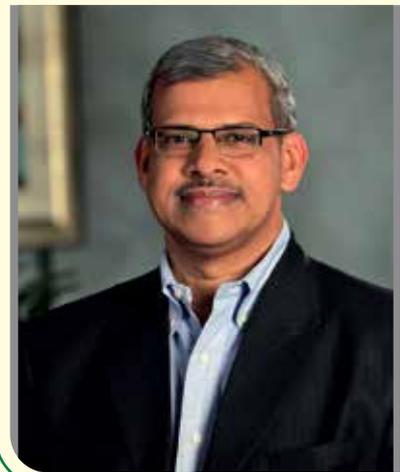


# From the Chairman's desk



Dear Shareholders,

2013 was a slow year from an economy point of view and we witnessed very limited growth to no-growth in parts of our business. The lack of implementation of major infrastructure projects by the Government, high inflation rates and high interest costs, rupee devaluation, difficulties in borrowing in the mid-tier market segments have all contributed to lowering the National growth rates. It also led to lower employment generation and the Industry blunted its competitiveness on global platforms. Innovation and Technology up-gradation suffered as a consequence.

As an organization, Ingersoll Rand in India also continued to face challenges in 2013 and we worked harder to meet all our intended targets that were planned at the beginning of the year. This year was not the greatest year for the capital goods industry but Ingersoll Rand continued to focus on the long cycle business. As the economy was lagging behind, we faced material inflation as well as rupee depreciation and we decided to provide added focus on operational efficiency. We decided to take a few bold steps - making investments in our new manufacturing plant in Chennai with an optimistic view of the future where the economy will look up. We recorded lower revenues from our Air Solutions business but the overall revenue was flat owing to our investments in the environment management systems (HVAC) that showed growth.

We believe our focus on operational efficiency, new investments and expanding into new markets resulted in a productive result for us with the backdrop of an ailing economy. We utilized the year effectively and today, we have successfully reset our business to cater to a new world of uncertainties. Innovation, Operational Excellence and Growth have continued to be the corner stone of our existence.

## → *Financial Highlights*

We recorded revenues of Rs. 578.72 crores during the year ending March 31, 2014. This was 1% lower compared to revenues of the previous year. Our profits after tax stood at Rs. 66.95 crores, which were at 11.6% of revenues.

## → *Growth Excellence*

The 2012 launch of Evolution™, a locally innovated product developed in India, recorded strong growth this year. Evolution™ which was launched as a 'No Frills Oil – Flooded Rotary Compressor' value brand for mid-size and small customers, saw 4x growth in business in 2013 through expansion into tier II-III cities, increasing our share in target markets hitherto unexplored by us.

This year, Ingersoll Rand India also proudly celebrated the milestone of shipping its 1000th Centrifugal Compressor package from the Naroda plant facility. Industrial segment saw some breakthrough orders from leading companies in India for oil-free rotary packages reinforcing Ingersoll Rand's commitment of growth excellence.

We continued our investments in transforming our facilities and made them future ready for an expected growth in the capital goods markets. Last year, I had shared with you the inauguration of our new Chennai facility. We built momentum this year and invested judiciously in our Chennai plant. With the realization that the markets this year were not showing signs of recovery towards the Air Solutions industry; we focused on our Chennai plant that catered to the environmental management systems (HVAC).

Our Naroda facility is one of our prized and oldest manufacturing facilities globally and goes back to 1965 when it was built. Through this plant, we have successfully serviced our important customers across the country and globally. In order to continue to maintain our leadership position in the Indian market, we have decided to undertake the transformation of the facility into a world-class manufacturing plant. This transformation will provide an enhanced safe, secure and progressive working environment for our employees and position this facility as a state of the art facility that can be benchmarked with some of the best manufacturing plants in the world.



## → Operational Excellence

In support of our strategy to position ourselves better for the future and guide our operational excellence efforts, we restructured our organization to address the new economic challenges. In continuation with our journey to become a premier performing company globally, we end the year 2013 with a new re-organized structure and a refreshed strategy with specific market-focused Strategic Business Units that will be able to focus on growth. We also continue to actively focus on cost reductions and innovations to ensure profitability.



## → Winning Culture

Our employees are our biggest asset and we continue to build a robust and winning organization culture for Ingersoll Rand. An important achievement in 2013 was the realization of a 2 point improvement in our Employee Engagement index with 71% favorable result in a difficult environment. A whopping 98% of our employees participated in this year's survey and gave us positive feedback – a true testimonial to our efforts in building a progressive, diverse and inclusive culture in the organization. Our hard work towards building a world-class organization was also recognized externally this year. We were awarded, for a second consecutive year, the 'No. 1 Dream Employer of the Year Award' by World HRD Congress in the manufacturing category. In addition, we were also awarded in the categories of 'Organization with the most Innovative HR Practices' and 'Excellence in Training'. We will continue to build on this culture, as it reinforces our behaviors to win ethically.



## Pursuing Excellence

In India, Ingersoll Rand is regarded as a thought leader in communicating the sustainability message and deploying practices that are beginning to make a difference in the way business is conducted. Our Industrial Technologies business in India was recognized in 2013 by Frost & Sullivan as a Leader in 'Customer Value Creation' – an award for the Centrifugal Air Compressors Market in India 2013. The Frost & Sullivan award is a coveted one in the industry and is a testament to the fact that our products and solutions are well appreciated by our customers and the industry.

Ingersoll Rand continues to drive the message of sustainability across the Industry by building Energy efficient products and delivering the requisite services. This is core to the success of future organizations. We continue to demonstrate and communicate the results of key sustainability practices to our employees, customers and shareholders and win for the future. 2013 was marked by a challenging economy and industry scenario in India. While the India growth story gets back on track, our organization is optimistic and is well positioned to leverage the unfolding opportunities through the future!



Venkatesh Valluri  
Chairman