to invest in new product development programs and applications. Research often leads to innovative offerings that provide cost effective solutions and value engineering upgrades to Company's existing and prospective customers. These offerings not only help open up new segments and markets but often are necessitated merely to conform to new regulatory standards and norms.

The Company is well on its way in ensuring compliance with the new CPCB II norms that are likely to come into effect in the FY 2013-14.

Quality Assurance

Critical processes were simplified and implemented through automated systems in FY 2012-13. Most of the significant field quality issues were diagnosed and resolved by taking timely actions. The feedback from various customers on Quality related metrics show a high level of satisfaction.

The Company continued training its suppliers on Six Sigma tools, benefits of which have been realized in terms of reduced PPM levels. The Company remains committed towards developing and improving various supply chain related processes.

Vendor Development and material cost optimization

Vendor development remains a key focus area for the Company. The Company's vendors are an important link in the value chain and the Company's belief is that they will play a vital role in our growth strategy. Special efforts were taken on vendor training for Quality systems and Six Sigma Tools. The Company organized a Supplier Quality Contest in FY2012-13 for the 4thconsecutive year to provide a platform for its suppliers to share their quality improvement projects and other best practices. Awards were presented to the winners as a token of recognition of their sustained efforts. In all, the Company received 91 presentations from suppliers in areas of Quality, Process Improvements and Business Processes and EHS.

Consumption based, demand driven procurement of Raw material for regular consumption parts which covers 200 suppliers and over 3,000 parts was initiated during the year. The system ensures a balance of maintaining optimum inventory levels across parts and improving the availability for production.

Model level value engineering projects were completed and new products like 4K 1080 for 100/125 kVA were introduced in market. New platform projects like DV16 have been test fired and are under optimization. Generic item level cost reduction projects are completed and focus is given on inflation control through process improvements.

Human Resource and Industrial Relations

As on 31 March 2013, the Company had 2,376 employees on its roll. The Company continues to maintain healthy and harmonious industrial relations across all manufacturing units. On 30 March 2013, the Company signed a Wage Agreement with the team members at its Pune Plant. This is the seventh consecutive wage settlement which was signed prior to the expiry of the earlier settlement, without losing a single man-day in last 50 years (Considering Pre and Post Demerger period). This is a unique achievement for any manufacturing company in India.

The Human Resource strategy at the Company is to create a culture of sustained business out performance while strengthening the core values of the organization. Greater employee engagement, supported by an energizing performance management culture that holds people accountable for results and behavior and rewards them for the value they generate, is a fundamental component of the Company's people strategy. Towards that, the focus is on enhancing both individual competencies – skills, knowledge, attitude, and organizational capabilities – processes, metrics, structure and culture.

Talent management and Leadership Development process which included Development Centres, Individual Development Planning, training and up-skilling remain areas of focus.

Environment, Occupational Health and Safety (EHS)

Environment

During the FY 2012-13, the Company undertook following environment initiatives across all its plants:

Kagal Plant:

- Diesel consumption reduction in Engine testing by changing testing processes
- LPG consumption reduction of Powder curing process by avoiding unwanted heating
- Reduction in the noise level created by Siever during auto sieving cycle at powder coating booth
- Green belt development in plant premises - 2000+ trees and shrubs planted
- ETP sludge reduction by using filter press machine (sludge drying)
- Installation of Bio-gas plant for cooking from waste generated by Kitchen

Pune Plant:

- Noise level Reduction in surrounding area of Pune Plant 1 engine test house
- Up-gradation of emission level of 4R-1040 four Valve Engine
- Successful trials of cold washing media on 4 washing machines
- Up-gradation of emission level of SL90 CRDI 300 kVA Engine

Nashik Plant:

- Installation of Paint booth to avoid pollution
- Stopped the usage of Liquid Ammonia and the ammonia printing m/c
- Fire hydrant-Sprinkler system installed and commissioned
- Oil fired furnace converted to gas fired system to reduce carbon foot print

Rajkot Plant:

- Improvement in ETP processes to reduce power consumption and improve biological treatment
- Additional sludge drying bed added at ETP to collect sludge from settling tank to purify effluent
- Reduced noise level by modification of engine test-cell doors
- Reduced generation of paint sludge by improving painting process
- Disposal of waste oil and sludge to authorized recycler

Besides all of the above, there was a concerted drive to minimize use of paper across all offices and manufacturing sites. Efficient work flow systems helped in eliminating printers and consequently resulted in sizable reduction of paper usage.

The Company's third **Corporate Sustainability Report** (2011-12) was released in April 2013. The report, for the 3rd consecutive year received A+ ranking, which is the highest level check certification from GRI Netherland, under GRI 3.1 (new guidelines).

Health

Employees' health and well being are of paramount importance to the Company. Medical check-up of employees are carried out regularly. Regular lectures on health, fitness, common ailments and diseases and life style improvement are made with a view to enhance employee awareness. Following are some examples of initiatives carried out across locations, with a view to improving overall employee health:

- Installation of Fume Extraction system with Melting furnace in Heat Treatment at Pune plant
- New Occupational health center started at Kagal Plant
- ELCB installation to reduce shock hazards on electrical panel at Rajkot
- Installation of additional Reverse Osmosis (RO) facility for drinking water purpose at Rajkot location
- Health checkup camps organized for company employees at all locations

Safety

Improving work place safety continued to be a high priority across all operations. Towards this, some of the steps taken to improve Company's safety standards and enhance safety awareness included:

- Common OHS Policy in compliance with the Factories Act, was released on1 May 2012, across all the Company factories.
- Machine Guarding audit and installation of guards for all Bandsaw machines in Heat Treatment plant completed
- EHS management system Internal Auditor Training conducted by Corporate Safety
- Safety Week celebration at all location on March 4, 2013

Corporate Social Responsibility

Whilst achievement of business objectives is important, the Company strongly believes in good Corporate citizenship and in ***Enriching Lives*** of people through its CSR initiatives. The community initiatives span key areas of Health, Education, Environment and Livelihood and is largely focused around the surrounding communities of all plant locations. The employees at each of plants volunteer and provide continuing support to the CSR initiatives. Some of these would include:

- Support for Kirloskar Foundation's **WASH** Activity such as Clean Drinking Water, Use of Toilets, Hand Wash etc. where 79 Company's employees worked as Volunteers in 17 Schools and devoted their 3012 Man Hrs
- Free Health Checkup Camps in Schools and Community
- Health Awareness Program like- HIV/Aids Awareness, Safety beyond Workplace, Adolescent Health and Hygiene.
- Computer Literacy Program
- "***Disha***"-Career Guidance Workshop
- Sponsored KOEL- Akanksha Center at Khadki
- Sponsored Educational expenses for 80 Orphans/Deprived children and other primary school children
- Teachers Training Program
- Tree Plantation
- PUC Checkup Camps
- Environment Awareness Program , Waste Management workshop
- "***HasatKhelatParyavaran***" in Pune and Kagal
- ENCON – an Energy Conservation Initiative
- Livelihood Generation Activities through Self Help Groups (SHGs)
- ***"SAAKAV***"- Life Skill Training Program for Adolescent Boys and Girls
- Vocational Training for Youth

The Company achieved an overall perception score of 97% in Community Perception Survey across all locations, in the areas where these initiatives were taken.

Internal Audit, Internal Controls & their Adequacy

The Company believes that good internal control is an intrinsic part of the overall governance framework. The Company remains committed to ensuring an effective internal control environment that provides efficacy of operations and security of assets.

Internal audits are carried out by a leading auditing firm as per the plan approved by the Audit Committee. The Internal Audit Plan covers all significant areas of the Company's operations. The Internal Audit process includes review and evaluation of effectiveness of the existing processes, controls and compliances.

The Company has established a strong internal control framework for key business processes which are tested and validated during the internal audit. Significant findings and action plans are presented to the Audit Committee for its review. The Company has continued its efforts to align all its processes and controls with industry best practices.

Key risks are identified as part of the Enterprise Risk Management Framework and addressed through specific mitigation plans. The Risk Management Framework & Internal Control Framework are updated periodically and presented to the Audit Committee of the Board bi-annually.

Risks, Opportunities and Threats

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

- Continuing recessionary trend in domestic and global markets causing demand destruction especially in the Infrastructure segment and in Company's exports

- Cash shortage together with high interest rates may lead to deferring capital purchases and resorting to hiring for the short term
- Low entry barriers across segments together with easy availability of cheaper Chinese imports leading to an unhealthy price war
- Inadequate / delayed rainfall affecting Kharif crop, may adversely impact sentiment in the farmer community which could result in lower off-take in Company's Agri segment
- Prolonged slowdown in the automotive segment may cause some of the players diverting their engines and resorting to deep discounting for short term gains
- De-control of diesel prices may cause a continuous spiraling of price and eventually lead to customers looking at alternate energy sources like solar
- Attracting and retaining right talent continues to be an area of high challenge
- The stationary power plant segment of the large engine business group will continue to be affected by high furnace oil prices. Generation of power at these prices become economically unviable.
- India's peak power demand continues to grow at approximately 8% annually and this associated with power shortage especially during high peak will continually raise demand for DG sets

Prospects for the Current Year

Government is expecting increase in the GDP growth in FY 2013-14 against the previous year. This gives a favorable signal for the country's economy.

Power deficit is likely to continue at 10% on as average on All India basis. This will generate good seasonal demand. This however could be marginally negated by a continuous upward movement in diesel prices resulting in adverse customer sentiment in procuring gensets.

Since CPCB stage II norms are likely to be operational in the course of the year, there is expectation of consolidation in the manufacturers of gensets. Technology and brand will be the price driver in the market.

In the run up to an election year, the Government is likely to put impetus on some of the deferred infrastructure projects across the States. Government has set an internal target of awarding contracts for 8,500 kms during FY 2013-14 and construction of over 6,500 kms.

There is a good order board for large engines business for FY 2013-14 resulting from the NPCIL order.

REPORT ON CORPORATE GOVERNANCE

Company's philosophy on Code of Corporate Governance

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

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

A. BOARD OF DIRECTORS

- **Composition of the Board**

  The Board comprised of 12 directors, of which, 4 were Executive Directors including the Executive Chairman and 8 were Non-Executive Directors. 7 out of 12 Directors were Independent Directors. The Boards composition is in conformity with the requirement of Clause 49 of the Listing Agreement entered into with the Stock Exchanges in which the Company's Ordinary shares are listed.

Meetings held

The Board met 6 times on the following dates during the financial year 2012–13

26 April 2012	19 November 2012
19 July 2012	22 January 2013
19 October 2012	14 March 2013

The gap between the two meetings did not exceed four months.

The Annual General Meeting (AGM) of the Company was held on 19 July 2012.

The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the financial year 2012-13 and at the last AGM and also the Directorships, Committee positions held by them in other public limited companies and shareholding of non-executive directors as at 31 March 2013 are as follows :

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

Notes:

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

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

Pursuant to the disclosures received from the directors, none of the directors serve as members of more than 10 committees nor are they chairman / chairperson of more than 5 committees, as per the requirements of the Listing Agreement.

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

- **Board Procedure**

  The annual calendar of the Board Meetings is agreed upon at the beginning of the year.

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

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

B. BOARD COMMITTEES

Currently Board has two committees viz. Audit Committee and Share Transfer cum Shareholders' / Investors' Grievance Committee.

1. Audit Committee

The Audit Committee comprises of 4 Non-Executive Directors, majority of who are Independent. The Assistant Company Secretary acts as the Secretary to the Committee. The Executive Directors and the Chief Financial Officer attend the Audit Committee meetings. The representatives of the Internal Auditors, Statutory Auditors, Cost Auditors and Business Unit / Operations Heads are invited to the meetings.

During the financial year under review, 5 meetings of the Committee were held on 26 April 2012, 20 June 2012, 19 July 2012, 19 October 2012 and 22 January 2013. The composition of the Committee and attendance at its meetings are given below:

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

The terms of references of Audit Committee broadly include:

1. Reviewing with the management, the quarterly financial statements before submission to the Board for approval;
2. Discussion with internal auditors any significant findings and follow up there on;
3. Recommendation for appointment of statutory and cost auditor and their remuneration;
4. Review of Internal audit reports relating to internal control weaknesses and discussion with internal auditors any significant findings and follow up there on;
5. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
   a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause 2AA of section 217 of the Companies Act, 1956.
   b) Changes, if any, in accounting policies and practices and reasons for the same.
   c) Major accounting entries involving estimates based on the exercise of judgment by management.
   d) Significant adjustments made in the financial statements arising out of audit findings.
   e) Compliance with listing and other legal requirements relating to financial statements.

f) Disclosure of any related party transactions.

g) Qualifications in Draft Audit Report.

6. All other terms as specified under clause 49 of the listing agreement entered with Stock Exchanges read with Section 292A of the Companies Act, 1956.

2. Remuneration Committee

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

Remuneration to Directors

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

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

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

Following are the details of the remuneration paid to Directors during Financial Year 2012-13:

Amount in ₹

Sr. No.	Name of Director	Basic Salary	Allowances	Statutory Contributions	Perquisites@	Commission	Sitting Fees	Total
	Executive Directors							
1	Atul C. Kirloskar	12,000,000	2,00,000	3,240,000	2,791,273	30,000,000	-	48,231,273
2	Gautam A. Kulkarni	12,000,000	2,00,000	3,240,000	2,485,740	30,000,000	-	47,925,740
3	Nihal G. Kulkarni	8,400,000	2,000,000	2,268,000	72,119	20,000,000	-	32,740,119
4	Rajendra R. Deshpande	7,200,000	780,000	1,944,000	215,344	18,000,000	-	28,139,344
	Non Executive Directors							
5	Rahul C. Kirloskar	-	-	-	-	960,000	100,000	1,060,000
6	U. V. Rao	-	-	-	-	1,050,000	100,000	1,150,000
7	Pratap G. Pawar	-	-	-	-	900,000	90,000	9,90,000
8	R. Srinivasan	-	-	-	-	1,110,000	1,10,000	1,220,000
9	Naushad D. Forbes	-	-	-	-	360,000	60,000	420,000
10	M. Lakshminarayan	-	-	-	-	360,000	60,000	420,000
11	Anil N. Alawani	-	-	-	-	360,000	60,000	420,000
12	Dattatraya R. Swar	-	-	-	-	180,000	30,000	210,000
	Total	**39,600,000**	**3,180,000**	**10,692,000**	**5,564,476**	**103,280,000**	**6,10,000**	**162,926,476**

Notes :

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

3. **Share Transfer cum Shareholders' / Investors' Grievance Committee**

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

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

The Compliance Officer can be contacted at:

Kirloskar Oil Engines Limited
Laxmanrao Kirloskar Road,
Khadki, Pune - 411 003
Tel: 91 - 20 25810341 (Extn. - 4461) Fax: 91- 20 25813208 and 25810209
E-mail: Smita.Raichurkar@kirloskar.com

The Company has received 12 complaints during the financial year. All complaints have been resolved, the details of which are as under:

Nature of Complaint	Received	Resolved
Non receipt of Annual Report	-	-
Non receipt of Dividend	6	6
Non receipt of Share Certificate	2	2
Through SEBI	3	3
Through Depository	1	1
Total	**12**	**12**

There were no complaints outstanding as on 31 March 2013. The Company had no share transfer requests pending as on 31 March 2013.

C. **GENERAL BODY MEETINGS**

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

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
2010-11	9 July 2010	11.00 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	i. Increase in number of directors from 12 to 18 ii. Payment of commission to Non-Executive Directors over and above sitting fees
2011-12	21 July 2011	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	Commencement of hiring and repairing of aircraft business as specified in clause 78 of Memorandum of Association of the Company
2012-13	19 July 2012	11.00 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-

RESOLUTION PASSED BY POSTAL BALLOT

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

D. DISCLOSURES

- During the financial year under review, there were no materially significant related party transactions made by the Company with its Promoters, Directors, Management or Subsidiaries that may have potential conflict with the interests of the Company at large. Transactions with the related parties are disclosed in Point No. 2.15 (B) of Note 32 to the Accounts in the Annual Report.
- There have been no instances of non-compliances by the Company on any matters related to capital markets. Neither penalties have been imposed nor any strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets.
- The Company is in the process of implementing a formal Whistle Blower policy. However, any employee who so desires, has direct access to the Audit Committee.
- Disclosure under Clause 5A II of the Listing Agreement in respect of unclaimed shares.

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

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

  The Company will be sending third reminder letter in due course. As on 31 March 2013, the total unclaimed equity shares are 6,40,963.
- With reference to the General Circular No. 15/2011 – 52/5/CAB-2011 dated April 11, 2011 issued by the Government of India, Ministry of Corporate Affairs, Cost Audit Branch, New Delhi, following are the details of Cost Auditor and filing of cost audit report with Central Government:

Particulars of the Cost Auditor	**Details of Filing of Cost Audit and Compliance Report for the year ended 31 March 2012**
Parkhi Limaye & Co. Firm Registration No 000191 'Aabha', Plot No. 16, Siddhakala CHS, Warje, Pune – 411 058 E mail : parkhilimaye@hotmail.com	Due date* : 28 February 2013 Filing date : 22 December 2012

  Note * - The due date has been extended vide circular no. 2/2013 dated 31 January 2013 issued by Ministry of Corporate Affairs, Cost Audit Branch, New Delhi.
- The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement. The extent of adoption of non-mandatory requirement is as follows –

Non-Mandatory Requirements

1. **The Board**

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

   There is no limit on the tenure of the Independent Directors on the Board of the Company.

2. **Audit qualifications**

   There are no audit qualifications on the financial statements.

3. **Shareholder Rights**

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

E. Particulars of re-appointment of Directors

Rajendra R. Deshpande

Rajendra R. Deshpande, who is a Graduate in Mechanical Engineering, joined erstwhile Kirloskar Oil Engines Limited in July 1977. He has worked for the Small, Medium and Large Engines Business Groups of the Company. He started the Ancillary Development Department in the Company. During his tenure as a Business Unit Head, Medium Engines Business Group became the largest Strategic Business Unit amongst the Kirloskar Group. He has also played a vital role in commencement of plant at Kagal. Presently he is working as Executive Director of Kirloskar Oil Engines Limited.

He is a director in the following other companies:

Swaraj Engines Limited	Kothrud Power Equipment Limited

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

He is not related to any of the Directors on the Board of the Company.

Rahul C. Kirloskar

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

He is a director in the following other companies:

Kirloskar Brothers Limited	Alpak Investments Private Limited
Kirloskar Pneumatic Company Limited *	Asara Sales & Investments Private Limited
Kirloskar Proprietary Limited	Pratibha Communications Private Limited
GreenTek Systems (India) Limited	Kirsons Trading (S.A) (Pte) Limited
Kirloskar Kenya Limited, Nairobi, Kenya	

* Investor Grievances Committee - Member

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

Dattatraya R. Swar

Dattatraya R. Swar is a graduate in Mechanical Engineering and started his career with Mahindra and Mahindra, then he worked with Greaves Cotton Limited. In both these Companies, he pre-dominantly worked in Vendor Development/Purchase and Materials Management. He joined erstwhile 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. 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, he 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.

He is a director in the following other companies:

Kirloskar Integrated Technologies Limited	Kirloskar Pneumatic Company Limited
G.G. Dandekar Machine Works Limited **	

** Audit Committee – Chairman

He is not related to any of the Directors on the Board of the Company.

F. MEANS OF COMMUNICATION

- The Quarterly and Half Yearly results are published in national and local dailies such as Economic Times (English - 1st quarter) Business Standard (English – 2nd, 3rd and 4th quarter) and Sakal (Marathi – all quarters), having wide circulation. Since the results of the Company were published in the newspapers, half yearly reports were not sent individually to the shareholders. The Company's results and official news releases are displayed on the Company's website **www.koel.co.in**
- Presentations are made to analyst on quarterly basis. The presentations are displayed on Company's website **www.koel.co.in**
- The Management Discussion and Analysis Report forms part of this Annual Report.

G. GENERAL INFORMATION FOR SHAREHOLDERS

Annual General Meeting

Date and Time	25 July 2013 at 11.30 A.M.
Venue	Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001
Financial Year	**1 April 2012 to 31 March 2013** During the year the results were announced as under: First quarter : 19 July 2012 Second quarter : 19 October 2012 Third quarter : 22 January 2013 Fourth quarter : 26 April 2013

Dates of Book Closure and Dividend Payment

Book Closure	18 July 2013 to 25 July 2013 (Both days inclusive)
Dividend Payment Date	6 August 2013

Registrar and Share Transfer Agent

The Company had appointed Link Intime India Private Limited as Registrar & Share Transfer Agent (R & T Agent). The contact details are as follows –

Link Intime India Private Limited	Block No. 202, 2nd Floor, 'Akshay' Complex, Off Dhole Patil Road, Pune – 411 001 Tel: 91-20 26161629 / 26160084

All physical transfers, transmission, transposition, issue of duplicate share certificate(s), issue of demand drafts in lieu of dividend warrants, change of address etc. as well as requests for dematerialisation/rematerialisation are being processed at Link Intime India Private Limited. The shareholders' correspondence should be addressed to R & T Agent's aforementioned address.

Share Transfer System

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

Designated E-mail address for investors services

Shareholders can also email their queries/grievances at **investors@kirloskar.com**

Shareholder Referencer

- **Permanent Account Number (PAN)**

  Shareholders holding Shares in the physical form are informed that as per SEBI's guidelines, it is mandatory to furnish copy of PAN Card in the following cases:

  a) Transferees' PAN Cards for transfer of shares,

  b) Surviving joint holders' PAN Cards for deletion of name of deceased shareholder,

  c) Legal heirs' PAN Cards for transmission of shares,

  d) Joint holders' PAN Cards for transposition of shares.

- **Email Address**

  In order to enable us to further extend our support towards paperless compliance as a part of Green Initiative in the Corporate Governance, which was introduced by MCA in the year 2011, the shareholders who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses.

  In respect of shares held in physical form, shareholders are requested to register their e-mail addresses with the Company/R & T Agent. (With Depository Participants in case of shares held in dematerialised form).

- **Dematerialization of Shares**

  Shareholders are requested to dematerialise their physical share holdings through any of the nearest Depository Participant (DPs) in order to avoid hassles involved with physical shares such as possibility of loss/mutilation of share certificate(s), and to ensure safe and speedy transaction in securities.

- **Register Your National Electronic Clearing Services (NECS) Mandate**

  RBI and SEBI have initiated NECS for credit of Dividend directly to the Bank Account of shareholders. Shareholders holding shares in electronic mode are requested to register their latest Bank Account details with their Depository Participant and in physical form with the Company's R & T Agent viz. Link Intime India Private Limited.

Dematerialization of shares and liquidity

As on 31 March 2013, 14,09,03,918 equity shares being 97.43% of the total equity paid-up share capital of the Company was held in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The International Security Identification Number (ISIN) allotted to the Company's equity shares is **INE146L01010**.

Outstanding GDR/ADR/Warrants or any convertible instruments, conversion date and impact on equity: Not issued.

Listing Details

Following are scrip code details:

Name of the Stock Exchange	Scrip Code
BSE Limited (BSE)	533293
National Stock Exchange of India Limited (NSE)	KIRLOSENG

Distribution of Shareholding as on 31 March 2013

Range of Shares		No. of shareholders		% to total shareholders		Total face value (in ₹)		% to total face value	
From	To	Physical	Demat	Physical	Demat	Physical	Demat	Physical	Demat
1	500	9048	14406	32.08	51.07	1130798	2817902	0.39	0.97
501	1000	682	1352	2.43	4.80	955042	1981098	0.33	0.68
1001	5000	662	1508	2.36	5.36	2529026	6297202	0.87	2.18
5001	10000	70	229	0.26	0.82	961726	3286878	0.33	1.14
10001	20000	30	102	0.11	0.37	780038	2777092	0.27	0.96
20001	30000	6	31	0.00	0.11	308068	1534680	0.11	0.53
30001	40000	6	17	0.00	0.06	437864	1183026	0.15	0.41
40001	50000	1	12	0.00	0.00	80174	1097538	0.03	0.38
50001	100000	2	17	0.00	0.06	237150	2367400	0.08	0.82
100001	Above	0	32	0.00	0.11	0	258465020	0.00	89.36
Sub Total		10507	17706	37.24	62.76	7419886	281807836	2.57	97.43
TOTAL		**28213**		**100.00**		**289227722**		**100.00**	

Shareholding Pattern as on 31 March 2013

Sr. No.	Category	No. of shares	%
1	Promoters & Promoter Group	98,301,529	67.98
2	Mutual Funds/UTI	3,580,221	2.48
3	Financial Institutions and Banks	3,822,935	2.64
4	Insurance Companies	4,216,949	2.92
5	Foreign Institutional Investors	17,555,007	12.14
6	Bodies Corporates	1,669,474	1.15
7	Individuals	15,166,608	10.49
8	NRIs	277,411	0.19
9	Others	23,727	0.02
	TOTAL	**144,613,861**	**100.00**

Market Price Data

Monthly high/low share prices during the year 2012-13 on the BSE and NSE are as below:

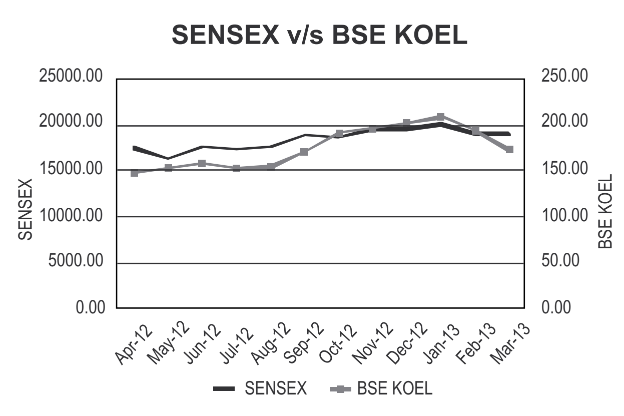
BSE

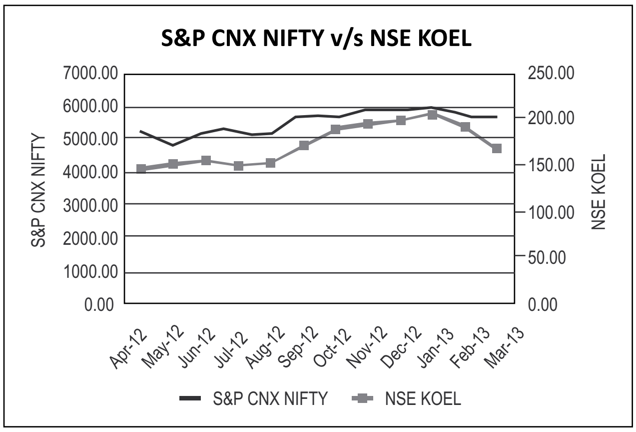
Month	HIGH (₹)	LOW (₹)
April 2012	158.90	125.00
May 2012	156.70	141.30
Jun 2012	157.00	146.00
July 2012	166.10	149.00
August 2012	159.00	150.00
September 2012	172.40	148.10
October 2012	194.50	162.25
November 2012	206.00	185.00
December 2012	211.00	185.00
January 2013	215.55	197.55
February 2013	207.00	184.00
March 2013	203.00	165.30

NSE

Month	HIGH (₹)	LOW (₹)
April 2012	159.30	142.50
May 2012	157.00	140.40
Jun 2012	157.85	150.00
July 2012	166.10	149.00
August 2012	159.00	150.50
September 2012	171.50	149.00
October 2012	194.65	162.00
November 2012	218.00	185.05
December 2012	210.45	190.00
January 2013	215.90	198.25
February 2013	208.00	182.20
March 2013	203.95	165.00

Performance of monthly close price of the Company's Scrip on the BSE and NSE as compared to the monthly close SENSEX and S and P CNX Nifty for the year 2012-13





Plant Locations

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

Declaration under Clause 49 I (D) (ii) by the Managing Director of affirmation by the Board of Directors and Senior Management of Compliance with the Code of Conduct

The members of Kirloskar Oil Engines Limited

I, Nihal G. Kulkarni, Managing Director of the Company, do hereby declare that all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for Board of Directors and Senior Management of Kirloskar Oil Engines Limited made effective from 1 April 2010.

Nihal G. Kulkarni
Managing Director

Place : Pune
Date : 26 April 2013

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To,

THE MEMBERS OF

KIRLOSKAR OIL ENGINES LTD

We have examined the compliance of conditions of Corporate Governance by **KIRLOSKAR OIL ENGINES LIMITED** for the year ended 31st March 2013, as stipulated in Clause 49 of the Listing Agreements of the said company with the recognised stock exchanges in India.

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

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

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

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

Nachiket Deo
Partner
Membership Number 117695
Pune
Date: 26th April, 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Kirloskar Oil Engines Limited, ("the Company") which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) in the case of the Statement of Profit and Loss, of the **profit** for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which the cess is to be paid, no cess is due and payable by the Company.

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

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 26th April, 2013

ANNEXURE

Referred to in paragraph 1 of our Report on Other Legal and Regulatory Requirements of even date

(i) (a) The company has maintained proper records showing full particulars of fixed assets including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management according to the phased programme of three years which is reasonable with regard to size of the company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no significant material discrepancies between the book records and such physical verification have been noticed.

(c) According to the information and explanation given to us, the company has not disposed off major part of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory (excluding stock with third parties) at reasonable Intervals. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

(b) In our opinion the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion the Company is maintaining proper records of inventory. As informed to us, the discrepancies noticed on verification between physical stock and book records were not material.

(iii) (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (b) (c) and (d) are not applicable to the company

(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained as per section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (f) and (g) are not applicable to the company

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchase of the inventory, fixed assets and for the sale of the goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section; and

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rs. five lakhs in respect of any party during the year have been made at the prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) As informed to us the company has not accepted any deposit from public. Accordingly, the provision of clause 4 (vi) is not applicable to the company.

(vii) In our opinion, the company has an internal audit system commensurate with its size and nature of its business.

(viii) We have broadly reviewed the books of account relating to materials, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of opinion that prima facie the prescribed accounts and records have been made and maintained. We have not however made a detailed examination of records with a view to determine whether they are accurate and complete.

(ix) (a) According to the information and explanations given to us and the records of the company examined by us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to information and explanation given to us, the particulars of dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess as at 31st March, 2013 which have not been deposited on account of a dispute, are as follows:-

Name of the statute	Nature of dispute due	Amount under dispute not deposited (₹ in Crs)	Period to which the amount related	Forum where the dispute pending
Sales Tax	Sales Tax including Interest and Penalty as applicable	0.13 1.92 0.12 0.16	2008 to 2010 1990 to 1997 & 2004-05 2006-07 2004-05, 2005-06 & 2008-09	• Supreme Court • High Court • Tribunal • Appellate authority Up to Commissioner level
Income Tax	Income Tax including Interest and Penalty as applicable	3.24	2009-10	Commissioner of Income Tax (Appeals)
Service Tax	Service Tax including Interest and Penalty as applicable	0.03 0.20 0.01	2007 to 2010 1997 to 2000, 1997 to 1999 2010-11	• High Court • Tribunal • Appellate authority Up to Commissioner level
Excise Duty	Excise Duty including Interest and Penalty as applicable	0.65 2.47	1999 to 2002, 2004 to 2007, 2007-08 1996-97, 2007 to 2013,	• Tribunal • Appellate authority Up to Commissioner Level
Custom Duty	Custom Duty including interest and penalty as applicable	0.22 0.86	2006-07 1991-92	• Tribunal • Appellate authority Up to Commissioner Level
Octroi	Levy of octroi at higher rate and demand of differential octroi	3.80	2002 to 2008	• Civil Court

(x) As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) Order, 2004, is not applicable for the year.

(xi) In our opinion and according to information and explanation given to us, the Company has not defaulted in repayment of dues to a financial institution or bank as at the balance sheet date.

(xii) According to information and explanation given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provision of clause 4 (xii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the company.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

(xiv) In our opinion and according to the information and explanations given to us, the company is not a dealer or trader in securities. The company has invested surplus funds in mutual funds. According to the information and explanation given to us, proper records have been maintained of the transactions and contracts, and timely entries have been made therein. Further, such investments have been held by the company in its own name except to the extent of the exemption granted under sec. 49 of the Act.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by company, for loans taken by others from banks or financial institutions during the year, are not prejudicial to the interest of the company.

(xvi) According to the information and explanation given to us the company has not availed any term loan during the year. Accordingly, the provisions of clause 4 (xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.

(xvii) In our opinion and according to information and explanation given to us, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) According to information and explanation given to us, the company has not made any preferential allotment of any shares to parties and companies covered under Section 301 of the Companies Act, 1956.

(xix) According to information and explanation given to us, the company has not issued any debentures. Accordingly, the provisions of clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.

(xx) According to information and explanation given to us, the company has not made any public issue to raise money during the year. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable the company.

(xxi) During the course of our examination of the books and records of the company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by management.

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

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 26th April, 2013

BALANCE SHEET AS AT 31 MARCH 2013

₹ in Crs.

		PARTICULARS	NOTE NO.	As at 31 March 2013	As at 31 March 2012
I.		**EQUITY AND LIABILITIES**			
	1.	**Shareholders' funds**			
	(a)	Share capital	1	28.92	29.13
	(b)	Reserves and surplus	2	1,125.33	1,003.52
				1,154.25	**1,032.65**
	2.	**Non-current liabilities**			
	(a)	Long-term borrowings	3	-	78.20
	(b)	Deferred tax liabilities (net)	4	34.10	38.02
	(c)	Other long-term liabilities	5	29.98	46.02
	(d)	Long-term provisions	6	21.50	31.16
				85.58	**193.40**
	3.	**Current liabilities**			
	(a)	Short-term borrowings	7	-	8.39
	(b)	Trade payables	8	284.31	248.94
	(c)	Other current liabilities	9	109.72	179.12
	(d)	Short-term provisions	10	109.47	105.19
				503.50	**541.64**
			TOTAL	**1,743.33**	**1,767.69**
II.		**ASSETS**			
	1.	**Non-current assets**			
	(a)	Fixed assets			
		Tangible assets	11	586.05	569.82
		Intangible assets	12	5.43	5.99
		Capital work-in-progress		13.62	8.91
		Intangible assets under development		13.26	6.61
				618.36	**591.33**
	(b)	Non-current investments	13	10.00	10.00
	(c)	Long-term loans and advances	14	66.31	72.47
	(d)	Other non-current assets	15	25.78	10.29
				720.45	**684.09**
	2.	**Current assets**			
	(a)	Current investments	16	407.61	517.43
	(b)	Inventories	17	188.54	132.23
	(c)	Trade receivables	18	288.66	298.94
	(d)	Cash and bank balances	19	24.78	27.39
	(e)	Short term loans and advances	20	92.77	56.51
	(f)	Other current assets	21	20.52	51.10
				1,022.88	**1,083.60**
			TOTAL	**1,743.33**	**1,767.69**
		Notes forming part of the financial statements	32		

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Executive Director

NACHIKET DEO
Partner
Membership Number : 117695

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 26 April 2013

Pune : 26 April 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2013

₹ in Crs.

	PARTICULARS	NOTE NO.	2012-13	2011-12
I.	**Revenue from operations**			
	Sale of products		2,434.39	2,347.42
	Less : Excise duty		201.14	170.30
	Net sale of products		**2,233.25**	**2,177.12**
	Sale of services		86.05	98.43
	Operating income		37.68	50.86
	Net revenue from operations	22	**2,356.98**	**2,326.41**
II.	**Other income**	23	39.50	36.13
III.	**Total revenue (I + II)**		**2,396.48**	**2,362.54**
IV.	**Expenses:**			
	(a) Cost of materials consumed	24	1,336.27	1,276.56
	(b) Purchases of stock-in-trade	25	132.39	104.65
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	26	(25.09)	9.55
	(d) Employee benefits expense	27	154.38	175.37
	(e) Finance costs	28	2.97	15.96
	(f) Depreciation and amortization expense	29	92.55	91.29
	(g) Other expense	30	413.08	456.16
	Total Expenses (a to g)		**2,106.55**	**2,129.54**
V.	**Profit before exceptional and extraordinary items and tax (III-IV)**		289.93	233.00
VI.	**Exceptional items [income/ (expenses)]**	31	(19.08)	47.71
VII.	**Profit before tax (V+VI)**		270.85	280.71
VIII.	**Tax expense :**		**72.01**	**88.91**
	(a) Current tax		75.93	83.22
	For the year		76.82	83.49
	(Excess)/short provision related to earlier years		(0.89)	(0.27)
	(b) Deferred tax		(3.92)	5.69
IX.	**Profit (loss) for the period (VII-VIII)**		198.84	191.80
X.	**Earnings per equity share:**			
	(a) Basic and diluted (Nominal value per share ₹2/-)		13.72	13.17
Notes forming part of the financial statements		32		

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Executive Director

NACHIKET DEO
Partner
Membership Number : 117695

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 26 April 2013

Pune : 26 April 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

₹ in Crs.

	PARTICULARS	2012-13	2011-12
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before Tax	270.85	280.71
	Add :		
	Depreciation	92.42	91.16
	Leasehold land written off	0.13	0.13
	Loss on assets sold, demolished, discarded and scrapped	1.68	0.95
	Provision for diminution in value of Investment	0.02	-
	Write down of obsolete and non moving components	(0.92)	3.04
	Bad debts and irrecoverable balances written off, net	0.55	0.84
	Provision for doubtful debts and advances	9.16	0.04
	Interest paid	2.97	15.96
		106.01	**112.12**
	Less :		
	Profit on sale of Undertaking	-	47.71
	Profit on sale of mutual fund investment (net)	0.47	0.02
	Surplus on sale of assets	0.67	1.08
	Interest received	1.91	7.61
	Sundry Credit Balances Appropriated	0.64	0.79
	Provision no longer required w.back	7.01	17.23
	Dividend received	33.88	25.16
	Valuation gain / (loss) in respect of Derivative Instruments	9.28	2.15
		53.86	**101.75**
	Operating Profit before working capital changes	**323.00**	**291.08**
	Adjustments for :		
	Trade and other receivables	0.58	159.40
	Inventories	(57.09)	(17.38)
	Trade and other payables	28.61	11.10
		(27.90)	**153.12**
	Cash generated from operations	295.10	444.20
	Net Cash generated from operations	**295.10**	**444.20**
	Direct taxes paid	(79.56)	(71.00)
	NET CASH FLOW FROM OPERATING ACTIVITIES	**215.54**	**373.20**
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Add :		
	Sale of Undertaking	-	90.62
	Sale of fixed assets	0.93	1.25
	Sale of investments	110.28	0.02
	Interest received	1.91	7.61
	Dividend received	33.88	25.16
		147.00	**124.66**
	Less :		
	Purchase of investments (net)	-	229.68
	Purchase of fixed assets	115.63	92.60
		115.63	322.28
	NET CASH GENERATED FROM INVESTING ACTIVITIES	**31.37**	**(197.62)**
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Interest paid	(3.29)	(4.73)
	Proceeds from borrowing	-	8.39
	Repayment of borrowing	(163.72)	(107.48)
	Payment for Shares Buy-back	(15.67)	-
	Dividend Paid	(57.56)	(57.98)
	Tax on Dividend	(9.41)	(9.45)
	NET CASH USED IN FINANCING ACTIVITY	**(249.65)**	**(171.25)**
	Net increase / (decrease) in cash and cash equivalents	**(2.74)**	**4.33**
	Cash and Cash equivalents as on 1st April 2012	25.92	21.59
	Cash and Cash equivalents as on 31st March 2013 (Refer Note 19)	23.18	25.92

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Executive Director

NACHIKET DEO
Partner
Membership Number : 117695

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 26 April 2013

Pune : 26 April 2013

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 01: SHARE CAPITAL

	As at 31 March 2013		As at 31 March 2012	
	No. of Shares	₹ in Crs.	No. of Shares	₹ in Crs.
Authorised share capital				
Equity shares of ₹ 2 each	200,000,000	40.00	200,000,000	40.00
Issued and subscribed share capital				
Equity shares of ₹ 2 each	144,614,326	28.92	145,629,750	29.13
Subscribed and fully paid up				
Equity shares of ₹ 2 each	144,613,861	28.92	145,629,285	29.13
Share capital suspense account				
Equity Shares ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by BIFR, are kept in abeyance as per the Scheme of Arrangement.	465	0.00	465	0.00
Total	**144,614,326**	**28.92**	**145,629,750**	**29.13**

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

PARTICULARS	As at 31 March 2013		As at 31 March 2012	
	No. of shares	₹ in Crs.	No. of shares	₹ in Crs.
At the beginning of the period	145,629,285	29.13	145,629,285	29.13
Reduction if any during the period**	1,015,424	0.20	-	-
Outstanding at the end of the period	**144,613,861**	**28.92**	**145,629,285**	**29.13**

** Refer point no. 6 of Note 1

2 **Terms/Rights attached to the equity shares**

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

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

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

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

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

Particulars	As at 31 March 2013		As at 31 March 2012	
	No. of Shares	₹ in Crs.	No. of Shares	₹ in Crs.
Kirloskar Brothers Investments Limited				
Equity shares of ₹ 2 each	76,850,154	15.37	75,964,859	15.19
Equity share holding percentage		53.14		52.16

Notes forming part of the Balance Sheet as at 31 March 2013

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

Sr. No	Name of the shareholder	As at 31 March 2013		As at 31 March 2012	
		No. of shares	% of shareholding	No. of shares	% of shareholding
i	Kirloskar Brothers Investments Limited	76,850,154	53.14	75,964,859	52.16
ii	Nalanda India Fund Limited	10,896,124	7.53	10,896,124	7.48

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

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

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

6 Buyback of shares

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

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

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

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 2 : RESERVES AND SURPLUS **₹ in Crs.**

	As at 31 March 2013	As at 31 March 2012
Capital reserve		
Subsidy for setting up new industrial unit		
Opening balance	172.30	153.16
Add: Subsidy availed during the year	22.74	19.14
Closing balance	195.04	172.30
Capital Redemption Reserve		
Opening balance	-	-
Add: Set aside this year	0.20	-
Closing balance	0.20	-
General reserve		
Opening balance	557.97	538.79
Add : Set aside this year	19.88	19.18
Less : Utilised for equity share buyback	15.67	-
Closing balance	562.18	557.97
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	273.25	168.33
Add: Write back of dividend provision on shares brought back	0.26	-
Add: Write back of dividend tax provision on shares brought back	0.04	-
Add: Profit for the period	198.84	191.80
Balance available for appropriation	472.39	360.13
Less: Appropriations		
Transferred to general reserve	19.88	19.18
Proposed dividend	72.31	58.25
Tax on proposed dividend	12.29	9.45
	367.91	273.25
Total	**1,125.33**	**1,003.52**

Subsidy for setting up new industrial unit

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

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

In terms of the Accounting Standard (AS 12) "Accounting for Government Grants" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, eligible incentive is considered to be in the nature of promoters' contribution. Therefore, incentive of ₹ 22.74 Crs for the year (P.Y. ₹ 19.14 Crs) has been credited to the Capital Reserve. Subsidy Receivable as at 31 March 2013 is ₹ 37.36 Crs (P.Y. ₹ 43.42 Crs)

Buyback of Shares

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

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

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 3 : LONG-TERM BORROWINGS

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Term loans from bank (Secured)		
Foreign currency term loan from BNP PARIBAS, Singapore	-	78.20
Total	**-**	**78.20**

Nature of Security and Terms of Repayment

1. The Company had availed Foreign Currency Term Loan i.e. External Commercial Borrowings ("ECB") of JPY 3,420.15 Million (equivalent to USD 30.00 Million) i.e. ₹ 124.48 Crs from BNP PARIBAS, Singapore at the rate of interest equal to six months' JPY London Inter-bank Offer Rate i.e. "LIBOR" plus a Margin of 0.585% p.a. [balance outstanding as on 31 March 2013: ₹ NIL]. [P.Y. ₹ 117.30 Crs]

   As per the original repayment schedule, this loan was to be repaid in five six-monthly installments starting from 2 March 2012. On 31 January 2013, the Company received approval from Reserve Bank of India, for pre-payment of entire outstanding balance of JPY 1,890.15 Million of the said ECB. Accordingly, on 4 March 2013, the Company has paid the entire outstanding balance of JPY 1,890.15 Million i.e. ₹ 112.14 Crs.

2. The Company had availed ECB of JPY 2,336.32 Million i.e. ₹ 79.70 Crs from ICICI Bank Limited, Hongkong at a rate of interest equal to six months' JPY LIBOR plus a Margin of 0.84% p.a. [balance outstanding as on 31 March 2013: ₹ NIL].[P.Y. ₹ 18.12 Crs]

   As per the repayment schedule, this loan was to be repaid in eight six-monthly equal installments starting from 31 October 2008. Accordingly, final installment of JPY 292.04 Million i.e. ₹ 19.01 Crs was paid on 27 April 2012.

3. The Company had availed ECB of JPY 405.28 Million i.e. ₹ 13.30 Crs from ICICI Bank Limited, Hongkong at a rate of interest equal to six months' JPY LIBOR plus a Margin of 0.84% p.a. [balance outstanding as on 31 March 2013: ₹ NIL]. [P.Y '₹ 25.15 Crs].

   As per the original repayment schedule, this loan was to be repaid in a single tranche on 20 June 2012. Based on approval received from ICICI Bank ("Authorised Dealer"), the loan was prepaid in a single tranche of JPY 405.28 Million i.e., ₹ 26.39 Crs on 27 April 2012.

   ECB, to the extent repayable within one year from the balance sheet date, are grouped under 'Other current liabilities' (Refer note 9)

   ECB payable within one year from Balance Sheet Date

₹ in Crs.

PARTICULARS	As at 31 March 2013	As at 31 March 2012
Foreign currency term loan from BNP PARIBAS, Singapore	-	39.10
Foreign currency term loan from ICICI Bank Limited, Hongkong	-	18.12
Foreign currency term loan from ICICI Bank Limited, Hongkong	-	25.15
Total	**-**	**82.37**

ECBs were secured by way of hypothecation (First Charge) on all movable plant and machinery both present and future, located at Khadki, Pune, Nasik, Kagal and Rajkot, in favour of The Hongkong and Shanghai Banking Corporation Limited, Mumbai (HSBC), the Security Trustee for ₹ 750.00 Crs.

Resulting from re-payment of all ECBs, the Company decided to dissolve the Security Trustee arrangement and sought no objection from the Security Trustee for release of the aforesaid charge of ₹ 750.00 Crs. On 4 April 2013 the Company has received No Objection Certificate from the Security Trustee and is in the process of completing the formalities related to the registration for the satisfaction of charge with Registrar of Companies.

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 4 : DEFERRED TAX LIABILITIES (NET)

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Deferred tax liability	56.82	56.13
Less: Deferred tax asset	22.72	18.11
Total	**34.10**	**38.02**

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

₹ in Crs.

	Particulars	As at 31 March 2013	As at 31 March 2012
(i)	**Deferred Tax Liabilities**		
	Depreciation	56.82	56.13
(ii)	**Deferred Tax Assets**		
a	Disallowances u/s 43 B of Income Tax Act	8.61	9.11
b	Provision for Doubtful debts & advances	7.87	4.56
c	VRS Compensation	5.19	0.21
d	Demerger Expenses	0.61	1.12
e	Others	0.44	0.10
f	Difference in Exchange-MTM losses on exports Options	-	3.01
Total (a+b+c+d+e+f) [ii]		**22.72**	**18.11**
Deferred Tax Liability (Net) [i-ii]		**34.10**	**38.02**

NOTE 5 : OTHER LONG-TERM LIABILITIES

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Deposits from customers	17.29	14.30
Advance from customers	12.69	31.72
Total	**29.98**	**46.02**

NOTE 6 : LONG-TERM PROVISIONS

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Provision for employee benefits	**16.17**	**23.20**
Provision for gratuity (Refer note 32[2.13])	-	-
Provision for leave encashment (Refer note 32[2.13])	13.73	17.44
Provision for Pension and other Retirement Benefits (Refer note 32[2.13])	2.44	5.76
Other provisions	**5.33**	**7.96**
Provision for warranty (Refer note 32[2.16])	5.33	7.41
MTM liabilities on derivative	-	0.55
Total	**21.50**	**31.16**

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 7 : SHORT-TERM BORROWINGS

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Loans payable on demand		
Packing credit foreign currency loan (Secured)	-	8.39
Total	**-**	**8.39**

Company's fund and non-fund based working capital facilities aggregating to ₹ 310.00 Crs. are secured to the extent of ₹ 310.00 Crs. by way of hypothecation (First Charge) on the whole of the current assets of the Company both present and future and to the extent of ₹ 60.00 Crs. by way of second charge on the whole of the movable fixed assets of the Company together with all its movable plant and machinery, machineryspares, tools, accessories and other movables both present and future, in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited, and The Hongkong and Shanghai Banking Corporation Limited (HSBC).

NOTE 8 : TRADE PAYABLES

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Acceptances	54.13	32.99
Other trade payable (Refer note 32[2.10])	230.18	215.95
Total	**284.31**	**248.94**

NOTE 9 : OTHER CURRENT LIABILITIES

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Current maturities of long-term debts (Refer note 3)	-	82.37
Interest accrued and not due on borrowings	-	0.33
Unclaimed dividends	1.03	0.61
Advances from customers	26.24	10.38
Payables for capital purchases	8.61	8.53
Other payables	**73.84**	**76.90**
Statutory dues including provident fund and tax deducted at source	7.16	5.18
Employee benefits payable	19.51	23.34
Other liabilities	47.17	48.38
Total	**109.72**	**179.12**

NOTE 10 : SHORT-TERM PROVISIONS

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Provision for employee benefits	**8.44**	**8.70**
Provision for gratuity (Refer note 32[2.13])	1.86	-
Provision for leave encashment (Refer note 32[2.13])	6.38	7.20
Provision for pension and other retirement benefits (Refer note 32[2.13])	0.20	1.50
Others	**101.03**	**96.49**
MTM liabilities on derivative	-	8.73
Provision for warranty	16.43	18.31
Tax provision (Net of tax paid in advance)	-	1.75
Proposed dividend	72.31	58.25
Tax on proposed dividend	12.29	9.45
Total	**109.47**	**105.19**

Notes forming part of the Balance Sheet as at 31 March 2013

₹ in Crs.

NOTE 11 : FIXED ASSETS - TANGIBLE ASSETS

Fixed Assets	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block											
As At 31 March 2011	0.00	12.23	76.00	830.00	11.64	7.75	22.92	2.91	36.73	22.68	1,022.86
Additions	-	-	4.93	55.90	1.35	1.07	14.63	0.13	3.38	2.08	83.47
Add : ECB Diff in Exchange - AS11	-	-	-	13.68	-	-	-	-	-	-	13.68
Hive off- Bearing Division	-	-	-	78.33	0.74	0.24	-	0.18	0.95	0.89	81.33
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization	-	0.13	0.01	11.41	0.72	2.12	-	0.02	3.05	0.20	17.66
As At 31 March 2012	0.00	12.10	80.92	809.84	11.53	6.46	37.55	2.84	36.11	23.67	1,021.02
Additions	-	-	50.54	40.65	2.41	1.08	-	1.19	6.00	4.04	105.91
Add : ECB Diff in Exchange - AS11	-	-	-	3.41	-	-	-	-	-	-	3.41
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization	-	0.13	0.00	19.03	0.41	0.66	-	0.06	4.41	-	24.70
As At 31 March 2013	**0.00**	**11.97**	**131.46**	**834.87**	**13.53**	**6.88**	**37.55**	**3.97**	**37.70**	**27.71**	**1,105.64**
Depreciation											
Upto 31 March 2011	-	-	9.71	372.76	7.37	6.33	8.42	2.08	27.37	5.67	439.71
For The Year	-	-	2.26	78.11	0.82	0.72	1.85	0.22	3.57	1.52	89.07
Hive off- Bearing Division	-	-	-	58.10	0.66	0.22	-	0.16	0.74	0.48	60.36
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	0.00	11.17	0.69	2.10	-	0.02	3.05	0.19	17.22
As At 31 March 2012	-	-	11.97	381.60	6.84	4.73	10.27	2.12	27.15	6.52	451.20
Depreciation											
For The Year	-	-	2.51	78.72	0.99	0.69	2.51	0.23	3.75	1.61	91.01
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	0.00	17.34	0.23	0.66	-	0.04	4.35	-	22.62
As At 31 March 2013	**-**	**-**	**14.48**	**442.98**	**7.60**	**4.76**	**12.78**	**2.31**	**26.55**	**8.13**	**519.59**
Net Block											
As At 31 March 2012	0.00	12.10	68.95	428.24	4.69	1.73	27.28	0.72	8.96	17.15	569.82
As At 31 March 2013	**0.00**	**11.97**	**116.98**	**391.89**	**5.93**	**2.12**	**24.77**	**1.66**	**11.15**	**19.58**	**586.05**

Notes :

1. Gross block is at Cost except leasehold land which is net of amount written off.
2. For Depreciation and amortisation refer accounting policy (Note 32.1.4).
3. Note 11 of Fixed Assets includes assets at Research & Development facility, the details of which are as under.

Notes forming part of the Balance Sheet as at 31 March 2013

₹ in Crs.

FIXED ASSETS - TANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY

(Below figures are included in note 11 : Fixed Assets - Tangible Assets)

Fixed Assets	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block											
As At 31 March 2011	-	-	-	43.33	0.50	-	-	0.10	0.83	0.98	45.74
Additions	-	-	-	6.21	0.01	-	-	0.01	0.15	0.49	6.87
Add : ECB Diff in Exchange - AS11	-	-	-	-	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-	-	-	-	-	-	-
As At 31 March 2012	-	-	-	49.54	0.51	-	-	0.11	0.98	1.47	52.61
Additions	-	-	-	2.07	-	-	-	0.01	0.02	0.52	2.62
Add : ECB Diff in Exchange - AS11	-	-	-	-	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization	-	-	-	0.01	-	-	-	-	-	-	0.01
As At 31 March 2013	**-**	**-**	**-**	**51.60**	**0.51**	**-**	**-**	**0.12**	**1.00**	**1.99**	**55.22**
Depreciation											
Upto 31 March 2011	-	-	-	10.36	0.26	-	-	0.07	0.18	0.02	10.89
For The Year	-	-	-	4.58	0.05	-	-	0.01	0.16	0.09	4.89
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	-	-	-	-	-	-	-	-
As At 31 March 2012	-	-	-	14.94	0.31	-	-	0.08	0.34	0.11	15.78
Depreciation											
For The Year	-	-	-	4.78	0.06	-	-	0.01	0.17	0.10	5.12
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-	-	-
Deductions	-	-	-	0.01	-	-	-	-	-	-	0.01
As At 31 March 2013	**-**	**-**	**-**	**19.71**	**0.37**	**-**	**-**	**0.09**	**0.51**	**0.21**	**20.89**
Net Block											
As At 31 March 2012	-	-	-	34.60	0.20	-	-	0.03	0.64	1.36	36.83
As At 31 March 2013	**-**	**-**	**-**	**31.89**	**0.14**	**-**	**-**	**0.03**	**0.49**	**1.78**	**34.33**

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 12 : FIXED ASSETS - INTANGIBLE ASSETS

₹ in Crs.

Fixed Assets	Computer Software	Drawings & Designs	Technical Knowhow	Development Expenditure	Total
Gross Block					
As At 31 March 2011	10.05	15.81	2.31	1.43	29.60
Additions	0.41	0.42	1.53	-	2.36
Add : ECB Diff in Exchange - AS11	-	-	-	-	-
Hive off- Bearing Division	0.28	4.69	-	-	4.97
Recoupment / Adjustment	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-
As At 31 March 2012	10.18	11.54	3.84	1.43	26.99
Additions	0.85	-	-	-	0.85
Add : ECB Diff in Exchange - AS11	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-
As At 31 March 2013	**11.03**	**11.54**	**3.84**	**1.43**	**27.84**
Depreciation					
Upto 31 March 2011	6.08	14.15	0.82	1.05	22.10
For The Year	1.09	0.13	0.49	0.38	2.09
Hive off- Bearing Division	0.04	3.15	-	-	3.19
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2012	7.13	11.13	1.31	1.43	21.00
Depreciation					
For The Year	0.83	0.04	0.54	0.00	1.41
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2013	**7.96**	**11.17**	**1.85**	**1.43**	**22.41**
Net Block					
As At 31 March 2012	3.05	0.41	2.53	0.00	5.99
As At 31 March 2013	**3.07**	**0.37**	**1.99**	**-**	**5.43**

Notes :

1. Intangible Assets are amortised on Straight Line method.
2. Useful life of each category is as follows,
   Computer Software- 60 months.
   Drawings & Designs- 115 months.
   Technical Knowhow- 72 months.
   Development Expenditure- 36 months.
3. Note 12 of Fixed Assets includes assets at Research & Development facility, the details of which are as under.

Notes forming part of the Balance Sheet as at 31 March 2013

FIXED ASSETS - INTANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY

(Below figures are included in note 12 : Fixed Assets- Intangible Assets)

₹ in Crs.

Fixed Assets	Computer Software	Drawings & Designs	Technical Knowhow	Development Expenditure	Total
Gross Block					
As At 31 March 2011	3.71	10.42	-	-	14.13
Additions	0.33	-	-	-	0.33
Add : ECB Diff in Exchange - AS11	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-
As At 31 March 2012	4.04	10.42	-	-	14.46
Additions	0.33	-	-	-	0.33
Add : ECB Diff in Exchange - AS11	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-
As At 31 March 2013	**4.37**	**10.42**	**-**	**-**	**14.79**
Depreciation					
Upto 31 March 2011	3.37	10.42	-	-	13.79
For The Year	0.22	-	-	-	0.22
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2012	3.59	10.42	-	-	14.01
Depreciation					
For The Year	0.13	-	-	-	0.13
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 March 2013	**3.72**	**10.42**	**-**	**-**	**14.14**
Net Block					
As At 31 March 2012	0.45	-	-	-	0.45
As At 31 March 2013	**0.65**	**-**	**-**	**-**	**0.65**

NOTE 13 : NON-CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2013		As at 31 March 2012	
	₹	Nos.	₹ in Crs.	Nos.	₹ in Crs
I TRADE					
UNQUOTED INSTRUMENTS					
Kirloskar Proprietary Limited - Equity Share (Fully Paid)	100.00	1	0.00	1	0.00
Kirloskar Proprietary Limited - Preference Share (Fully Paid)	100.00	1	0.00	1	0.00
II NON TRADE - Unquoted Debt Instrument					
HDFC Group Unit Linked Plan	10.00	7,441,438	10.00	7,385,411	10.00
Total			**10.00**		**10.00**

Notes :

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

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 14 : LONG-TERM LOANS AND ADVANCES

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Capital advances	**1.77**	**4.27**
Secured, considered good	-	-
Unsecured, considered good	1.77	4.27
Security deposits	**19.02**	**16.88**
Unsecured, considered good	19.02	16.88
Loans and advances to suppliers	**1.80**	**5.03**
Unsecured, considered good	1.80	5.03
Doubtful	0.20	0.13
Less : Provision	0.20	0.13
	-	-
Loans to employees	**3.73**	**5.91**
Unsecured, considered good	3.73	5.91
Tax paid in advance (net of provision)	**39.99**	**40.38**
Total	**66.31**	**72.47**

NOTE 15 : OTHER NON-CURRENT ASSETS

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Long-term trade receivables	**-**	**-**
Secured, considered good	-	-
Unsecured, considered good	-	-
Doubtful	23.14	14.05
Less : Provision	23.14	14.05
	-	-
Others	**25.78**	**10.29**
Subsidy receivable for setting up Kagal plant	21.69	2.75
Derivative asset	-	5.14
Other bank balances (Deposits with maturity of more than 12 months)	0.01	0.01
Inventories	4.08	2.39
Total	**25.78**	**10.29**

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 16 : CURRENT INVESTMENTS

₹ in Crs.

		Particulars	Face Value Per Unit	As at 31 March 2013		As at 31 March 2012	
			₹	Nos.	₹ in Crs	Nos.	₹ in Crs
		INVESTMENTS IN MUTUAL FUNDS					
		UNQUOTED					
A		**Current portion of Long Term Investment**					
	I	DIVIDEND SCHEME - FIXED MATURITY PLAN					
		SBI Debt Fund Series - 367 Days - 12 Dividend	10.00			5,000,000	5.00
B		**Current Investment**					
	I	DIVIDEND SCHEME - FIXED MATURITY PLAN					
		Birla Sun Life Interval Income Fund - Instl- Qtrly-S1-Div Payout	10.00			10,000,000	10.00
		Birla Sun Life Short Term FMP Series 25-Div-Payout	10.00			10,000,000	10.00
		Birla Sun Life Short Term FMP Series 29-Div-Payout	10.00			10,000,000	10.00
		Birla Sun Life Quarterly Interval Series - 4 - Div Payout	10.00			10,000,000	10.00
		DSP Black Rock FMP - 3M Series 33-Div Payout	10.00			10,000,000	10.00
		DSP Black Rock FMP - 3M Series 40-Div Payout	10.00			10,000,000	10.00
		DSP Black Rock FMP - 3M Series 42-Div Payout	10.00			15,000,000	15.00
		IDFC Quarterly FMP Series - 72 - Div Payout	10.00			10,000,000	10.00
		SBI Debt Fund Series - 90 Days - 55 Dividend	10.00			10,000,000	10.00
		UTI Fixed Income Interval Series - I	10.00			9,997,001	10.00
		UTI Fixed Income Interval Series - III	10.00			9,996,901	10.00
		UTI Quarterly FMP Series - 1	10.00			10,000,000	10.00
							125.00
	II	DIVIDEND SCHEME - LIQUID					
		AXIS Liquid Fund-Daily Dividend Reinvestment	1,000.00	120,774	12.08		
		Birla Sunlife Cash Plus INSTL Premium-Daily Dividend Reinvestment	100.00			5,192,992	52.04
		Birla Sunlife Floating Rate Long Term - Daily Dividend - Regular Plan Reinvestment	100.00	2,503,627	25.08		
		Birla Sunlife Cash Plus Weekly Dividend - Regular Plan Reinvestment	100.00	4,995,894	50.10		
		DSP BlackRock Liquidity Fund - Institutional plan - Weekly Dividend Reinvestment	1,000.00	140,263	14.03		
		HDFC Liquid Fund Premium Plan - Daily Dividend Reinvestment	10.00			40,813,645	50.05
		HDFC Floating Rate Fund Income Fund - Short Term plan - Wholesale Option - Daily Dividend Reinvestment	10.00	24,909,806	25.11		
		HDFC Liquid Fund - Weekly Dividend Reinvestment	10.00	20,379,037	21.03		
		ICICI Prudential Liquid - Regular Plan - Daily Dividend	100.00	7,067,377	70.69	5,500,975	55.02
		IDFC Ultra Short Term Fund Daily Dividend Reinvestment - Regular Plan	10.00	25,044,372	25.07	30,152,171	30.19
		IDFC Cash Fund Super Inst Plan C	1,000.00			300,060	30.01
		Kotak - Flexi Debt Scheme - Plan A - Daily Dividend Reinvestment	10.00	19,019,150	19.11		
		Kotak Liquid Scheme - Plan A - Daily Dividend	1,000.00	196,426	24.02		
		Reliance Liquid Fund - Daily Dividend	10.00			59,983,445	60.01
		Reliance Liquid Fund - Treasury Plan - Weekly Dividend	1,000.00	130,997	20.06		
		SBI Premier Liquid Fund - Super Institutional - Daily Dividend	10.00		-	498,827	50.04
		SBI Magnum Fund - Insta Cash Fund -Liquid Floater - Regular Plan - Daily Dividend Reinvestment	1,000.00	248,519	25.10		
		SBI Premier Liquid Fund - Regular Plan - Weekly Dividend	1,000.00	340,179	36.10		
		TATA Liquidity Management Fund - Daily Dividend Reinvestment	10.00			100,275	10.05
		UTI Liquid Fund - Cash Plan - Daily Dividend	1,000.00			490,692	50.02
		UTI Liquid Fund - Cash Plan - Institutional - Weekly Dividend	1,000.00	380,054	40.03		
					407.61		387.43
		Total			**407.61**		**517.43**

Notes :

1. Aggregate amount of Unquoted Investments 407.61 517.43
2. Face value per unit in Rupees unless otherwise stated.

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 17 : INVENTORIES

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Raw materials	**119.62**	**87.18**
Raw materials and components	112.56	85.65
Raw materials in transit	7.06	1.53
Work-in-progress	**19.77**	**9.11**
Finished goods	**38.01**	**22.92**
Stores and spares	**11.14**	**13.02**
Total	**188.54**	**132.23**

WORK-IN-PROGRESS

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Engines between 2.5 HP to 740 HP	1.87	2.27
Generating sets between 5 KVA to 600 KVA	0.93	0.94
Generating sets between 1.6 MW to 4.4 MW	6.58	-
Others	10.39	5.90
Total	**19.77**	**9.11**
Others included in non-current Inventories (Refer note 15)	0.07	0.04

FINISHED GOODS

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Engines between 2.5 HP to 740 HP	26.90	14.61
Generating Sets between 5 KVA to 600 KVA	2.11	2.91
Goods Traded - Engines and Gensets	0.18	0.09
Goods Traded - K-oil	1.43	0.51
Others	7.39	4.80
Total	**38.01**	**22.92**

NOTE 18 : TRADE RECEIVABLES

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Outstanding for a period exceeding six months from the date they are due for payment	**-**	**11.21**
Secured, considered good	-	-
Unsecured, considered good	-	11.21
Other receivables	**288.66**	**287.73**
Secured, considered good	-	-
Unsecured, considered good	288.66	287.73
Total	**288.66**	**298.94**

Notes forming part of the Balance Sheet as at 31 March 2013

NOTE 19 : CASH AND BANK BALANCES

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Cash and cash equivalents		
Cash on hand	**0.06**	**0.06**
Balance with Bank	**23.12**	**25.86**
Current accounts and cash credit	22.09	25.25
Unpaid dividend accounts	1.03	0.61
Other bank balances	**1.60**	**1.47**
Deposits with original maturity of more than three months but less than 12 months	1.60	1.47
Total	**24.78**	**27.39**

NOTE 20 : SHORT-TERM LOANS AND ADVANCES

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Loans and advances to related parties	**-**	**-**
Others		
Loans and advance to suppliers	**15.66**	**7.85**
Unsecured, considered good	15.66	7.85
Loans and advance to employees	**1.48**	**1.81**
Unsecured, considered good	1.48	1.81
Balance with collectorate of central excise and customs	5.39	6.10
Sales tax / VAT / service tax receivable (net)	57.77	29.95
Tax Paid in Advance (Net of Provision)	2.25	-
Other loans & advances	10.22	10.80
Total	**92.77**	**56.51**

NOTE 21 : OTHER CURRENT ASSETS

₹ in Crs.

	As at 31 March 2013	As at 31 March 2012
Export incentive receivable	4.62	5.70
Income receivable	0.23	0.93
Derivative asset	-	3.51
Subsidy receivable for setting up Kagal plant	15.67	40.67
Others	-	0.29
Total	**20.52**	**51.10**

Notes forming part of the Statement of Profit and Loss for the year ended 31 March 2013

NOTE 22 : REVENUE FROM OPERATIONS

₹ in Crs.

		2012-13	2011-12
Sale of products (gross)		2,434.39	2,347.42
Less : Excise duty		201.14	170.30
		2,233.25	2,177.12
Sale of services		86.05	98.43
		2,319.30	**2,275.55**
Operating income			
Sale of scrap		12.46	14.19
Cash discount received		1.85	1.96
Commission received		7.46	6.77
Export incentives		6.78	7.17
Refund of sales tax, octroi etc		0.18	0.84
Sundry credit balances appropriated		0.64	0.79
Provisions no longer required written back		7.01	17.23
Miscellaneous receipts		1.30	1.91
		37.68	**50.86**
	Total	**2,356.98**	**2,326.41**

₹ in Crs.

Class of Goods		**2012-13**	**2011-12**
Engines between 2.5 HP to 740 HP		1,326.23	1,388.83
Generating Sets between 5 KVA to 600 KVA		304.47	214.08
Generating Sets between 1.6 MW to 4.4 MW		52.59	25.98
Bimetal Bearings		-	60.52
Bimetal Strips		-	1.68
Goods Traded - Engines and Gensets		21.19	0.52
Goods Traded - K-oil		168.67	143.64
Others		446.15	440.30
	Total	**2,319.30**	**2,275.55**

NOTE 23 : OTHER INCOME

₹ in Crs.

		2012-13	2011-12
Interest		**1.91**	**7.61**
On income tax refund		0.78	4.62
On others		1.13	2.99
Dividend on short term investments		33.88	25.16
Profit on Sale of Mutual Fund investments (net)		0.47	0.02
Surplus on sale of assets		0.67	1.08
Miscellaneous income		2.57	2.26
	Total	**39.50**	**36.13**

Notes forming part of the Statement of Profit and Loss for the year ended 31 March 2013

NOTE 24 : COST OF MATERIALS CONSUMED

₹ in Crs.

		2012-13	2011-12
(a) Raw materials and components consumed			
Opening stocks		88.00	85.42
Less : Value of obsolete and non-moving material written-down (net of realisable value)		(0.92)	3.04
Add : Purchases		1,333.97	1,243.46
		1,422.89	1,325.84
Less : Stocks at close		116.57	88.00
		1,306.32	1,237.84
(b) Freight, octroi and entry tax		30.87	35.68
(c) Write-down of obsolete and non-moving material		(0.92)	3.04
	Total	**1,336.27**	**1,276.56**

(i) Raw materials and components consumed:

₹ in Crs.

		2012-13	2011-12
a) Steel and Steel Strips		0.24	3.41
b) Non-ferrous Metals		6.44	16.17
c) Components		1,299.00	1,218.05
d) Others		0.64	0.21
	Total	**1,306.32**	**1,237.84**

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

₹ in Crs.

		2012-13	2011-12
Imported		105.07	70.09
% to total raw material consumption		8.04%	5.66%
Indigenuous		1,201.25	1,167.75
% to total raw material consumption		91.96%	94.34%
	Total	**1,306.32**	**1,237.84**

NOTE 25 : PURCHASES OF STOCK-IN-TRADE

₹ in Crs.

		2012-13	2011-12
Finished goods purchases for resale		132.39	104.65
	Total	**132.39**	**104.65**

(i) Details of purchase of Trading Goods:

₹ in Crs.

		2012-13	2011-12
a) Engines and Gensets		12.57	0.47
b) K Oil		119.82	104.18
	Total	**132.39**	**104.65**

Notes forming part of the Statement of Profit and Loss for the year ended 31 March 2013

NOTE 26 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

₹ in Crs.

	2012-13	2011-12
(a) (Increase)/decrease in stocks		
Stocks at close:		
Work-in-process (including finished components)	19.83	9.15
Finished goods	38.01	22.92
	57.84	32.07
Less : Opening stocks		
Work-in-process (including finished components)	9.15	24.38
Finished goods	22.92	16.08
	32.07	40.46
	(25.77)	8.39
(b) Increase/(decrease) in excise duty of finished goods	0.68	1.16
Total	**(25.09)**	**9.55**

NOTE 27 : EMPLOYEE BENEFITS EXPENSE

₹ in Crs.

	2012-13	2011-12
Salaries, wages, gratuity, bonus, commission, etc	125.66	140.02
Contribution to provident and other funds	12.69	15.33
Welfare and training expenses	15.59	19.51
Provident and other funds' expenses	0.44	0.51
Total	**154.38**	**175.37**

NOTE 28 : FINANCE COSTS

₹ in Crs.

	2012-13	2011-12
Interest expense	2.97	4.48
Applicable loss on foreign currency transactions	-	11.48
Total	**2.97**	**15.96**

NOTE 29 : DEPRECIATION AND AMORTIZATION EXPENSE

₹ in Crs.

	2012-13	2011-12
Depreciation	**92.42**	**91.16**
Tangible assets	91.01	89.07
Intangible assets	1.41	2.09
Amount written off against leasehold land	**0.13**	**0.13**
Total	**92.55**	**91.29**

Notes forming part of the Statement of Profit and Loss for the year ended 31 March 2013

NOTE 30 : OTHER EXPENSES

₹ in Crs.

	2012-13	2011-12
Manufacturing Expenses		
Stores consumed	67.78	77.84
Power and fuel	22.56	27.41
Machinery spares	7.12	9.30
Repairs to machinery	5.75	5.10
Job work charges	17.30	22.89
Labour charges	11.04	10.22
Cost of services	73.78	83.25
Others manufacturing expenses	7.80	9.88
	213.13	**245.89**
Selling Expenses		
Commission	11.51	12.90
Freight and forwarding	30.61	37.48
Sales warranty claims	29.08	29.45
Royalty	5.95	5.94
Advertisement and publicity	5.15	8.29
Provision for doubtful debts and advances (net)	9.16	0.04
Others selling expenses	11.56	9.86
	103.02	**103.96**
Administration Expenses		
Rent	26.57	26.67
Rates and taxes	0.45	0.30
Insurance	0.49	0.63
Repairs to building	1.52	5.37
Other repairs and maintenance	19.22	21.03
Travelling and conveyance	13.30	15.06
Communication expenses	2.86	3.49
Printing and stationery	1.31	2.01
Legal & professional fees	9.25	10.26
Auditor's remuneration	0.40	0.39
Donations	2.22	1.94
Miscellaneous expenses	18.36	18.12
Loss on assets sold, demolished, discarded and scrapped	1.68	0.95
Bad debts and irrecoverable balances written off	0.55	0.84
Expenses capitalised	(1.25)	(0.75)
	96.93	**106.31**
Total	**413.08**	**456.16**

NOTE 31 : EXCEPTIONAL ITEMS [INCOME / (EXPENSES)]

₹ in Crs.

	2012-13	2011-12
Exceptional income		
Profit on sale of Bearings business	-	47.71
Exceptional Expenses		
Voluntary Retirement Scheme (VRS) to Team Members	(19.08)	-
Total	**(19.08)**	**47.71**

NOTE 32 : NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

1.1 Basis of preparation of Financial Statements

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

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

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

1.2 Use of Estimates

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

1.3 Fixed Assets

a. Tangible Fixed assets, other than Leasehold Land, are stated at cost of acquisition or construction less accumulated depreciation. Leasehold land is valued at cost less amount written off up to the balance sheet date. Cost includes the purchase price and all other attributable costs incurred for bringing the asset to its working condition for intended use.

b. Expenditure on New Projects and Expenditure during Construction :

In case of new projects, expenditure incurred including interest on borrowings and financing costs of specific loans, prior to commencement of commercial production is capitalized and included in the cost of assets.

c. Capital work-in-progress comprises cost of fixed assets that are not yet installed and ready for their intended use at the balance sheet date.

d. Intangible assets are recorded at the consideration paid for acquisition. Expenditure incurred on development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses.

e. Own manufactured assets are capitalised at cost including an appropriate share of allocable expenses.

1.4 Depreciation and Amortization

Depreciation is charged on the assets as follows:

Sr. No.	Particulars of Asset*	Depreciation Method	Depreciation Rate @ $	Basis for charging Depreciation
01	Land - Freehold	N.A.	-	Asset is not depreciated
02	Land - Leasehold	Straight Line Method (SLM)	Amortised over lease period	
03	Buildings (other than factory buildings)	SLM	1.63%	Rate prescribed under Schedule XIV to the Companies Act, 1956
04	Factory Buildings	SLM	3.34%	
05	Buildings (temporary structures)	SLM	100%	
06	Plant & Equipment (other than Patterns & Tooling Equipment) **#**	SLM	10.34%	Rate prescribed for 3 shift basis under Schedule XIV to the Companies Act, 1956
07	Plant & Equipment – Patterns & Tooling Equipment	SLM	25%	Estimated useful life of the asset
08	Furniture & Fixture	SLM	Range from 10% to 25%	
09	Vehicles	SLM	20%	
10	Aircraft	SLM	6.67%	
11	Office Equipment	SLM	12.50%	
12	Computers	SLM	Range from 20% to 33.33%	
13	Electrical Installations	SLM	6.67%	
14	Intangible Assets	SLM	Range from 10% to 33.33%	Amortised over estimated useful life of respective individual asset

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

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

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

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

1.5 Investments

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

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

1.6 Inventories

a. Stores and spares, raw materials and components are valued at cost or net realizable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition. Cost is ascertained using weighted average method.

b. Work-in-process including finished components and finished goods are valued at cost or realisable value whichever is lower. Cost includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity. Finished goods lying in the factory premises, branches and depots are valued inclusive of excise duty.

c. Materials-in-transit and materials in bonded warehouse are valued at actual cost up to the date of balance sheet.

d. Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.

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

1.7 Foreign Currency Transactions

a. Initial Recognition

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

b. Conversion

Current assets and current liabilities, Secured Loans, being monetary items, designated in foreign currencies are revalorized at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c. Exchange Differences

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which case they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31 March 2009, as amended vide G.S.R. 378(E) dated 11 May 2011,and the clarification provided vide Ministry of Corporate Affairs circular 25/2012 dated 9 August 2012, eligible exchange difference on foreign currency loans utilized for acquisition of assets, up to 31 March, 2013, is adjusted in the cost of the asset to be depreciated over the balance life of the asset.

d. Forward Contracts

Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts is intended to reduce the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose. Mark to Market Losses or Gains are recognized in the profit and loss account subject to (c) above. However, Mark to Market Losses or Gains on instruments to hedge highly probable forecast transactions which serve as effective hedges, as determined under the accounting standard 30, are accumulated in the Hedge reserve until the underlying transaction occurs upon which the respective accumulated balances are recognized in the profit and loss account.

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

e. Option Contracts

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

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

1.8 Employee Benefits

a. Short Term Employee Benefits:

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

b. Post-Employment Benefits:

i. Defined Contribution Plans:

The Company's approved superannuation schemes, state government provident fund scheme, employee state insurance scheme are defined contribution plans. The contribution paid / payable under the schemes is recognised during the period in which the employee renders the related service. The Company also makes specified monthly contributions towards employee provident fund to a Trust administered by the company.

The minimum interest payable by the trust to the beneficiaries every year is being notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return from the investments of the trust and the notified interest rate, which is recognized as a cost as and when determined.

ii. Defined Benefit Plans:

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

In the case of Funded Gratuity liability, amount due to the fund within 12 months is treated as current liability. In the case of pension, post-retirement medical benefit and long term service award benefit scheme the amount expected to be paid / expected to settle within next 12 months is treated as current and balance amount is treated as non-current. In the case of long term compensated absence the determination of current and noncurrent liability is based on unconditional right to defer its settlement in next 12 months from the reporting date and other factors such as attrition rate, retirement in next 12 months.

iii. Termination Benefits:

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

1.9 Warranty

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

1.10 Research and Development

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

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

1.11 Revenue Recognition

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

b. Export sales are accounted on the basis of the dates of "Shipped on Board" Bill of Lading, other delivery documents as per contract.

c. Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim is fulfilled.

d. Income from services is recognized on completion of services as per the terms of specific contracts.

e. Income from dividend on investments is accrued in the year in which it is declared, whereby right to receive is established.

f. Profit / loss on sale of investments is recognized on the contract date.

1.12 Government Grant

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

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

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

1.13 Borrowing Cost

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the month in which the asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognized as expenses in the period in which these are incurred.

1.14 Income Tax

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

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

1.15 Earning Per Share

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

1.16 Cash Flow Statement

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

1.17 Segment Reporting

a. Identification of Segments

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

b. Intersegment Transfers

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

c. Allocation of common costs

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

d. Unallocated items

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

1.18 Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount (economic value in use) of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the profit and loss account. If at any subsequent balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the profit and loss account.

1.19 Provisions and Contingencies

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

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

2. Additional Notes to the Financial Statements

2.1 Contingent Liabilities

	As at 31 March 2013	₹ in Crs. As at 31 March 2012
2.1 (A) Contingent Liabilities not provided for		
(a) Disputed Central Excise demands	3.32	1.04
(b) Disputed Sales Tax & Octroi demands	6.21	6.09
(c) Disputed Customs Duty demands	1.08	1.08
(d) Disputed Income-Tax Liability - matter under appeal	22.70	13.06
(e) Claims against Company not acknowledged as debts	82.86	82.18
(f) Guarantees given on behalf of third parties	-	14.38
	116.17	**117.83**
2.1 (B) The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which, remaining future obligations aggregates USD 66.46 millions (previous year USD 64.20 millions). Non fulfillment of the balance of such future obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the company under the said scheme, by 31 March 2013 - has been fulfilled.		
2.2 Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	14.65	17.57
2.3 Other Commitments Purchase of Bearings from KSPG Automotive India Pvt Limited on a non-exclusive basis	118.00	118.00
2.4 Charge of Hypothecation referred to in Note No 7 for working capital facilities extends to letters of credit issued and guarantees given by the Company's Bankers		
Aggregate value of such letters of credit outstanding	36.21	47.81
Aggregate value of such guarantees outstanding	142.91	151.68

2.5. Payment to Auditors (Net of Service tax)

₹ in Crs.

Sr.No.	Particulars	2012-13	2011-12
(A)	**Statutory Auditors**		
	a) As Auditors	0.26	0.26
	b) In other capacity:		
	Tax Audit	0.04	0.04
	Certification and Other services	0.02	0.02
	Reimbursement of Expenses	0.01	0.01
	Total (A)	**0.33**	**0.33**
(B)	**Cost Auditors**		
	a) As Auditors	0.06	0.06
	b) In other capacity:		
	Certification and Other services	0.01	0.00
	Reimbursement of Expenses	-	-
	Total (B)	**0.07**	**0.06**
	GRAND TOTAL (A + B)	**0.40**	**0.39**

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

₹ in Crs.

Particulars	2012-13	2011-12
A. CIF Value of Imports:		
i. Raw Materials (including components, goods in transit, material in bonded warehouse)	115.13	69.94
ii. Capital Goods	13.13	32.52
Total	**128.26**	**102.46**
B. Expenditure in foreign currency		
i. Interest	1.54	3.00
ii. Travelling	1.30	1.56
iii. Commission on Exports	7.23	6.91
iv. Advertisement & Publicity	0.78	2.16
v. Legal & Professional Fees	0.15	0.49
vi. At foreign branch	0.11	0.28
vii. Others	3.30	4.58
Total	**14.41**	**18.98**
C. Earnings in foreign currencies		
FOB value of exports	167.84	162.30
Total	**167.84**	**162.30**
D. Exchange (gains)/ losses on account of fluctuations in foreign currency rates recognized in the Profit & Loss account including in		
a. Interest	-	11.48
b. Miscellaneous Expenses	1.91	6.10
Total	**1.91**	**17.58**

2.7 Prior period expenses for the year (net of income) is ₹ 0.30 Crs. (PY ₹ 0.01 Crs.)

2.8 The Sales for the current year includes an amount of ₹ 62.15 Crs. on account of deemed export of goods.

2.9 Foreign Exchange Derivatives and Exposure not hedged

2.9 (A) Foreign Exchange Derivatives **Amounts in Foreign Currencies in 000's**

Nature of Instrument	Currency	Sale / Purchase	31 March 2013	31 March 2012
Forward Contracts	USD	Purchase	1,140	184
	USD	Sale	1,598	-
	EUR	Purchase	2,264	1,339
Option Contracts	USD	Purchase	625	24,100
	USD	Sale	-	9,000
	EUR	Purchase	500	-
	JPY	Purchase	-	25,82,000

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

2.9 (B) Exposure not hedged **Amounts in Foreign Currencies in 000's**

Nature of Exposure	Currency	31 March 2013	31 March 2012
Receivable	USD	2,003	-
	EUR	10	19
Payable	USD	5,603	880
	EUR	2,062	-
	GBP	94	-
	JPY	8,300	-
Loan	USD	-	7,418
	JPY	-	5,470

2.10 The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2013. The disclosure pursuant to the said Act is as under.

₹ in Crs.

Particulars	2012-13	2011-12
Total outstanding to MSME suppliers	5.62	8.16
Principal Amount due to suppliers under MSMED Act, 2006, beyond the appointed day, since paid.	-	-
Interest accrued and due to suppliers under MSMED Act, on the above amount	-	-
Payment made to suppliers (other than interest) beyond the appointed day, during the year	1.26	2.28
Interest paid to suppliers under MSMED Act (Other than section 16)	-	-
Interest paid to suppliers under MSMED Act (Section 16)	-	-
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.01	0.01
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.09	0.08

The Information has been given in respect of such vendors on the basis of information available with the company.

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

₹ in Crs.

Sr. No.	Particulars	2012-13	2011-12
A	**Revenue Expenditure**		
	Manufacturing Expenses :		
	Raw Material, Store, Spares & Tools Consumed	3.52	2.96
	Machinery Repairs	0.56	0.28
	Payments to & Provision for Employees :		
	Salaries, Wages, Bonus, Allowances, etc.	4.93	4.88
	Contribution to Provident & Other Funds & Schemes	0.33	0.30
	Other Benefits	0.01	0.01
	Other Expenses :		
	Legal & Professional charges	1.57	0.66
	EDP Expenses	0.92	0.90
	Power Charges	0.91	0.76
	Travelling & Conveyance Expenses	0.20	0.20
	Other Expense	2.07	0.90
	Repairs	0.29	0.18
	Sub Total (A)	**15.31**	**12.02**
B	**Capital Expenditure**	**2.95**	**7.20**
	Total Eligible Research & Development Expenditure (A+B)	**18.26**	**19.22**

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

2.12 The company, as per Ministry of Corporate Affairs notification dated 31 March 2009 as amended vide G.S.R. 378(E) dated 11 May 2011, G.S.R. 913(E) dated 29 December 2011, & clarification provided vide circular 25/2012 dated 9 August 2012, had exercised the option of implementing the provisions of paragraph 46 of Accounting Standard (AS 11) "The Effects of Changes in Foreign Exchange Rates" prescribed by Companies (Accounting Standards) Amendment Rules, 2006. The Company had outstanding long term foreign currency loans during the year, which were categorized as long-term foreign currency monetary items as mentioned in the notification. The aforesaid loans were utilized for the acquisition of assets. Accordingly company has capitalised exchange difference loss of ₹ 3.41 Crs. (P.Y. loss ₹ 13.68 Crs.) for the current financial year in respect of its foreign currency loans.

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

(A) Defined Contribution Plans:

Amount of ₹ 8.39 Crs. (P.Y. ₹ 9.27 Crs.) is recognised as expense and included in Note No. 27 "Employee Cost"

(B) Defined Benefit Plans:

i. Amount Recognised in the Balance sheet :

₹ in Crs.

Particulars	2012-13			2011-12		
	Gratuity	Compensated Absences	Pension, Post retirement Medical scheme and Long Service award scheme	Gratuity	Compensated Absences	Pension, Post retirement Medical scheme and Long Service award scheme
a. Present value of Defined Benefit obligation	28.63	-	-	36.51	-	-
b. Less: Fair value of Plan Assets	(26.77)	-	-	(36.80)	-	-
c. Present value of unfunded obligation	-	20.11	2.64	-	24.64	7.26
d. Net Liability / (Asset) recognised in the Balance Sheet	**1.86**	**20.11**	**2.64**	**(0.29)**	**24.64**	**7.26**

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

₹ in Crs.

Particulars	2012-13			2011-12		
	Gratuity	Compensated Absences	Pension, Post retirement Medical scheme and Long Service award scheme	Gratuity	Compensated Absences	Pension, Post retirement Medical scheme and Long Service award scheme
a. Current Service Cost	2.27	2.29	0.05	2.41	2.21	0.67
b. Interest Cost	1.97	1.36	0.43	2.89	2.24	0.63
c. Expected return on Plan Assets	(1.87)	-	-	(2.76)	-	-
d. Settlement Cost / (Credit)	1.03	0.46	-	-	-	-
e. Actuarial Losses / (Gains)	1.12	0.87	(0.76)	3.55	3.46	(1.23)
Total included in "Employee Cost"	**4.52**	**4.98**	**(0.28)**	**6.09**	**7.91**	**0.07**

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

₹ in Crs.

Particulars	2012-13			2011-12		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Present value of Defined Benefit obligation at the beginning of the year	36.51	24.64	7.26	41.55	36.65	9.18
b. Interest cost	1.97	1.36	0.43	2.89	2.24	0.63
c. Current service cost	2.27	2.29	0.05	2.41	2.21	0.67
d. Settlement Cost / (Credit)	(8.62)	(5.56)	-	(10.03)	(6.28)	(0.62)
e. Actuarial Losses / (Gains)	1.65	0.87	(0.76)	3.88	3.46	(1.23)
f. Benefits paid	(5.15)	(3.49)	(4.34)	(4.19)	(13.64)	(1.37)
g. Present value of Defined Benefit obligation at the close of the year	**28.63**	**20.11**	**2.64**	**36.51**	**24.64**	**7.26**

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

₹ in Crs.

Particulars	2012-13			2011-12		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Fair value of Plan Assets at the beginning of the year	36.80	-	-	35.26	-	-
b Add :Expected return on Plan Assets	1.87	-	-	2.76	-	-
c. Add / (Less) : Actuarial (Losses) / Gains	0.52	-	-	0.34	-	-
d. Add : Contributions by employer	2.09	9.05	4.34	2.60	13.64	1.37
e. Less: Benefits Paid	(4.86)	(3.49)	(4.34)	(4.16)	(13.64)	(1.37)
f. Less : Settlement Paid	(9.65)	(5.56)	-	-	-	-
g. Fair value of Plan Assets at the close of the year	**26.77**	**-**	**-**	**36.80**	**-**	**-**

v. **Broad Categories of plan assets as a percentage of total assets**

Particulars	2012-13			2011-12		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Government of India Securities	0%	-	-	0%	-	-
b. Corporate Bonds	0%	-	-	0%	-	-
c. Special Deposit Scheme	0%	-	-	0%	-	-
d. Insured Managed Funds	100%	-	-	100%	-	-
e. Others	0%	-	-	0%	-	-
f. Total	**100%**	**-**	**-**	**100%**	**-**	**-**

vi. **Actuarial Assumptions**

Particulars	2012-13			2011-12		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Discount Rate	8.10%	8.10%	8.10%	8.50%	8.50%	-
b. Expected rate of return on Plan Assets	8.00%	-	-	8.00%	-	-
c. Salary Escalation rate-Management Staff	7.25%	7.25%	-	7.50%	7.50%	-

vii. Experience Adjustments on plan assets (Loss) /Gain ₹ 0.52 Crs. (P.Y. ₹ (0.34) Crs.)

viii. General Description of the plans

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

2.14 Segment information as required by Accounting Standard (AS 17) “Segment Reporting” prescribed by Companies (Accounting Standards) Amendment Rules, 2006 is set out in a separate statement annexed hereto.

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

A) Description of Related Parties

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

Sr. No.	Related Party Category	Company
1	Companies controlled by KOEL (KOEL controlling > 50% of voting power)	None
2	Holding Company	Kirloskar Brothers Investments Limited
3	Fellow Subsidiary Companies	Kirloskar Pneumatic Company Limited Nasik Silk Industries Limited Kirloskar Road Railer Limited (Subsidiary of Kirloskar Pneumatic Company Limited)
4	Associate Company	None
5	Joint Venture Company	None
6	Enterprises over which Key Management Personnel exercise control/significant influence	Achyut & Neeta Holdings & Finance Private Limited Kirloskar Integrated Technologies Limited Navsai Investments Private Limited
7	Enterprises over which relatives of Key Management Personnel exercise control/ significant influence	Alpak Investments Private Limited

ii) Key Management Personnel and their relatives:

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

(B) Transactions with related parties

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2012-13 Amount	2012-13 Amount from major parties	2011-12 Amount	2011-12 Amount from major parties
1	**Sales**				
	Companies over which Key Management personnel exercise control / significant influence	0.07		0.31	
	Kirloskar Intergrated Technologies Limited		0.07		0.31
	Fellow Subsidiary Companies	0.66		0.38	
	Kirloskar Pneumatic Company Limited		0.66		0.38
	Total	**0.73**	**0.73**	**0.69**	**0.69**
2	**Sales Return**				
	Companies over which Key Management personnel exercise control / significant influence	-		8.43	
	Kirloskar Intergrated Technologies Limited		-		8.43
	Fellow Subsidiary Companies	0.03		-	
	Kirloskar Pneumatic Company Limited		0.03		-
	Total	**0.03**	**0.03**	**8.43**	**8.43**
3	**Purchases**				
	Companies over which Key Management personnel exercise control / significant influence	-		0.01	
	Kirloskar Intergrated Technologies Limited		-		0.01
	Total	**-**	**-**	**0.01**	**0.01**
4	**Purchase of Fixed Assets**				
	Companies over which Key Management personnel exercise control / significant influence	0.47		0.69	
	Kirloskar Intergrated Technologies Limited		0.47		0.69
	Fellow Subsidiary Companies	1.21		-	
	Kirloskar Pneumatic Company Limited		1.21		-
	Total	**1.68**	**1.68**	**0.69**	**0.69**
5	**Sale of Fixed Assets**				
	Fellow Subsidiary Companies	-		0.09	
	Kirloskar Pneumatic Company Limited		-		0.09
	Total	**-**	**-**	**0.09**	**0.09**
6	**Rendering of Services from**				
	Key Management Personnel	15.34		11.03	
	Atul C. Kirloskar		4.64		4.03
	Gautam A. Kulkarni		4.61		4.10
	Rajendra R. Deshpande		2.81		2.34
	Nihal G. Kulkarni		3.28		0.56
	Relative of Key Management Personnel	0.09		3.29	
	Rahul C. Kirloskar		0.09		3.29
	Total	**15.43**	**15.43**	**14.32**	**14.32**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2012-13		2011-12	
		Amount	Amount from major parties	Amount	Amount from major parties
7	**Rendering of Services to**				
	Companies over which Key Management personnel exercise control / significant influence	-		0.11	
	Kirloskar Intergrated Technologies Limited		-		0.11
	Fellow Subsidiary Companies	0.08		0.02	
	Kirloskar Pneumatic Company Limited		0.08		0.02
	Total	**0.08**	**0.08**	**0.13**	**0.13**
8	**Expenses paid to**				
	Companies over which Key Management personnel exercise control / significant influence	-		2.20	
	Kirloskar Integrated Technologies Limited		-		2.20
	Total	**-**	**-**	**2.20**	**2.20**
9	**Reimbursement of Expenses**				
	Companies over which Key Management personnel exercise control / significant influence	-		0.01	
	Kirloskar Integrated Technologies Limited		-		0.01
	Total	**-**	**-**	**0.01**	**0.01**
10	**Rent Paid**				
	Relative of Key Management Personnel	**0.36**		**0.51**	
	Arti A. Kirloskar		0.18		0.18
	Jyotsna G. Kulkarni		0.18		0.18
	Suman C. Kirloskar		-		0.15
	Companies over which Key Management personnel exercise control / significant influence	**0.13**		**-**	
	Kirloskar Integrated Technologies Limited		0.13		-
	Total	**0.49**	**0.49**	**0.51**	**0.51**
11	**Dividend Paid**				
	Key Management Personnel	**1.58**		**1.58**	
	Atul C. Kirloskar		0.81		0.81
	Gautam A. Kulkarni		0.77		0.77
	Rajendra R. Deshpande		0.00		0.00
	Relative of Key Management Personnel	**3.77**		**3.78**	
	Rahul C. Kirloskar		0.77		0.77
	Arti A.Kirloskar		1.44		1.44
	Jyotsna G. Kulkarni		1.54		1.54
	Neeta A. Kulkarni		0.00		0.00
	Suman C. Kirloskar		0.02		0.02
	Holding Company	**30.39**		**24.37**	
	Kirloskar Brothers Investments Limited		30.39		24.37
	Total	**35.74**	**35.74**	**29.73**	**29.73**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2012-13		2011-12	
		Amount	Amount from major parties	Amount	Amount from major parties
	Outstanding				
1	**Accounts Payable**				
	Companies over which Key Management personnel exercise control / significant influence	**0.19**		-	
	Kirloskar Integrated Technologies Limited		0.19		-
	Fellow Subsidiary Companies	0.10		-	
	Kirloskar Pneumatic Company Limited		0.10		-
	Key Management Personnel				
	Commission	**9.80**		**6.85**	
	Gautam A. Kulkarni		3.00		2.50
	Rajendra R. Deshpande		1.80		1.50
	Atul C. Kirloskar		3.00		2.50
	Nihal G. Kulkarni		2.00		0.35
	Relative of Key Management Personnel	**0.09**		**2.01**	
	Rahul C. Kirloskar		0.09		2.01
	Superannuation	**0.30**		**0.25**	-
	Gautam A. Kulkarni		0.09		0.09
	Rajendra R. Deshpande		0.06		0.05
	Atul C. Kirloskar		0.09		0.09
	Nihal G. Kulkarni		0.06		0.02
	Relative of Key Management Personnel	-		**0.06**	
	Rahul C. Kirloskar		-		0.06
	Other Allowances	**0.34**		**0.32**	
	Gautam A. Kulkarni		0.22		0.20
	Rajendra R. Deshpande		0.02		0.06
	Atul C. Kirloskar		0.08		0.06
	Nihal G. Kulkarni		0.02		0.00
	Total	**10.82**	**10.82**	**9.49**	**9.49**
2	**Accounts Receivable**				
	Companies over which Key Management personnel exercise control / significant influence	**10.49**		**10.42**	
	Kirloskar Integrated Technologies Limited		10.49		10.42
	Fellow Subsidiary Companies	0.28		0.15	
	Kirloskar Pneumatic Company Limited		0.28		0.15
	Provision for Doubtful Trade Receivables				
	Companies over which Key Management personnel exercise control / significant influence	**10.42**		**2.05**	
	Kirloskar Integrated Technologies Limited		10.42		2.05
	Total	**0.35**	**0.35**	**8.52**	**8.52**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2012-13		2011-12	
		Amount	Amount from major parties	Amount	Amount from major parties
3	**Security Deposit- Receivable**				
	Relative of Key Management Personnel	**2.00**		**2.00**	
	Arti A. Kirloskar		1.00		1.00
	Jyotsna G. Kulkarni		1.00		1.00
	Total	**2.00**	**2.00**	**2.00**	**2.00**
4	**Security Deposit- Payable**				
	Fellow Subsidiary Companies	**0.01**		**0.01**	
	Kirloskar Pneumatic Company Limited		0.01		0.01
	Total	**0.01**	**0.01**	**0.01**	**0.01**

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

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

₹ in Crs.

Class of provision	Carrying amount as on 31 March 2012	Provisions made / Increase / (Decrease) in Provision	Amounts used during the year	Amounts reversed during the year	Carrying amount as on 31 March 2013
Warranty	25.72	26.74	27.26	3.44	21.76

(A) Nature of Obligation

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

(B) Expected Timing of resulting Outflow

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

2.17 Earnings Per Share (Basic and Diluted)

Particulars	**2012-13**	**2011-12**
Profit for the year after taxation (₹ in Crs.)	198.84	191.80
Total number of equity shares at the end of the year	14,46,14,326	14,56,29,750
Weighted average number of equity shares for the purpose of computing Earning Per Share	14,49,21,368	14,56,29,750
Basic and Diluted Earning Per Share (in ₹)	13.72	13.17

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

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

Holding Company

Kirloskar Brothers Investments Limited

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

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

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

Signatures to Note 1 to 32, forming part of the Financial Statements.

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Executive Director

NACHIKET DEO
Partner
Membership Number : 117695

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 26 April 2013

Pune : 26 April 2013

KIRLOSKAR OIL ENGINES LIMITED

Annexure referred to in Note No. 32(2.14) of Notes forming part of the Financial Statements
Segment reporting as required by Accounting standard 17:

₹ in Crs.

	Particulars	Year Ended 31 March 2013	Year Ended 31 March 2012
1	**Segment Revenue**		
A	Engines	2,352.29	2,254.29
B	Others	4.69	80.28
	Total	**2,356.98**	**2,334.57**
	Less: Inter segment revenue	-	8.16
	Net Sales / Income from Operations	**2,356.98**	**2,326.41**
2	**Segment Results**		
	Profit / (Loss) before tax and interest from each segment		
A	Engines	252.29	232.41
B	Others	-	(0.66)
	Total	**252.29**	**231.75**
	Less:		
i.	Interest	2.97	15.96
ii.	Other Unallocable expenditure net off unallocable income	(21.53)	(64.92)
	Total Profit Before Tax	**270.85**	**280.71**
3	**Total carrying amount of segment assets**		
A	Engines	1,253.63	1,151.56
B	Others	489.70	616.13
	Total Segment assets	**1,743.33**	**1,767.69**
4	**Total amount of segment liabilities**		
A	Engines	453.11	442.48
B	Others	101.87	85.58
	Total segment liabilities	**554.98**	**528.06**
5	**Total cost incurred during the year to acquire segment assets that are expected to be used during more than one period**		
A	Engines	110.17	81.73
B	Others	-	17.78
	Total assets acquired	**110.17**	**99.51**
6	**Depreciation & Amortisation**		
A	Engines	89.99	87.14
B	Others	2.56	4.15
	Total Depreciation & Amortisation	**92.55**	**91.29**

	Reconciliation of liabilities		
	Total Segment liabilities	**554.98**	**528.06**
	Segment liabilities excludes	**34.10**	**206.98**
	Long-term borrowings	-	78.20
	Deferred tax liabilities (net)	34.10	38.02
	Short-term borrowings	-	8.39
	Current maturities of long-term debts	-	82.37
	Total Non Current + Current liabilities as per Balance sheet	**589.08**	**735.04**

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KIRLOSKAR OIL ENGINES LIMITED

Regd. Office : Laxmanrao Kirloskar Road,
Khadki, Pune 411 003 (Maharashtra)

ATTENDANCE SLIP

Annual General Meeting on 25 July 2013 at 11.30 A.M.

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

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

....

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

I hereby record my presence at the Annual General Meeting of the Company at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, on Thursday, 25 July 2013 at 11.30 A.M.

Shareholder's / Proxy's Signature ....

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

....

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

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KIRLOSKAR OIL ENGINES LIMITED

Regd. Office : Laxmanrao Kirloskar Road,
Khadki, Pune 411 003 (Maharashtra)

PROXY FORM

I/We ....

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

Being member/members of Kirloskar Oil Engines Limited with do hereby appoint ....

....of...

or failing him/her .... of .... as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, on Thursday, 25 July 2013 at 11.30 A.M. and at any adjournment/(s) thereof.

In witness whereof, I/we have set my/our hand/(s) on this .... day of .... 2013.

(Signature of the member across the stamp)

Please
affix
15 Paise
Revenue
Stamp

Note: This form, in order to be effective, should be completed, duly signed, stamped and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

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Accepting the 'Excellent Energy Efficient Unit' award.

Strengthening partnership for business excellence.

Enhancing customer experience: Successful completion of DG set type tests for NPCIL

KOEL WASH: Contributing towards a better society.

Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED
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Fax: +91(20) 2581 3208, 2581 0209 E-mail: investors@kirloskar.com
Website : www.koel.co.in