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## KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

8 July 2017

NSE Scrip Code: **KIRLOSENG**

BSE Scrip Code: **533293**

To,  
The Manager  
Listing Department  
National Stock Exchange of India Ltd.  
Exchange Plaza, C -1, Block G, Bandra-Kurla  
Complex, Bandra (E),  
Mumbai – 400 051

To,  
Corporate Relationship  
Department  
BSE Limited  
1st Floor, Rotunda Building,  
Dalal Street, Fort,  
Mumbai – 400 001

Dear Sir/Madam,

### **Subject: Notice of Annual General Meeting and Annual Report for the FY 2016-17**

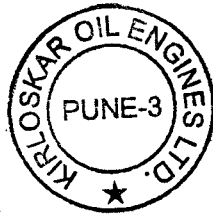
Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith copy of Notice of Annual General Meeting of the Company to be held on 4 August 2017 and Annual Report for the FY 2016-17.

You are kindly requested to take the same on your record.

Thanking you,

Yours Faithfully,  
For Kirloskar Oil Engines Limited

Smita Raichurkar  
Company Secretary



Encl.: As above.



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## **KIRLOSKAR OIL ENGINES LIMITED**

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### **NOTICE**

Notice is hereby given that the 8<sup>th</sup> Annual General Meeting of Kirloskar Oil Engines Limited will be held on Friday, the 4<sup>th</sup> day of August 2017 at 11.45 a.m. at Sheraton Grand Pune Bund Garden Hotel (formerly Le Meridien), Raja Bahadur Mill Road, Pune – 411 001, to transact the following business:

#### **ORDINARY BUSINESS**

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

To receive, consider and adopt the Audited Standalone Financial Statements and the Consolidated Financial Statements of the Company for the Financial Year ended 31 March 2017 together with the Reports of the Directors and Auditors thereon.

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

To declare dividend on equity shares for the Financial Year ended on 31 March 2017.

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

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

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

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

“RESOLVED THAT pursuant to Section 139 and other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the appointment of M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration no. 101118W), as the Statutory Auditors of the Company to hold office from conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting, at a remuneration decided by the Board of Directors be and is hereby ratified.”

#### **SPECIAL BUSINESS**

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

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

“RESOLVED THAT pursuant to the provisions of section 196, 197 read with schedule V and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Articles 167 (A), 167 (B) and 167 (C) of the Articles of Association of the Company and subject to such other approvals as may be necessary, Mr. Atul



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C. Kirloskar (DIN 00007387) be and is hereby re-appointed as the Whole Time Director with designation as the Executive Chairman of the Company for a term of 5 (five) years with effect from 26 January 2017, upon the terms and conditions as set out in the Agreement to be entered into between the Company and Mr. Atul C. Kirloskar, on the remuneration and other terms, set out below:

**A. BASIC SALARY:**

₹ 10,00,000/- (Rupees Ten Lacs only) per month.

**B. PERQUISITES:**

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

- a) Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company.
- b) Reimbursement of all medical expenses incurred for self and family.
- c) Leave travel assistance for self and family not exceeding ₹ 2,00,000/- per annum .
- d) Fees of clubs, which will include admission and life membership fees.
- e) Personal accident insurance, premium whereof does not exceed ₹ 25,000 per annum.
- f) A car with driver.
- g) Telephone and fax facilities at residence and a mobile phone facility.
- h) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
- i) Gratuity at the rate of not exceeding 30 days' salary for each completed year of service.
- j) Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed.

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

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

**C. COMMISSION:**

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Executive Chairman shall not exceed the limit laid down under Section 197 including rules made thereunder, Schedule V and other applicable provisions, if any of the Companies Act, 2013.

**D. MINIMUM REMUNERATION:**

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as the Executive Chairman, remuneration by way of salary, perquisites and other allowances shall be in accordance with the ceiling prescribed in Schedule V to the Companies Act, 2013 or any statutory modification thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to



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consider revision in the remuneration payable to Mr. Atul C. Kirloskar during his 5 years' term of re-appointment as the Executive Chairman, subject to the ceiling laid down in Section 197 including rules made thereunder and Schedule V of the Companies Act, 2013 without further approval of the members of the Company but with such other approvals, sanctions or permissions, if any, required for such revision in the remuneration.

RESOLVED FURTHER THAT Mr. Atul C. Kirloskar shall be a non-retiring Director.”

### ITEM NO.6

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

“RESOLVED THAT pursuant to the provisions of section 196, 197 read with schedule V and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Articles 167 (A), 167 (B) and 167 (C) of the Articles of Association of the Company and subject to such other approvals as may be necessary, Mr. Gautam A. Kulkarni (DIN 00007542) be and is hereby re-appointed as the Whole Time Director with designation as the Executive Vice Chairman of the Company for a term of 5 (five) years with effect from 26 January 2017, upon the terms and conditions as set out in the Agreement to be entered into between the Company and Mr. Gautam A. Kulkarni on the remuneration and other terms, set out below:

#### A. BASIC SALARY:

₹ 10,00,000/- (Rupees Ten Lacs only) per month.

#### B. PERQUISITES:

In addition to the aforesaid salary, Mr. Gautam A. Kulkarni as the Executive Vice Chairman shall be entitled to the following perquisites:

- a) Fully furnished residential accommodation. Where no accommodation is provided by the Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company.
- b) Reimbursement of all medical expenses incurred for self and family.
- c) Leave travel assistance for self and family not exceeding of ₹ 2,00,000/- per annum .
- d) Fees of clubs, which will include admission and life membership fees.
- e) Personal accident insurance, premium whereof does not exceed ₹ 25,000 per annum.
- f) A car with driver.
- g) Telephone and fax facilities at residence and a mobile phone facility.
- h) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
- i) Gratuity at the rate of not exceeding 30 days' salary for each completed year of service.
- j) Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed

“Family” for the above purpose means wife, dependent children and dependent parents of the



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Executive Vice Chairman.

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

### C. COMMISSION:

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Executive Vice Chairman shall not exceed the limit laid down under Section 197 including rules made thereunder, Schedule V and other applicable provisions, if any of the Companies Act, 2013.

### D. MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as the Executive Vice Chairman, remuneration by way of salary, perquisites and other allowances shall be in accordance with the ceiling prescribed in Schedule V to the Companies Act, 2013 or any statutory modification thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to consider revision in the remuneration payable to Mr. Gautam A. Kulkarni during his 5 years' term of re-appointment as the Executive Vice Chairman, subject to the ceiling laid down in Section 197 including rules made thereunder and Schedule V of the Companies Act, 2013 without further approval of the members of the Company but with such other approvals, sanctions or permissions, if any, required for such revision in the remuneration.

RESOLVED FURTHER THAT Mr. Gautam A. Kulkarni will be a Director liable to retire by rotation and his re-appointment as such Director shall not be deemed to constitute a break in his appointment as the Executive Vice Chairman.”

## ITEM NO.7

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

“RESOLVED THAT pursuant to the provisions of section 196, 197, 203 read with schedule V and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Articles 167 (A), 167 (B) and 167 (C) of the Articles of Association of the Company and subject to such other approvals as may be necessary, Mr. Nihal G. Kulkarni (DIN 01139147) be and is hereby re-appointed as the Managing Director of the Company for a term of 5 (five) years with effect from 26 January 2017, upon the terms and conditions as set out in the Agreement to be entered into between the Company and Mr. Nihal G. Kulkarni on the remuneration and other terms, set out below:

### A. BASIC SALARY:

₹ 9,00,000/- (Rupees Nine Lacs only) per month.

### B. PERQUISITES:

In addition to the aforesaid salary, Mr. Nihal G. Kulkarni as the Managing Director shall be entitled to the following perquisites:

a) Fully furnished residential accommodation. Where no accommodation is provided by the



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Company, suitable house rent allowance in lieu thereof may be paid. The expenses on furnishings, gas, electricity, water and other utilities shall be borne by the Company.

- b) Reimbursement of all medical expenses incurred for self and family.
- c) Leave travel assistance for self and family not exceeding ₹ 2,00,000/- per annum .
- d) Fees of clubs, which will include admission and life membership fees.
- e) Personal accident insurance, premium whereof does not exceed ₹ 25,000 per annum.
- f) A car with driver.
- g) Telephone and fax facilities at residence and a mobile phone facility.
- h) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961.
- i) Gratuity at the rate of not exceeding 30 days' salary for each completed year of service.
- j) Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed.

“Family” for the above purpose means wife, dependent children and dependent parents of the Managing Director.

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

### C. COMMISSION:

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Managing Director shall not exceed the limit laid down under Section 197 including rules made thereunder, Schedule V and other applicable provisions, if any of the Companies Act, 2013.

### D. MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as the Managing Director, remuneration by way of salary, perquisites and other allowances shall be in accordance with the ceiling prescribed in Schedule V to the Companies Act, 2013 or any statutory modification thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to consider revision in the remuneration payable to Mr. Nihal G. Kulkarni during his 5 years' term of re-appointment as the Managing Director, subject to the ceiling laid down in Section 197 including rules made thereunder and Schedule V of the Companies Act, 2013 without further approval of the members of the Company but with such other approvals, sanctions or permissions, if any, required for such revision in the remuneration.

RESOLVED FURTHER THAT Mr. Nihal G. Kulkarni shall be a non-retiring Director.”

## ITEM NO. 8

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



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“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder and Regulation 16 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Satish N. Jamdar (DIN 00036653), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 10 May 2017 and who holds office of Director up to the date of this Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years from the date of this Annual General Meeting.”

### ITEM NO. 9

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

“RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), the remuneration upto ₹ 7,50,000/- plus applicable taxes thereon and the reimbursement of out of pocket expenses on actual basis as approved by the Board of Directors of the Company, payable to M/s. Parkhi Limaye and Co., Cost Accountants, for conducting the audit of the Cost records maintained by the Company for the financial year ended 31 March 2018, be and is hereby ratified and confirmed.”

### ITEM NO. 10

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

“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder and Regulation 16 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. R. Srinivasan (DIN 00043658) whose period of office is liable to expire on 11 August 2017, and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company to hold office for a second term of five consecutive years with effect from 12 August 2017.”

By Order of the Board of Directors

Sd/-

Place : Pune

Date : 10 May 2017

**Smita Raichurkar**  
Company Secretary



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### NOTES

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

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

- ii. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours before the time fixed for holding the meeting. Proxies submitted on behalf of the Companies, Societies etc., must be supported by appropriate resolution / authority, as applicable.
- iii. The statement pursuant to Section 102 of the Companies Act, 2013, relating to the special business to be transacted at the meeting is annexed hereto.
- iv. Details pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in respect of directors seeking appointment/re-appointment at Annual General Meeting forms part of the notice.
- v. The Register of Members and Share Transfer Books of the Company will remain closed from 29 July 2017 to 4 August 2017 both days inclusive.
- vi. Dividend on shares as recommended by the Directors, if declared, at this Annual General Meeting, will be paid to those members
- a) whose names appears as beneficial owners as at the end of Business hours on 28 July 2017, in the list of beneficial owners made available by National Securities Depository Limited and Central Depository Services (India) Limited in respect of shares held in dematerialised form; and
- b) whose names appears as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with Company / Registrar and Share Transfer Agent (R & T Agent) on or before 28 July 2017.
- vii. Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013, & rules made there under (including any statutory modification(s) or re-enactment thereof for the time being in force) any money transferred to the unpaid dividend account, which remains unpaid or unclaimed for a period of 7 years from the date of such transfer is required to be transferred to the 'Investor Education and Protection Fund (IEPF)'.

Pursuant to the provisions of IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016 and its amendments thereon, all shares in respect of which the dividend has not been paid or claimed for 7 consecutive years or more, are required to be transferred to IEPF.

Accordingly, the unpaid / unclaimed dividend for the years 2009-10, onwards along with respective shares will become transferable at the end of respective seven years to IEPF.

Shareholders are requested to send their claims, if any, before the amount becomes due for transfer to the above Fund. Shareholders are requested to encash the dividend warrants immediately on their receipt by them.



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The details of unclaimed and unpaid amount of Dividend for the the years 2009-10 onwards, due to the shareholders of the Company as on 5 August 2016, are available on the Company's website viz. [www.koel.co.in](http://www.koel.co.in).

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

In order to get your dividend through NECS, members who are holding shares in physical form are requested to inform their bank account details such as the name of the bank, branch, its address, account number, 9 digit MICR code, IFSC code and type of account i.e. Savings or Current or Cash Credit etc. to Link Intime India Private Limited, R & T Agent of the Company having its office at 'Akshay' Complex, Block No. 202, 2nd Floor, Off Dhole Patil Road, Near Ganesh Temple, Pune – 411 001, (Ph.No. 020-26161629). Shareholders holding shares in dematerialised form are requested to inform their bank account particulars to their respective Depository Participant (DP) and not to the R & T Agent of the Company. Those shareholders who do not opt for NECS facility may inform only bank account number and bank name for printing the same on the dividend warrant to ensure safety. Members who wish to avail the above facility are requested to submit required information to R&T Agent on or before the closing hours on 28 July 2017.

### ix. **Permanent Account Number (PAN)**

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

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

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

### xii. **Dematerialisation of Shares**

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

xiii. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.

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

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



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### xvi. Register E-mail Address

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

xvii. Members may also note that the Notice of the 8<sup>th</sup> Annual General Meeting and Annual Report for 2016-17 will also be available on the Company's website [www.koel.co.in](http://www.koel.co.in). The relevant documents referred to in the Notice will be open for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

xviii. Electronic copy of the Notice of the 8<sup>th</sup> Annual General Meeting and Annual Report for 2016-17 are being sent to all the members whose email IDs are registered with the Company/ R & T Agent / Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their mail address, physical copy of the Notice of the 8<sup>th</sup> Annual General Meeting and Annual Report for 2016-17 are being sent in the permitted mode.

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

xx. Route Map showing directions to reach the venue of the 8<sup>th</sup> Annual General Meeting is given at the end of this Notice as per requirement of the Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India.

### xxi. Voting through electronic means / ballot paper

I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and as amended from time to time, Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, the Company is pleased to provide to the members the facility to exercise their right to vote on resolutions proposed to be considered at the 8<sup>th</sup> Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.

III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

IV. The remote e-voting period commences on **1 August 2017 (9:00 am) and ends on 3 August 2017 (5:00 pm)**. During this period members of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date of **28 July 2017**, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

V. The instructions for Remote e-voting through electronic means are as under:

A. **Member whose email IDs are registered with the Company/ R & T Agent viz. Link Intime India Private Limited / Depository Participant(s) will receive an email from NSDL**



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informing them of their User-ID and Password. Once the Members receive the email, he or she will need to go through the following steps to complete the remote e-voting process:

1. Open email and open PDF file viz. **“KOEL remote e-Voting.pdf”** with your Folio no. / Client ID as password. The said PDF file contains your User ID and password/PIN for remote e-voting. Please note that the password is an initial password. You will not receive this pdf file if you are already registered with NSDL for e-voting.
2. Open internet browser and type URL viz. <https://www.evoting.nsdl.com>
3. Click on Shareholder-Login
4. If you are already registered with NSDL for e-voting, then you can use your existing user ID and password/PIN.

*NOTE: Shareholders who forgot the User Details/Password can use “Forgot User Details/Password?” or “Physical User Reset Password?” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).*

*If Shareholders are holding shares in demat mode, USER-ID is the combination of (DPID+ClientID)*

*If Shareholders are holding shares in physical mode, USER-ID is the combination of (Even No+Folio No).*

5. If you are logging in for the first time, please enter the 'USER ID' and 'Initial Password' as noted in Step 1 above and click 'Login'.
6. The Password Change Menu will appear on your screen. Change to a new Password of your choice making sure that, it contains a minimum of 8 digits or characters or combination of the two. Please take utmost care to keep your Password confidential.
7. Once e-Voting home page opens, Click on e-Voting > Active Voting Cycles
8. Select the EVEN (E-Voting Event Number) of Kirloskar Oil Engines Limited.
9. Now you are ready for e-voting as 'the Cast Vote' page opens.
10. Cast your vote by selecting appropriate option and click Submit and also Confirm when prompted.
11. Upon confirmation, the message 'Vote cast successfully' will be displayed. Please note that once your vote is cast on selected resolution, it cannot be modified.
12. Institutional shareholders (i.e. members other than individuals, HUF, NRIs etc.) are required to send a scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. together with attested specimen signature (s) of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail at [mjrpcs@gmail.com](mailto:mjrpcs@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

**B. In case a Member receives physical copy of the Notice of AGM** [for members whose email IDs are not registered with the Company / Depository Participants(s) or requesting physical copy]:

1. Initial password will be provided separately:  
EVEN (E-Voting Event Number) USER ID PASSWORD/PIN
2. Please follow all steps from Sr. No. (2) to (12) above, to cast vote.



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- VI. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and remote e-voting user manual for members available on the website [www.evoting.nsdl.com](http://www.evoting.nsdl.com) under the 'Downloads section'. You can also contact NSDL via email at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or call on toll free no. 1800-222-990.
- VII. If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for casting your vote.
- VIII. You can also update your mobile number and e-mail ID in the user profile details of the Folio, which may be used for sending future communication(s).
- IX. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on 28 July 2017.
- X. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 28 July 2017, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "[Forgot User Details/Password?](#)" or "[Physical User Reset Password?](#)" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no. 1800-222-990.
- XI. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- XII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XIII. A person who is not a member as on the cut-off date should treat this notice for information purpose only.
- XIV. M. J. Risbud, Practicing Company Secretary, Pune, (Membership No. FCS 810 CP No. 185) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XV. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XVI. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XVII. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company [www.koel.co.in](http://www.koel.co.in) and on the website of NSDL [www.evoting.nsdl.com](http://www.evoting.nsdl.com) immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the Stock Exchanges viz. BSE Limited and National Stock Exchange of India Limited.



## KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

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### ANNEXURE TO THE NOTICE

#### EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 AND REGULATION 36 (3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

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

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

He holds 1,77,32,902 (12.26%) equity shares in the Company.

Mr. Rahul Kirloskar has been associated with the Kirloskar Group of Companies for more than twenty five years at senior levels in different capacities. He started his career in then Kirloskar Cummins Ltd., and later joined a family owned small-scale unit where he worked for a period of 3 years. In 1989, he joined Kirloskar Pneumatic Company Ltd., (KPC) as Sr. Manager Operations for the Air Compressors Division of the Company. In December, 1993 he was appointed as the Managing Director of KPC, thereafter in September, 1998 he took over as the Chairman of the Company. In June 2001 (till January 2012), he was appointed as the Director Exports of the Kirloskar Oil Engines Limited (KOEL), the flagship company of the Kirloskar Group wherein the major thrust areas were expanding export operations for KOEL and the entire KIRLOSKAR GROUP. Mr. Rahul Kirloskar has also been Chairman of Confederation of Indian Industry (CII) Pune Council as well as Maharashtra State CII Council.

He is a member of the Audit Committee, the Nomination and Remuneration Committee of the Company and also a Chairman of the Corporate Social Responsibility Committee of the Company.

He is a director in the following other companies:

Kirloskar Pneumatic Company Limited	Asara Sales & Investments Private Limited
Kirloskar Ferrous Industries Limited	Kirloskar Solar Technologies Private Limited
Kirloskar Proprietary Limited	Kirloskar Energen Private Limited
J. K. Fenner India Limited	Pune City Connect Development Foundation
GreenTek Systems (India) Private Limited	S L Kirloskar CSR Foundation
Alpak Investments Private Limited	

He holds following committee positions in other Public Limited companies:

Kirloskar Pneumatic Company Limited	Stakeholder Relationship Committee - Member
J. K. Fenner India Limited	Audit Committee - Member

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

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



## KIRLOSKAR OIL ENGINES LIMITED

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### ITEM NO. 5 OF THE NOTICE

The Board of Directors based on recommendation of Nomination and Remuneration Committee, re-appointed Mr. Atul C. Kirloskar as the Whole Time Director with designation as the Executive Chairman of the Company with effect from 26 January 2017 for a term of 5 years, on the terms and remuneration as set out in Item No. 5 of the Notice.

The re-appointment and remuneration payable to Mr. Atul C. Kirloskar as the Executive Chairman is also subject to the approval of the members as required by provisions of Section 196 read with Schedule V and other applicable provisions of the Companies Act, 2013.

Mr. Atul C. Kirloskar, aged 60 years, began his career with the erstwhile Kirloskar Cummins Limited in the year 1978, where he started out as a trainee. In December 1981, he was appointed as the Chief Executive of Cummins Diesel Sales and Services.

On 1 November 1984, he was appointed as the Executive Vice President of Kirloskar Oil Engines Limited [now known as Kirloskar Industries Limited (KIL)]. He was co-opted on the Board of KIL on 6 August 1985, wherein he took over as the Managing Director. In 1988, he was appointed Vice Chairman of KIL and held the position till 25 July 1998, when he was elected Chairman of the Board of KIL. He was appointed as the Chairman and Managing Director of Kirloskar Oil Engines Limited (then known as Kirloskar Engines India Limited) on 31 March 2010. He was re-designated as the Executive Chairman on 25 January 2012.

He holds 1,84,56,667 (12.76%) equity shares in the Company.

He is neither a Member nor Chairman in any Committees of the Company.

He is a director in the following other companies:

Kirloskar Ferrous Industries Limited	Toyota Kirloskar Motor Private Limited
Kirloskar Proprietary Limited	GreenTek Systems (India) Private Limited
Kirloskar Industries Limited	Five Stars Bulkcarriers Private Limited
Kirloskar Pneumatic Company Limited	Kirloskar Energen Private Limited
Pneumatic Holdings Limited	Kirloskar Solar Technologies Private Limited
Navsai Investment Private Limited	Asara Sales & Investments Private Limited
Lakeland Universal Limited, BVI	

He holds following committee positions in other Public Limited Companies:

Kirloskar Ferrous Industries Limited	Stakeholders Relationship Committee - Chairman
--------------------------------------	--

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

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



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## KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

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

### ITEM NO. 6 OF THE NOTICE

The Board of Directors based on recommendation of Nomination and Remuneration Committee, re-appointed Mr. Gautam A. Kulkarni as the Whole Time Director with designation as the Executive Vice Chairman of the Company with effect from 26 January 2017 for a term of 5 years, on the terms and remuneration as set out in Item No. 6 of the Notice.

The re-appointment and remuneration payable to Mr. Gautam A. Kulkarni as the Executive Vice Chairman is also subject to the approval of the members as required by provisions of Section 196 read with Schedule V and other applicable provisions of the Companies Act, 2013.

Mr. Gautam A. Kulkarni started his career in 1978 as a trainee in Kirloskar Industries Limited (KIL - earlier known as Kirloskar Oil Engines Limited). He underwent extensive training in the servicing department, production and Techcentre (R&D) until 1983.

In 1983, he was as Chief Executive of Kirloskar Filters Limited (KFL). Soon after on 2 April 1984, he was appointed as the Managing Director of KFL. On May 1, 1992, he was appointed as the Vice President of Kirloskar Brothers Limited (KBL). While in KBL, he was attached to the Corporate Office of the group. On 20 August 1998, he was appointed as the Joint Managing Director of Kirloskar Industries Limited (KIL - earlier known as Kirloskar Oil Engines Limited). In July 2000, he was co-opted as a director on the Board of Kirloskar Brothers Limited and as Vice-Chairman. He continued as Joint Managing Director of Kirloskar Oil Engines Limited (KOEL - earlier known as Kirloskar Engines India Limited) with effect from 31 March 2010. Currently he is working as the Executive Vice Chairman of KOEL from 26 January 2012.

He holds 1,83,98,233 (12.72%) equity shares in the Company.

He is a member of the Stakeholders Relationship Committee of the Company.

He is director in following other companies:

Kirloskar Proprietary Limited	Asara Sales & Investments Private Limited
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He is neither a Member nor a Chairperson of the Committees in the other Public Limited Companies.

Mr. Gautam A. Kulkarni may be deemed to be concerned or interested, financially or otherwise, to the extent for his shareholding in respect of his re-appointment. Mr. Nihal Kulkarni, Director of the Company, being Son and other relatives of Mr. Gautam A. Kulkarni, to the extent of their shareholding in the Company, may be deemed to be concerned or interested financially or otherwise in this resolution.

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

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



## KIRLOSKAR OIL ENGINES LIMITED

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### ITEM NO. 7 OF THE NOTICE

The Board of Directors based on recommendation of Nomination and Remuneration Committee, re-appointed Mr. Nihal G. Kulkarni as the Managing Director of the Company with effect from 26 January 2017 for a term of 5 years, on the terms and remuneration as set out in Item No. 7 of the Notice.

The re-appointment and remuneration payable to Mr. Nihal G. Kulkarni as the Managing Director is also subject to the approval of the members as required by provisions of Section 196 read with Schedule V and other applicable provisions of the Companies Act, 2013.

Mr. Nihal G. Kulkarni, A.B. in Economics from Brown University, USA, has over ten years of experience in the areas of finance and investments. He has undergone extensive training with the Kirloskar Group, Toyota Motor Sales, USA and DSP Merrill Lynch. He was Vice President in Kirloskar Pneumatic Company Limited upto 22 October 2010. He was appointed as the Managing Director of Kirloskar Industries Limited (KIL) on 23 October 2010. He has resigned as the Managing Director of KIL on 25 January 2012. He has been appointed as Managing Director of Kirloskar Oil Engines Limited with effect from 26 January 2012.

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

He is a member of Corporate Social Responsibility committee of the company.

He holds directorship in the following other companies:

Kloudq Technologies Limited (formerly Kloudworks Consulting Services Ltd.)	Kirloskar Industries Limited
KOEL Americas Corp., USA	G.G. Dandekar Machine Works Limited
Expert Quality Cloud Information Technology Private Limited	Achyut & Neeta Holdings and Finance Private Limited

He holds following committee positions in other Public Limited Companies:

Kirloskar Industries Limited	Audit Committee – Member
G.G. Dandekar Machine Works Limited	Share Transfer cum Shareholders'/Investors' Grievance and Stakeholder Relationship Committee - Member

Mr. Nihal G. Kulkarni may be deemed to be concerned or interested, financially or otherwise, to the extent for his shareholding in respect of his re-appointment. Mr. Gautam A. Kulkarni, Director of the Company, being Father and other relatives of Mr. Nihal G. Kulkarni, to the extent of their shareholding in the Company, may be deemed to be concerned or interested financially or otherwise in this resolution.

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

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

### ITEM NO. 8 OF THE NOTICE

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013, and the Articles of Association of the Company, the Board of Directors of the Company appointed, Mr. Satish N. Jamdar as an Additional Director of the Company with effect from 10 May 2017.

In terms of the provisions of Section 161(1) of the Companies Act, 2013, Mr. Satish N. Jamdar would hold office



## KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

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up to the date of this Annual General Meeting. He is also proposed to be appointed as an Independent Director for a term of 5 (Five) consecutive years from the date of this Annual General Meeting, pursuant to Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder. The Company has received a notice in writing from a member along with deposit of requisite amount under Section 160 of the Companies Act, 2013, proposing the candidature of Mr. Satish N. Jamdar for the office of Director of the Company.

Satish Jamdar (age 65), BE (Mech) from IIT, Mumbai, with a vast experience of 43 years, has held leadership positions in several organizations. He completed his management studies in USA and UK. He was an Executive Director on the Board of Blue Star for 13 years of which the last 7 years was as the Managing Director. He retired from the Company as Managing Director in March and as Special Advisor in May 2016.

During his overall 20 years with Blue Star, India's leading Air conditioning and Refrigeration Company, he was instrumental in setting up an enhanced Product Development, AC&R Technology and Manufacturing footprint for the Company. This also included design, manufacture and servicing of products for OEM Customers for the Middle East and European markets.

He helped grow the Customer Service business with a host of new offerings related to technology upgrades with remote monitoring, and energy efficiency, among others. He also helped set up a strong global supply chain, including procurement from China and strategic technology partnerships with global suppliers.

Prior to this, he was with Siemens, Voltas, GEC Alstom, and BPL Sanyo. During his long corporate stint, he oversaw a wide range of activities related to Manufacturing, Product Development, Supply Chain, Product Service, EPC contracts, International Business operations, HR, Finance, Corporate Governance and General Management.

He had been actively involved with CII (India's largest corporate body) as Chairman of CII Maharashtra State Council and subsequently, as Chairman of CII Western Region Sub-Committees for Inclusive Growth and Ease of Doing Business. He was a member of the CII National Manufacturing Council, as well.

He is currently associated with a few select start-up Companies as their Chief Mentor and Business Strategy Advisor. He is also engaged in skill development and inclusive growth programs to help needy youth realize their full potential.

He does not hold any shares in the Company.

He is neither a member nor a chairman of the any committee of the Company.

He is a director in the following other companies:

Prolynx Foundation	SSA International DWC-LLC
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He does not hold committee positions in other Public Limited Companies.

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

The Company has also received declaration from Mr. Satish N. Jamdar that he meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder and Regulation 16 (1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.



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## **KIRLOSKAR OIL ENGINES LIMITED**

A Kirloskar Group Company

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

The Board considers that his experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Mr. Satish N. Jamdar as an Independent Director for a term of 5 (Five) consecutive years from the date of this Annual General Meeting.

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

Except Mr. Satish N. Jamdar, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise in this resolution.

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

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

The Board of Directors on the recommendation of the Audit Committee has approved the appointment of M/s. Parkhi Limaye and Co., Cost Accountants to conduct the audit of the cost records of the Company for Financial Year ended 31 March 2018, at the remuneration upto ₹. 7,50,000/- plus applicable taxes thereon and reimbursement out of pocket expenses on actual basis.

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

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

None of the Directors and Key Managerial Personnel of the Company are concerned or interested in the resolution.

### **ITEM NO. 10 OF THE NOTICE**

The members of the Company in its meeting held on 12 August 2014, appointed Mr. R. Srinivasan as an Independent Director for a term of 3 years by the members of the Company. His term is valid upto 11 August 2017.

Mr. R. Srinivasan is associated with Kirloskar Oil Engines Limited for over 12 years (including pre and post demerger period) as a Board Member, he made significant contribution towards guiding the Company on various strategic, financial and business issues and that the Company benefited immensely because of his vast experience.

The Board of Directors based on recommendation of Nomination and Remuneration Committee, considered re-appointment of Mr. R. Srinivasan as an Independent Director for a second term of 5 (Five) consecutive years with effect from 12 August 2017, pursuant to Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder.



## KIRLOSKAR OIL ENGINES LIMITED

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

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

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

He is Chairman of Audit Committee of the Company.

He is a director in the following other companies:

ACE Designers Limited	Sundaram Fasteners Limited
Murugappa Morgan Thermal Ceramics Limited	TaeguTec India Private Limited
TTK Prestige Limited	IMTMA Machine Tool Industry Park
Sterling Abrasives Limited	Indian Machine Tool Manufactures Association
Yuken India Limited	

He holds following committee positions in other Public Limited Companies:

Sundaram Fasteners Limited	Audit Committee - Chairman
TTK Prestige Limited	Audit Committee – Member
Yuken India Limited	Audit Committee – Member
ACE Designers Limited	Audit Committee – Chairman
Murugappa Morgan Thermal Ceramics Limited	Audit Committee – Chairman

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

The Company has also received declaration from Mr. R. Srinivasan that he meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder and Regulation 16 (1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Company has received a notice in writing from a member along with deposit of requisite amount under Section 160 of the Companies Act, 2013, proposing the candidature of Mr. R. Srinivasan for the office of Director of the Company.

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

The Board considers that his experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Mr. R. Srinivasan as an Independent Director for a second term of 5 (Five) consecutive years with effect from 12 August 2017.



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## **KIRLOSKAR OIL ENGINES LIMITED**

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

In terms of Section 149 of the Companies Act, 2013, including rules thereof, the resolution set out at Item no. 10 of the Notice requires approval of the members by passing special resolution.

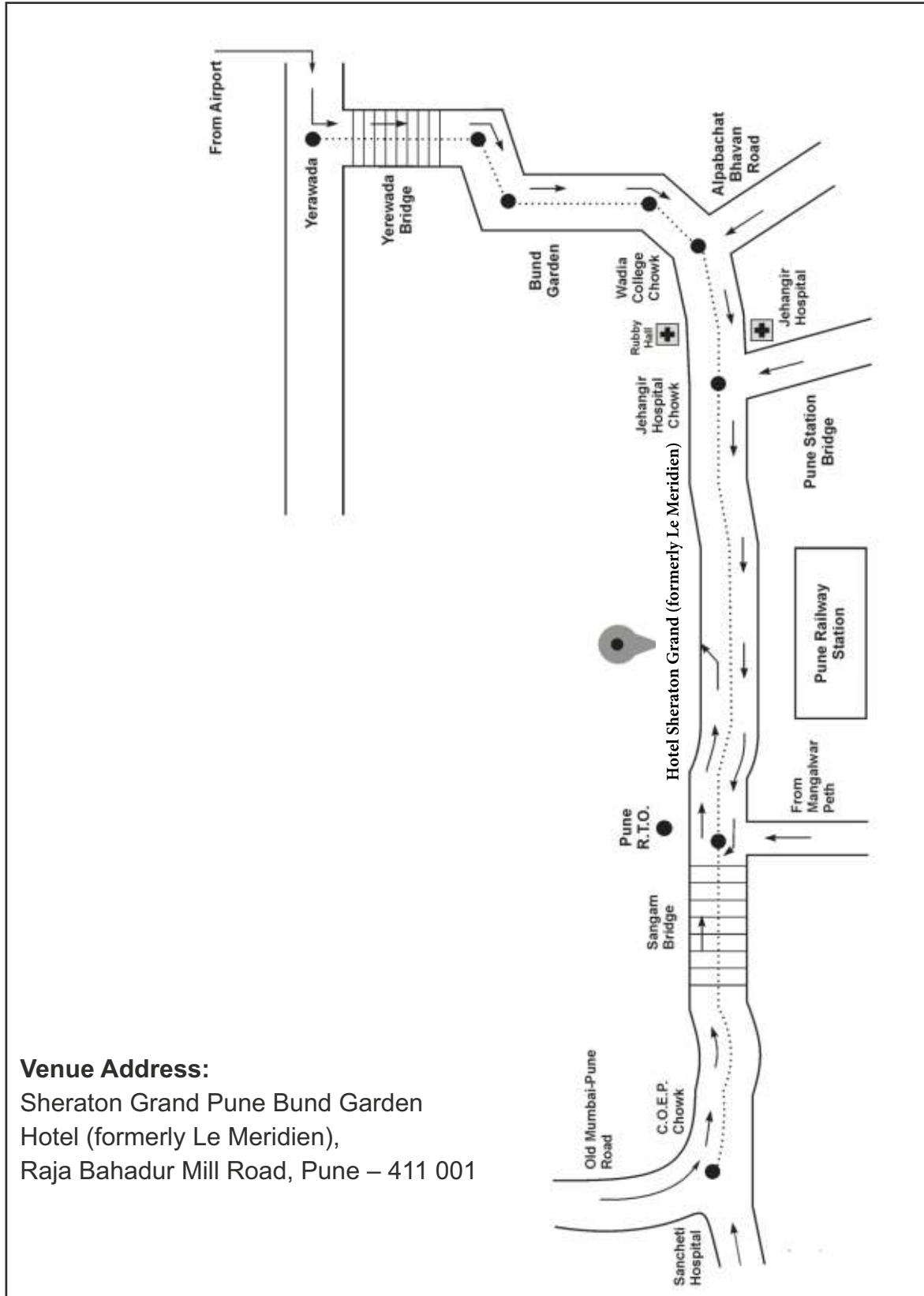
Except Mr. R.Srinivasan, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise in this resolution.

By Order of the Board of Directors

Place : Pune  
Date : 10 May 2017

Sd/-  
Smita Raichurkar  
Company Secretary

## ROUTE MAP OF VENUE OF ANNUAL GENERAL MEETING





# KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2016 - 2017

Enriching Lives

We're all ears.





For more than a century, we've been listening to our customers. Now with the advent of smart technology, we can listen to our products and respond in real time to ensure a seamless customer experience. We've always fostered a culture of listening and customer-centricity has been at the core of everything we do. We are glad that this new ability to listen to our products will empower us to provide proactive support and set a new benchmark for customer satisfaction.

**Your company is harnessing smart technology by:**

- Being the first Indian company to offer gensets with Remote Monitoring System.
- Providing an IT platform that seamlessly links our customers with our front-end sales and service channel.
- Introducing 'Mega T' Power Tiller, which has won several awards for innovation and design including the CII Innovation Award and the globally renowned Japanese Good Design Award 2016, to meet the needs of small and medium-sized Indian farms.
- Deploying AGRIFAST - a digital platform connecting a wide network of 500 distributors and 25,000 retailers on a real-time basis, for efficient distribution.
- Collaborating with acclaimed companies like M/s MTU, Germany and M/s ABC, Belgium to foray into engines above 2000 HP for Nuclear Power Corporation, Railways and Power Plant business.

**BOARD OF DIRECTORS**

Atul C. Kirloskar	Executive Chairman
Gautam A. Kulkarni	Executive Vice Chairman
Nihal G. Kulkarni	Managing Director
Rajendra R. Deshpande	Joint Managing Director
Rahul C. Kirloskar	
Pratap G. Pawar	
R. Srinivasan	
M. Lakshminarayan	
Mahesh R. Chhabria	
Gauri Kirloskar	
Pradeep R. Rathi	
Vinesh Kumar Jairath	
Satish N. Jamdar	Additional Director (co-opted w.e.f. 10 May 2017)

**CHIEF FINANCIAL OFFICER**

T. Vinodkumar

**COMPANY SECRETARY**

Smita Raichurkar

**AUDITORS**

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

**BANKERS**

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

**REGISTRAR & SHARE TRANSFER AGENT****Link Intime India Private Limited**

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

**REGISTERED OFFICE**

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

**LOCATION OF FACTORIES**

Pune, Nasik, Kagal and Rajkot

**CIN:** L29120PN2009PLC133351

<b>Information for shareholders</b>	<b>Contents</b>	<b>Page no.</b>
Annual General Meeting	Financials at Glance	2
Date : Friday, 4 August 2017	Report of the Directors	3
Time : 11.45 A.M.	Management Discussion & Analysis	31
Venue : Hotel Sheraton Grand (formerly Le Meridien), Raja Bahadur Mill Road, Pune - 411 001	Report on Corporate Governance	49
Dates of Book Closure : 29 July 2017 to 4 August 2017 (both days inclusive)	Business Responsibility Report	62
	Independent Auditors Report	74
	Standalone Financial Statements	82
	Form AOC - 1	155
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**FINANCIALS AT A GLANCE**

₹ in Crs.

Particulars	Ind AS		Indian GAAP					
	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Sales	2,818*	2,587*	2,473	2,287	2,320	2,276	2,364	2,219
Profit Before Tax	252	205	205	243	271	281	244	263
Profit After Tax	174	165	143	178	199	192	174	164
Dividend (%)	250	250	250	250	250	200	200	200
Dividend per share (₹)	5	5	5	5	5	4	4	4
Dividend Amount	72	72	72	72	72	58	58	58
Earning Per Share (₹)	12	11	10	12	14	13	12	11
Book Value Per Share (₹)	112	100	93	88	80	71	61	47
Share Capital	29	29	29	29	29	29	29	29
Reserves and Surplus	1,588	1,415	1,313	1,238	1,125	1,004	860	651
Shareholders' Funds	1,617	1,444	1,341	1,267	1,154	1,033	889	680
Loan Funds	12	7	-	-	-	169	249	270
Total Capital Employed	1,629	1,451	1,341	1,267	1,154	1,202	1,138	950
Net Block	440	477	514	543	591	576	591	563

Note : The company transitioned into Ind AS from 1 April 2015.

\* Sales include excise duty collected from customers of ₹ 205 Crs. (Previous year ₹ 181 Crs.).  
Sales net of excise duty is ₹ 2,614 Crs. (Previous year ₹ 2,406 Crs.).

**Green Initiative - Go Paperless!!!**

Dear Shareholder(s),

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

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

Note :

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



## REPORT OF THE DIRECTORS

To The Members  
Of KIRLOSKAR OIL ENGINES LIMITED

The Directors are pleased to present the Eighth Annual Report together with the Audited Statement of Accounts for the year ended 31 March 2017.

### FINANCIAL RESULTS (STANDALONE)

Particulars	(₹ in crores)	
	2016-17	2015-16
<b>Total Income</b>	<b>2,960.18</b>	<b>2,718.37</b>
<b>Profit before exceptional items and tax</b>	<b>252.30</b>	<b>230.46</b>
Exceptional Items	-	25.48
<b>Profit before tax</b>	<b>252.30</b>	<b>204.98</b>
Tax Expense (Current & Deferred Tax)	78.68	39.67
<b>Net Profit for the Period</b>	<b>173.62</b>	<b>165.31</b>
Other Comprehensive Income	(0.58)	(0.10)
Total Comprehensive Income for the year, net of tax	<b>173.04</b>	<b>165.21</b>
Profit Brought Forward	806.15	815.83
Add: Net surplus in the statement of Profit & Loss balance of residuals undertaking of Kirloskar Brothers Investments Limited, transferred under Composite Scheme Arrangement and Amalgamation	-	13.20
Profit Available for Appropriation	979.20	994.25
Transfer to General Reserve	-	14.05
Dividend and dividend distribution tax	-	174.05
Balance of the Profit carried forward	979.20	806.15

### COMPANY'S FINANCIAL PERFORMANCE

Despite an extremely challenging macroeconomic environment, your Company posted its highest net sales of ₹ 2614 crores as compared to the previous fiscal of ₹ 2406 crores. An increase of 9%. Profit from operations (before exceptional items) was ₹ 252 crores as against ₹ 230 crores in the previous year. The Profit After Tax was ₹ 174 crores as against ₹ 165 crores in the previous year.

### DIVIDEND

For the year under review, the Directors have recommended a dividend of 250% (₹ 5/- per share) for the year (PY Interim Dividend 250%, ₹ 5 per share). Total dividend payout for the year will be ₹ 87.03 crores, including payment of ₹ 14.72 crores, as dividend distribution tax.

## **SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS**

KOEL Americas Corp., USA was established in 2015 with a strategic intent to penetrate into the North American market including USA and Canada as well as focus on the Latin American region.

The revenues of KOEL Americas Corp. during fiscal year under review represents sale of fire pumps in United States of Americas (USA) and sale of Agri engines, Pumpsets, diesel engines and generators in Latin America. The FMUL Listed Engines for firefighting application represents 1/3rd of total revenues of KOEL Americas Corp.

KOEL Americas Corp. continues to explore new potential business partners for different products of order to expand its business operations.

To sell diesel engines in North America, an Environment Protection Agency (EPA) approval is required. KOEL Americas Corp. is in the process of obtaining the same.

For the fiscal year ended 31 March 2017, the Sales Revenue was \$ 15,98,629 (₹ 10.71 Crs.). Profit from operations before Tax was \$ 64,599 (₹ 0.36 Crs.). The Profit after Tax was \$ 50,836 (₹ 0.27 Crs.).

The consolidated financial statements of the Company and its subsidiary, prepared in accordance with Ind-AS 110, issued by Institute of Chartered Accountants of India, forms part of this Annual Report. A statement containing the salient features of the financial statements of the subsidiary company is attached to the Financial Statements of the Company in Form AOC-1.

Pursuant to the provisions of Section 136 of the Companies Act, 2013, the financial statements of the Company, consolidated financial statements along with relevant documents and separate un-audited financial statements of its subsidiary are available on the Company's website.

The annual accounts of the subsidiary and related detailed information will be kept for inspection by any shareholders at the Registered Office of the Company and will also be made available to the shareholders on demand, at any point of time.

## **DIRECTORS**

### **a) Changes in Composition of the Board of Directors**

During the year under review, the Board of Directors of the Company in its meeting held on 21 October 2016, re-appointed Mr. Atul C. Kirloskar as the Whole Time Director with designation as the Executive Chairman, for a term of 5 years with effect from 26 January 2017. A proposal for his re-appointment as the Executive Chairman and remuneration payable to him is being placed before the Members of the Company for their approval at the ensuing Annual General Meeting.

The Board of Directors of the Company in its meeting held on 21 October 2016, also re-appointed Mr. Gautam A. Kulkarni as the Whole Time Director with designation as Executive Vice Chairman for a term of 5 years with effect from 26 January 2017. A proposal for his re-appointment as the Executive Vice Chairman and remuneration payable to him is being placed before the Members of the Company for their approval at the ensuing Annual General Meeting.

The Board of Directors of the Company in its meeting held on 21 October 2016, also re-appointed Mr. Nihal G. Kulkarni as the Managing Director for a term of 5 years with effect from 26 January 2017. A proposal for his re-appointment as the Managing Director and remuneration payable to him is being placed before the Members of the Company for their approval at the ensuing Annual General Meeting.

In compliance with Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company appointed Mr. Satish N. Jamdar as Additional Director of the Company in the capacity of "Non-Executive Independent Director" effective 10 May 2017. In accordance with Section 161 of the Companies Act, 2013, he will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for office of Director. The resolution



seeking approval of the Members for the appointment of Mr. Satish N. Jamdar for a term of 5 years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.

In compliance with Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company re-appointed Mr. R. Srinivasan as “Non-Executive Independent Director” effective 12 August 2017. The Company has received requisite notice in writing from a member proposing his candidature for office of Director. The resolution seeking approval of the Members by special resolution for the re-appointment of Mr. R. Srinivasan for a second term of 5 consecutive years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.

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

The brief resumes and other details relating to the Directors who are proposed to be appointed / re-appointed, as required to be disclosed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms part of the Notice of Annual General Meeting.

**b) Changes in Key Managerial Personnel**

During the year under review, Mr. Atul C. Kirloskar, Executive Chairman, Mr. Gautam A. Kulkarni, Executive Vice Chairman and Mr. Nihal G. Kulkarni, Managing Director, were re-appointed as Key Managerial Personnel of the Company, with effect from 26 January 2017.

The present term of Mr. T. Vinodkumar as Chief Financial Officer and Key Managerial Personnel is upto 31 January 2018 as per retirement policy of the Company. His service as Chief Financial Officer and Key Managerial Personnel is being extended by 2 years with effect from 1 February 2018.

**c) Declarations from the Independent Directors**

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149 (6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**d) Board Evaluation**

In continuation of the process laid down in the previous year, members of the Board carried out a formal review for evaluating the performance and effectiveness of the Board, Committees of the Board and of the individual directors including the Chairman of the Board.

The performance of the Board was evaluated on the basis of criteria such as the board composition and structure, effectiveness of Board processes, participation in organization strategy including Long Range Plan and Annual Operating Plan, inorganic growth opportunity evaluation, Enterprise Risk Management etc.

Using appropriate criteria the performance of the various Committees was separately evaluated by the Board.

In a separate meeting of Independent Directors, performance of non-independent directors, performance of the Board as a whole and performance of the Chairman, taking into account the views of executive directors and non-executive directors, were evaluated.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as achievement against key performance objectives, attendance at meetings, time devoted for the Company, contribution in the Board process etc.

The Chairman of the Board and the Chairman of Nomination and Remuneration Committee had one-on-one meetings with the Directors. These meetings were intended to obtain Directors' inputs on effectiveness of the Board/Committee processes.

**e) Nomination and Remuneration Policy**

The Board of Directors on the recommendation of the Nomination & Remuneration Committee has adopted a policy that lays guidelines for selection and appointment of Directors, Key Managerial Personnel and Senior Management personnel together with their remuneration. The Nomination and Remuneration Policy is annexed herewith as **Annexure A**.

**f) Number of meetings of the Board**

During the period under review, five (5) Board Meetings were held, the details of which forms part of Report on Corporate Governance.

**g) Composition of Audit Committee**

The Composition of Audit Committee forms part of the Report on Corporate Governance.

**PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS**

During the year under review, the Company has invested in equity shares of S L Kirloskar CSR Foundation. The details of which are given in the Financial Statements. The Company has not granted any Loans and Guarantees covered under Section 186 of the Companies Act, 2013.

**PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

All related party transactions that were entered into during the Financial Year 2016-17 were on an arm's length basis and were in the ordinary course of business. Hence, there are no transactions to be reported in Form AOC-2. None of the related party transactions entered into by the Company, were materially significant, warranting members' approval under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All Related Party Transactions are routinely placed before the Audit Committee for approval after being duly certified by the Statutory Auditors.

The policy on Related Party Transactions as adopted by the Board is uploaded on the Company's website.

The disclosures as per IND-AS 24 for transactions with related parties are provided in the Financial Statements of the Company.

**RISK MANAGEMENT FRAMEWORK**

The risk management process is embedded in the organization's working methodologies and decision making process and is aligned to the Company's Strategic Planning Process. The process involves identification, evaluation, mitigation and review of risks and opportunities both at business and enterprise level.

The risk management process is owned by the Internal Audit Department and is a comprehensive process that ensures coverage of major strategic, people related, environmental, economic and operational risks that could possibly derail achievement of the Company's objectives and goals.

Risk owners, identified for each risk, prepare detailed mitigation plans which are formulated based on projects undertaken and in line with the Company's goals, both short and long term. The enterprise risks and mitigation plans are reviewed by the Audit Committee and Board periodically.

The business risks are managed through cross functional teams from across businesses. These are reviewed by the business heads at periodic intervals.

**INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS**

The Company has an Internal Control Framework which is commensurate with the size, scale and complexity of its operations. Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report, which forms part of this Report.



## **CORPORATE SOCIAL RESPONSIBILITY**

The Company has always believed in working for the betterment and upliftment of the society. Corporate Social Responsibility (CSR) has been practiced and engrained over the years in the Company. The focus areas under CSR have remained consistent over the years and include: Health, Education and Environment. The Company strongly believes in 'Enriching Lives' of the people surrounding the communities in which it operates.

The Composition of CSR Committee of the Board and Report on CSR activities is annexed herewith as **Annexure B**.

## **VIGIL MECHANISM / WHISTLE BLOWER POLICY**

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. The Policy provides a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. No person has been denied access to the Audit Committee in this regard. The Policy is uploaded on the Company's website.

## **EXTRACT OF ANNUAL RETURN**

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as **Annexure C**.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE AND OUTGO**

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 134 (3)(m) of the Companies Act, 2013, read with the rules there under, are provided in **Annexure D** to this report.

## **PARTICULARS OF EMPLOYEES**

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are annexed in **Annexure E** of this report.

The particulars of employees pursuant to section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, form part of this report. In terms of Section 136 (1) of the Companies Act, 2013, the Directors' report is being sent to the shareholders without this Annexure. The Shareholders interested in obtaining a copy of this annexure may write to the Company Secretary at the Company's registered office.

## **POLICY ON PREVENTION OF SEXUAL HARRASSMENT**

The Company has in place a Policy for prevention of sexual harassment at workplace. This inter alia provides a mechanism for the resolution, settlement or prosecution of acts or instances of Sexual Harassment at work and ensures that all employees are treated with respect and dignity. There were no complaints filed / pending with the Company during the year.

## **GENERAL**

### **During Financial Year 2016-17**

- a. There were no public deposits accepted by the Company pursuant to provisions of the Companies Act, 2013, including rules thereunder.

- b. There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.
- c. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from subsidiary.

## AUDITORS

### a) Statutory Auditors

The members of the Company in its meeting held on 5 August 2016, re-appointed M/s. P. G. Bhagwat, Chartered Accountants, Pune, (Firm Registration Number 101118W) as Statutory Auditors of the Company for a second term of 5 consecutive years to hold office from conclusion of the Annual General Meeting held on 5 August 2016, till the conclusion of the Annual General Meeting to be held in the year 2021, subject to ratification at every Annual General Meeting.

It is proposed to ratify their re-appointment as Statutory Auditors of the Company for FY 2017-18. The members are requested to ratify their re-appointment and authorize the Board of Directors to fix their remuneration. The Company has received from them, the requisite certificate pursuant to Section 139 of the Companies Act, 2013.

There are no adverse remarks / qualifications of Statutory Auditors on financial statements for the year ended 31 March 2017.

### b) Cost Auditors

The Company has appointed M/s. Parkhi Limaye & Co. as Cost Auditors of the Company for the Financial Year 2017-18 under section 148 of the Companies Act, 2013 and rules thereof.

### c) Secretarial Audit Report

The Company has appointed Mr. M. J. Risbud, Practicing Company Secretary to conduct Secretarial Audit of the Company for the Financial Year 2017-18 under section 204 of the Companies Act, 2013 and the rules thereof. The Secretarial Audit Report is annexed herewith as **Annexure F**.

There are no adverse remarks / qualifications of Secretarial Auditors in the Secretarial Audit Report for the year ended 31 March 2017.

## MANAGEMENT DISCUSSION & ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

The Management Discussion and Analysis and the Report on Corporate Governance as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms part of this Annual report.

A Certificate from the Statutory Auditors of the Company regarding compliance with conditions of corporate governance as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, also forms part of this Annual Report.

## BUSINESS RESPONSIBILITY REPORT

The Business Responsibility Report as required under Regulation 34 (2) (f) of SEBI (Listing Obligations and Disclosure Requirements), forms part of this Annual Report.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Companies Act, 2013, the Directors, based on the representations received from the Operating Management, confirm that:

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



- b) 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 2017 and of the profit of the Company for the year ended on that date;
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities;
- d) they have prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and
- f) they have devised proper systems to ensure compliance with provisions of all applicable laws and such systems are adequate and operating effectively.

### **CAUTIONARY STATEMENT**

Statements in this report, particularly those which relate to Management Discussion & 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

Date : 10 May 2017  
Place: Pune

Sd/-  
ATUL C. KIRLOSKAR  
Executive Chairman

## ANNEXURE 'A' TO THE DIRECTORS' REPORT NOMINATION AND REMUNERATION POLICY

### I. INTRODUCTION

This Policy applies to the Board of Directors, Key Managerial Personnel and Senior Management Personnel of Kirloskar Oil Engines Limited ('the Company').

The policy envisages the framework for nomination, remuneration and evaluation of Board of Directors, Key Managerial Personnel and Senior Management Personnel in accordance with provisions of Companies Act, 2013, ('the Act') including rules thereof and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations, 2015).

The Company aims to achieve balance of merits, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management Personnel.

### II. DEFINITIONS

1. **“Board”** means Board of Directors of the Company.
2. **“Committee”** means Nomination and Remuneration Committee of the Company as constituted or re-constituted by the Board from time to time.
3. **“Key Managerial Personnel”** (KMP) means
  - a) Chief Executive Officer or Managing Director or the Manager,
  - b) Whole-time Director
  - c) Chief Financial Officer
  - d) Company Secretary and
  - e) such other officers as may be prescribed under the Act from time to time
4. **“Senior Management Personnel”** (SMP) means personnel of the Company who are members of the core management team, excluding Board of Directors and are one level below the Executive Director including Functional Heads.

### III. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SMP

1. The Committee shall consider the qualification, skill, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and accordingly recommend to the Board his / her appointment.
2. The age of person to be appointed as a Non-Executive Director shall not be less than 21 years and more than 75 years. Under exceptional circumstances, the Committee may at its discretion recommend to the Board waiver of upper age limit.

The age of person to be appointed as an Executive Director shall not be less than 21 years and not more than 70 years.
3. The Company should ensure that the person so appointed as Director is not disqualified under the Companies Act, 2013, rules made thereunder, Listing Regulations, 2015 or any other enactment for the time being in force.
4. The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder, Listing Regulations, 2015 or any other enactment for the time being in force.



5. The Committee may recommend to the Board the removal of a Director on account of any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations or for any other reasonable ground. The Committee may also recommend to the Board for removal of KMP or SMP subject to the provisions and compliance of the applicable Act, rules and regulations.

#### **IV. BOARD DIVERSITY**

The Board shall have an optimum composition of Directors, with expertise from different fields viz. finance, law, management, sales, marketing, engineering, research, technical operations or any other areas related to the Company's business. There will be a balance of skills & experience to steer the Company towards achievement of its Vision and attainment of its short term and long term objectives.

#### **V. REMUNERATION OF DIRECTOR, KMP AND SMP**

##### **A) DIRECTORS**

The Board of Directors of the Company shall decide the remuneration of Executive / Non-Executive Directors on the basis of recommendation of the Committee subject to the overall limits provided under the Companies Act, 2013 and rules made thereunder, including any amendments, modifications and re-enactments thereto ('the Act') and in compliance with the provisions of the Act and Listing Regulations, 2015 as applicable from time to time.

##### **i. EXECUTIVE DIRECTORS:**

The Company shall enter into a contract with every Executive Director, which sets out the terms and conditions of appointment and tenure as recommended by the Committee and approved by the Board.

The Board may vary any terms or conditions of the contract from time to time within the tenure and subject to such approvals as may be required under the Act.

The remuneration shall include:

##### **a. Fixed salary:**

Each Executive Director shall be paid a fixed salary consisting of basic salary and such allowances and perquisites as may be approved by Board, based on recommendation of Committee and performance evaluation of each Executive Director from time to time, subject to overall limits as prescribed under the Act.

##### **b. Commission:**

The Board may approve payment of commission subject to the limits provided in the Act. The eligibility and the amount of commission to be paid to each director shall be recommended by the Committee on the basis of the performance evaluation of the director undertaken by the Committee and the Board.

##### **c. Non-monetary benefits:**

Executive Directors may be entitled to club membership, company vehicle with driver, petrol reimbursement, vehicle maintenance, telephone, fax, internet at residence, reimbursement of mobile phone bills, fully furnished accommodation (in case of use of own residential property for accommodation) or house rent allowance in lieu thereof, soft and hard furnishings, reimbursement of house maintenance expenditure, reimbursement of gas, electricity bill, water & other utilities and repairs at residence,

reimbursement of medical expenditure including hospitalization expenses for self and family and leave travel assistance.

Executive Director may also be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance or any other benefit as per Company policy.

d. Separation / Retirement benefits:

Executive Director shall be eligible to the following perquisites which shall be included in the computation of the ceiling on remuneration provided in the Act:

- (a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961 or any amendment thereof
- (b) Gratuity payable at a rate not exceeding one month's salary for each completed year of service and
- (c) Encashment of leave at the end of the tenure

In case of loss or inadequacy of profits of the Company, the aforesaid perquisites shall not be included in computation of the ceiling on remuneration provided in the Act.

**ii. NON-EXECUTIVE DIRECTORS:**

The Company shall issue a letter of appointment to every Non-Executive Independent Director.

The remuneration to Non-Executive Directors shall include:

a. Sitting fees :

Sitting fees shall be paid for Board Meetings and any Committee Meetings attended by the Director. Different amount of sitting fees may be paid for different types of meetings within limits as prescribed under the Act.

Committee shall include Audit Committee, Nomination & Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee or such Committees as may be constituted by the Board from time to time.

b. Commission:

The Board may approve payment of commission subject to the limits provided in the Act. The eligibility and the amount of commission to be paid to each director shall be recommended by the Committee on the basis of annual performance evaluation of the director.

c. Professional fees:

Non Independent Directors may be paid fees for services of professional nature, if in the opinion of Committee, the director possesses the requisite qualification for the practice of the profession. Such professional fees shall not be considered as remuneration for the purpose of Act.

**B) KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL**

The remuneration components payable to KMP / SMP may be:

a. Fixed salary:

Each KMP / SMP shall be a paid fixed salary consisting of basic salary and such allowances and perquisites as per service rules of the Company. The band of the salary shall be determined according to the industry standards, market conditions, scale of Company's business relating to the position, educational qualification parameters and experience in the industry as detailed in the service rules of the Company and such other factors as may be prescribed therein.

The same shall be reviewed annually based on the Company's annual appraisal policy.

b. Variable pay:

A portion of the overall salary may be paid as Variable pay to every KMP/SMP. This shall be as per the Performance Linked Pay Scheme of the Company, which is designed to bring about increase in overall organizational effectiveness through alignment of Company, Functional and Individual objectives.

c. Perquisites / Other Benefits:

Perquisites / Other Benefits are benchmarked with Industry practices from time to time keeping an overall salary structure in mind. These may include petrol reimbursement, vehicle maintenance, telephone, reimbursement of mobile phone bill and reimbursement of medical expenditure for self and family and such other benefits as per Company Policy.

KMP / SMP may be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance and such other benefits as per Company policy.

d. Annual Pay Revision / Promotion

Evaluation of KMP / SMP shall be based on appraisal against stated Objectives / Goals of the individual which in turn shall be aligned to the Functional and Enterprise Score Card. Key Result Areas (KRAs) are set at the beginning of the year in consultation with the Executive Director. Pay revisions / promotions will be achievement oriented and will also have reference to Industry benchmarks, where appropriate.

e. Separation / Retirement benefits:

Separation / retirement benefits as per Company policy which shall include contribution to provident fund, superannuation, gratuity and leave encashment.

**C) DIRECTORS AND OFFICERS LIABILITY INSURANCE:**

The Company may take Directors & Officers liability insurance or such insurance of like nature for indemnifying any of the Directors or its KMP against any liability in respect of any negligence, default, misfeasance, breach of duty or trust for which they may be guilty in relation to the Company.

The premium paid on such insurance shall not be treated as part of remuneration payable to Managing Director, Whole Time Director, Chief Executive Officer, Chief Financial Officer or Company Secretary. Provided that if any such person is proved to be guilty, the premium paid shall be treated as part of the remuneration.

**D) STOCK OPTIONS**

The Committee may recommend issue of stock options to directors (other than independent directors and promoter directors) or KMP / SMP which may be granted by the Board subject to the compliance of the provisions of applicable laws.

**VI. CRITERIA FOR EVALUATION OF BOARD**

The evaluation of Board shall be carried out annually as per provisions of the Act including rules thereof and Listing Regulations, 2015. Performance Evaluation of each director will be based on the criteria as laid down from time to time by the Nomination and Remuneration Committee.

**i. Executive Director**

Performance evaluation of each Executive Director will be based on achievement against the key short and long term performance objectives, which in turn would be aligned towards the Company's overall Vision and strategic objectives. The Balance Score Card (BSC) or other appropriate tool will be used to define the Strategic Objectives, measures and goals over a 5 year horizon. Business and individual goals will be cascaded from the BSC.

**ii. Non-Executive Director**

Performance evaluation of each Non-Executive Director will be based on attendance in board and its committee meeting, membership / chairmanship of the committees of the Board, time devoted for the Company, contribution in the Board process and such other criteria as may be considered by the Committee from time to time.

**VII. AMENDMENT**

Based on the recommendation of the Committee, the Board reserves its right to amend or modify this Policy in whole or in part, at any time, when it deems appropriate or in accordance with any amendment to the applicable provisions of the Act, including rules thereof and / or the provisions of the Listing Regulations, 2015.

For and on behalf of Board of Directors  
of Kirloskar Oil Engines Limited

Sd/-  
Atul C. Kirloskar  
Executive Chairman



**ANNEXURE 'B' TO THE DIRECTORS' REPORT  
ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2016-17**

[Pursuant to Section 135 of the Companies Act, 2013 read with  
the Companies (Corporate Social Responsibility Policy) Rules, 2014]

**A. CSR Report**

1.	A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.	The Company has adopted the Corporate Social Responsibility (CSR) policy. Eligible funds for CSR activities will be expended in the areas of Education, Environment, Health etc. through one or more trusts or directly. These CSR activities will be carried out through various programmes or projects as specified in the CSR Policy. The CSR policy is available on the website of the Company. ( <a href="http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/CSR-Policy.pdf">web-link- http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/CSR-Policy.pdf</a> )
2.	The Composition of the Committee.	1. Mr. Rahul C. Kirloskar, Chairman 2. Mr. Nihal G. Kulkarni, Member 3. Mr. Pradeep R. Rathi, Member
3.	Average net profit of the Company for last three financial years	₹ 201 Crs. (as per Section 198 of the Companies Act, 2013)
4.	Prescribed CSR Expenditure (two percent of the amount as in item 3 above)	at least ₹ 4.02 Crs.
5.	Details of CSR spent for the financial year: a. Total amount spent for the financial year b. Amount unspent, if any c. Manner in which the amount spent during the financial year	₹ 4.15 Crs. Nil The manner in which the amount is spent is detailed in Part B to this Annexure.
6.	In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.	Not applicable
7.	A responsibility statement of the Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.	The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

**B. CSR Expenditure for FY 2016-17**

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs 1) Local area or other 2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: 1) Direct expenditure on projects or programs 2) Overheads (₹ in Crs.)	Cumulative expenditure upto the reporting period (₹ in Crs.)	Amount Spent:  Direct or through implementing agency (₹ in Crs.)
1	Financial assistance for education, Sponsoring unemployed youth for vocational courses, Scholarship to students, Vocational training programmes for women for income generation, Computer Literacy Programmes etc.	Education	Pune, Kagal, Nasik (Maharashtra) & Rajkot (Gujarat)	Amount not specified	3.80	3.80	3.80  Partially direct and partially through implementation agency
2	Programmes on energy conservation, Kirloskar Vasundhara film festival, Pest control measures, PUC Checkup of vehicles, etc.	Environment	Pune, Kagal, Nasik (Maharashtra) & Rajkot (Gujarat)	Amount not specified	0.19	0.19	0.19  Partially direct and partially through implementation agency
3	HIV aids awareness program, Health checkup camps, Hygiene awareness programmes etc.	Health	Pune, Kagal, Nasik (Maharashtra) & Rajkot (Gujarat)	Amount not specified	0.16	0.16	0.16  Partially direct and partially through implementation agency
	<b>TOTAL</b>				<b>4.15</b>	<b>4.15</b>	<b>4.15</b>

Details of implementing agency: Kirloskar Institute of Advanced Management and Studies (KIAMS), Vasundhara Club, Kirloskar Foundation and others.

Sd/-  
Rahul C. Kirloskar  
Chairman of CSR Committee

Sd/-  
Nihal G. Kulkarni  
Managing Director



## ANNEXURE 'C' TO THE DIRECTORS' REPORT

Form No. MGT-9

### EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31 March 2017

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I REGISTRATION AND OTHER DETAILS

i	CIN	L29120PN2009PLC133351
ii	Registration Date	January 12, 2009
iii	Name of the Company	Kirloskar Oil Engines Limited
iv	Category / Sub-Category of the Company	Company having share capital
v	Address of the Registered office and contact details	Laxmanrao Kirloskar Road, Khadki, Pune 411003, Maharashtra, India Tel.: 91-20 25810341 Fax : 91-20 25813208
vi	Whether listed Company	Yes
vii	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited Address: Block No. 202, 2nd Floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune 411 001 Tel.: 020-26161629 / 26160084 Fax : 020-26163503 Email : <a href="mailto:pune@linkintime.co.in">pune@linkintime.co.in</a>

#### II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company are stated below:

Sr. No.	Name and Description of main products / services	NIC Code of the product / service	% to total turnover of the Company
1	Engines	281	77%
2	Genset	271	22%

#### III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and address of the Company	CIN / GLN	Holding/ Subsidiary / Associate	% of shares held	Applicable Section
1	KOEL Americas Corp. Suite 4 Tamina Business Park 32407 Tamina Road, Magnolia 77354, Texas, United States of America	-	Subsidiary	100	2(87)

## IV SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### (i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year (1 April 2016)				No. of Shares held at the end of the year (31 March 2017)				% Change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	77,477,743	0	77,477,743	53.58	77,477,743	0	77,477,743	53.58	0.00
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt (s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corporate	8,285,162	0	8,285,162	5.73	8,325,162	0	8,325,162	5.76	0.03
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A) (1):-</b>	<b>85,762,905</b>	<b>0</b>	<b>85,762,905</b>	<b>59.30</b>	<b>85,802,905</b>	<b>0</b>	<b>85,802,905</b>	<b>59.33</b>	<b>0.03</b>
<b>(2) Foreign</b>									
a) NRIs -Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>85,762,905</b>	<b>0</b>	<b>85,762,905</b>	<b>59.30</b>	<b>85,802,905</b>	<b>0</b>	<b>85,802,905</b>	<b>59.33</b>	<b>0.03</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	1,419,430	42,187	1,461,617	1.01	3,919,864	42,000	3,961,864	2.74	1.73
b) Banks / FI	5,304,563	152,581	5,457,144	3.77	5,299,534	136,659	5,436,193	3.76	-0.01
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	5,839,020	0	5,839,020	4.04	4,737,552	0	4,737,552	3.28	-0.76
g) FIs	13,992,489	6,750	13,999,239	9.68	13,928,465	6,750	13,935,215	9.64	-0.04
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
j) Foreign Portfolio Investors (Corporate)	3,795,621	0	3,795,621	2.62	4,651,519	0	4,651,519	3.22	0.59
<b>Sub-total (B)(1):-</b>	<b>30,351,123</b>	<b>201,518</b>	<b>30,552,641</b>	<b>21.13</b>	<b>32,536,934</b>	<b>185,409</b>	<b>32,722,343</b>	<b>22.63</b>	<b>1.50</b>
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
i) Indian	1,196,242	143,646	1,339,888	0.93	636,399	143,459	779,858	0.54	-0.39
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	15,237,106	7,485,272	22,722,378	15.71	13,360,606	6,788,477	20,149,083	13.93	-1.78
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	3,772,325	0	3,772,325	2.61	4,322,182	378,641	4,700,823	3.25	0.64
c) Others (specify)									
Clearing Members	60,234	0	60,234	0.04	44,387	0	44,387	0.03	-0.01
Foreign Company	0	0	0	0.00	0	0	0	0.00	0.00
Market Maker	0	0	0	0.00	0	0	0	0.00	0.00
Foreign Nationals	11,257	0	11,257	0.01	11,257	0	11,257	0.01	0.00
NRI (Repatriate)	108,569	46,897	155,466	0.11	105,071	46,897	151,968	0.11	0.00
NRI (Non-Repatriate)	164,051	54,534	218,585	0.15	180,021	54,534	234,555	0.16	0.01
OCB's	0	0	0	0.00	0	0	0	0.00	0.00
Office Bearers	0	18,182	18,182	0.01	0	16,682	16,682	0.01	0.00
<b>Sub-total (B)(2):-</b>	<b>20,549,784</b>	<b>7,748,531</b>	<b>28,298,315</b>	<b>19.57</b>	<b>18,659,923</b>	<b>7,428,690</b>	<b>26,088,613</b>	<b>18.04</b>	<b>-1.53</b>
<b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>	<b>50,900,907</b>	<b>7,950,049</b>	<b>58,850,956</b>	<b>40.70</b>	<b>51,196,857</b>	<b>7,614,099</b>	<b>58,810,956</b>	<b>40.67</b>	<b>-0.03</b>
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0	0
<b>Grand Total (A+B+C)</b>	<b>136,663,812</b>	<b>7,950,049</b>	<b>144,613,861</b>	<b>100.00</b>	<b>136,999,762</b>	<b>7,614,099</b>	<b>144,613,861</b>	<b>100.00</b>	<b>0.00</b>


**(ii) Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (1 April 2016)			Shareholding at the end of the year (31 March 2017)			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	Kirloskar Industries Limited	8,210,439	5.68	-	8,210,439	5.68	-	-
2	Achyut and Neeta Holdings and Finance Pvt. Ltd.	73,203	0.05	-	73,203	0.05	-	-
3	Kirloskar Chillers Private Limited	-	-	-	40,000	0.03	-	0.03
4	Navsai Investments Private Limited	760	0.00	-	760	0.00	-	-
5	Alpak Investments Private Limited	760	0.00	-	760	0.00	-	-
6	Atul Chandrakant Kirloskar	18,456,667	12.76	-	18,456,667	12.76	-	-
7	Rahul Chandrakant Kirloskar	17,732,902	12.26	-	17,732,902	12.26	-	-
8	Sanjay Chandrakant Kirloskar	46,654	0.03	-	46,654	0.03	-	-
9	Suman Chandrakant Kirloskar	62,648	0.04	-	62,648	0.04	-	-
10	Vikram Shreekant Kirloskar	140,655	0.10	-	140,655	0.10	-	-
11	Mrinalini Shreekant Kirloskar	101,800	0.07	-	101,800	0.07	-	-
12	Roopa Jayant Gupta	20,887	0.01	-	20,887	0.01	-	-
13	Geetanjali Vikram Kirloskar	37	0.00	-	37	0.00	-	-
14	Gautam Achyut Kulkarni	18,391,027	12.72	-	18,398,283	12.72	-	0.00
15	Neeta Achyut Kulkarni	7,206	0.00	-	0	0.00	-	(0.00)
16	Jyostna Gautam Kulkarni	7,572,631	5.24	-	7,572,631	5.24	-	-
17	Arti Atul Kirloskar	7,065,174	4.89	-	7,065,174	4.89	-	-
18	Nihal Gautam Kulkarni	159,756	0.11	-	159,756	0.11	-	-
19	Alpana Rahul Kirloskar	7,711,817	5.33	-	7,711,817	5.33	-	-
20	Akshay Sahni	100	0.00	-	100	0.00	-	-
21	Alok Kirloskar	6,262	0.00	-	6,262	0.00	-	-
22	Pratima Sanjay Kirloskar	1,520	0.00	-	1,520	0.00	-	-
	<b>Total</b>	<b>85,762,905</b>	<b>59.30</b>	<b>-</b>	<b>85,802,905</b>	<b>59.33</b>	<b>-</b>	<b>0.03</b>

**Notes:**

- Amounts shown as "0.00" above are not Nil, but rounded off to 2 decimals.
- In case of joint holding, the name of the first holder is considered.
- No shares of promoters have been pledged or encumbered as of 01/04/2016 or 31/03/2017 or during the year ended 31/03/2017.

**(iii) Change in Promoters' Shareholding ( please specify, if there is no change)**

Sr. No.	Name of Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	<b>Kirloskar Chiller Private Limited</b>				
	At the beginning of the year	0	0.00		
	40,000 equity shares acquired through open market on	40,000	0.03	40,000	0.03
	At the End of the year	-	-	40,000	0.03
2	<b>Neeta Achyut Kulkarni</b>				
	At the beginning of the year	7,206	0.00		
	7,206 equity shares transmitted on account of demise of Smt. Neeta Kulkarni on 16 June 2016.	(7,206)	(0.00)	(7,206)	(0.00)
	At the End of the year	-	-	-	0.00
3	<b>Gautam Achyut Kulkarni</b>				
	At the beginning of the year	18,391,027	12.72		
	7,206 equity shares transmitted on account of demise of Smt. Neeta Kulkarni on 16 June 2016.	7,206	0.00	7,206	0.03
	At the End of the year	-	-	18,398,233	12.72

# Except for the above there is no change in the holdings of the Promoter & Promoter Group during FY 2016-17.

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

Sr. No.	For each of top ten shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	<b>Nalanda India Fund Limited</b>				
	At the beginning of the year	10,896,124	7.53		
	No change during the year	-	-	-	-
	At the End of the year			10,896,124	7.53
2	<b>The New India Assurance Company Limited</b>				
	At the beginning of the year	3,546,180	2.45		
	Decrease as on 7 October 2016	(55,000)	(0.04)	3,491,180	2.41
	Decrease as on 14 October 2016	(56,474)	(0.04)	3,434,706	2.38
	Decrease as on 21 October 2016	(70,1069)	(0.05)	3,364,600	2.33
	Decrease as on 28 October 2016	(309,111)	(0.21)	3,055,489	2.11
	Decrease as on 4 November 2016	(9,309)	(0.01)	3,046,180	2.11
	Decrease as on 2 December 2016	(6,956)	(0.00)	3,039,224	2.10
	Decrease as on 9 December 2016	(93,044)	(0.06)	2,946,180	2.04
	Decrease as on 16 December 2016	(40,000)	(0.03)	2,906,180	2.01
	Decrease as on 23 December 2016	(160,000)	(0.11)	2,746,180	1.90
	At the End of the year			2,746,180	1.90
	3	<b>General Insurance Corporation of India</b>			
At the beginning of the year		3,198,832	2.21		
No change during the year		-	-	3,198,832	2.21
At the End of the year			3,198,832	2.21	
4	<b>Pinebridge Investments GF Mauritius Limited</b>				
	At the beginning of the year	2,814,341	1.95		
	Increase as on 8 April 2016	260,959	0.18	3,075,300	2.13
At the End of the year			3,075,300	2.13	
5	<b>Nalanda India Equity Fund Limited</b>				
	At the beginning of the year	3,013,690	2.08		
	No change during the year	-	-	-	-
At the End of the year			3,013,690	2.08	
6	<b>The Oriental Insurance Company Limited</b>				
	At the beginning of the year	2,018,834	1.40		
	Decrease as on 14 October 2016	(20,000)	(0.01)	1,998,834	1.38
	Decrease as on 28 October 2016	(52,500)	(0.04)	1,946,334	1.35
	Decrease as on 4 November 2016	(15,242)	(0.01)	1,931,092	1.34
	Decrease as on 11 November 2016	(1,005)	(0.00)	1,930,087	1.33
	Decrease as on 10 February 2017	(20,000)	(0.01)	1,910,087	1.32
	Decrease as on 17 February 2017	(17,606)	(0.01)	1,892,481	1.31
	Decrease as on 24 February 2017	(10,115)	(0.01)	1,882,366	1.30
	Decrease as on 3 March 2017	(35,000)	(0.02)	1,847,366	1.28
	Decrease as on 10 March 2017	(30,836)	(0.02)	1,816,530	1.26
	Decrease as on 17 March 2017	(36,388)	(0.03)	1,780,142	1.23
	Decrease as on 24 March 2017	(37,776)	(0.03)	1,742,366	1.20
	Decrease as on 31 March 2017	(25,000)	(0.02)	1,717,366	1.19
At the End of the year			1,946,334	1.38	
7	<b>Life Insurance Corporation of India</b>				
	At the beginning of the year	1,982,964	1.37		
	No change during the year	-	-	-	-
At the End of the year			1,982,964	1.37	



Sr. No.	For each of top ten shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
<b>8</b>	<b>Jagdish Amritlal Shah</b>				
	At the beginning of the year	749,742	0.52		
	Decrease as on 23 September 2016	(11,400)	(0.01)	738,342	0.51
	Decrease as on 7 October 2016	(24,388)	(0.02)	713,954	0.49
	Decrease as on 14 October 2016	(8,879)	(0.01)	705,075	0.49
	Decrease as on 21 October 2016	(18,940)	(0.01)	686,135	0.47
	Decrease as on 18 November 2016	(858)	(0.00)	685,277	0.47
	Decrease as on 3 February 2017	(500)	(0.00)	684,777	0.47
	Decrease as on 17 February 2017	(3,709)	(0.00)	681,068	0.47
	Decrease as on 24 February 2017	(865)	(0.00)	680,203	0.47
	Decrease as on 3 March 2017	(33,311)	(0.02)	646,892	0.45
	Decrease as on 17 March 2017	(20,647)	(0.01)	626,245	0.43
	Decrease as on 24 March 2017	(37)	(0.00)	626,208	0.43
	At the End of the year			626,208	0.43
<b>9</b>	<b>Uti- Infrastructure Fund</b>				
	At the beginning of the year	640,000	0.44		
	Increase as on 17 June 2016	9,000	0.01	649,000	0.45
	Increase as on 30 June 2016	5,000	0.00	654,000	0.45
	Increase as on 1 July 2016	2,000	0.00	656,000	0.45
	Increase as on 8 July 2016	2,000	0.00	658,000	0.46
	Decrease as on 29 July 2016	(18,000)	(0.01)	640,000	0.44
	Increase as on 12 August 2016	4,500	0.00	644,500	0.45
	Increase as on 19 August 2016	4,500	0.00	649,000	0.45
	Increase as on 2 September 2016	4,250	0.00	653,250	0.45
	Increase as on 9 September 2016	2,500	0.00	655,750	0.45
	Increase as on 16 September 2016	2,250	0.00	658,000	0.46
	Increase as on 2 December 2016	2,250	0.00	660,250	0.46
	At the End of the year			660,250	0.46
<b>10</b>	<b>Anil Kumar Goel</b>				
	At the beginning of the year	565,000	0.39		
	Decrease as on 23 September 2016	(1,000)	(0.00)	564,000	0.39
	Decrease as on 30 September 2016	(1,000)	(0.00)	563,000	0.39
	Decrease as on 7 October 2016	(1,000)	(0.00)	562,000	0.39
	Decrease as on 14 October 2016	(562,000)	(0.39)	0	0.00
	At the End of the year			0	0.00
<b>11</b>	<b>SBI Infrastructure Fund</b>				
	At the beginning of the year	0	0.00		
	Increase as on 7 October 2016	52338	0.04	52,338	0.04
	Increase as on 14 October 2016	505002	0.35	557,340	0.39
	Increase as on 28 October 2016	36046	0.02	593,386	0.41
	At the End of the year			593,386	0.41
<b>12</b>	<b>Kotak Emerging Equity Scheme</b>				
	At the beginning of the year	0	0.00		
	Increase as on 14 October 2016	85224	0.06	85,224	0.06
	Increase as on 21 October 2016	130994	0.09	216,218	0.15
	Increase as on 28 October 2016	216203	0.15	432,421	0.30
	Increase as on 4 November 2016	217179	0.15	649,600	0.45
	Increase as on 11 November 2016	17721	0.01	667,321	0.46
	Increase as on 18 November 2016	11086	0.01	678,407	0.47
	Increase as on 25 November 2016	28088	0.02	706,495	0.49
	Increase as on 2 December 2016	3805	0.00	710,300	0.49
	Increase as on 9 December 2016	30000	0.02	740,300	0.51
	Increase as on 17 March 2017	1756	0.00	742,056	0.51
	At the End of the year			742,056	0.51

**Notes:**

- In case of joint holding, the name of the first holder is considered.
- There is no fresh allotment/reduction of share capital during the year by the Company. The increase/decrease in shareholding above is due to transactions between shareholders.
- The shareholding details given above are based on the legal ownership and not beneficial ownership and is derived based on the folio number listing provided by the Registrar and Transfer agent of the Company.

**(v) Shareholding of Directors and Key Managerial Personnel:  
Shareholding of Directors**

Sr. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	<b>Atul Chandrakant Kirloskar</b>				
	At the beginning of the year	18456667	12.76		
	At the End of the year	-	-	18,456,667	12.76
2	<b>Gautam Achyut Kulkarni</b>				
	At the beginning of the year	18391027	12.72		
	At the End of the year	-	-	18,398,233	12.72
3	<b>Nihal G. Kulkarni</b>				
	At the beginning of the year	159,756	0.11		
	At the End of the year	-	-	159,756	0.11
4	<b>Rajendra R. Deshpande</b>				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
5	<b>Rahul Chandrakant Kirloskar</b>				
	At the beginning of the year	17732902	12.26		
	At the End of the year	-	-	17,732,902	12.26
6	<b>Pratap G. Pawar</b>				
	At the beginning of the year	5,355	0.00		
	At the End of the year	-	-	5,355	0.00
7	<b>R. Srinivasan</b>				
	At the beginning of the year	3,750	0.00		
	At the End of the year	-	-	3,750	0.00
8	<b>M. Lakshminarayan</b>				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
9	<b>Gauri Kirloskar</b>				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
10	<b>Pradeep R. Rathi</b>				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
11	<b>Mahesh Chhabria</b>				
	At the beginning of the year	11,552	0.01		
	At the End of the year	-	-	11,552	0.01
12	<b>Vinesh Kumar Jairath</b>				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00

**Notes:**

1. There are no purchase and sale of shares by directors during the year.
2. The above details are based on the legal ownership and not on beneficial ownership.
3. The shareholding above reflects the ownership post the person being appointed as a director.



### Shareholding of Key Managerial Personnel (KMP)

Sr. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	<b>Atul Chandrakant Kirloskar</b>				
	At the beginning of the year	18456667	12.76		
	At the End of the year	-	-	18,456,667	12.76
2	<b>Gautam Achyut Kulkarni</b>				
	At the beginning of the year	18391027	12.72		
	At the End of the year	-	-	18,398,233	12.72
3	<b>Nihal G. Kulkarni</b>				
	At the beginning of the year	159,756	0.11		
	At the End of the year	-	-	159,756	0.11
4	<b>Rajendra R. Deshpande</b>				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
5	<b>T. Vinodkumar</b>				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	-	0.00
6	<b>Smita A. Raichurkar</b>				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	-	0.00

**Notes:**

- There are no purchase and sale of shares by KMP during the year.
- The above details are based on the legal ownership and not on beneficial ownership.
- The shareholding above reflects the ownership post the person being appointed as a KMP.

## V INDEBTEDNESS

### Indebtedness of the Company including interest outstanding/accrued but not due for payment

In ₹

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	-	-	-	-
<b>Change in Indebtedness during the financial year</b>				
Addition				
Pre shipment loan INR	37,098,857.19	-	-	37,098,857.19
Post shipment loan INR	43,673,282.47	-	-	43,673,282.47
Export Bill discounted outstanding	37,604,073.69	-	-	37,604,073.69
Reduction	-	-	-	-
<b>Net Change</b>	<b>118,376,213.35</b>	-	-	<b>118,376,213.35</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	118,376,213.35	-	-	118,376,213.35
ii) Interest due but not paid	327,172.17	-	-	327,172.17
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>118,703,385.52</b>	-	-	<b>118,703,385.52</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager

₹ In Crs.

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		Atul C. Kirloskar	Gautam A. Kulkarni	Nihal G. Kulkarni	Rajendra R. Deshpande	
1	Gross salary	2.91	2.85	2.93	2.37	11.06
a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2.50	2.48	2.52	2.25	9.76
b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.41	0.37	0.41	0.12	1.31
c)	Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission as % of profit	-	-	-	-	-
	others, specify...	-	-	-	-	-
5	Others, please specify	-	-	-	-	-
	<b>Total (A)</b>	<b>2.91</b>	<b>2.85</b>	<b>2.93</b>	<b>2.37</b>	<b>11.06</b>
	Ceiling as per the Act					26.17

**Note :** Commission paid during the year is included in Point no. 1 (a) hence not separately shown in the point no. 4.

**B. Remuneration to other Directors**

₹ In Crs.

Particulars of Remuneration	Name of Directors						Total Amount
	R. Srinivasan	M. Lakshminarayan	Pratap G. Pawar	Mahesh Chhabria	Pradeep R. Rathi	Vinesh Kumar Jairath	
<b>Independent Directors</b>							
Fee for attending board / committee meetings	0.05	0.03	0.05	0.05	0.03	0.03	0.22
Commission	0.10	0.15	0.10	0.26	0.05	0.14	0.45
Others, please specify	-	-	-	-	-	-	-
<b>Total (1)</b>	<b>0.14</b>	<b>0.18</b>	<b>0.14</b>	<b>0.31</b>	<b>0.07</b>	<b>0.17</b>	<b>1.02</b>
<b>Other Non-Executive Directors</b>	<b>Rahul C. Kirloskar</b>	<b>Gauri Kirloskar</b>					
Fee for attending board / committee meetings	0.05	0.03					0.08
Commission	0.12	0.04					0.16
Others, please specify	-	-					-
<b>Total (2)</b>	<b>0.17</b>	<b>0.06</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.24</b>
<b>Total (B)=(1+2)</b>							<b>-</b>
Total Managerial Remuneration	0.32	0.25	0.14	0.31	0.07	0.17	1.25
Overall Ceiling as per the Act (Excluding Sitting Fees)							2.62

**C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD**

₹ In Crs.

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		
		CFO	Company Secretary	Total
1	Gross salary	1.45	0.16	1.61
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1.38	0.16	1.54
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.06	-	0.06
	(c) Profits in lieu of salary under section 17(3) of the Income tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	as % of profit	-	-	-
	others, specify...	-	-	-
5	Others, please specify	-	-	-
	<b>Total</b>	<b>1.45</b>	<b>0.16</b>	<b>1.61</b>

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD/NCLT/COURT]	Appeal made, if any (give Details)
Penalty			Nil		
Punishment					
Compounding					
<b>OTHER OFFICERS IN DEFAULT</b>					
Penalty			Nil		
Punishment					
Compounding					

For and on behalf of the Board of Directors

Sd/-  
ATUL C. KIRLOSKAR  
Executive Chairman



## ANNEXURE 'D' 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. The Company has a policy on Energy Conservation.

#### I. The steps taken for energy conservation and its impact

##### Khadki Plant

- Energy Efficient air ventilation blowers and Chillers installed for Test cell unit
- Energy Efficient LED Lighting installed in new test cell and HHP assembly unit

##### Kagal Plant

- Energy Efficient localized lighting in assembly sections resulting in saving of approximately 1,91,000 units p.a.
- Solar roof top pumping system used for reuse of Harvested rainwater in place of conventional electrical energy resulting in saving of approximately 29,000 units p.a.
- Energy Efficient LED Lighting installed in Stores and Paint Booth Area.

##### Nasik Plant

- Installation of Variable Frequency drive for fan motors of cooling towers and Long Travel Motor of 5T Crane, resulting in improved efficiency
- High wattage Mercury Lamps replaced by LEDs maintaining same illumination level
- Installation of capacitor for blower motors of fume extraction system at paint booth

##### Rajkot Plant

- Installation of Variable Frequency drive for motors of compressor, conveyors and test bed blowers, resulting in improved energy efficiency
- Installation of Solar Water System for washing machine used at Stores department
- Energy Efficient LED Lighting installed in assembly and testing cell areas

#### II. Steps taken by the company for utilizing alternate sources of energy

- i. Third Party Windmill Units purchased from independent Windmill generator under open access policy. Approximately 54 Lacs Windmill Units utilized through this arrangement which resulted in maintaining 37% of Green Energy share of total energy consumption at Kagal plant and 8 Lacs Windmill Units utilized through this arrangement which resulted in maintaining 30% of Green Energy share of total energy consumption at Pune plant
- ii. Use of Natural Gas for process at Rajkot plant

#### III. The capital investment on energy conservation equipment

The Company made a capital investment of ₹ 2.18 crores on energy conservation equipment.

**B. Technology absorption****i. Efforts made towards technology absorption**

The Company is working closely with legislative bodies such as Petroleum Conservation Research Association (PCRA), Central Pollution Control Board (CPCB), Bureau of Indian Standard, research institutes such as Automotive Research Association of India, Vehicle Research and Development Establishment, Indian Institute of Technology, industry associations such as Indian Diesel Engine Manufacturers' Association and Confederation of Indian Industry. It also works with OEMs and end 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.**

- High Horse Power (HHP) genset products meeting CPCB Stage II emission norms were developed and launched
- Company wide initiative to reduce raw material cost has been taken and R&D contributed substantially to ideation and evaluation phase. Implementation phase is in progress
- Import substitutes developed for E Governor, Fuel Injection Equipment, Controllers etc.
- Development of compact engine and gensets for multiple applications without compromising performance and durability

**iii. In case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year)**

- The Company entered into MOU with MTU Friedrichshafen GmbH Germany, for the manufacture, marketing and supply of diesel gensets in India

**iv. The expenditure incurred on Research and Development**

₹ in Crs.

Sr. No.	Particulars	2016-17	2015-16
1	Revenue Expenditure	65.25	56.19
2	Capital Expenditure	47.38	12.67
3	Total R & D expenditure	112.63	68.86
4	Total R&D expenditure as % to sales	4.3%	2.8%

**C. Foreign exchange earnings and outgoes**

₹ in Crs.

Total Foreign Exchange used & earned	2016-17	2015-16
Used	89.39	87.46
Earned	158.14	236.21



**ANNEXURE 'E' TO THE DIRECTORS' REPORT**

**INFORMATION PURSUANT TO RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014**

Sr. No.	Information Required	Input
1	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year	Please refer Annexure 'E-1'
2	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Please refer Annexure 'E-2'
3	The percentage increase in the median remuneration of employees in the financial year	7.72%
4	The number of permanent employees on the rolls of company	2394
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	<p>Average percentile increase in salaries of managerial personnel: 29.20 percentile</p> <p>Average percentile increase in salaries of non-managerial personnel: 32.41 percentile</p> <p>The salary increases are a function of several parameters like achievement of individual KRAs, Company Performance, industry trends, economic situation, future growth prospects etc. There are no exceptional circumstances for increase in the managerial remuneration.</p>
6	Affirmation that the remuneration is as per the remuneration policy of the company.	The remuneration paid to the Directors is as per the Nomination and Remuneration policy of the company.
7	Particulars of employees posted and working in a country outside India, not being Directors or their relatives, drawing more than sixty lakh rupees per financial year or five lakh rupees per month.	There are no such cases.

**ANNEXURE TO BOARD REPORT- Annexure “E-1”**

<b>Sr. No.</b>	<b>Name of the Director</b>	<b>Ratio of remuneration of each director to the median remuneration of the employees of the Company</b>
1	Atul C Kirloskar	72.94
2	Gautam A. Kulkarni	89.99
3	Nihal G. Kulkarni	92.88
4	Rajendra R. Deshpande	81.37
5	Rahul C. Kirloskar	3.88
6	Pratap G. Pawar	3.21
7	R Srinivasan	3.21
8	M. Lakshminarayan	4.11
9	Mahesh R. Chhabria	7.03
10	Gauri Kirloskar	1.41
11	Pradeep R. Rathi	1.63
12	Vinesh Kumar Jairath*	NA

**Note:**

- Median is computed on the basis of permanent employees on the rolls of the Company for the full financial year 2016-17.
- \* Director was appointed during the year ended 31/03/2016. As such the remuneration of these Directors is not considered.

**ANNEXURE TO BOARD REPORT- Annexure “E-2”**

<b>Sr. No.</b>	<b>Name of the Director/KMP</b>	<b>Designation</b>	<b>% Increase/(decrease) in the Remuneration</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
1	Atul C. Kirloskar	Director & KMP	4.31
2	Gautam A. Kulkarni	Director & KMP	36.73
3	Nihal G. Kulkarni	Director & KMP	25.09
4	Rajendra R. Deshpande	Director & KMP	47.04
5	Rahul C. Kirloskar	Director	7.48
6	Pratap G. Pawar	Director	(0.70)
7	R. Srinivasan	Director	5.56
8	M. Lakshminarayan	Director	314.77
9	Mahesh R. Chhabria	Director	131.48
10	Gauri Kirloskar	Director	(1.57)
11	Pradeep R. Rathi	Director	119.70
12	Vinesh Kumar Jairath*	Director	NA
13	T. Vinodkumar	CFO & KMP	6.54
14	Smita A. Raichurkar	CS & KMP	6.92

**Note:**

- \* Director was appointed during the year ended 31/03/2016. As such the remuneration of these Directors is not considered.

**ANNEXURE 'F' TO THE DIRECTORS' REPORT  
SECRETARIAL AUDIT REPORT**

**[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies  
(Appointment and Remuneration Of Managerial Personnel) Rules, 2014]**

**For The Financial Year Ended 31 March 2017**

To,  
The Members of  
KIRLOSKAR OIL ENGINES LIMITED  
13, Laxmanrao Kirloskar Road, Khadki,  
Pune - 411 003.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **KIRLOSKAR OIL ENGINES LIMITED**, CIN L29120PN2009PLC133351 hereinafter called the Company. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Overseas Direct Investment. There was no incidence of Foreign direct Investment and External Commercial borrowing;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;-
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; [No incidence during the audit period, hence not applicable]
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; [No incidence during the audit period, hence not applicable]

- (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; [No incidence during the audit period, hence not applicable]
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; [No incidence during the audit period, hence not applicable]
- (vi) No other law is applicable specifically to the Company.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) Listing Agreement under the SEBI [(Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations) entered into by the Company with the BSE Ltd. & NSE Ltd;

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**I further report that,**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There was no change in the composition of the Board of Directors during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All the decisions in the Board Meeting were taken unanimously during the audit period.

**I further report that,** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**I further report that,** during the audit period there is no specific events / actions having a major bearing on the company's affairs.

Sd/-  
**Mahesh J. Risbud**  
Practicing Company Secretary  
FCS No. 810  
C P No.: 185  
UCN - S1981MH000400

Date : 10 May 2017  
Place : Pune



## MANAGEMENT DISCUSSION AND ANALYSIS

### ECONOMY AND MARKETS

This year needs to be seen in the wake of a set of tumultuous international and domestic developments – Brexit, political changes in advanced economies and two radical domestic policy actions: the GST and demonetisation. Against the backdrop of robust macro-economic stability, the year was marked by two major domestic policy developments, the passage of the Constitutional amendment, paving the way for implementing the transformational Goods and Services Tax (GST) and the action to demonetise the two highest denomination notes. GST will create a common Indian market, improve tax compliance and governance, and boost investment and growth; it is also a bold new experiment in the governance of India's cooperative federalism. Demonetisation has had short-term costs but holds the potential for long term benefits.

On the international front, Brexit and the US elections may herald a tectonic shift, forebodingly laden with darker possibilities for the global, and even the Indian, economy.

Real GDP growth in the first half of the year was 7.2%, on the weaker side of the 7.0 to 7.75 % projection in the Economic Survey Financial Year 2015-16 and somewhat lower than the 7.6 % recorded in the second half of Financial Year 2015-16.

The major highlights of the sectoral growth outcome of the first half of Financial year 2016-17 were: (i) moderation in industrial and nongovernment service sectors; (ii) the modest pick-up in agricultural growth on the back of improved monsoon; and (iii) strong growth in public administration and defence services producing a real Gross Value Addition (GVA) growth (7.2 %), quite similar to the one (7.1 %) in second half of Financial Year 2015-16.

Agriculture, forestry and fishing expanded by 6% while manufacturing and construction grew at 8.3% and 2.7% respectively despite withdrawal of high currency notes.

Currently, the manufacturing sector in India contributes over 15 % of the GDP. The Government of India, under the Make in India initiative, is trying to give a boost to the contribution made by the manufacturing sector and aims to take it up to 25 % of the GDP.

Kirloskar Oil Engines Limited (KOEL) being one of the pioneers of the 'Made in India' concept since independence continues to work towards bringing innovative product offerings to the customer at competitive prices.

This report will provide insights and an update on the Company performance through the Financial Year 2016-17 with a brief outlook for the Financial Year 2017-18.

### INDUSTRY AND COMPANY OVERVIEW

#### A. POWER GENERATION BUSINESS

For over three decades, despite an extremely competitive market, the Company's Diesel Gensets (DGs), have lead market shares with highest volumes. This has been made possible by superior and innovative product offerings backed by excellent aftermarket customer service and support. The range of DGs is formidable with a compact 2kVA DG on one end of the spectrum and a power packed 1010 kVA DG at the other end.

Diesel Gensets are popularly used as power back-up devices by Industry, building & Infrastructure segments. Indian DG set market is influenced by peak power deficit, growth in industrial, Realty &

Infrastructure segments and also by the country's overall economic growth. A key factor – power deficit has been at all-time low and in the recent past, the country has at times moved to a Power surplus situation as well as being a net power exporter. However, new regulations and requirements have spurred the requirement of gensets, albeit at a slow pace.

After years of sluggish growth, the DG set market witnessed buoyancy in Financial Year 2016-17 due to increase in economic activity. Overall, the Genset market saw 8 % growth in Financial Year 2016-17.

### Business Overview

The Company's revenue in Financial Year 2016-17 from Power Generation Business stood at ₹ 835 Crores as compared to ₹ 755 Crores in Financial Year 2015-16.

Your Company held on to dominant market share and leadership position in Low and Medium kVA segments and marched aggressively in High kVA segment.

### Launch of 750 & 1010kVA Gensets

During the year under review, the Company expanded its High kVA range with indigenously developed 750, 910 & 1010kVA. Powered by DV12 and DV16 CRDi engines, these new products offer class-leading customer benefits in terms of fuel efficiency, compact dimensions, low running costs and digital connectivity. Installed base, Order book and inquiry flow indicate positive customer response and excellent acceptance on performance and feature appeal. Many of these products have crossed 1000 plus working hours in usage in many markets with encouraging feedback from customers.

These new products open large-potential market segments for PG business and enable access to turn-

key projects, which will also be leveraged by existing products.



### 30,000 HHP Gensets

In the course of Financial Year, the Company reached a landmark of 30,000 HHP installations globally, contributing 7.5GW of backup power only through HHP products. To commemorate this momentous achievement, Power Generation business organized Customer connect programs. Top officials from key customer organizations attended the mega-events in all major market centers across India.

During these events, the Company's 30,000 HHP Genset journey was showcased with major milestones. 750 & 1010kV Gensets were unveiled to the customers with actual product & features display.





### Launch of new slimPOWER range:

The Company's Power Generation business enhanced customer appeal of their sub-15kVA range with introduction of the new slimPOWER range. This range offers a unique combination of ultra-compact design with enhanced fuel efficiency. A new rating 12.5kVA has also been created through this range. This has a wide appeal to retail customers and is set to enhance your company's dominant position in this product category.



### AMFI product range

Under the Kirloskar Green Technology (KGT) vertical, PG business launched Auto mains failure (AMFi) range of AMF panels. These feature-packed, compact panels facilitate automatic change-over in



the event of a power outage and ensure customer safety and comfort. Your Company is the only Genset manufacturer to offer own AMF panels, with one-stop product support for entire back-up solution to customers. This was a latent need of end customers to get reliable device since this market is dominated by unorganized players.

### Future outlook

It is expected that the improved market situation of Financial Year 2016-17 would continue in Financial Year 2017-18 on the back of increased activity level in the manufacturing, infrastructure sector and certain sub segments of Reality segment. This undoubtedly will augur well for your Company. Efficiencies built through KOEL's unique supply chain model enable us to quickly respond to surge in market demand. KOEL has now become the only company to offer the widest range of 2 to 1010kVA generators in back up power segment and we are confident that over the next couple of years the portfolio will be complete with the 1010 to 2000 kVA gap also being filled . PG business is well positioned to consolidate dominant position in Low and Medium kVA categories and also gain market share in high kVA category.

## B. AGRICULTURE AND ALLIED BUSINESSES

On a year on year basis, the Agriculture business grew at a healthy rate of 13.8% until Nov'16. However, sales plummeted with demonetization. Retail business was hit badly in key agriculture states of Uttar Pradesh, Bihar and Madhya Pradesh, where, almost 100% of the pump set sales happen on cash. Resulting from this, the full year growth was only 5% on year basis.

The Agriculture business has two verticals namely the Crop Irrigation business and the Farm mechanization business. The Crop Irrigation business focus is on diesel pump set, parts, oil and the electric pump set

segments. It has a wide distribution network of over 500 distributors and 22000 retailers. The farm mechanization business was set up in 2015 with focus on mechanization need for small and marginal farmers and has a dealer network of over 250 dealers providing sales, parts and service support to these farm machines.

### **CROP IRRIGATION (CI)**

The diesel pump set industry was looking forward to a favorable year based on the prediction of a better than normal (106% of Long Period Average - LPA) monsoon, after two consecutive years of drought. However, the actual was only 97 % of the LPA with Karnataka, Tamilnadu along with some northern states like Haryana and Punjab receiving less rainfall.

The subsidy release for Mega T in southern states was good but the same did not hold good for Assam and Orissa where the subsidy was stopped during the course of the year, resulting in a severe reduction in sales numbers.

### **FARM MECHANIZATION (FM)**

The level of mechanization in India is about 40% and there is huge scope for further improvement by providing farm equipment and implements at affordable prices to small & marginal farmers. Farm Mechanization has become a necessity due to acute labour scarcity and low yields due to poor cultivation. It was this opportunity that was envisioned when the Farm Mechanization vertical was set up in 2015. The entire business proposition has been based on a Cash and carry model and on a demand pull rather than product push. Power tiller variants developed in the case of Mega T 15, Mega T 12 & power weeder categories like Min T 5 & 8 HP in very short time is also a remarkable achievement.

### **Business Overview**

#### **CROP IRRIGATION (CI)**

The Company's revenue in Financial Year 2016-17

from Crop Irrigation business stood at Rs. 343.6 Crores, as compared to Rs. 344.14 Crores in Financial Year 2015-16. The working capital management in the business has been exceedingly good.

The Company continues to lead the industry in the conventional and portable diesel engine segments. Owing to reasons like availability of electricity, water table depletion, etc. the market has shrunk by about 15%. However, KOEL sustained its share by increasing the product basket.

During demonetisation, the Company, launched a digital campaign with all its channel partners for spreading information about the available digital modes of payment.

The Company has entered the electrical pumpsets business by piloting in select pockets in the states of Uttar Pradesh, Madhya Pradesh & Maharashtra. The Company has introduced 200+ SKUs in this category. To cater to the needs of this segment, "NO COMPROMISE" campaign was launched from day one through our call centre for end customers. This also includes registration of electrical pumpsets with the call centre. The Company also appointed 80+ Authorised Service Centres to ensure adequate after sales support.

#### **FARM MECHANIZATION (FM)**

The Company's revenue in Financial Year 2016-17 from Agri Farm Mechanisation Business stood at Rs.100 Crore, as compared to Rs.78 Crore in Financial Year 2015-16.

Farm Mechanisation business has developed a unique model for creating product awareness for multi-application suitability by way of "CUE" – (Customer usage experience), where not only live demonstrations are done but customers are also given the opportunity to experience the actual feel of the machine by testing the same. This has been a unique and successful model to promote effective & efficient sales of the product. On an average, CUE count has been more than 2000+ per month.



Your Company has also adopted a unique methodology for product launch which entails a tie up with the agriculture universities and research centres in each state. The product is showcased in the farm with proper branding. In addition, the Company has tied up for retail finance facilities with leading banks and NBFCs like SBI, BOM, IDBI, JK Bank, DCB, SAFAL, SBM etc. This has played an important role in supporting customers in buying our farm solutions.

**Mega T was also introduced in the international markets of Bangladesh & Nepal in line with the Company's vision to touch the world.**

Mega T has received several awards in the past one year viz. **CII - Industrial Innovation award, AIMA - Breakthrough product innovation award in R & D, Rural Marketing – Innovative Ideas for Rural Development and India Good Design Award.** It has also received the globally renowned **Japan Good Design Award 2016 held by Japan Institute for Design Promotion (JDP) at Tokyo Japan, which is a global recognition for good design.** Japan Institute for Design Promotion, was founded in 1957 by the Ministry of International Trade and Industry (the current Ministry of Economy, Trade and Industry) - Japan, and has been engaged in this work for about 60 years.

“**Min T** is a new launch from Kirloskar with the positioning of '**DARE TO GO NARROW – DARE TO GO HIGH**' under 5 HP and 8 HP category. This is a light weight and compact machine used for small farms and hilly regions where carrying a machine is an issue. The main application for this machine is puddling and interculture where inter row distance is less.

**Agri Business on Digital Platforms**

Digital platforms are extensively used in Agriculture business. In case of CI business **AgriFast - A Theory**

of Constraints methodology solution to monitor & distribute products effectively from supplier to retailer end has been launched. This portal can be used not only on desktops but also on mobile phones & tabs at field level.

**Kmwagri.com & koelagri.com** websites have been developed to showcase our products & reach to end customer. Presence of Agri BU on **social networking sites** like facebook, twitter, youtube, etc. has also played a major role for creating a connect with customers and channel partners.

Agri newsletter in the name of **AgriGate** was introduced for communicating business achievements with Company employees and our channel partners.



**Min T**



**Good Design Award**

## Future outlook

Agriculture business is primarily focused on transforming the lives of Indian farmers through innovative products, technology & delivery. While the business cannot eliminate the inherent risk of climate dependency, your company is taking several steps to minimize the risk. Some of these include:

- Diversification of product portfolio in Farm Mechanization by introducing products in sub 20 HP mechanization products segment
- Diversification of product portfolio in Crop Irrigation Business with new variants in portable pump set range, electrical pump set & consumables range
- Exploring inorganic growth opportunities
- Utilizing and earning extra mileage with the extensive distribution & service network

## C. INDUSTRIAL ENGINES BUSINESS

There was good traction seen in the Industrial segment with construction equipment segment registering a growth of almost 37% and tractor market also growing at a handsome 19%. This augured well for the Company's Industrial business, which grew by 19% in Financial Year 2016-17 as compared to the previous year.

### Business overview

The Company's revenue in Financial Year 2016-17 from Industrial Engine Business stood at ₹ 430 Crs, as compared to ₹ 350 Crs in Financial Year 2015-16.

The Industrial business revenues were directly contributed by the positive movement in infra and road construction along with timely monsoon which triggered the sales of Industrial, Off-Highway and agricultural equipment. Along with above factors, Company's focus on new applications and new customers resulted into overall growth of 23% by volume.

### *New Product Development and launches*

During the fiscal year, the Industrial business introduced higher horse power DV Series engine for firefighting pump set application. Also engines suitable for various new applications viz. piling winches, road sweeping machines, railway track laying machines and hydraulic power packs for shifting airport hangers, compactors were developed.



4 cylinder water cooled engine for compactor

### Future outlook

With the Government's commitment and focus on infrastructure, road construction and mining business, the Industrial Engines Business is



expected to continue this uptrend in coming quarters. The business will continue to focus on developing new applications, maintaining optimum inventory levels with OEMs, effectively using the centralized customer CARE Centre, improving working capital cycle and extending overseas warranty support to the machines exported by domestic OEMs. This focused approach of Industrial business is expected to help grow the current market further.

**D. CUSTOMER SUPPORT**

The Company's revenue in Financial Year 2016-17 from Customer Support Business stood at ₹ 361 Crs, as compared to ₹ 328 Crs in Financial Year 2015-16. Despite relative low DG set usage resulting from negligible power deficit, this BU registered a growth of 10% in this financial year.

Your Company is proud to have one of the best after sales service and support in the Industry. During the fiscal year, the Company has established "KOEL CARE" service brand at market place, thus providing a separate identity and recognition to the brand. Various initiatives were undertaken during the year to ensure full service play, enhance customer experience and to provide full fledge single window solutions to all customers for every electro-mechanical need.

Increase in usage of construction equipment due to enhanced road construction and infrastructure development activities resulted in good spares consumption. Your company has undertaken many customer connect activities across the country in terms of reaching to the customer sites and conducting training for machine operators, etc.

The Key Highlights were as under:

- "KOEL CARE Promise" to customer unveiled
- CDI (Customer Delight Index) score improved from 65 to 80
- Digitization drives on various aspects of business with a view to enhance customer experience.
- Specific categories like overhauling kits , battery chargers, and oil sales were promoted with win-win propositions for customers
- Substantial increase in service marketing and customer connects campaign reaching out to more than 57,000 customers directly during the year.



**"At Your Service" Van**



**Customer Mela at Ambala**

## E. INTERNATIONAL BUSINESS

In keeping with the Vision of KOEL touching the world by 2025, your Company's International operations continue to be one of the key strategic focus areas and growth drivers. The Company's International business supplies engines and gensets to over 40 countries across the world covering a wide range of industrial, agricultural and power generation applications.

2016-17 was a particularly difficult year for the world economy. The European economy continues to remain stagnant. Our traditional Middle East and African markets have witnessed immense volatility in the commodity markets and depreciation in currencies.

A moderate recovery is expected in Financial Year 2017-18, with receding obstacles to activity in commodity exporting emerging markets and developing economies. Global growth in 2016 is estimated at 2.3 % and is projected to rise to 2.7 % in 2017, on the back of expected growth pick up in emerging markets and developing countries.

### Business overview

Revenue from exports in Financial Year 2016-17 was ₹ 152 Crs. as against ₹ 231 Crs. in the previous fiscal. We suffered a decline of 34% in an extremely challenging macroeconomic environment. Power Generation business in export markets took the major hit during the year especially in the mainstay markets of the Gulf Corporation Council (GCC). Business in Agriculture and Industrial segments declined marginally.

Middle-East and Africa continue to be the focus markets for the Company, contributing a significant portion of export revenues. Competition from

multinational companies has intensified in export markets while the company faces severe price competition from Chinese and other domestic players in the agriculture export segment.

Currently the company exports its products to over 40 countries including the USA, Europe, Latin America, Middle East, Africa and South Asia/South East Asia. International business is facilitated by a network of four regional offices in UAE, South Africa, Kenya and USA, besides channel partners and OEM customers.

### Region wise Export Sales for Current Year

REGION	FY 2016-17 (%)
Middle East	45%
Africa	38%
South Asia and South East Asia	10%
North and Central America	6%
Others	1%

While, your company faced a rough year in international markets, it managed to put in place a lot of customer and market driven measures, which will help consolidation in the future and growth in the coming years. Our initiative of service as a differentiator has been showing results and the enhancement and expansion of the Power Generation product range further in existing markets has been appreciated by customers.

Key highlights in the International Business for the Financial Year 2016-17 as under:

- Garnered breakthrough orders from Middle East OEMs for FMUL fire-fighting engines. This business contributed over 10% of the overall export business.
- Efforts taken in the power generation markets of South East Asia have seen



initial success and the company intends to build on this in the next financial year.

- Power generation product range enhancement has received encouraging feedback and appreciation by customers as well as channel partners.
- The company's entry into the UK market last year with a new channel partner for the industrial segment has opened new growth avenues, with high repeat business potential in the coming years.
- Entry into the Argentina market with a renowned global OEM for FMUL fire pump engines, as well as channel partner for gensets.
- The company's extensive measures in the business of Agri engines and pump sets segment in MENA, Southern Africa and the Indian sub-continent region resulted in regaining market share.

### Future outlook

The thrust in Financial Year 2017-18 will be to penetrate focus markets and gain market share significantly and also to establish a solid foundation in new markets of Africa, South East Asia and Americas. Additionally, introducing new products in the fire-fighting and power segments, including high horse power range of gensets. Entry into new markets and new products introduction, will contribute in a larger way to the export business pie and reduce dependence on the traditional existing markets of the Middle East and Africa.

Our 100% subsidiary "KOEL Americas" was incorporated in the USA in the Financial Year 2015-16. This Company has already enabled introduction of KOEL products in Argentina in this year, and has

initiated business in Ecuador, Peru and Colombia, through new channel partners and OEMs. This company will drive our expansion in Latin American market and FMUL fire pump OEM business. The process of validation of certain specific engines for EPA certification is also under way, to make these eligible for sale in the USA.

### F. LARGE ENGINES BUSINESS

Large engine business caters to a niche segment where demand is based on the launch of large government projects and defence power and propulsion requirements which includes Energy systems for radars, communication systems, repowering of vehicles, gensets and propulsion engines for defence and commercial marine segment.

### Business overview

The Company's revenue in Financial Year 2016-17 from Large Engines Business stood at ₹ 141 Crs., as compared to ₹ 107 Crs. in Financial Year 2015-16.

Innovation and New product development remains the focus area for growth. In keeping with the customers' requirements, light weight and compact generating sets were developed. The Company obtained necessary approval from Defence Authorities for these new products.

Your Company is one of the top six organizations to develop powerpack for BMP II, an infantry Combat Vehicle. The development process will be completed in Financial Year 2017-18.



**BMP II Powerpack**

Your Company also developed Marine engines for fishing boat and propulsion application. These engines have undergone type certification by Indian Registrar of Shipping (IRS) and were launched in Financial Year 2016-17 for propulsion of small and mid-size ships. During the year, the Company received an order for 2 series of engines for fishing boats.



**Marine engines for fishing boat application**

Your Company has commenced business in Railways Auxiliary Power units (APU). During the year, two variants have been developed for APU along with its Qualification testing from Railway Authorities. The first unit to Railways has been supplied.



**Railways Auxiliary Power unit**

CPCB II approval for the Company's plant located at Nashik has been obtained. The Company has successfully signed a wage agreement for its plant located at Nashik prior to the expiry of the earlier wage agreement.

**Future outlook**

The Large Engines business will continue to drive its growth in Defence and Marine power and propulsion segments and will also focus on expanding business in the area of fishing boat engines market.

With the Motoren- und Turbinen-Union (MTU) MOU in place, your Company remains geared and capable to take on all future orders from Nuclear Power Corporation of India Limited. With development of new light weight and compact DG sets, your company is gearing up to establish a new category of DG sets for defence. The Nashik plant will continue to be the main manufacturing and assembly hub for the business especially with all defence and marine engines and DG sets assembly operating out of the plant.



## RESEARCH AND APPLICATION ENGINEERING

Research is a key enabler that helps KOEL remain relevant and competitive and drive growth through innovative solutions and enhanced product offerings. Over the years, your Company has set up an excellent R&D facility, operated by a very competent team, which works closely with our businesses to deliver high value to customers. R&D efforts are focused on expanding product range and solutions in line with changing market needs and emission standards for sustainable future growth. With an ultimate aim of providing value added products to customers, the research team is working towards achieving benchmarked parameters both in the domestic and global markets to offer the most advanced and comprehensive range of products. During the year, the team supported the launch of several innovative products that enabled your Company fortify its market leadership position. The HHP genset product portfolio from 750 to 1010 kVA based on DV12 and DV16 engine and 5 HP & 8 HP power-weeder were developed last year.

### Enhancing existing product lines

Several enhancements were made to existing product lines:

- High Horse Power Products have been offered in Fire Pump application
- Current FMUL (Factory Mutual Underwriters Laboratory) engines range developed few years, has been launched in export market
- 3000 rpm FMUL engine range is under development. The product and certification process will take at least 18 months
- Tier III engines have been offered for Backhoe and Forklift application for European market

- BS III emission solution with in-line fuel pump was developed for 4 cylinder and 6 cylinder engines upto 150 HP

The R&D team ensured smooth and successful transition and upgrades for the following:

- Bharat Stage III (BS III) emission compliant engines for construction equipment
- Entire range of Diesel and Petrol Genset models upgraded to meet CPCB stage II emission norms
- Bharat (TREM) Stage III A emission norm compliant engines for tractor application

### Innovating for a sustainable future

Some of the specific focus areas of R&D efforts in the current fiscal were:

- Cost effective emission solution for Tier 4 / BS IV Final norms
- Design of new engine platforms
- Design optimization methodology based on Three Dimensional Analysis
- Development of special marine application

### Future Outlook

The R&D focus will continue towards modernizing and upgrading existing product development facilities and development of new technologies for cost effective emission solution. New application development, for new market and value engineering will form part of the short term goals. Your Company also plans to further enhance the High Horse Power

(HHP) range through development of new products. New applications like marine genset and marine propulsion engines for export to developed countries will also be a priority. The R&D business strategy will continue to focus on increasing efficiency, enhancing customer satisfaction and strengthening business presence in key strategic growth markets.

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## QUALITY ASSURANCE

Focused Product quality improvement programs were planned and executed across various KOEL product offerings.

Generator sets meant for exports were significantly upgraded based on country specific requirements. First hand understanding of actual operating conditions was the trigger for these up-gradation measures.

Customer complaints were reduced significantly through various improvement initiatives like “Leak free Engines” “Reliability of electrical components” etc.

Internal PPM level was also kept well under control.

As a result, Customer perception on quality of KOEL products has improved significantly. The A.C. Neilson Customer Satisfaction Survey confirms “EXCELLENT” rating in all KOEL products offered in the Power Generation and Industrial segments.

Supplier Quality Improvement approach was reviewed and major thrust was given towards enabling the suppliers on aspects like statistical process control, audit systems and early involvement of suppliers at new product development stage.

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## SUPPLY CHAIN

A seamless supply chain complements manufacturing operations, where concerns over material shortage and clearance of final manufactured product are non-existent. Over the years, your Company has nurtured and built a strong vendor base where quality and timely delivery are taken for granted. Your Company's supply chain is actively involved in building a Sustainable Supplier base. The entire supply chain which includes material procurement, inbound logistics, subcontracting, material handling and finished product supplies to markets is constantly evolving and keeping pace with the current business scenario.

Your Company with a strong focus on Supplier Partnership is engaged in many initiatives viz. Supplier Development, Supplier Training, Technology Days and Facilitator for forming MSME Clusters.

In order to augment the capabilities of suppliers and align them with our requirements, a fair amount of proactive work was done during the last year in the area of Supplier integration. Various supplier training programs on specific processes were conducted throughout the year. “Inclusive Procurement” is what KOEL believes in and we encourage our suppliers to work together with us in implementing new concepts and ideas and in development of new products.

Under Supplier Development initiative, we had launched a project under the aegis of “Samwardhan”. This program laid special emphasis on developing the entrepreneurial skill of MSME Supplier group and is in advanced stage of completion and the benefits are already visible.

Going forward this year we have facilitated the formation of 7 MSME Clusters with the help of the National Productivity Council, Govt. of India. These Suppliers will now collaborate and work together



under cluster group and we expect remarkable changes at their end which will eventually help our Organization as well as Government of India's "Make in India" initiative.

As part of supplier trainings, in addition to the regular training programs on Production Part Approval Process (PPAP), Energy Conservation, Geometrical Dimensioning & Tolerances (GD&T), Measurement System Analysis (MSA) etc. special sessions were conducted on Six Sigma, Value Stream Mapping, and Single-Minute Exchange of Dies (SMED) to make the suppliers capable of handling complex situations.

Technology days are a platform where Suppliers get a chance to showcase their products and new technologies which can be appropriately used in our products. Similar to previous years, several Technology days have been conducted this year too.

The annual Supplier Quality Improvement contest which is now a well-appreciated and benchmark platform amongst the supplier fraternity to Share-Learn and Apply the prowess of the participating Supplier Partners was organized during the year.

Trainings on Supplier awareness and projects on reduction on use of natural resources were deployed in Supply Chain. In addition to this many Green Sourcing initiatives were taken forward in last year which focused on recycle and reuse.

Your Company's Supply chain is now capable of handling changing quality expectations, fulfilling global requirements and meeting all statutory requirements. All this while working aggressively on new technology implementation and shrinking development lead times to meet market requirements. The testimony of this was evident in the seamless launch of 750-910-1010 KVA range of HHP products.

## ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY (EHS)

During the year, numbers of initiatives were undertaken in your Company's plants and offices in the areas of Environment, Occupational Health and Safety (EHS). Some of the key initiatives are listed below –

### Pune Plant

#### Environment initiatives

- Installation of New stacks as per statutory requirements due to change in manufacturing layout
- Asbestos roof sheets were removed as per statutory norms
- Use of fly ash bricks for civil work

#### Occupational Health initiatives

- Blood donation camp
- Eye check-up camp for employees with refraction correction and vision test
- Lecture on diabetes management
- Periodical Medical examination of all employees
- International Yoga Day

### Kagal Plant

#### Environment initiatives

- Additional Buffer tank for enhancing storage capacity of domestic effluent and smooth distribution of domestic sewage
- Installation of Biogas generator

- Installation of rainwater filtration system
- Installation of solar water pumps for Drip/Sprinkler irrigation, ETP blower and filtration system
- Additional Storage ponds for rain water harvesting system
- Installation of water flow meters for monitoring consumption of Assembly line Air Handling Units
- Celebration of World Environment Day for awareness creation amongst employees & nearby villages
- Celebration of Kirloskar Vasundhara International Film Festival for society environmental awareness creation
- Plantation of 1200 number of trees at plant on World Environment Day.
- Use of ETP treated water for domestic usage

#### Occupational Health initiatives

- Blood donation camp where, 534 employees donated blood
- First Aid Training, 29 employees were duly certified as trained first-aiders
- Annual medical check-up for all employees

#### Safety Initiatives

- Annual Safety Audit
- Safety Awareness for employees
- Conducted mock drill for emergency preparedness plan
- Training and authorisation of operators for material handling equipment

### **Nashik Plant**

#### Environment initiatives

- Celebration of World Environment Day
- Celebration of Kirloskar Vasundhara International Film Festival for society environmental awareness creation
- Workshop on Zero Waste at Home for employees
- Tree Plantation at plant

#### Occupational Health initiatives

- Yoga awareness session on International Yoga Day
- Annual Medical Checkup
- Lecture on "obesity"
- Blood donation Camp where 67 employees donated blood
- Tetanus Immunization done for all employees

#### Safety Initiatives

- Display of safety instruction at Main gate for visitors to create awareness
- Training and authorisation of operators for material handling equipment

### **Rajkot Plant**

#### Environment initiatives

- Re-use of RO waste water for domestic use
- Recycling of lubricating oil
- Celebration of World Environment Day



- Celebration of Kirloskar Vasundhara International Film Festival for society environmental awareness creation
- Tree Plantation at plant
- Installation of flow meter for water and diesel

Occupational Health initiatives

- Blood donation camps organized where 29 employees donated blood
- Awareness Session on Hepatitis
- Annual Medical Checkup
- First Aid Training for employees

Safety Initiatives

- Conducted mock drill for emergency preparedness plan
- Training and authorisation of operators for material handling equipment

inspiring, strong and credible leaders. In the area of Talent Management, focused initiatives were successfully launched. An outbound workshop 'Strategic Review and Planning' (STRAP) was conducted for the Senior Leadership Team. Other programs like Project Velocity, VDA 6.0 and Leadership Fountain were initiated for capability development. Identification of High-Potential employees through an intensive process was done. Training Calendar is prepared from inputs consolidated from Individual Development Plans.

During the year, the focus was to ensure that talent is nurtured and mentored consistently, that rewards and recognition are commensurate with performance and that employees have the opportunity to develop and grow. The entire Rewards and Recognition program has been revamped under the brand name 'Samman'. Regular Rewards and Recognition functions are held on a monthly, quarterly and annual basis, where both individual and team contributions are recognised.

With the re-launch of BaatCheet – the quarterly magazine in digital avatar, regular communication is ensured and employees are aligned on common objectives and have the right information on business evolution.

KOEL focuses on improving the way of life, work culture, employee engagement, productivity, effectiveness and efficiency. The goal is to have highly talented employees on board who are fully engaged and deliver high levels of performance at work. Assessment of employees is done on the basis of a combination of Performance & Potential.

Our focus on values remains undiminished as we believe that belief and action linked by common set of values will drive this company's performance to greater heights. Focus on values is constantly reinforced through day to day actions and conversations and form the bedrock of everything that we do. Values 360 degree survey is a feedback

**HUMAN RESOURCES AND INDUSTRIAL RELATIONS**

Employees form an integral part of the organization and at KOEL we believe that the Human Resources function is the catalyst to many a change and transformation. Partnering and supporting businesses in their growth agenda forms the core activity of the HR function. Your Company has put concerted efforts in improving employee life cycle management covering talent management, succession planning practices, performance management and learning and development. All this to ensure that your Company consistently develops

process to understand as to how our leaders and managers continue to be aligned to the common set of Values which KOELians subscribe to.

Attracting, developing and retaining the right talent will continue to be a key strategic imperative and the organisation continues its undivided attention towards that.

The Company continues to maintain healthy and harmonious industrial relations across all its manufacturing plants and offices. As on 31 March 2017, there were 2394 employees on the Company's roll. Some of significant events which took place during the year include:

- Signing of wage settlement agreement for Nasik Plant, prior to expiry of the earlier settlement, without losing a single man-day. The Company has set a benchmark for all industries around Nasik.
- Continued endeavour to identify several thrust areas for continuously enhancing technical, professional and functional capabilities of employees towards fostering a performance driven work culture in all areas of operations particularly at shop floors. The whole-hearted involvement of employees in various initiatives like Kaizens, ENCON, Quality, Safety, Kirloskar Vasundhara Film Festival and WASH are few examples
- Health and wellbeing through health check-up of all employees
- Lectures on health, fitness, common ailments/diseases and life style improvement organised with a view to enhance employee awareness.

## FINANCE, ACCOUNTS, LEGAL AND SECRETARIAL

The Finance function has increasingly played the role of business partner and has led several strategic initiatives that ensure improved efficiency and profitability in the organization. The overall business environment has remained highly competitive and it was imperative that profit improvement and value engineering initiatives were taken up in order that the Company's products remain competitive and accessible to the customers.

In the last couple of years, your Company had taken several initiatives, cutting across the length and breadth of the organization to ensure that it is future ready and geared to accelerate its growth strategy with prospects of a better economic and industrial climate. Except for minor challenges like demonetization, the improved economic climate in the current fiscal together with a better monsoon provided an opportunity for your Company to put to test what it has been readying for. With zero debt, a strong cash position and excellent working capital management the Company's Balance Sheet remains strong and poised for accelerated growth.

The finance function has also taken several initiatives to improve data integrity and support business decision making. IT enablement of several erstwhile manual processes have ensured improvement in speed and reliability of information at reduced cost.

Adherence to statutory and regulatory compliance has always been given the highest importance. Your Company uses a work flow based legal compliance software tool that monitors and ensures compliance of all applicable regulations across all factories and offices.



## INTERNAL CONTROLS AND RISK MANAGEMENT

The Internal Audit Department (IAD) monitors the effectiveness of the internal controls continuously with an objective to provide an independent, objective and reasonable assurance on the adequacy and effectiveness of the organization's risk management and controls. The IAD's processes cover all businesses and functions of the organization including plants, corporate office, area offices and depots.

The Company uses the control self-assessment (CSA) tool for assessing the robustness of controls. The CSA process, supplements the regular audit and gives an assurance with respect to efficacy of controls across all major functions, businesses and operations. This process helps the business and functional heads to continuously monitor the controls and take action when controls are seen to be weak. The CSA process helps the Internal Audit Department to improve the areas under audit coverage and focus on vulnerable ones.

The IAD which operates on a co-sourced model, conducts audits based on a comprehensive risk based audit plan which is approved by the Audit Committee. The internal audit process is IT enabled to support tracking of open issues and their closure, audit processes and planning. Significant observations made by the internal audit team and the follow up actions thereon are reported to the Audit Committee.

The Enterprise Risk Management process (ERM) facilitates identification and assessment of business and enterprise risks faced by the Company. The Internal Audit Department works with the businesses and functions to review the mitigation plans for key risks periodically and ensure that they are aligned to the projects undertaken as per strategy adopted by

the Company. The mitigation plans for business risks are discussed with the heads and mitigations plans for enterprise risks are reviewed and presented to the Audit Committee periodically.

## AWARDS, RECOGNITIONS AND CERTIFICATIONS

The Company's march towards excellence continued unabated. Some of the recognitions received for our relentless efforts of quality delivery and operational excellence included:

- Kagal plant
  - a. "IGBC Green Existing Building Gold 2016" award
  - b. CII-ENCON-2016 National Award for "Energy Conservation"
  - c. "Energy Efficient Plant" at 17th National Award for Excellence in Energy Management 2016 organized by CII
  - d. 3rd Prize for State Level award for Excellence in Energy Conservation & management by Maharashtra Energy Development Agency (MEDA)
  - e. "Certificate of Excellence" at 11th State Level EC Award 1516 in Large Engineering industry category through MEDA
- Industrial Business
  - a. Best OEM Supplier award from Ajax Fiori Engineering (I) Pvt. Ltd

- b. Best Supplier award from Schwing Stetter (India) Pvt. Ltd.
- c. Best delivery performance award from Sany Heavy Industry India Private Limited

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## RISKS, OPPORTUNITY AND THREATS

The ERM framework addresses the risks and opportunities in line with the Company's strategy / projects. Some of the major risks, opportunities and threats in the Company radar are detailed below:

### Risks

- Poor economic environment in international markets may restrict growth opportunities
- Improving power situation would hamper genset sales
- Below normal monsoons may hamper Farm Irrigation and Farm Mechanization product sales
- Anticipated volatility in global financial markets may pose challenges for the company
- Succession Planning challenges and the ability to attract and retain top talent may impede/derail growth opportunities.

### Opportunities

- GDP growth of 7% plus is expected to be driven mainly by a surge in public spending and agriculture.
- Manufacturing has emerged as one of the high growth sectors in India. 'Make in India' program to place India on the world map as a manufacturing hub and give global recognition to the Indian economy
- There is potential for the sector to account for 25-30 per cent of the country's GDP and create up to 90 million domestic jobs by 2025. Business conditions in the Indian manufacturing sector continue to remain positive.

### Threats

- External factors such as the US rate tightening and a slowdown in China that pose greater risks to the economy
  - Rapid speed of disruptive innovations and /or new technologies within the industry may outpace the organization's ability to compete and manage risks.
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## REPORT ON CORPORATE GOVERNANCE

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

Your Company is proud of the high standards it has set for exemplary governance and continues to lay strong emphasis on transparency, accountability and integrity. The Company firmly believes that good Governance is an essential ingredient of any business, a way of life rather than a mere legal compulsion.

The Company's Code of Business Conduct, its Risk Management Framework together with its well-structured internal control systems which are subjected to regular assessment for its effectiveness, reinforces integrity of Management and fairness in dealing with the Company's stakeholders. This, together with meaningful CSR activities and sustainable development policies followed by the Company has enabled your Company to earn the trust and goodwill of its investors, business partners, employees and the communities in which it operates.

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 for Board of Directors and Senior Management, adoption of CII's Business Excellence framework, Code for prevention of Insider Trading and also re-enforcing our commitment towards Corporate Sustainability and adoption of the GRIs guidelines on Triple Bottom Line reporting.

### A. BOARD OF DIRECTORS

#### ▪ Composition of the Board

The Board composition is in conformity with Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as SEBI Listing Regulations, 2015). The Board comprised of 12 directors as on March 2017. The composition of the Board was as under:

Category of Directors	No. of directors
Executive (including Executive Chairman)	4
Non-Executive and Independent	6
Non-Executive and Non Independent (including Woman Director)	2
<b>Total</b>	<b>12</b>

#### ▪ Meetings held

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

During Financial Year 2016-17, the Board met 5 times on 18 May 2016, 4 August 2016, 21 October 2016, 25 January 2017 and 8 March 2017.

The Annual General Meeting of the Company was held on 5 August 2016.

#### ▪ Board Procedure

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

The Board also, inter-alia, reviews quarterly / half yearly / annual results, business strategy, annual operating plan, legal compliances, minutes of Meetings of Committee of the Board, review of internal control framework and risk management etc. The required information as enumerated in Part A of Schedule II of SEBI Listing Regulations, 2015 is made available to the Board of Directors for discussions and consideration at Board Meetings. The Board is also kept informed of major events / items and approvals are taken wherever necessary.

▪ **Category and Attendance of Directors**

The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the financial year 2016-17 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 March 31, 2017 are as follows:

Sr. No.	Name of Director	No. of Director-ships in other Public Ltd. Cos.	No. of Committee positions held in other Public Ltd. Cos. **		Attendance at meetings		No. of shares held by Non-Executive Directors
			Chairman	Member	BM	AGM	
	<b>Executive Directors</b>						
1	Atul C. Kirloskar *	5	1	-	5	Yes	NA
2	Gautam A. Kulkarni *	1	-	-	2	Yes	NA
3	Nihal G. Kulkarni *	3	-	2	5	Yes	NA
4	Rajendra R. Deshpande	1	-	-	5	Yes	NA
	<b>Non-Executive and Non Independent Director</b>						
5	Rahul C. Kirloskar *	4	-	2	5	Yes	1,77,32,902
6	Gauri Kirloskar *	-	-	-	5	Yes	-
	<b>Non-Executive and Independent Directors</b>						
7	Pratap G. Pawar	5	3	1	5	Yes	5,355
8	R. Srinivasan	6	3	2	5	Yes	3,750
9	M. Lakshminarayan	5	1	3	5	Yes	-
10	Mahesh Chhabria	1	1	-	5	Yes	11,552
11	Pradeep R. Rathi	8	1	5	5	Yes	-
12	Vinesh Kumar Jairath	7	3	5	5	Yes	-

**Notes:**

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

\*\* Includes only Audit Committee and Stakeholder Relationship Committee as per Regulation 26 of the Listing Regulations, 2015.

None of the Directors on the Board is a Member of more than 10 Committees and Chairperson of more than 5 Committees in all public limited Companies whether listed or not in which he is director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other public limited Companies.

Atul C. Kirloskar and Rahul C. Kirloskar, being brothers, are related to each other. Atul C. Kirloskar and Gauri Kirloskar, being father and daughter, 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 as defined under Companies Act, 2013, including rules thereof.



■ **Familiarization Programme for Independent Directors**

The Company has familiarization programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. The details of familiarization programme imparted to the Independent Directors are available on the website of the Company. (web-link - <http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/KOEL-Familiarisation-Programme-for-Independent-Directors.pdf>)

**B. BOARD COMMITTEES**

**1. Audit Committee**

The Audit Committee comprises of 4 Non-Executive Directors, majority of who are Independent. The composition is in conformity with Regulation 18 of SEBI Listing Regulations, 2015.

During Financial Year 2016-17, 4 meetings of the Committee were held on 18 May 2016, 4 August 2016, 21 October 2016 and 25 January 2017.

The composition of the Committee and attendance at its meetings as at 31 March 2017 are given below:

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

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

The role/terms of references of Audit Committee broadly include:

- i. Reviewing with the management, the quarterly / annual financial statements before submission to the Board for approval;
- ii. Recommendation for appointment of statutory and cost auditor and their remuneration;
- iii. Review of Internal audit reports relating to internal control weaknesses and discussion with internal auditors any significant findings and follow up there on and
- iv. 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 (c) of sub-section 3 of section 134 of the Companies Act, 2013.
  - 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. Modified opinion(s) in the Draft Audit Report.
- v. All other terms/role as specified under Section 177 of the Companies Act, 2013 and SEBI Listing Regulations, 2015.

## 2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of 3 Non-Executive Directors, majority of who are Independent. The composition is in conformity with Regulation 19 of SEBI Listing Regulations, 2015.

During Financial Year 2016-17, 2 meetings of the Committee were held on 18 May 2016 and 21 October 2016.

The composition of the Committee and attendance at meeting as at 31 March 2017 is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Mahesh Chhabria (Chairman)	Non-Executive and Independent	2
2	M. Lakshminarayan	Non-Executive and Independent	2
3	Rahul C. Kirloskar	Non-Executive and Non Independent	2

The role/terms of reference of the Nomination and Remuneration Committee broadly include:

- i. To identify persons who are qualified to become directors in accordance with the criteria laid down in the Companies Act, 2013 read with rules made thereunder and SEBI Listing Regulations, 2015, and recommend to the Board their appointment and removal;
- ii. To make recommendations to the Board concerning suitable candidates for the role of independent director;
- iii. To formulate policy relating to the remuneration for the directors, key managerial personnel and other employees;
- iv. Evaluation of performance of each Director and
- v. Recommendation of appointment and remuneration of senior management one level below the Board.
- vi. All other terms/role as specified under Section 178 of the Companies Act, 2013 and SEBI Listing Regulations, 2015.

### Criteria of Performance Evaluation of Independent Directors

The Nomination and Remuneration Committee lays down the criteria for performance evaluation of Directors. A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as achievement against key performance objectives, attendance at meetings, time devoted for the Company, contribution in the Board process etc.

## 3. Stakeholder Relationship Committee

The Committee has been constituted to look into shareholders'/ investors' complaints / grievances like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends etc. and redressal thereof. The Stakeholders Relationship 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



During Financial Year 2016-17, no meetings of the Committee were held.

Status of Investor's Complaints as on 31 March 2017 and reported under Regulation 13 of SEBI Listing Regulations, 2015 is as under:

Complaints as on 1 April 2016	2
Received during the year	6
Resolved during the year	8
Pending as on 31 March 2017	0

The Company had no share transfer requests pending as on 31 March 2017.

**Name, designation and address of Compliance Officer**

Ms. Smita A. Raichurkar, Company Secretary

Kirloskar Oil Engines Limited (Secretarial Department)

Laxmanrao Kirloskar Road,

Khadki, Pune - 411 003

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

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

**Designated email ID for Investors: [investors@kirloskar.com](mailto:investors@kirloskar.com)**

The Company has displayed the same ID on its website for the information of investors.

**C. REMUNERATION TO DIRECTORS**

The Company has adopted a Nomination and Remuneration Policy for the Directors, Key Managerial Personnel and Senior Management Personnel which is uploaded on the Company website.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors. The Board, based on recommendation of Nomination and Remuneration Committee, decides the commission payable to the Executive Directors on determination of the profits for the Financial Year, within the ceilings prescribed under the Companies Act, 2013. Agreements have been separately entered into with the Executive Directors setting out the terms and conditions of appointment and tenure as recommended by the Committee and approved by the Board. There is no notice period and no severance fees prescribed in the agreement(s).

The Board of Directors based on recommendation of Nomination and Remuneration Committee decides the remuneration payable to Non-Executive Directors by way of Commission, based on parameters for performance evaluation given under the Nomination and Remuneration Policy. The members at the Annual General Meeting of the Company held on August 12, 2014, 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 the Companies Act, 2013.

Sitting fees of ₹ 50,000/- per meeting of the Board & Audit Committee and ₹ 25,000/- per meeting for Corporate Social Responsibility Committee, Nomination and Remuneration Committee and Stakeholder Relationship Committee is payable to Non-Executive Directors for the meetings attended.

**Following are the details of the remuneration paid / payable to Directors during Financial Year 2016-17:**

Amount in ₹

Sr. No.	Name of director	Basic Salary	Allowances	Statutory Contributions	Perquisites*	Commission	Sitting Fees	Total
<b>Executive Directors</b>								
1	Atul C. Kirloskar	12,000,000	2,000,000	3,240,000	3,224,105	12,000,000	-	32,464,105
2	Gautam A. Kulkarni	12,000,000	2,000,000	3,240,000	10,773,592	12,000,000	-	40,013,592
3	Nihal G. Kulkarni	8,793,548	2,000,000	2,374,258	3,117,291	25,000,000	-	41,285,097
4	Rajendra R. Deshpande	8,400,000	1,380,000	2,268,000	134,428	24,000,000	-	36,182,428
<b>Non- Executive Directors</b>								
5	Rahul C. Kirloskar	-	-	-	-	1,200,000	525,000	1,725,000
6	Pratap G. Pawar	-	-	-	-	975,000	450,000	1,425,000
7	R. Srinivasan	-	-	-	-	975,000	450,000	1,425,000
8	M. Lakshminarayan	-	-	-	-	1,525,000	300,000	1,825,000
9	Mahesh R. Chhabria	-	-	-	-	2,625,000	500,000	3,125,000
10	Gauri Kirloskar	-	-	-	-	375,000	250,000	625,000
11	Pradeep R. Rathi	-	-	-	-	450,000	275,000	725,000
12	Vinesh Kumar Jairath	-	-	-	-	1,375,000	250,000	1,625,000
	<b>Total</b>	<b>41,193,548</b>	<b>7,380,000</b>	<b>11,122,258</b>	<b>17,249,416</b>	<b>82,500,000</b>	<b>3,000,000</b>	<b>162,445,222</b>

**Notes:**

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

**D. DETAILS ON GENERAL BODY MEETINGS**

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

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
2014-15	12 August 2014	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	I. Payment of commission to Non-Executive Directors over and above sitting fees. II. Amendment of Clause 121 of Articles of Association of the Company
2015-16	7 August 2015	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-
2016-17	5 August 2016	11.45 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-

**RESOLUTION PASSED BY POSTAL BALLOT**

No special resolution passed by way of Postal Ballot during FY 2016-17. No special resolution is proposed to be passed at the ensuing Annual General Meeting by way of postal ballot.

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

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



**F. MEANS OF COMMUNICATION**

**a. Quarterly results**

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

**b. Presentations to Institutional Investors / Analysts**

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

**c. NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre**

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

**G. GENERAL INFORMATION FOR SHAREHOLDERS**

**a. Annual General Meeting**

<b>Corporate Identification Number (CIN)</b>	L29120PN2009PLC133351 (Registrar of Companies, Pune)
<b>Annual General Meeting</b>	Date and Day : 4 August 2017, Friday Time : 11.45 A.M. Venue : Sheraton Grand Pune Bund Garden Hotel (formerly Le Meridien), Raja Bahadur Mill Road, Pune – 411 001
<b>Financial Year ended</b>	31 March 2017
<b>Book Closure</b>	29 July 2017 to 4 August 2017 (Both days inclusive)
<b>Dividend Payment Date</b>	On or before 28 August 2017
<b>Last date of receipt of proxy forms</b>	2 August 2017, before 11.45 A.M. at Registered Office of the Company
<b>Financial Calendar 2016-17</b>	During Financial Year 2016-17 the results were announced as under: First quarter : 4 August 2016 Second quarter : 21 October 2016 Third quarter : 25 January 2017 Fourth quarter : 10 May 2017
<b>International Security Identification Number (ISIN)</b>	INE146L01010
<b>Name of Stock Exchange and Stock Code</b>	1. BSE Limited (BSE) – 533293 2. National Stock Exchange of India Limited (NSE) – KIRLOSENG
<b>Listing fees</b>	The Annual Listing fee for FY 2016-17 has been paid to BSE and NSE, where the Company's shares are listed.

**b. Shareholding Pattern as on 31 March 2017**

Category	No. of shares of ₹. 2/- each	% of Share holding
Promoter and Promoter Group	8,58,02,905	59.33
Foreign Institutional Investors (FII)	1,85,86,734	12.85
Foreign National	11,257	0.01
Individuals	2,48,66,588	17.20
Insurance Companies	47,37,552	3.28
Financial Institution and Banks (FI & Banks)	54,36,193	3.76
Mutual Fund	39,61,864	2.74
Bodies Corporate	7,79,858	0.54
NRIs	3,86,523	0.27
Others	44,387	0.03
<b>TOTAL</b>	<b>144,613,861</b>	<b>100.00</b>

**c. Distribution of shareholding as on 31 March 2017**

Range of Shares	No. of shareholders	No. of Shares	% to total shares
1- 500	28365	2554948	1.77
501-1000	3409	2379111	1.65
1001-5000	3666	7524268	5.20
5001-10000	461	3243711	2.24
10001-20000	187	2610965	1.81
20001-30000	55	1318194	0.91
30001-40000	33	1163861	0.80
40001-50000	23	1027066	0.71
50001-100000	37	2664078	1.84
100001-Above	42	120127659	83.07
<b>Total</b>	<b>36278</b>	<b>144613861</b>	<b>100.00</b>

<b>Dematerialisation of shares and liquidity (as on 31 March 2017)</b>	13,69,99,762 Equity Shares (94.73%)
<b>Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity</b>	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.

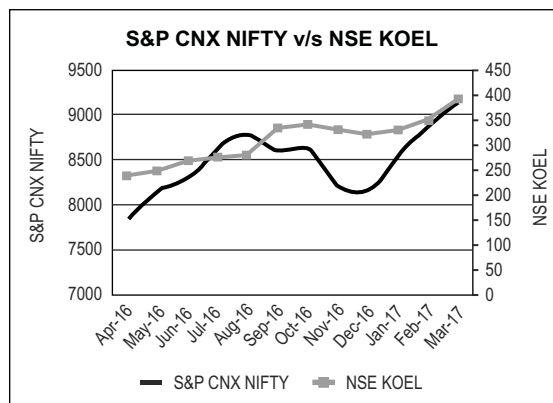
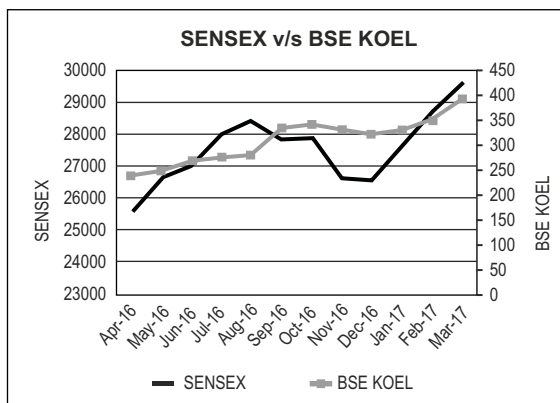
**d. Market Price Data**

Monthly high/low share prices during the year 2016-17 on the BSE and NSE are as below:

BSE			NSE		
Month	High Price	Low Price	Month	High Price	Low Price
Apr-16	250.35	211.00	Apr-16	254.00	210.95
May-16	282.10	225.50	May-16	283.35	222.50
Jun-16	274.00	238.10	Jun-16	274.50	240.05
Jul-16	284.40	254.00	Jul-16	284.90	254.45
Aug-16	292.00	268.00	Aug-16	293.65	267.95
Sep-16	358.55	278.00	Sep-16	359.75	276.20
Oct-16	369.95	334.15	Oct-16	369.00	333.00
Nov-16	355.00	309.00	Nov-16	354.60	302.40
Dec-16	339.35	318.55	Dec-16	338.00	313.60
Jan-17	342.95	320.00	Jan-17	344.00	320.60
Feb-17	359.80	328.55	Feb-17	361.00	328.35
Mar-17	400.65	352.00	Mar-17	405.00	352.65



**Performance of monthly close price of the Company's Scrip on the BSE and NSE as compared to the monthly close S&P SENSEX and S & P CNX Nifty for the year 2016-17**



**e. 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. The details of transfer/transmission of shares are placed before the Board on regular basis.

Pursuant to the SEBI Listing Regulations, 2015, 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 / Composite Scheme etc. are uploaded on the Company's website under tab Investors' Relations.

**f. Address for correspondence**

**Registrar and Share Transfer Agent**

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

The contact details are as follows –

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

Sr. No.	Location	Address	Products manufactured
1	Pune	Laxmanrao Kirloskar Road, Khadki, Pune – 411 003	Engines
2	Kagal	<b>Plant I -</b> Plot No. D1, 5star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur. Pin - 416236	Engines, Gensets and Pumpsets
		<b>Plant II -</b> Plot No. D1, 5star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur. Pin - 416236	Engines
		<b>Plant III - (KMW Unit) -</b> Plot No. E-18, Opposite M/s. Suktas India Ltd., 5star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur. Pin - 416236	Power Tiller
		<b>Spares Parts -</b> Plot No. A-262, 5star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur. Pin - 416236	Spares Packing & Distribution
3	Nasik	A-11/1, MIDC, Ambad, Nashik - 422 010	Engines and Gensets
4	Rajkot	<b>Engines Division -</b> Plot No. 2315/16,2330/31,GIDC, Lodhika Industrial Estate, D4 Almighty Gate Road, Village Metoda, Rajkot - 360 035	Engines, Gensets and Pumpsets
		<b>Spares Parts -</b> Plot No. 2320/2/A, GIDC, Lodhika Industrial Estate, D4 Almighty Gate Road, Village Metoda, Rajkot - 360 035	
5	Bhare	Plot No. 10 A, Gat No. 405, Village – Bhare, Tal. Mulshi, Dist. Pune – 412115	Gensets and Pumpsets

**H. DISCLOSURES**

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of SEBI Listing Regulations.

This Corporate Governance Report of the Company for the Final Year 2016-17 is in compliance with the requirements of Corporate Governance under SEBI Listing Regulations, 2015.

**a. Related Party Transactions**

There are no materially significant related party transactions during the financial year that have a potential conflict with the interests of the Company. Suitable disclosure as required by the Indian Accounting Standards (IND AS 24) has been made in Point No. 6.12 of note 40 to the Financial Statements in the Annual Report.

The Board of Directors had formulated a policy for dealing with related party transactions which is available on the website of the Company. (Web-link – [http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/Policy\\_on\\_Related\\_Party\\_transaction.pdf](http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/Policy_on_Related_Party_transaction.pdf))

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

There have been no instances of non-compliances by the Company on any matters related to capital markets in the last three (3) years. 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.

**c. Vigil Mechanism / Whistle Blower Policy**

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. This would inter alia provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee any instance of unethical behaviour, actual or suspected fraud or violation of the



Company's code of conduct. No person has been denied access to the Audit Committee in this regard. The policy is uploaded on the website of the Company.

**d. Policy on material subsidiary**

As on 31 March 2017, the Company's subsidiary is not a material subsidiary as per provisions of SEBI Listing Regulations, 2015. The Board of Directors had formulated a material subsidiary policy which is available on the website of the Company. (Web-link – [http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/Policy\\_on\\_Material\\_Subsiaries.pdf](http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/Policy_on_Material_Subsiaries.pdf))

**e. Dividend Distribution Policy**

Pursuant to Regulation 43A of SEBI Listing Regulations, 2015, the Board of Directors had formulated a Dividend Distribution Policy which is available on the website of the Company. (Web-link– <http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/KOEL-Dividend-Distribution-Policy-25Jan2017.pdf>)

**f. Disclosure of commodity price risk and commodity hedging activities**

The Company manages its foreign exchange risk and selectively hedges, to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 40.6.16 (a) to the Financial statements in the Annual Report.

**g. CEO/CFO Certification**

The CEO/CFO Certificate signed by Nihal G. Kulkarni, Managing Director and T. Vinodkumar, Chief Financial Officer was placed before the meeting of the Board of Directors held on 10 May 2017.

**h. Disclosure with respect to unclaimed shares**

The Company has sent two reminders to those shareholders, whose share certificates have returned undelivered by the postal authorities due to insufficient / incorrect information and are lying with the Company. The Company will be sending third reminder letter in due course.

As on 31 March 2017, the total unclaimed equity shares are 5,66,579.

**i. Non-Mandatory / discretionary requirements**

The extent of adoption of non-mandatory / discretionary requirements is as follows:

i. 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.

ii. Audit qualifications

There are no audit qualifications on the financial statements.

iii. 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.

iv. The position of Chairman and Managing Director is separate.

## DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

The members of Kirloskar Oil Engines Limited

I hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct, applicable to them as laid down by the Board of Directors in terms of provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For Kirloskar Oil Engines Limited

Place: Pune

Date : 10 May 2017

Sd/-

**Nihal G. Kulkarni**  
Managing Director

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## **AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To  
THE MEMBERS OF  
**KIRLOSKAR OIL ENGINES LIMITED**

We have examined the compliance of conditions of Corporate Governance by **KIRLOSKAR OIL ENGINES LIMITED** ('the company'), for the year ended 31 March 2017, as stipulated in the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in Regulation 15(2) of the Listing Regulations

The compliance of conditions of Corporate Governance is the responsibility of the management.

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

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

We further 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: 10 May 2017

## Business Responsibility Report for Financial Year 2016-17

### OVERVIEW

Kirloskar Oil Engines Limited (KOEL or the Company) is a leading engineering conglomerate manufacturing internal combustion engines, generating sets and parts, which are used for various applications, such as agriculture, industrial, stationery power plants and construction equipment. The Company specializes in the manufacture of both air-cooled and liquid-cooled diesel engines and generating sets across a range of power output from 5 kilo-volt-ampere (kVA) to 1010 kVA. KOEL offers engines operating on alternative fuels, such as bio-diesel, natural gas, biogas and straight vegetable oil (SVO).

In keeping with the Company's commitment to responsibility and accountability towards all its stakeholders, KOEL is pleased to present its first Business Responsibility Report in line with Regulation 34 (2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. In line with SEBI's proposed structure for The Business Responsibility Report and the nine principles of the Government of India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business', this report delineates the Company's efforts to conduct Business with responsibility.

KOEL continues to publish its Sustainability Report, in conformity to the Global Reporting Initiative (GRI) guidelines.

### GENERAL INFORMATION

1	Corporate Identity Number (CIN) of the Company	L29120PN2009PLC133351	
2	Name of the Company	Kirloskar Oil Engines Limited (KOEL)	
3	Registered Address	Laxmanrao Kirloskar Road, Khadki, Pune – 411 003	
4	Website	www.koel.co.in	
5	Email	sustainability@kirloskar.com	
6	Financial Year of Reported	2016 - 17	
7	Sectors that the company is engaged in (Industrial Activity Code wise)	Engineering	
		NIC Code	Product Description
		281	Engines
		271	Genset
		As per National Industrial Classification for India (NIC)	
8	List three key products that company manufactures / provides	Gensets	
		Engines	
		Pumps Sets and Power Tillers	
9	Total number of locations where business activity is undertaken by the Company		
	i) International Locations	None	
	ii) National Locations	Bhare (Pune), Khadki (Pune), Kagal (Kolhapur), Nasik and Rajkot.	
10	Markets served by the company	India and some countries in North America, South America, Africa, Europe and Asia.	



**FINANCIAL DETAILS**

1	Paid up capital (Rs.)	28.92 Crs.
2	Total turnover (Rs.)	2614 Crs.
3	Total profit after taxes (Rs.)	174 Crs.
4	Total spending on corporate social responsibility (CSR) as % of average profit for last 3 financial years	Rs. 4.15 Crs.

5 Activities under which expenditure in 4 above has been incurred include:

- a) Health: Health Check-up camps (HIV/AIDS awareness), Hygiene awareness programme WASH which includes clean drinking water, sanitation and hygiene.
- b) Education: Financial assistance for education, Career guidance workshop, Computer literacy programme, vocational training programme for women on income generation.
- c) Environment: A program 'Hasat Khelat Paryavaran', for school children in Pune and Kagal, Energy Conservation (ENCON) Initiatives for school children at all locations and Kirloskar Vasundhara Flim Festival.

**OTHER DETAILS**

1	Does the Company have any Subsidiary Company/ Companies?	As on 31 March 2017, the Company has one subsidiary viz. KOELAmericas Corp., USA
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with / participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities (less than 30%, 30-60%, more than 60%).	No

## Business Responsibility Framework

### Business Responsibility (BR) Information

#### Responsibility for BR

Director/Directors responsible for implementation of BR Policy/Policies

Name	Designation	DIN	Telephone	Email ID
Rahul C. Kirloskar	Non Executive Non Independent Director & Chairman of CSR Committee	00007319	020-25810341	Rahul.Kirloskar@kirloskar.com
Nihal G. Kulkarni	Managing Director & Member of CSR Committee	01139147	020-25810341	Nihal.Kulkarni@kirloskar.com
Pradeep R. Rathi	Non Executive Independent Director & Member of CSR Committee	00018577	020-25810341	prathi@sudarshan.com
Rajendra R. Deshpande	Joint Managing Director	00007439	020-25810341	Rajendra.Deshpande@kirloskar.com

#### BR Head

Name	Designation	Telephone	Email ID
T. Vinodkumar	Chief Financial Officer	020-25810341	T.Vinodkumar@kirloskar.com

#### BR Policies

At KOEL, Business Responsibility is guided by India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' which articulates nine principles as below:

Principle 1 (P1)	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
Principle 2 (P2)	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
Principle 3 (P3)	Businesses should promote the well-being of all employees.
Principle 4 (P4)	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
Principle 5 (P5)	Businesses should respect and promote human rights.
Principle 6 (P6)	Businesses should respect, protect, and make efforts to restore the environment.
Principle 7 (P7)	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
Principle 8 (P8)	Businesses should support inclusive growth and equitable development.
Principle 9 (P9)	Businesses should engage with and provide value to their customers and consumers in a responsible manner.



All nine principles as articulated in India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' are covered by policies of KOEL as outlined in the table below:

**BR Policies and coverage of NVG nine principles**

Sr No	Particulars	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Availability of Policy	Y	Y	Y	Y	N	Y	Y	Y	Y
2	Policy formulated in consultation with relevant stakeholders?	Y	N	Y	Y	NA	Y	Y	Y	Y
3	Conformity of policy to any national / international standards?	Y	Y	Y	Y	NA	Y	N	Y	Y
4	Policy approved by the Board #	Y	Y	Y	Y	NA	Y	Y	Y	Y
	Policy signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Specified committee of the Board / Director / Official appointed to oversee the implementation of the policy #	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	Y**	Y*	Y*	Y*	Y*	Y*	Y*	Y**	Y*
7	Policy communicated to all relevant internal and external stakeholders	Y	Y	Y	Y	NA	Y	Y	Y	Y
8	Existence of an in-house structure within the Company to implement the policy/policies	Y	Y	Y	Y	NA	Y	Y	Y	Y
9	Availability of a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies	N	N	N	N	NA	N	N	N	N
10	Assessment by an internal/external agency of the working of this policy	Y	Y	Y	Y	NA	Y	Y	Y	Y

Y Yes

N No

NA Not Applicable

# Few Policies are adopted under the authority given by the Board

\* Policies available on internal portal which is accessible only to employees

\*\* Policies available on Company's website – [www.koel.co.in](http://www.koel.co.in)

**a) If answer to S. No. 2(a) above against any principle, is 'No', please explain why: (Tick up to 2 options)**

	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)	-	-	-	-	*	-	-	-	-

\* Human Rights: The Company does not have a standalone Human Rights policy. Aspects of human rights such as child labour, forced labour, occupational safety, non-discrimination are covered by its various Human Resource policies.

### Governance of BR

The Joint Managing Director and Senior Leadership Team review the BR performance of the Company periodically as part of the overall Management Review process. The Company has been publishing standalone Sustainability Report annually as per the Global Reporting Initiative's guidelines. What initially commenced as an annual reporting in 2010-11 and 2011-12 was subsequently changed to a bi-annual publication effective 2012-14. The latest report being that of 2014-16.

<http://koel.kirloskar.com/Sustainability%20Report>

### NVG PRINCIPLE-WISE PERFORMANCE

#### ETHICS, TRANSPARENCY AND ACCOUNTABILITY

#### PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

KOEL believes in conducting its business in a fair and transparent manner.

Integrity is a core value at KOEL and the values are widely communicated to all relevant stakeholders. The Company has laid down a Code of Conduct (CoC), applicable to all employees, with the objective of establishing and upholding high ethical conduct with utmost transparency, and accountability. The Company does not follow any abusive, corrupt or anti-competitive behavior and is not complicit to violations of applicable regulations and ethical practices by its business partners.

The Company's Directors and Senior Management are additionally required to abide by a CoC adopted as per Companies Act, 2013 and SEBI Listing Regulations, 2015. Their affirmation to the CoC is communicated to all stakeholders by Managing Director, through a declaration in the Annual Report.



The Company's commitment towards doing business responsibly is built upon its CoC and is complemented by -

- Robust governance structure
- A well-articulated Enterprise level Risk Management Framework
- Well-structured internal control systems for regular assessment of effectiveness of company's CoC policy and its adherence.

KOEL also has an effective vigil mechanism/whistle Blower policy in place, which enables employees and other stakeholders report instances on unethical behaviour and on any violation of the Company's CoC observed. A Senior Company official is designated as Values Ombudsman and is entrusted with the responsibility to administer complaints related to violation of CoC and Values of the Company.

The Company has defined a separate Supplier Code of Conduct, which is communicated to the supplier community.

The Company also has an Internal Complaints Committee (ICC) to redress complaints received with respect to sexual harassment. There were no complaint received in 2016-17.

Under the Whistle Blower Policy of the Company, there were no complaints received in 2016-17.

## **PRODUCT STEWARDSHIP**

### **PRINCIPLE 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFECYCLE.**

Through a sleuth of proactive measures, the Company ensures that its products produced uphold the highest level of safety, quality and environment friendliness. KOEL is committed to minimizing any potential negative environmental and social impact of its products during manufacture, use and disposal. The Company believes in developing sustainable products with optimum uses of resources over the life-cycle of the product i.e. from design to disposal. The Company's standard operating practices, product information and labelling etc. are designed to ensure that everyone connected with products life cycle i.e. designers, producers, value chain members, customers and recyclers are aware of their responsibilities.

Right from research, product development, certifications and manufacturing and then moving to storage and final use and disposal, the Company continually strives to keep the emissions, noise and vibration well within specified limits. By focusing on key factors like fuel economy, the Company not only enables energy conservation and reduces associated emissions, but also helps customers optimize their Total Cost of Ownership (TCO) by keeping operating costs to the bare minimum. The Company provides information on its products, spare parts & service to the customers through various display labels on the products & its packing as well as through Operations & Maintenance (O&M) manuals of the respective products in conformity with relevant & applicable labeling requirements. This information also covers health & safety guidance for the use & servicing of products. The Company has a well-established, Customer Care and Support Service team who ensure that products are well maintained through their life cycle and operating parameters are not allowed to deteriorate over time. This enables our customers to use & maintains our products in a responsible manner with minimal adverse impact on environment, health & safety during the life of the product. The Company obtains test certificates for engine worthiness and other safety related issues like emission; noise etc. through government authorized agencies before the product is marketed. The Company's products are also certified by BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or European Conformity label.

Product lifecycle management is core to the organization and right from producing super-silent gensets, gensets that can run on alternative fuels, the Company's concern for environment and customer health and safety, ensures minimize adverse impacts of the product during its use. Our products have received a variety of certification like FMUL (Factory Mutual Underwriters Laboratory). The Company's operations adhere to and are certified for ISO 9001 and all manufacturing units are certified for adherence to ISO 14001 and OHSAS 18001.

The resource consumption towards water and energy for the production is as under:

**1) Specific energy consumption (SEC) of production**

Plant	SEC (kWh/ BHP)		Highlight/ Remark
	2015-16	2016-17	
Kagal	3.41	2.87	16% lower than previous year
Nashik	23.56	16.21	31% lower than previous year

**2) Specific water consumption of production**

Plant	Specific water consumption (m3/ BHP)		Highlight/ Remark
	2015-16	2016-17	
Kagal	0.029	0.018	38% lower than previous year
Nashik	0.78	0.38	51% lower than previous year

The Company has an IT enabled legal compliance monitoring system that ensures compliance with all statutes and regulations. There are no incidents of non-compliance with regulations or voluntary codes resulting in fine, penalty or notice concerning emissions, health and safety impacts of its products and services during their life cycle.

The Company's wide range of products that include portable to large Gensets, industrial engines, agricultural pumps and engines, supports infrastructure, real estate construction, mining, industrial, retail, hospitality, telecom and also agriculture, defense and commercial marine segments. The Company's products are designed factoring various environmental and social norms and regulations restricting emissions & noise.

The Company has a defined Green Supply Chain Policy which aids alignment of actions along supply chain in managing projects in an environmental friendly manner, judiciously using resources, recycling wastes and adapting responsible business practices. The Company's suppliers are given a Supplier Quality Manual and are assessed periodically based on quality, environment, occupational health and safety management systems, among other deliverables.

The Company's Supplier Quality Manual specifies preference for suppliers within 250 km circle i.e. preference to local suppliers. This not only encourages local industry and employment but also minimizes the logistics costs and congestion on the roads.

Products' recycling is not practiced in our industry sector. However, some of the products such as DG sets are reconditioned to improve efficiency and extend its serviceable life. In 2016-17, we have reconditioned 33 Chotta Chilli DG Sets.

Further, the lube oil used in all our manufacturing facilities is recycled via certified oil recyclers. In 2016-17, we recycled 4,08,943 liters of lube oil.



The Company also recycles plastic bags and covers used in packaging. In 2016-17, the Company recycled packaging materials worth Rs. 1.3 Crores.

## EMPLOYEE WELL - BEING

### PRINCIPLE 3: BUSINESSES SHOULD PROMOTE THE WELL-BEING OF ALL EMPLOYEES

Guided by its core values, KOEL treats employees as their most valuable resource who are key to the long-term sustainability of the company. The Company's HR processes address well-being of its employees at all levels and offers equal opportunity to all without any discrimination. These processes are guided by the inherent values of the company and always in conformity with labour laws, human rights and other legislations promulgated from time to time. For example- in February 2014, KOEL evolved a comprehensive policy for Prevention of Sexual Harassment of Employees in line with the law passed by the Government of India in this regard. The broad objective of this policy is to ensure that the employees at all levels can work together in an environment free from gender discrimination, violence and harassment on the basis of gender and ensure that all are provided with equal opportunities for expression and progress. The Company strongly condemns any form of child labour and recruits employees only of employable age.

The Company constantly strives to address the issue of work life balance and encourages their employees to maintain the same. Measures taken towards this include provision of flexi time, compulsory availment of fifteen day leave annually, extended maternity leave for women, birthday leave provision etc. Employee health is critical for company's sustainable growth and in keeping with this, annual health checkup are conducted for employees across the organization followed by necessary corrective and preventive action. Various facilities such as provision of medical services and scholarships for employee's children are offered.

Employee category	Number of Employees	% Trained on Safety	% Trained for Skill Up-gradation
Permanent	2394	50%	30%
Permanent Female	72	12%	41%
Temporary/Contractual	1948	75%	21%
Disabled Employees	0	0%	0%

There were no complaints relating to child labour, forced labour, involuntary labour or sexual harassment in the last financial year and pending, as on the end of Financial Year 2016-17.

### Occupational Health & Safety

The Company provides safe workplace environment and imparts training to all its employees on regular basis as required. The Company has adopted variety of top-down, bottom-up and horizontal communication channels to effectively communicate with its employees which include: Daily Flow Meeting, Sun Rise Meeting, Gemba Meeting, myKOEL portal, Yammer etc.

Kaizens, ENCON, Quality Management, Safety Management and WASH Pledge are few forums and methods where initiatives to improve occupational health and safety are conceptualized, planned and deployed. The ongoing tool box talks to the employees, explaining the existing manuals, covering safety and machine handling related aspects is another mode to improve capacity to address safety. There are also formal agreements with the trade union covering Health & Safety topics such as responsibility of the workers for using Personal Protective Equipment, compliance with provisions of the Factories Act etc.

### Collective Bargaining and Employee Engagement

The Company respects and is committed to right to freedom of association, participation and collective bargaining. At every manufacturing plant, a committee addresses the issues raised through grievance redressal mechanism or otherwise.

The Company provides equal opportunity to each employee to learn, grow and develop, irrespective of religion, gender and caste. The Company conducts employee engagement survey (EES) to measure employee perceptions and has a SAY, STAY and STRIVE policy for employee engagement. Trends and results emanating from the EES survey are carefully analysed and worked upon for remedial and improvement actions.

## **STAKEHOLDER ENGAGEMENT**

### **PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED**

The Company considers stakeholders as partners in business and engages with internal and external stakeholder groups, beyond normal transactional engagement. This also ensures effective two way communications and also helps identify and address any concerns and creation of a shared value.

The Company's key stakeholder groups include customers, dealers and distributors, suppliers and vendors, shareholders, employees and the local communities around its manufacturing plants. The Company strongly believes in 'Enriching Lives' of the communities in which it operates.

KOEL identifies vulnerable and disadvantaged sections amongst the stakeholder group and takes special efforts to address their concerns. Amongst employees we address specific concerns of women and differently-abled. Amongst suppliers, KOEL hand holds small and medium sized enterprises. The Company's community initiatives are addressed specifically to alleviate issues and problems of vulnerable and disadvantaged sections.

## **RESPECT FOR HUMAN RIGHTS**

### **PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS**

While the Company does not have a standalone Human Rights policy, different aspects of human rights such as child labour, forced labour, occupational safety, non-discrimination are covered by its various Human Resource Policies. These policies are restricted to Company employees.

KOEL recognizes that human rights as articulated in the constitution of India and various other laws International Bill of Human Rights are inherent, universal, indivisible and interdependent in nature. KOEL is not complicit in any human rights violations by its contractors or suppliers. Currently human rights aspects are a part of employee induction training. Whistle Blower, Ombudsman and Grievance Redressal mechanisms are in place for receiving and addressing complaints and feedback related to human right's violations or process improvement.

There were no stakeholder complains related to human rights violations during 2016-17.

## **PROTECTION AND RESTORATION OF ENVIRONMENT**

### **PRINCIPLE 6: BUSINESSES SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT**

The Company makes best efforts to minimise the environmental impacts due to its manufacturing activities as also due to use of its products. It makes efforts to restore and address some environmental problems in the neighbourhood of its manufacturing plants. The Integrated Management Systems including ISO 14001 based Environmental Management System, is the main framework to address protection and restoration of



environment. The respect for and compliance with environmental requirements is also extended to its suppliers and contractors.

The Company monitors its Green House Gas (GHG) emissions and related KPIs are part of its IMS monitoring system. Various energy efficiency initiatives in operations and products are planned by Company to reduce its carbon footprint.

The Details of GHG emissions from the production are under:

Plant	Total GHG emissions (tons of CO <sub>2</sub> )	
	FY 2015-16	FY 2016-17
Kagal	14,099	12,779
Khadki, Pune	5,268	4,624
Nashik	537	705
Rajkot	1,215	1,400
Total	21,120	19,508

During the year 2016-17, KOEL has purchased Renewable energy through OA (Open Access) for its Kagal & Pune Locations for improving its Carbon Offset.

The emissions / wastes generated are well within limits prescribed under consents of SPCB/CPCB. These are also reported to SPCB as per the process prescribed by them every year.

There are no show cause and legal notices received during year under review from the CPCB or SPCB at any of KOEL operations.

## **PUBLIC POLICY ADVOCACY**

### **PRINCIPLE 7: BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER**

The Company is an active member of several industry and trade bodies and regularly participates in industry events and stakeholder consultation/ dialogue leading to policy formulation by various regulatory bodies. Some of key associations of which the company is an active member include:

- a) Bombay Chamber of Commerce and Industry
- b) Confederation of Indian Industry (Western region)
- c) Engineering Export Promotion Council
- d) Federation of Indian Chamber of Commerce & Industry
- e) Federation of Indian Export Organization
- f) Mahratta Chamber of Commerce Industries and Agriculture
- g) The Automotive Research Association of India

The Company participates in policy advocacy and discussions on issues relevant to its industry sector. The Company's Senior Leadership Team interacts with various professional bodies and organizations to anticipate and understand the economic scenario, industrial environment, future emission norms, government regulations and advancement of public goods and services. These inputs are used for defining future growth drivers and enabling new product development.

## **INCLUSIVE GROWTH**

### **PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT**

The Company believes and supports to the extent practicable that its activities contribute to inclusive growth and equitable development.

The Company has adopted a Corporate Social Responsibility policy and a CSR committee of the Board guides policy implementation, monitoring and reporting. The CSR policy is available on the website of the Company. The CSR programmes are undertaken through employee volunteering led by an internal team and a few external NGOs. The CSR Report has been dealt with more exhaustively in the annexure to the Board's Report for FY 2016-17.

The CSR programme impact assessment is done time to time and number of beneficiaries and change in their livelihood and income levels is monitored.

## **DELIVERING VALUE TO CUSTOMERS**

### **PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER**

The Company has CRM (Customer Relationship Management) in place to address the customer concerns. Some initiatives for addressing the grievances include:

- Establishing 24X7 call centres for addressing customer grievances
- Introduction of 'Bandhan' - Long term service engagement programmes for customers for trouble free DG performance.
- Annual Customer Satisfaction Survey
- One to one interaction as needed
- Regular Customer Meets
- Helpdesk
- Periodic campus exhibitions and melas



There are no cases filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year.

KOEL ensures that it creates societal value by serving our customers through competitively superior value propositions; by preserving and replenishing the environment and by innovating strategies that maximise sustainable livelihood creation. Some initiatives of the company are: Customer Connect and Engagement Programs like Customer Mela, Van Campaign and Customer and Operators training program. The company strives for excellence in product performance and enhancing value to customers through new and improved products.

The latest Customer Survey indicates excellent scores.

For some more details, refer to the discussion under “Product Stewardship”

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LIMITED

#### Report on the Standalone Financial Statements

We have audited the accompanying Ind AS standalone financial statements of Kirloskar Oil Engines Limited, ("the Company") which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information (herein after referred to as "standalone Ind AS financial statements").

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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS 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 standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit of the standalone Ind AS financial in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS 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 financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view 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 the Company's Directors, as well as evaluating the overall presentation of the Standalone Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS 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 including the Ind AS:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2017;
- (b) in the case of the Statement of Profit and Loss (including other comprehensive income), 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.
- (d) in case of changes in equity, of the changes in equity for the year ended on that date.

**Other Matters**

The comparative financial information of the Company for the year ended 31 March 2016 and the transition date opening balance sheet as at 1 April 2015 included in these standalone Ind AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by us whose report for the year ended 31 March 2016 and 31 March 2015 dated 18 May 2016 and 8 May 2015 respectively expressed an unmodified opinion on those standalone financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

**Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A", a statement on the matters specified in the paragraph 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
  - a. We have sought and 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 it appears from our examination of those books;
  - c. The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under section 133 of the Companies Act, 2013, read with relevant rules thereunder;
  - e. On the basis of written representations received from the directors taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017, from being appointed as a director in terms of section 164(2) of the Companies Act, 2013.
  - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements. Refer Note 40 (6.1) to the financial statements.
- ii. The company did not have any long term contract including derivative contract having any material foreseeable losses for which provision was required to be made under the applicable law or accounting standard.
- iii. There are no amounts required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. The Company has provided requisite disclosures in its standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016. Based on audit procedures and relying on management representations, the disclosures are in accordance with the books of accounts maintained by the Company. Refer Note 11a (2) to the standalone Ind AS financial statements.

**FOR M/S P. G. BHAGWAT**

Chartered Accountants

Firm Registration Number: 101118W

Nachiket Deo

Partner

Membership No.: 117695

Pune

Date: 10 May 2017



## ANNEXURE A

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

- (I) (a) The company has maintained proper records showing full particulars 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.
- (c) According to records of the company examined by us the title deeds of immovable properties are held in the name of the company.
- (ii) 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. As informed to us, the discrepancies noticed on verification between physical stock and book records were not material.
- (iii) As informed to us, the company has not granted secured or unsecured loan to other companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a) (b) and (c) are not applicable to the company.
- (iv) The Company has not entered into any transaction which attracts the provisions of section 185 and 186 of the Companies Act, 2013.
- (v) In our opinion and according to information and explanation given to us, the Company has not accepted public deposits, hence the directive issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, are not applicable to it. According to information and explanation given to us, no order has been passed against the company by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under sub-section (I) of section 148 of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of records with a view to determine whether they are accurate and complete.
- (vii) (a) According to information and explanation 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, service tax and other material statutory dues applicable to it.  
According to the information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31 March 2017, for a period more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the particulars of dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess as at 31 March 2017 which has not been deposited on account of disputes are as follows:

Name of the statute	Nature of dispute due	Amount under dispute not deposited (₹ in Crs)	Period to which the amount is related	Forum where the dispute is pending
Sales Tax	Sales tax and penalty for pump set	1.83	1990-1997, 2004-2005	High Court
	Demand for Disallowance of Claims	0.93	2006-2008, 2015-2017	Tribunal
	Non receipt of Forms & Disallowance of Credit	6.79	2004-2006, 2008-2009, 2014-2015	Appellate authority - Up to Commissioner level
Service Tax	Disallowance of credit	0.03	2007-2010	High Court
		0.92	2006-2013	Tribunal
		0.53	2004-2007 2012-2016	Appellate authority - Up to Commissioner level
Excise Duty	Valuation & exemption disputes and disallowance of cenvat credit against the excise duty	5.66	1999-2002 2004-2012	Tribunal
		29.40	1996, 2011-2016	Appellate authority - Up to Commissioner level
Customs Duty	Dispute related to exemption and other matters	0.86	1994-1997, 2011-2012	Appellate authority - Up to Commissioner level
Octroi	Demand for differential Octroi	3.66	2002-2008	Civil Court

- (viii) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank as at the balance sheet date and also not issued debentures.
- (ix) According to the information and explanation given to us, the company has not raised money by way of initial public offer or further public offer (including debt instrument) and not availed term loan during the year. Accordingly, the Provisions of clause 3(ix) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.
- (x) During the course of our examination of the books & records of the company carried out in accordance with the generally accepted auditing Practices in India and according to the information and explanation 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.
- (xi) According to the information and explanation given to us, the company has paid managerial remuneration within the limit prescribed under section 197 of the Companies Act, 2013. Accordingly no requisite approval is required to be sought.
- (xii) In our opinion, the company is not a Nidhi company. Accordingly, the provisions specified in Paragraph 3(xii) of Companies (Auditor's Report) order, 2016 are not applicable to the company.
- (xiii) According to the information and explanation given to us and in our opinion transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 and requisite details have been disclosed in the Financial statements as required by the applicable accounting standards.



- (xiv) According to the information and explanation given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures for raising funds during the year. Accordingly, the provisions of clause 3 (xiv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.
- (xv) According to the information and explanation given to us, the company has not entered into a non-cash transaction with any of the directors or persons connected with directors. Accordingly, the provisions of clause 3 (xv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.
- (xvi) In our opinion, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions in Paragraph 3(xvi) of Companies (Auditor's Report) order, 2016 are not applicable.

**FOR M/S P. G. BHAGWAT**

Chartered Accountants

Firm Registration Number: 101118W

Nachiket Deo

Partner

Membership No.: 117695

Pune

Date: 10 May 2017

## **Annexure B to the Independent Auditor's Report of even date on the Standalone Financial Statements of Kirloskar Oil Engines Limited**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

We have audited the internal financial controls over financial reporting of Kirloskar Oil Engines Limited ("the Company") as of 31 March 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act 2013.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the



company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial Control system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**FOR M/S P. G. BHAGWAT**

Chartered Accountants

Firm Registration Number: 101118W

Nachiket Deo

Partner

Membership No.: 117695

Pune

Date: 10 May 2017

**BALANCE SHEET AS AT 31 MARCH 2017**

Particulars	Note No.	₹ in Crs.		
		As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>ASSETS</b>				
<b>I. Non-current assets</b>		<b>536.10</b>	<b>622.44</b>	<b>676.53</b>
(a) Property, plant and equipment	1	384.95	444.02	474.22
(b) Capital work-in-progress	1	8.71	3.85	5.62
(c) Investment property	2	2.17	2.28	2.39
(d) Other Intangible assets	3	52.50	30.99	35.74
(e) Intangible assets under development	3	6.20	25.41	15.69
(f) Financial assets				
(i) Investments	4	4.29	4.44	6.96
(ii) Loans	5	0.42	0.75	1.31
(iii) Other financial assets	6	41.77	28.70	45.03
(g) Other non-current assets	7	35.09	82.00	89.57
<b>II. Current assets</b>		<b>1,633.47</b>	<b>1,347.10</b>	<b>1,258.80</b>
(a) Inventories	8	226.09	205.79	175.69
(b) Financial assets				
(i) Investments	9	985.54	785.90	873.56
(ii) Trade receivables	10	200.97	159.34	52.62
(iii) Cash and cash equivalents	11a	11.01	26.09	23.19
(iv) Bank balance other than (iii) above	11b	7.03	13.44	2.07
(v) Loans	12	0.38	0.51	0.77
(vi) Other financial assets	13	65.70	38.97	43.40
(c) Assets held for sale	14	0.25	-	-
(d) Current tax assets (net)	15	1.41	6.24	6.10
(e) Other current assets	16	135.09	110.82	81.40
<b>Total Assets</b>		<b>2,169.57</b>	<b>1,969.54</b>	<b>1,935.33</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>1,616.71</b>	<b>1,443.66</b>	<b>1,439.29</b>
(a) Equity share capital	17	28.92	28.92	28.92
(b) Other equity				
Capital redemption reserve	18	0.20	0.20	0.20
General reserve	18	608.39	608.39	594.34
Retained earnings	18	979.20	806.15	815.83
<b>Liabilities</b>				
<b>I. Non-current liabilities</b>		<b>66.36</b>	<b>55.06</b>	<b>62.02</b>
(a) Financial liabilities				
Other financial liabilities	19	17.92	17.40	16.84
(b) Long-term provisions	20	31.50	22.90	24.46
(c) Deferred tax liabilities (net)	21	11.67	12.96	20.72
(d) Other non-current liabilities	22	5.27	1.80	-
<b>II. Current liabilities</b>		<b>486.50</b>	<b>470.82</b>	<b>434.02</b>
(a) Financial liabilities				
(i) Borrowings	23	12.45	7.17	-
(ii) Trade and other payables	24	354.98	346.13	348.48
(iii) Other financial liabilities	25	52.11	44.89	34.64
(b) Other current liabilities	26	18.07	22.90	20.68
(c) Short-term provisions	27	48.04	48.88	30.22
(d) Government grants	28	0.85	0.85	-
<b>Total Equity and Liabilities</b>		<b>2,169.57</b>	<b>1,969.54</b>	<b>1,935.33</b>
Significant accounting policies	40			

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI  
Managing Director  
DIN: 01139147

R. R. DESHPANDE  
Joint Managing Director  
DIN: 00007439

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Company Secretary

Pune : 10 May 2017

Pune : 10 May 2017



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017

Particulars	Note No.	₹ in Crs.	
		2016-17	2015-16
<b>Income</b>			
Revenue from operations	29	2,875.15	2,644.03
Other income	30	85.03	74.34
<b>Total Income</b>		<b>2,960.18</b>	<b>2,718.37</b>
<b>Expenses</b>			
Cost of raw materials and components consumed	31	1,351.57	1,238.95
Purchase of traded goods	32	348.20	321.34
Changes in inventories of finished goods, work-in-progress and traded goods	33	(11.47)	(18.02)
Excise duty on sale of goods		204.73	180.98
Employee benefits expense	34	201.57	185.41
Finance costs	35	2.80	9.04
Depreciation and amortisation expense	36	110.68	111.31
Other Expenses	37	502.21	461.72
Expense capitalised		(2.41)	(2.82)
<b>Total expenses</b>		<b>2,707.88</b>	<b>2,487.91</b>
<b>Profit before exceptional items and tax</b>		<b>252.30</b>	<b>230.46</b>
Exceptional items	38	-	(25.48)
<b>Profit before tax</b>		<b>252.30</b>	<b>204.98</b>
<b>Tax expense</b>		<b>78.68</b>	<b>39.67</b>
Current tax	39	79.72	47.62
(Excess)/short provision related to earlier years		(0.04)	(0.27)
Deferred tax	39	(1.00)	(7.68)
<b>Profit for the year</b>		<b>173.62</b>	<b>165.31</b>
<b>Other comprehensive income</b>			
<b>A. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			
Re-measurement gains / (losses) on defined benefit plans		(0.58)	(0.10)
Income tax effect on above		(0.88)	(0.16)
		0.30	0.06
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (A)</b>		<b>(0.58)</b>	<b>(0.10)</b>
<b>Total other comprehensive income for the year, net of tax [A]</b>		<b>(0.58)</b>	<b>(0.10)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>173.04</b>	<b>165.21</b>
Earnings per equity share [nominal value per share Rs.2/- (March 31, 2016: Rs.2/-)]			
Basic		12.01	11.43
Diluted		12.01	11.43
Significant accounting policies	40		

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI  
Managing Director  
DIN: 01139147

R. R. DESHPANDE  
Joint Managing Director  
DIN: 00007439

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Company Secretary

Pune : 10 May 2017

Pune : 10 May 2017

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017**

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before Tax	252.30	204.98
Adjustments to reconcile profit before tax to net cash flows:		
<b>Add:</b>		
Depreciation and Amortisation	110.68	111.31
Loss on disposal of assets & Others	1.48	0.17
Inventories written down to net realisable value	4.15	4.99
Bad debts and irrecoverable balances written off	1.44	1.22
Provision for doubtful debts and advances (net)	0.41	(9.65)
Loss / ( Profit ) on Revalorisation on Imports	-	0.55
Loss / ( Profit ) on Revalorisation on Exports	0.36	0.03
Finance cost	2.80	9.04
Amortisation of rent expenses	1.07	0.98
	<b>122.39</b>	<b>118.64</b>
<b>Less:</b>		
Extended warranty revenue	2.57	(3.83)
Profit / ( Loss ) on sale of mutual fund investment ( net)	62.22	63.82
Net gain / ( Loss ) on financial instruments at fair value	3.14	2.49
Unwinding of interest on deposits	1.04	0.96
Surplus on sale of assets	0.51	0.35
Interest received	0.49	0.96
Sundry Credit Balances Appropriated	1.30	0.46
Provisions no longer required written back	1.90	2.67
Dividend received	-	-
	<b>73.17</b>	<b>67.88</b>
<b>Operating Profit before working capital changes</b>	<b>301.52</b>	<b>255.74</b>
<b>Working Capital Adjustments</b>		
(Increase) / Decrease in Government Grant	(35.79)	13.67
(Increase) / Decrease in Trade and Other Receivables	(65.43)	(114.69)
(Increase) / Decrease in Inventories	(24.45)	(35.09)
Increase / ( Decrease ) in Trade and other Payables	20.35	3.53
Increase / ( Decrease ) in Provisions	8.76	19.61
	<b>(96.56)</b>	<b>(112.97)</b>
<b>Net Cash generated from operations</b>	<b>204.96</b>	<b>142.77</b>
Direct taxes paid	(28.22)	(44.92)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>176.74</b>	<b>97.85</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Add :</b>		
Sale of Property, Plant and Equipment	0.89	0.40
Sale of investments ( Net )	-	158.07
Interest received	0.49	0.96
Dividend received	-	-
	<b>1.38</b>	<b>159.43</b>
<b>Less :</b>		
Purchase of investments ( net )	134.12	-
Investment in subsidiary	-	1.59
Purchase of Property, Plant and Equipment	61.56	77.90
	<b>195.68</b>	<b>79.49</b>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>(194.30)</b>	<b>79.94</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from bill discounting & borrowings	5.28	7.17
Interest paid (finance cost)	(2.80)	(9.04)
Final and Interim Dividend Paid	-	(144.61)
Tax on Final and Interim Dividend	-	(29.44)
	<b>2.48</b>	<b>(175.92)</b>
<b>NET CASH USED IN FINANCING ACTIVITY</b>	<b>2.48</b>	<b>(175.92)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(15.08)</b>	<b>1.87</b>
<b>Opening Cash and Cash equivalents</b>	<b>26.09</b>	<b>23.19</b>
<b>Cash and Cash equivalents received from the Transferor Company under Composite Scheme</b>	<b>-</b>	<b>1.03</b>
<b>Closing Cash and Cash equivalents (Refer Note 11a)</b>	<b>11.01</b>	<b>26.09</b>

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI  
Managing Director  
DIN: 01139147

R. R. DESHPANDE  
Joint Managing Director  
DIN: 00007439

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Company Secretary

Pune : 10 May 2017

Pune : 10 May 2017


**Statement of changes in Equity for the year ended 31 March 2017**
**A. Equity Share Capital (Note 17)**

₹ in Crs.

Equity Shares of ₹ 2 each issued, subscribed and fully paid	No. of Shares	Amount
At 1 April 2015	144,614,326	28.92
Issue/Reduction, if any during the year	-	-
At 31 March 2016	144,614,326	28.92
Issue/Reduction, if any during the year	-	-
At 31 March 2017	144,614,326	28.92

**B. Other Equity (Note 18)**

₹ in Crs.

Particulars	Reserves and Surplus				Items of OCI		Total equity
	Capital Redemption Reserve	General Reserve	Retained Earnings	Changes in revaluation surplus	FVOCI reserve	Foreign currency translation reserve	
At 1 April 2015	0.20	594.34	815.83	-	-	-	1,410.37
Profit for the year	-	-	165.31	-	-	-	165.31
Other comprehensive income for the year	-	-	(0.10)	-	-	-	(0.10)
<b>Total Comprehensive income for the year</b>	-	-	<b>165.21</b>	-	-	-	<b>165.21</b>
Final Dividend for year ended 31 March 2015	-	-	(72.31)	-	-	-	(72.31)
Tax on final dividend for the year ended 31 March 2015	-	-	(14.72)	-	-	-	(14.72)
Interim Dividend for the year ended 31 March 2016	-	-	(72.31)	-	-	-	(72.31)
Tax on Interim dividend for the year ended 31 March 2016	-	-	(14.72)	-	-	-	(14.72)
Transfer from Retained earnings	-	14.05	(14.05)	-	-	-	-
Transfer of Net Surplus in the Statement of Profit and Loss of residual undertaking of Kirloskar Brothers Investments Limited, under Composite Scheme	-	-	13.20	-	-	-	13.20
<b>As at 31 March 2016</b>	<b>0.20</b>	<b>608.39</b>	<b>806.15</b>	-	-	-	<b>1,414.74</b>
<b>As at 1 April 2016</b>	<b>0.20</b>	<b>608.39</b>	<b>806.15</b>	-	-	-	<b>1,414.74</b>
Profit for the year	-	-	173.62	-	-	-	173.62
Other comprehensive income for the year	-	-	(0.58)	-	-	-	(0.58)
<b>Total Comprehensive income for the year</b>	-	-	<b>173.04</b>	-	-	-	<b>173.04</b>
At 31 March 2017	0.20	608.39	979.20	-	-	-	1,587.78

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

 NIHAL G. KULKARNI  
 Managing Director  
 DIN: 01139147

 R. R. DESHPANDE  
 Joint Managing Director  
 DIN: 00007439

 NACHIKET DEO  
 Partner  
 Membership Number : 117695

 T. VINODKUMAR  
 Chief Financial Officer

 SMITA RAICHURKAR  
 Company Secretary

Pune : 10 May 2017

Pune : 10 May 2017

**Reconciliation of equity as at 1 April 2015 (date of transition to Ind AS)**

				₹ in Crs.
Particulars	Note No.	Indian GAAP	Effects of transition to Ind AS	Ind AS
<b>ASSETS</b>				
<b>I. Non-current assets</b>		<b>680.54</b>	<b>(4.01)</b>	<b>676.53</b>
(a) Property, plant and equipment	41.5.a	476.61	(2.39)	474.22
(b) Capital work-in-progress		5.62	-	5.62
(c) Investment property	41.5.a	-	2.39	2.39
(d) Other Intangible assets	41.5.b	36.99	(1.25)	35.74
(e) Intangible assets under development		15.69	-	15.69
(f) Financial assets				
(i) Investments	41.5.c	5.25	1.71	6.96
(ii) Trade receivables		-	-	-
(iii) Loans		108.40	(107.09)	1.31
(iv) Other financial assets	41.5.h	-	45.03	45.03
(g) Deferred tax assets (net)		-	-	-
(h) Other non-current assets		31.98	57.59	89.57
<b>II. Current assets</b>		<b>1,251.86</b>	<b>6.94</b>	<b>1,258.80</b>
(a) Inventories		171.60	4.09	175.69
(b) Financial assets				
(i) Investments	41.5.c	871.06	2.50	873.56
(ii) Trade receivables		52.62	-	52.62
(iii) Cash and cash equivalents		25.26	(2.07)	23.19
(iv) Bank balance other than (iii) above		-	2.07	2.07
(v) Loans		100.23	(99.46)	0.77
(vi) Other financial assets	41.5.h	-	43.40	43.40
(c) Assets held for sale		-	-	-
(d) Current tax assets (net)		-	6.10	6.10
(e) Other current assets		31.09	50.31	81.40
<b>Total Assets</b>		<b>1,932.40</b>	<b>2.93</b>	<b>1,935.33</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>1,341.44</b>	<b>97.85</b>	<b>1,439.29</b>
(a) Equity share capital		28.92	-	28.92
(b) Other equity				
Capital reserve	41.5.g	237.23	(237.23)	-
Capital redemption reserve		0.20	-	0.20
General reserve		594.34	-	594.34
Retained earnings	41	480.75	335.08	815.83
<b>Liabilities</b>				
<b>I. Non-current liabilities</b>		<b>70.19</b>	<b>(8.17)</b>	<b>62.02</b>
(a) Financial liabilities				
(i) Borrowings		-	-	-
(ii) Trade and other payables		-	-	-
(iii) Other financial liabilities		-	16.84	16.84
(b) Long-term provisions		24.46	-	24.46
(c) Deferred tax liabilities (net)	41.5.j	28.89	(8.17)	20.72
(d) Government grants		-	-	-
(e) Other non-current liabilities		16.84	(16.84)	-
<b>II. Current liabilities</b>		<b>520.77</b>	<b>(86.75)</b>	<b>434.02</b>
(a) Financial liabilities				
(i) Borrowings		-	-	-
(ii) Trade and other payables		337.58	10.90	348.48
(iii) Other financial liabilities		-	34.64	34.64
(b) Other current liabilities		65.94	(45.26)	20.68
(c) Short-term provisions	41.5.d	117.25	(87.03)	30.22
(d) Government grants	41.5.g	-	-	-
<b>Total Equity and Liabilities</b>		<b>1,932.40</b>	<b>2.93</b>	<b>1,935.33</b>


**Reconciliation of equity as at 31 March 2016**

				₹ in Crs.
Particulars	Note No.	Indian GAAP	Effects of transition to Ind AS	Ind AS
<b>ASSETS</b>				
<b>I. Non-current assets</b>		<b>625.33</b>	<b>(2.89)</b>	<b>622.44</b>
(a) Property, plant and equipment	41.5.a & 41.5.g	445.31	(1.29)	444.02
(b) Capital work-in-progress	41.5.g	3.48	0.37	3.85
(c) Investment property	41.5.a	-	2.28	2.28
(d) Other Intangible assets	41.5.b	32.04	(1.05)	30.99
(e) Intangible assets under development		25.41	-	25.41
(f) Financial assets				
(i) Investments	41.5.c	3.59	0.85	4.44
(ii) Trade receivables		-	-	-
(iii) Loans		103.28	(102.53)	0.75
(iv) Other financial assets	41.5.h	-	28.70	28.70
(g) Deferred tax assets (net)		-	-	-
(h) Other non-current assets		12.22	69.78	82.00
<b>II. Current assets</b>		<b>1,333.16</b>	<b>13.94</b>	<b>1347.10</b>
(a) Inventories		202.86	2.93	205.79
(b) Financial assets				
(i) Investments	41.5.c	783.14	2.76	785.90
(ii) Trade receivables	41.5.e & 41.5.f	152.16	7.18	159.34
(iii) Cash and cash equivalents		39.53	(13.44)	26.09
(iv) Bank balance other than (iii) above		-	13.44	13.44
(v) Loans		118.17	(117.66)	0.51
(vi) Other financial assets	41.5.h	-	38.97	38.97
(c) Assets held for sale		-	-	-
(d) Current tax assets (net)		-	6.24	6.24
(e) Other current assets		37.30	73.52	110.82
<b>Total Assets</b>		<b>1958.49</b>	<b>11.05</b>	<b>1969.54</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>1,439.75</b>	<b>3.91</b>	<b>1,443.66</b>
(a) Equity share capital		28.92	-	28.92
(b) Other equity				
Capital reserve	41.5.g	268.84	(268.84)	-
Capital redemption reserve		0.20	-	0.20
General reserve		608.39	-	608.39
Retained earnings	41	533.40	272.75	806.15
Reserves representing unrealised gains/ (losses)		-	-	-
<b>Liabilities</b>				
<b>I. Non-current liabilities</b>		<b>58.51</b>	<b>(3.45)</b>	<b>55.06</b>
(a) Financial liabilities				
(i) Borrowings		-	-	-
(ii) Trade and other payables		-	-	-
(iii) Other financial liabilities		-	17.40	17.40
(b) Long-term provisions		22.90	-	22.90
(c) Deferred tax liabilities (net)	41.5.j	17.67	(4.71)	12.96
(d) Government grants		-	-	-
(e) Other non-current liabilities		17.94	(16.14)	1.80
<b>II. Current liabilities</b>		<b>460.23</b>	<b>10.59</b>	<b>470.82</b>
(a) Financial liabilities				
(i) Borrowings	41.5.f	-	7.17	7.17
(ii) Trade and other payables		331.52	14.61	346.13
(iii) Other financial liabilities		-	44.89	44.89
(b) Other current liabilities		95.29	(72.39)	22.90
(c) Short-term provisions		33.42	15.46	48.88
(d) Government grants	41.5.g	-	0.85	0.85
<b>Total Equity and Liabilities</b>		<b>1,958.49</b>	<b>11.05</b>	<b>1969.54</b>

**Reconciliation of total comprehensive income for the year ended 31 March 2016**

				₹ in Crs.
Particulars	Note No.	Indian GAAP	Effects of transition to Ind AS	Ind AS
<b>Income</b>				
Revenue from operations	41.5.k & 41.5.l	2,454.69	189.34	2,644.03
Other income	41.5.c & 41.5.h	73.97	0.37	74.34
<b>Total Income</b>		<b>2,528.66</b>	<b>189.71</b>	<b>2,718.37</b>
<b>Expenses</b>				
Cost of raw materials and components consumed		1,239.73	(0.78)	1,238.95
Purchase of traded goods		321.34	-	321.34
Changes in inventories of finished goods, work-in-progress and traded goods		(18.02)	-	(18.02)
Excise duty on sale of goods	41.5.l	-	180.98	180.98
Employee benefits expense	41.5.i	185.55	(0.14)	185.41
Finance costs		0.06	8.98	9.04
Depreciation and amortisation expense	41.5.g & 41.5.b	111.50	(0.19)	111.31
Other Expenses	41.5.h	489.18	(27.46)	461.72
Expense capitalised		(2.82)	-	(2.82)
<b>Total expenses</b>		<b>2,326.52</b>	<b>161.39</b>	<b>2,487.91</b>
<b>Profit before exceptional items and tax</b>		<b>202.14</b>	<b>28.32</b>	<b>230.46</b>
Exceptional items		(25.48)	-	(25.48)
<b>Profit before tax</b>		<b>176.66</b>	<b>28.32</b>	<b>204.98</b>
<b>Tax expense</b>		<b>36.13</b>	<b>3.54</b>	<b>39.67</b>
Current tax		47.62	-	47.62
(Excess)/short provision related to earlier years		(0.27)	-	(0.27)
Deferred tax	41.5.j	(11.22)	3.54	(7.68)
<b>Profit for the year</b>		<b>140.53</b>	<b>24.78</b>	<b>165.31</b>
<b>Other comprehensive income</b>				
<b>A. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>			<b>(0.10)</b>	<b>(0.10)</b>
Re-measurement gains / (losses) on defined benefit plans	41.5.i & 41.5.m	-	(0.16)	(0.16)
Income tax effect on above	41.5.i & 41.5.m	-	0.06	0.06
Net gain / (loss) on FVOCI equity instruments		-	-	-
Income tax effect on above		-	-	-
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (A)</b>		<b>-</b>	<b>(0.10)</b>	<b>(0.10)</b>
<b>Total other comprehensive income for the year, net of tax [A]</b>		<b>-</b>	<b>(0.10)</b>	<b>(0.10)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>140.53</b>	<b>24.68</b>	<b>165.21</b>

**Statement of Reconciliation of Other Equity**

				₹ in Crs.
Particulars	Note No.	As at 31 March 2016	As at 1 April 2015	
<b>Other Equity as per IGAAP</b>		<b>1410.83</b>	<b>1,312.52</b>	
Fair Value Gain /(Losses) on Financial Instruments	41.5.c	3.61	4.21	
Net Impact of Fair Valuation of Interest Free Deposits	41.5.h	(0.05)	(0.03)	
Recognition of Government Grant as Operating Income	41.5.g	0.52	-	
Deferment of Revenue on Extended Warranty Sale	41.5.k	(3.83)	-	
Deferred Tax impact	41.5.j	4.70	8.17	
Proposed Dividend and Tax thereon	41.5.d	-	87.03	
Others	41.5	(1.04)	(1.53)	
<b>Net Increase/(Decrease)</b>		<b>3.91</b>	<b>97.85</b>	
<b>Other Equity as per Ind AS</b>	18	<b>1,414.74</b>	<b>1,410.37</b>	



**Notes to the Financial Statements**  
**NOTE 1 : PROPERTY, PLANT AND EQUIPMENT**

₹ in Crs.

Particulars	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
<b>Gross Block</b>												
As at 1 April 2015	0.00	11.80	135.66	871.88	16.72	9.98	35.23	4.42	56.96	35.42	1,178.07	5.62
Additions	-	-	20.59	28.69	11.66	0.75	2.15	0.94	6.94	0.08	71.80	70.03
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortisation	0.00	0.14	1.00	5.97	0.28	0.30	-	0.09	4.94	-	12.72	71.80
<b>As at 31 March 2016</b>	-	<b>11.66</b>	<b>155.25</b>	<b>894.60</b>	<b>28.10</b>	<b>10.43</b>	<b>37.38</b>	<b>5.27</b>	<b>58.96</b>	<b>35.50</b>	<b>1,237.15</b>	<b>3.85</b>
Additions	-	-	3.95	27.31	1.16	0.90	5.27	0.05	3.01	1.12	42.77	47.63
Asset Held for Disposal	-	-	-	12.63	0.09	-	-	0.01	-	0.19	12.92	-
Deductions / Amortisation	-	0.14	-	11.21	0.07	0.83	-	-	0.02	0.34	12.61	42.77
<b>As at 31 March 2017</b>	-	<b>11.52</b>	<b>159.20</b>	<b>898.07</b>	<b>29.10</b>	<b>10.50</b>	<b>42.65</b>	<b>5.31</b>	<b>61.95</b>	<b>36.09</b>	<b>1,254.39</b>	<b>8.71</b>
<b>Depreciation</b>												
Upto 1 April 2015	-	-	28.74	587.92	10.05	4.64	16.85	3.16	38.19	14.51	703.86	-
For the year	-	-	6.23	76.08	1.91	1.46	2.86	0.57	8.31	4.21	101.63	-
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortisation	-	-	1.00	5.76	0.27	0.30	-	0.09	4.93	-	12.35	-
<b>As at 31 March 2016</b>	-	-	<b>33.97</b>	<b>658.24</b>	<b>11.69</b>	<b>5.80</b>	<b>19.51</b>	<b>3.64</b>	<b>41.57</b>	<b>18.72</b>	<b>793.14</b>	-
For the year	-	-	6.41	73.36	2.84	1.47	3.22	0.58	7.91	4.00	99.79	-
Asset Held for Disposal	-	-	-	11.11	0.09	-	-	0.01	-	0.16	11.37	-
Deductions / Amortisation	-	-	-	10.96	0.07	0.74	-	-	0.02	0.34	12.13	-
<b>As at 31 March 2017</b>	-	-	<b>40.38</b>	<b>709.53</b>	<b>14.37</b>	<b>6.53</b>	<b>22.73</b>	<b>4.21</b>	<b>49.46</b>	<b>22.22</b>	<b>869.44</b>	-
<b>Net Block</b>												
As at 1 April 2015	0.00	11.80	106.92	283.96	6.67	5.34	18.58	1.26	18.77	20.91	474.22	5.62
<b>As at 31 March 2016</b>	-	<b>11.66</b>	<b>121.28</b>	<b>236.36</b>	<b>16.41</b>	<b>4.63</b>	<b>17.87</b>	<b>1.63</b>	<b>17.39</b>	<b>16.78</b>	<b>444.02</b>	<b>3.85</b>
<b>As at 31 March 2017</b>	-	<b>11.52</b>	<b>118.82</b>	<b>188.54</b>	<b>14.73</b>	<b>3.97</b>	<b>19.92</b>	<b>1.10</b>	<b>12.49</b>	<b>13.87</b>	<b>384.95</b>	<b>8.71</b>

Notes:

- Gross block is at Cost except leasehold land which is net of amount written off.
- For Depreciation and amortisation refer accounting policy (Note 40.4.3).
- in the previous year assets held for disposal having Written Down Value of ₹39,566 is disclosed under Deduction / Amortisation.
- Capital work-in-progress:
- Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is ₹ 8.71 Crs (31 March 2016: ₹ 3.85 Crs., 1 April 2015: ₹ 5.62 Crs.).
- The information relating to Gross block, accumulated Depreciation, and Impairment if any, has been disclosed as an additional information since the company has adopted deemed cost exemption under Ind AS 101, refer Note 41 on first time adoption.
- Note 1 of Property, Plant and equipment includes assets at Research & Development facility, the details of which are as under.

## Notes to the Financial Statements

### Property, Plant and equipment : Research and Development facility (Below figures are included in Note 1: Property, Plant and equipment)

₹ in Crs.

Particulars	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
<b>Gross Block</b>												
As at 1 April 2015	-	-	-	58.45	0.52	-	-	0.12	1.18	1.99	62.26	-
Additions	-	-	-	4.34	4.61	-	-	-	-	-	8.95	-
Inter transfers (Net)	-	-	-	(0.14)	-	-	-	-	-	-	(0.14)	-
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortisation	-	-	-	0.79	-	-	-	-	0.03	-	0.82	-
<b>As at 31 March 2016</b>	-	-	-	<b>61.86</b>	<b>5.13</b>	-	-	<b>0.12</b>	<b>1.15</b>	<b>1.99</b>	<b>70.25</b>	-
Additions	-	-	-	13.91	0.17	-	-	0.01	0.58	0.99	15.66	-
Inter transfers (Net)	-	-	-	4.77	-	-	-	0.00	-	-	4.77	-
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortisation	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2017</b>	-	-	-	<b>80.54</b>	<b>5.30</b>	-	-	<b>0.13</b>	<b>1.73</b>	<b>2.98</b>	<b>90.68</b>	-
<b>Depreciation</b>												
Upto 1 April 2015	-	-	-	29.27	0.44	-	-	0.11	1.06	0.57	31.45	-
For the year	-	-	-	5.19	0.09	-	-	0.00	0.09	0.23	5.60	-
Inter transfers (Net)	-	-	-	(0.15)	-	-	-	-	-	-	(0.15)	-
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortisation	-	-	-	0.76	-	-	-	-	0.03	-	0.79	-
<b>As at 31 March 2016</b>	-	-	-	<b>33.55</b>	<b>0.53</b>	-	-	<b>0.11</b>	<b>1.12</b>	<b>0.80</b>	<b>36.11</b>	-
For the year	-	-	-	5.75	0.68	-	-	0.00	0.12	0.23	6.78	-
Inter transfers (Net)	-	-	-	3.56	-	-	-	0.00	-	-	3.56	-
Asset Held for Disposal	-	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortisation	-	-	-	(0.00)	-	-	-	-	-	-	(0.00)	-
<b>As at 31 March 2017</b>	-	-	-	<b>42.86</b>	<b>1.21</b>	-	-	<b>0.11</b>	<b>1.24</b>	<b>1.03</b>	<b>46.45</b>	-
<b>Net Block</b>												
As at 1 April 2015	-	-	-	29.18	0.08	-	-	0.01	0.12	1.42	30.81	-
As at 31 March 2016	-	-	-	28.31	4.60	-	-	0.01	0.03	1.19	34.14	-
As at 31 March 2017	-	-	-	37.68	4.09	-	-	0.02	0.49	1.95	44.23	-



## Notes to the Financial Statements

### NOTE 2 : INVESTMENT PROPERTY

₹ in Crs.

Particulars	Land Leasehold	Buildings	Total
<b>Gross Block</b>			
As at 1 April 2015	0.01	4.73	4.74
Additions	-	-	-
Deductions / Amortisation	0.00	-	0.00
<b>As at 31 March 2016</b>	<b>0.01</b>	<b>4.73</b>	<b>4.74</b>
Additions	-	-	-
Deductions / Amortisation	0.00	-	0.00
<b>As at 31 March 2017</b>	<b>0.01</b>	<b>4.73</b>	<b>4.74</b>
<b>Depreciation</b>			
Upto 1 April 2015	-	2.35	2.35
For The Year	-	0.11	0.11
Deductions / Amortisation	-	-	-
<b>As at 31 March 2016</b>	<b>-</b>	<b>2.46</b>	<b>2.46</b>
For The Year	-	0.11	0.11
Deductions / Amortisation	-	-	-
<b>As at 31 March 2017</b>	<b>-</b>	<b>2.57</b>	<b>2.57</b>
<b>Net Block</b>			
As at 1 April 2015	0.01	2.38	2.39
<b>As at 31 March 2016</b>	<b>0.01</b>	<b>2.27</b>	<b>2.28</b>
<b>As at 31 March 2017</b>	<b>0.01</b>	<b>2.16</b>	<b>2.17</b>

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 40.4.4).
3. The information relating to Gross block, accumulated Depreciation, and Impairment if any, has been disclosed as an additional information since the company has adopted deemed cost exemption under IndAS 101, refer Note 41 on first time adoption.

## Notes to the Financial Statements

### NOTE 2 : INVESTMENT PROPERTY

#### Information regarding income and expenditure of Investment property

₹ in Crs.

Particular	Year ended 31 March 2017	Year ended 31 March 2016
Rental income derived from Investment properties	0.93	0.66
Direct operating expenses (including repairs and maintenance) generating rental income	0.07	0.04
Direct operating expenses (including repairs and maintenance) that did not generate rental income	-	-
<b>Profit arising from investment properties before depreciation and indirect expenses</b>	<b>0.86</b>	<b>0.62</b>
Less : Depreciation	0.11	0.11
<b>Profit arising from investment properties before indirect expenses</b>	<b>0.75</b>	<b>0.51</b>

As at 31 March 2017, 31 March 2016 and 1 April 2015, the fair values of the properties are based on valuations performed by an accredited independent valuer, who is a specialist in valuing these types of investment properties.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures for investment properties are in Note 40.6.15.

#### Fair value of the Investment properties are as under

₹ in Crs.

Fair value	Land Leasehold	Factory Building	Total
<b>Balance as at 1 April 2015</b>	<b>60.49</b>	<b>12.11</b>	<b>72.60</b>
Fair value difference for the year	-	1.00	1.00
Purchases	-	-	-
<b>Balance as at 31 March 2016</b>	<b>60.49</b>	<b>13.11</b>	<b>73.60</b>
Fair value difference for the year	-	0.63	0.63
Purchases	-	-	-
<b>Balance as at 31 March 2017</b>	<b>60.49</b>	<b>13.74</b>	<b>74.23</b>

Particulars	Valuation techniques	Significant unobservable inputs	Range of change in fair value per 5% (+/-) change in rate per sq. mtr.		
			31 March 2017	31 March 2016	1 April 2015
Leasehold land	Direct Comparison Approach	Sales price of similar properties adjusted for peculiar factors of the property valued	₹ 3 Crs.	₹ 3 Crs.	₹ 3 Crs.
Factory Building	Direct Comparison Approach	Sales price of similar properties adjusted for peculiar factors of the property valued	₹ 0.70 Crs.	₹ 0.65 Crs.	₹ 0.60 Crs.

Direct Comparison Approach: The direct comparison approach involves a comparison of the subject property to similar properties that have actually been sold in arms-length distance from Subject Property or are offered for sale in the same region. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market, and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis. This approach leads to a reasonable estimation of the prevailing land price.



## Notes to the Financial Statements

### NOTE 3 : OTHER INTANGIBLE ASSETS

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow-Acquired	Technical Knowhow-Internally generated	Total	Capital work-in-progress
<b>Gross Block</b>						
As at 1 April 2015	31.02	11.12	3.74	18.58	64.46	15.69
Additions	4.68	-	-	-	4.68	14.40
Deductions / Amortisation	-	-	-	-	-	4.68
<b>As at 31 March 2016</b>	<b>35.70</b>	<b>11.12</b>	<b>3.74</b>	<b>18.58</b>	<b>69.14</b>	<b>25.41</b>
Additions	1.73	-	-	30.63	32.36	13.15
Deductions / Amortisation	-	-	-	0.31	0.31	32.36
<b>As at 31 March 2017</b>	<b>37.43</b>	<b>11.12</b>	<b>3.74</b>	<b>48.90</b>	<b>101.19</b>	<b>6.20</b>
<b>Depreciation</b>						
Upto 1 April 2015	13.07	11.12	3.74	0.80	28.73	-
For The Year	5.28	-	-	4.15	9.43	-
Deductions / Amortisation	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>18.35</b>	<b>11.12</b>	<b>3.74</b>	<b>4.95</b>	<b>38.16</b>	-
For The Year	5.18	-	-	5.46	10.64	-
Deductions / Amortisation	-	-	-	0.11	0.11	-
<b>As at 31 March 2017</b>	<b>23.53</b>	<b>11.12</b>	<b>3.74</b>	<b>10.30</b>	<b>48.69</b>	-
<b>Net Block</b>						
As at 1 April 2015	17.95	0.00	-	17.78	35.74	15.69
<b>As at 31 March 2016</b>	<b>17.35</b>	<b>0.00</b>	-	<b>13.64</b>	<b>30.99</b>	<b>25.41</b>
<b>As at 31 March 2017</b>	<b>13.90</b>	<b>0.00</b>	-	<b>38.60</b>	<b>52.50</b>	<b>6.20</b>

Notes :

- Intangible Assets are amortised on Straight Line method.
- For Depreciation and amortisation refer accounting policy (Note 40.4.5).
- Capital work in progress:  
Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is ₹ 6.20 Crs. (31 March 2016: ₹ 25.41 Crs., 1 April 2015: ₹ 15.69 Crs.).
- Refer Note 41 on first time adoption
- Note 3 of Other Intangible assets includes assets at Research & Development facility, the details of which are as under.

## Notes to the Financial Statements

### OTHER INTANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY (Below figures are included in Note 3 : Other Intangible assets)

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Capital work-in-progress
<b>Gross Block</b>						
As at 1 April 2015	6.39	10.42	-	18.58	35.39	-
Additions	4.35	-	-	(0.00)	4.35	-
Deductions / Amortisation	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>10.74</b>	<b>10.42</b>	<b>-</b>	<b>18.58</b>	<b>39.74</b>	<b>-</b>
Additions	1.08	-	-	30.63	31.71	-
Inter Transfers	1.85	-	1.50	-	3.35	-
Deductions / Amortisation	-	-	-	0.32	0.32	-
<b>As at 31 March 2017</b>	<b>13.67</b>	<b>10.42</b>	<b>1.50</b>	<b>48.89</b>	<b>74.48</b>	<b>-</b>
<b>Depreciation</b>						
Upto 1 April 2015	4.24	10.42	-	0.80	15.46	-
For The Year	0.96	-	-	4.15	5.11	-
Deductions / Amortisation	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>5.20</b>	<b>10.42</b>	<b>-</b>	<b>4.95</b>	<b>20.57</b>	<b>-</b>
For The Year	1.39	-	-	5.46	6.85	-
Inter Transfers	1.85	-	1.50	-	3.35	-
Deductions / Amortisation	-	-	-	0.10	0.10	-
<b>As at 31 March 2017</b>	<b>8.44</b>	<b>10.42</b>	<b>1.50</b>	<b>10.31</b>	<b>30.67</b>	<b>-</b>
<b>Net Block</b>						
As at 1 April 2015	2.15	-	-	17.78	19.93	-
<b>As at 31 March 2016</b>	<b>5.54</b>	<b>-</b>	<b>-</b>	<b>13.63</b>	<b>19.17</b>	<b>-</b>
<b>As at 31 March 2017</b>	<b>5.23</b>	<b>-</b>	<b>-</b>	<b>38.58</b>	<b>43.81</b>	<b>-</b>



## Notes to the Financial Statements

### NOTE 4 : NON-CURRENT INVESTMENTS

₹ in Crs.

Particulars	Par Value / Face Value Per Unit in ₹ / \$	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
		Nos.	₹ in Crs	Nos.	₹ in Crs.	Nos.	₹ in Crs.
<b>(i) At Cost</b>							
<b>Investment</b>							
<b>Investment In wholly owned Subsidiary</b>							
In Unquoted Equity Instruments							
KOEL Americas Corp. - Equity instruments (Fully paid up)	0.001 \$	50	1.59	50	1.59	-	-
<b>(ii) At Fair value through Profit or Loss (FVTPL)</b>							
<b>Investment</b>							
In unquoted mutual fund							
HDFC Group Unit Linked Plan (Debt Instrument)	10 ₹	1,355,118	2.69	1,522,045	2.85	3,969,578	6.96
<b>(iii) At Fair value through Other Comprehensive Income (FVOCI)</b>							
<b>Investment</b>							
In Unquoted Equity Instruments							
Kirloskar Proprietary Limited - Equity Share (Fully Paid up)	100 ₹	1	0.00	1	0.00	1	0.00
S.L.Kirloskar CSR Foundation - Equity Shares (Fully paid up)	10 ₹	9,800	0.01	-	-	-	-
<b>Total</b>			<b>4.29</b>		<b>4.44</b>		<b>6.96</b>

Notes :

- Aggregate amount of Unquoted Investments
- Face value per unit in Rupees unless otherwise stated.
- The Company has invested USD 250,000 in "KOEL Americas Corp" (50 Shares of USD 5000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, "KOEL Americas Corp" is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015. In accordance with IndAS 27 "Separate Financial Statements", Company has valued this investment at cost.
- During the year, the Company has invested in 9,800 Equity shares of ₹ 10 each of S.L. Kirloskar CSR Foundation.
- Refer Note 41, 40.6.14 and 40.6.15 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments
- Refer Note 40.6.16 on risk management objectives and policies for financial instruments.

### NOTE 5 : LOANS (NON CURRENT)

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Loans to employees (unsecured, considered good)	0.42	0.75	1.31
<b>Total</b>	<b>0.42</b>	<b>0.75</b>	<b>1.31</b>

- Loans are measured at amortised cost.
- Loans are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

## Notes to the Financial Statements

### NOTE 6 : OTHER FINANCIAL ASSETS (NON CURRENT)

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Security deposits (Unsecured, considered good)	28.75	19.23	16.96
Subsidy receivable under PSI scheme, 2001	12.84	9.26	27.87
Others	0.18	0.21	0.20
<b>Total</b>	<b>41.77</b>	<b>28.70</b>	<b>45.03</b>

Other financial assets are measured at amortised cost.

### NOTE 7 : OTHER NON-CURRENT ASSETS

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Capital advances	1.76	0.97	7.97
Prepaid expenses	0.45	1.52	-
Tax paid in advance (net of provision) (Refer Note 15)	32.88	79.51	82.08
<b>Other Advances to suppliers</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unsecured, considered good	-	-	-
Doubtful	0.14	0.04	0.04
Less : Provision for doubtful advances	(0.14)	(0.04)	(0.04)
<b>Total</b>	<b>35.09</b>	<b>82.00</b>	<b>89.57</b>

### NOTE 8 : INVENTORIES

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Raw materials</b>	<b>120.28</b>	<b>112.89</b>	<b>101.57</b>
Raw materials and components	119.26	111.29	101.27
Raw materials in transit	1.02	1.60	0.30
Work-in-progress	18.07	23.61	12.79
Finished goods	57.38	48.84	43.98
Traded goods	17.22	8.89	6.86
Stores and spares	13.14	11.56	10.49
<b>Total</b>	<b>226.09</b>	<b>205.79</b>	<b>175.69</b>

Inventories written down to net realisable value during the year ended 31 March 2017 ₹ 4.15 Crs. (31 March 2016: ₹ 4.99 Crs.) were recognised as an expense in the statement of profit and loss during the year.



## Notes to the Financial Statements

### NOTE 9 : CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
		Nos.	₹ in Crs	Nos.	₹ in Crs	Nos.	₹ in Crs
	₹						
<b>At fair value through Profit or Loss (FVTPL)</b>							
<b>Unquoted Investment</b>							
<b>Current Portion of Long Term Investment</b>							
HDFC Group Unit Linked Plan (Debt Instrument)	10	673,238	1.34	1,171,840	2.19	2,578,719	4.52
			<b>1.34</b>		<b>2.19</b>		<b>4.52</b>
<b>Other Current Investment</b>							
Investments In Mutual Funds							
<b>Fixed Maturity Plan - Growth Option</b>							
ICICI Prudential FMP Series 78-95 days plan K Cumulative	10	-	-	26,005,470	26.30	-	-
ICICI Prudential FMP Series 78-95 days plan M Cumulative	10	-	-	10,000,000	10.08	-	-
Reliance Fixed Horizon Fund - XXX - Series 9 - Growth Plan (YL-GP)	10	-	-	25,000,000	25.23	-	-
UTI-Fixed Income Interval Fund - III- Quarterly Interval Plan - Growth Plan	10	-	-	4,982,685	10.09	-	-
					<b>71.70</b>		
<b>Liquid Scheme - Growth Option</b>							
Axis Liquid Fund - Growth (CF-GP)	1000	506,975	91.16	319,556	53.56	226,487	35.08
Axis Banking Debt Fund - Growth (BD-DG)	1000	-	-	109,363	15.16	-	-
Birla Sun life Cash Plus - Growth - Regular plan	100	1,689,447.00	44.01	4,249,766	103.17	5,405,911	121.24
Birla Sun life Savings Fund - Growth - Regular Plan	100	3,364,940.00	107.22	1,734,520	50.80	-	-
DHFL Pramerica Insta Cash Plus Fund - Growth	100	1,187,561.00	25.02	-	-	-	-
DSP BlackRock Liquidity Fund-Institutional Plan - Growth	1000	108,049.00	25.05	-	-	-	-
HDFC Liquid Fund Regular Plan - Growth	1000	87,642	28.04	-	-	37,784,381	104.20
HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option Regular Plan-Growth	10	38,324,038	108.34	39,093,177	101.81	-	-
ICICI Prudential Liquid Plan - Growth	100	2,211,133	53.10	2,236,675	50.07	5,567,427	115.17
ICICI Prudential- Money Market Fund - Growth	100	1,605,182	36.02	1,770,739	37.03	2,071,253	40.03
ICICI Prudential Flexible Income - Growth	100	3,451,127	107.45	1,778,651	50.91	-	-
IDFC Cash Fund - Growth -(Regular Plan)	1000	-	-	-	-	353,468	60.05
Invesco India Liquid Fund - Growth Plan(LF-SG)	1000	112,178	25.04	-	-	-	-
L & T liquid fund Regular - Growth	1000	112,583	25.05	-	-	146,308	28.04
Reliance Medium Term Fund - Growth Plan - Growth Option ( IP-GP)	10	22,352,812	76.28	-	-	-	-
Reliance Liquidity Fund - Growth Plan Growth Option (LQ-GP)	1000	-	-	131,862	30.05	121,799	25.64
Reliance Liquid Fund - Treasury Plan - Growth Plan - Growth Option (LF-IG)	1000	253,171	100.10	274,492	101.16	276,752	94.25
SBI Premier Liquid Fund - Regular Plan - Growth	1000	-	-	210,784	50.09	629,171	138.15
SBI Treasury Advantage Fund - Regular Plan - Growth	1000	-	-	60,344	10.13	-	-
Tata Money Market Fund - Plan A -Growth	1000	-	-	-	-	136,480	30.03
UTI Liquid Cash Plan - Institutional - Growth	1000	196,021	52.08	-	-	337,019	77.16
UTI-Money Market Fund - Institutional Plan - Growth	1000	-	-	342,890	58.07	-	-
UTI Treasury Advantage Fund - Regular Plan - Growth	1000	357,952	80.24	-	-	-	-
			<b>984.20</b>		<b>712.01</b>		<b>869.04</b>
<b>Total</b>			<b>985.54</b>		<b>785.90</b>		<b>873.56</b>

Notes :

- Aggregate amount of Unquoted Investments 985.54 785.90 873.56
- Face value per unit in Rupees unless otherwise stated.
- Refer Note 41 on first time adoption
- Fair value disclosures for financial assets and liabilities are stated in Note 40.6.14 and fair value hierarchy disclosures for investment are stated in Note 40.6.15
- Refer Note 40.6.16 on risk management objectives and policies for financial instruments.

## Notes to the Financial Statements

### NOTE 10 : TRADE RECEIVABLES

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Total Trade Receivables</b>	<b>200.97</b>	<b>159.34</b>	<b>52.62</b>
Trade receivables [Refer note (1) below]	200.97	159.34	52.62
<b>Break-up for security details:</b>	<b>200.97</b>	<b>159.34</b>	<b>52.62</b>
Secured, considered good	-	-	-
Unsecured, considered good	200.97	159.34	52.62
Doubtful	12.10	11.58	21.34
Impairment Allowance (allowance for bad and doubtful debts)	(12.10)	(11.58)	(21.34)
<b>Total</b>	<b>200.97</b>	<b>159.34</b>	<b>52.62</b>

- Trade receivables are measured at amortised cost.
- No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Trade or other receivables due from firms or private companies respectively in which any director is a partner, a director or a member ₹ 7.86 Crs (31 March 2016 : ₹ 10.22 Crs, 1 April 2015 : ₹ 10.22 Crs).

For terms and conditions relating to related party receivables, refer Note 40.6.12

- Movement of impairment Allowance (allowance for bad and doubtful debts)

Particulars	₹ in Crs.
<b>At 1 April 2015</b>	<b>21.34</b>
Provided during the year	1.40
Amounts written off	(1.19)
Amount written back	(9.97)
<b>At 31 March 2016</b>	<b>11.58</b>
Provided during the year	2.53
Amounts written off	(1.42)
Amount written back	(0.59)
<b>At 31 March 2017</b>	<b>12.10</b>

- Refer Note 40.6.16 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.
- The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, the Company has retained late payment and credit risks.

The Company therefore continues to recognise these assets in the entirety in its balance sheet. The amount repayable under this arrangement is presented as secured borrowings.

The relevant carrying amounts are as follows:-

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Total transferred receivables w.r.t. Bills discounted	8.13	7.17	-
Related secured borrowings (Refer Note 23)	8.13	7.17	-

- Refer Note 41 on first time adoption.



## Notes to the Financial Statements

### NOTE 11a : CASH AND CASH EQUIVALENTS

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Balance with Bank</b>			
Current accounts and debit balance in cash credit accounts	10.99	26.04	23.12
Cash on hand	0.02	0.05	0.07
<b>Total</b>	<b>11.01</b>	<b>26.09</b>	<b>23.19</b>

### NOTE 11b : OTHER BANK BALANCES

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Unpaid dividend accounts	7.03	8.28	2.07
Deposits with original maturity of more than three months but less than 12 months	-	5.16	-
<b>Total</b>	<b>7.03</b>	<b>13.44</b>	<b>2.07</b>

#### Notes:

- Refer Note 40.6.16 for further details
- As per Ministry of Corporate Affairs notification vide G.S.R. 308(E) dated 30 March 2017, Details of Specified Bank Notes (SBN) held and transacted during the period 8 November 2016 to 30 December 2016

Particulars	₹ in Crs.		
	SBNs	Other denomination notes	Total
<b>Closing cash in hand as on 8 November 2016</b>	<b>0.04</b>	<b>0.01</b>	<b>0.05</b>
(+) Permitted receipts	-	0.05	0.05
(-) Permitted payments	-	0.04	0.04
(-) Amount deposited in Banks	0.04	-	0.04
<b>Closing cash in hand as on 30 December 2016</b>	<b>-</b>	<b>0.02</b>	<b>0.02</b>

### NOTE 12 : LOANS (CURRENT)

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Loans to employees (unsecured, considered good)	0.38	0.51	0.77
<b>Total</b>	<b>0.38</b>	<b>0.51</b>	<b>0.77</b>

#### Notes:

- Loans are measured at amortised cost.
- Loans are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

## Notes to the Financial Statements

### NOTE 13 : OTHER FINANCIAL ASSETS (CURRENT)

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Security deposits (Unsecured, considered good)	0.33	2.01	11.85
Subsidy receivable under PSI scheme, 2001	61.66	29.45	25.03
Export incentive receivable	3.54	7.15	6.04
Others	0.17	0.36	0.48
<b>Total</b>	<b>65.70</b>	<b>38.97</b>	<b>43.40</b>

#### Notes :

- Other financial assets are measured at amortised cost.
- Others includes, Change in fair valuation of Derivatives (Foreign exchange forward contracts) designated as hedging instruments and intended to reduce the level of foreign currency risk for expected sales of USD 9,76,726 as of 31 March 2017 (31 March 2016 : Nil and 1 April 2015 : Nil).
- Refer Note 40.6.16 on risk management objectives and policies for financial instruments.

### NOTE 14 : ASSETS HELD FOR SALE (CURRENT)

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Property, plant and equipment (net)	0.25	-	-
<b>Total</b>	<b>0.25</b>	<b>-</b>	<b>-</b>

#### Notes :

- Fair value hierarchy disclosures for Assets held for sale are in Note 40.6.15.
- Property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying value and fair value less cost to sale at the time of reclassification, resulted in the recognition of write down of ₹ 1.31 Crs in the statement of profit and loss account. The fair value of property, plant and equipment was determined based on its estimated realisable value.

### NOTE 15 : CURRENT TAX ASSETS (NET)

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Tax Paid in Advance (Net of Provision)	1.41	6.24	6.10
<b>Total</b>	<b>1.41</b>	<b>6.24</b>	<b>6.10</b>

#### Notes :

- Non-current Tax paid in advance included in Note 7.

### NOTE 16 : OTHER CURRENT ASSETS

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advance to suppliers	7.77	6.57	5.64
Balance with collectorate of central excise and customs	15.07	9.86	2.91
Sales tax / VAT / service tax receivable (net)	108.19	90.16	69.51
Prepaid expenses	3.94	3.80	2.98
Other Current Assets	0.12	0.43	0.36
<b>Total</b>	<b>135.09</b>	<b>110.82</b>	<b>81.40</b>



## Notes to the Financial Statements

### NOTE 17 : SHARE CAPITAL

#### Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
<b>At 1 April 2015</b>	<b>200,000,000</b>	<b>40.00</b>
Increase/(decrease) during the year	70,000,000	14.00
<b>At 31 March 2016</b>	<b>270,000,000</b>	<b>54.00</b>
Increase/(decrease) during the year	-	-
<b>At 31 March 2017</b>	<b>270,000,000</b>	<b>54.00</b>

During the year ended 31 March 2016, the authorised share capital was increased by ₹ 14 Crs., i.e. 7 Crs. equity shares of ₹ 2 each.

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

The Company has only one class of equity shares having a 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.

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.

#### Issued and subscribed share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
<b>As at 1 April 2015</b>	<b>144,614,326</b>	<b>28.92</b>
Changes during the year	-	-
<b>As at 31 March 2016</b>	<b>144,614,326</b>	<b>28.92</b>
Changes during the year	-	-
<b>As at 31 March 2017</b>	<b>144,614,326</b>	<b>28.92</b>

#### Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
<b>As at 1 April 2015</b>	<b>144,613,861</b>	<b>28.92</b>
Changes during the year	-	-
<b>As at 31 March 2016</b>	<b>144,613,861</b>	<b>28.92</b>
Changes during the year	-	-
<b>As at 31 March 2017</b>	<b>144,613,861</b>	<b>28.92</b>

The Company has share suspense account which represents equity shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR), are kept in abeyance as per the Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.

## Notes to the Financial Statements

Particulars	No. of shares	₹ in Crs.
<b>As at 1 April 2015</b>	<b>465</b>	<b>0.00</b>
Changes during the year	-	-
<b>As at 31 March 2016</b>	<b>465</b>	<b>0.00</b>
Changes during the year	-	-
<b>As at 31 March 2017</b>	<b>465</b>	<b>0.00</b>

### 17.1. Shares held by holding company

Out of equity shares issued by the Company, shares held by its holding Company are as below

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No. of shares	₹ in Crs.	No. of shares	₹ in Crs.	No. of shares	₹ in Crs.
<b>Kirloskar Brothers Investments Limited*</b>						
Equity shares of ₹ 2 each	-	-	-	-	80,388,514	16.08
Equity share holding (%)		-		-		55.59

\* Effective 30 June 2015, Kirloskar Brothers Investments limited ceased to be the holding Company of the Company, vide order from Hon'ble High Court of Judicature at Bombay dated 30 April 2015. Refer Note 17.4 for details.

### 17.2. Number of Shares held by each shareholder holding more than 5% Shares in the Company

Name of the Shareholder	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	No. of shares	% of share-holding	No. of shares	% of share-holding	No. of shares	% of share-holding
Kirloskar Brothers Investments Limited	-	-	-	-	80,388,514	55.59
Atul Chandrakant Kirloskar	18,456,667	12.76	18,456,667	12.76	2,654,276	1.84
Gautam Achyut Kulkarni	18,398,233	12.72	18,391,027	12.72	2,560,714	1.77
Rahul Chandrakant Kirloskar	17,732,902	12.26	17,732,902	12.26	1,923,155	1.33
Nalanda India Fund Limited	10,896,124	7.53	10,896,124	7.53	10,896,124	7.53
Kirloskar Industries Limited	8,210,439	5.68	8,210,439	5.68	5,506,519	3.81
Alpana Rahul Kirloskar	7,711,817	5.33	7,711,817	5.33	4,240,244	2.93
Jyotsna Gautam Kulkarni	7,572,631	5.24	7,572,631	5.24	3,857,250	2.67

### 17.3. 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:

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, up to 24 January 2013.



## Notes to the Financial Statements

### 17.4 Scheme of Arrangement and amalgamation

Hon'ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (The Composite Scheme) between Kirloskar Brothers Investments Limited ('KBIL' - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited ('KOEL' - Transferee Company) and their respective shareholders and creditors under Sections 391 to 394 and other relevant Sections of the Companies Act, 1956, and the relevant Sections of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company were cancelled on account of Cross holdings and same number of equity shares were allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Company pre and post the Composite Scheme.

#### NOTE 18 : OTHER EQUITY

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
CAPITAL REDEMPTION RESERVE	0.20	0.20	0.20
<b>GENERAL RESERVE</b>	<b>608.39</b>	<b>608.39</b>	<b>594.34</b>
Opening Balance	608.39	594.34	580.03
Add : Transferred from Retained earnings	-	14.05	14.31
<b>RETAINED EARNINGS</b>	<b>979.20</b>	<b>806.15</b>	<b>815.83</b>
Opening Balance	806.15	815.83	779.00
Add : Net surplus in the statement of Profit & Loss balance of residual undertaking of Kirloskar Brothers Investments Limited, transferred under Composite Scheme Arrangement and Amalgamation	-	13.20	-
Add : Profit for the year	173.62	165.32	143.14
Add : Other Comprehensive income / (Loss)	(0.58)	(0.10)	-
	<b>173.04</b>	<b>178.42</b>	<b>143.14</b>
<b>Less : Appropriations</b>			
Transferred to General reserve	-	14.05	14.31
Interim Dividend	-	72.31	-
Tax on Interim Dividend	-	14.72	-
Final dividend	-	72.31	72.31
Tax on proposed dividend	-	14.72	14.72
Transition effect of reassessment of useful life on carrying value of fixed assets (net of deferred tax)	-	-	4.97
	-	<b>188.11</b>	<b>106.31</b>
<b>Total</b>	<b>1,587.78</b>	<b>1,414.74</b>	<b>1,410.37</b>

#### Other reserves

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Capital redemption reserve	0.20	0.20	0.20
General reserve	608.39	608.39	594.34
Retained Earnings	979.20	806.15	815.83
<b>Total other reserves</b>	<b>1,587.78</b>	<b>1,414.74</b>	<b>1,410.37</b>

## Notes to the Financial Statements

- Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.
- General reserve is created by setting aside amount from the Retained Earnings of the Company for general purposes which is freely available for distribution.
- Dividend distribution made and proposed

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Cash dividends on Equity shares declared and paid</b>		
Final dividend for the year ended 31 March 2016: ₹ Nil (31 March 2015: ₹ 5 per share)	-	72.31
Dividend distribution tax on final dividend	-	14.72
Interim dividend for year ended 31 March 2016: ₹ 5 per share	-	72.31
Dividend distribution tax on Interim dividend	-	14.72
	<b>-</b>	<b>174.06</b>
<b>Proposed dividends on Equity shares</b>		
Final cash dividend proposed for the year ended 31 March 2017: ₹ 5 per share (31 March 2016: ₹ NIL per share )	72.31	-
Dividend distribution tax on proposed dividend	14.72	-
	<b>87.03</b>	<b>-</b>

Proposed dividend on equity shares are subject to approval of the shareholders of the Company at the annual general meeting and are not recognised as a liability (including taxes thereon) as at 31 March.

### NOTE 19 : OTHER FINANCIAL LIABILITIES (NON CURRENT)

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Deposits from customers and others	17.92	17.40	16.84
<b>Total</b>	<b>17.92</b>	<b>17.40</b>	<b>16.84</b>

#### Notes:

- Other financial liabilities are measured at amortised cost.
- For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 40.6.16

### NOTE 20 : LONG-TERM PROVISIONS

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Provision for employee benefits</b>	<b>20.63</b>	<b>14.96</b>	<b>17.53</b>
Provision for leave encashment	18.08	12.66	15.26
Provision for pension and other retirement benefits	2.55	2.30	2.27
<b>Other provisions</b>	<b>10.87</b>	<b>7.94</b>	<b>6.93</b>
Provision for warranty	10.87	7.94	6.93
<b>Total</b>	<b>31.50</b>	<b>22.90</b>	<b>24.46</b>

Refer Note 27 Short-term provisions



## Notes to the Financial Statements

### NOTE 21: DEFERRED TAX LIABILITY (NET)

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Deferred Tax Liability</b>	<b>32.55</b>	<b>39.57</b>	<b>43.19</b>
Depreciation	29.97	30.52	38.81
Others	2.58	9.05	4.38
<b>Less : Deferred Tax Assets</b>	<b>20.88</b>	<b>26.61</b>	<b>22.47</b>
Disallowances u/s 43 B of Income Tax Act	9.93	11.22	11.64
Provision for Doubtful debts & advances	4.16	4.02	7.39
VRS Compensation	2.19	4.24	2.64
Amalgamation/Demerger Expenses	3.18	4.25	0.15
Others	1.42	2.88	0.65
<b>Total</b>	<b>11.67</b>	<b>12.96</b>	<b>20.72</b>

#### 1. Reconciliation of deferred tax assets / (liabilities), net

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>Opening balance as of 1 April</b>	<b>(12.96)</b>	<b>(20.72)</b>
Tax income/(expense) during the year recognised in profit or loss	1.00	7.68
Tax income/(expense) during the year recognised in OCI	0.30	0.06
<b>Closing balance as at 31 March</b>	<b>(11.67)</b>	<b>(12.96)</b>

#### 2. Tax Losses

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Unused tax losses for which no Deferred Tax Assets have been recognised-Long Term capital loss on sale of Mutual Fund units	0.61	0.57
Potential Tax benefit	0.14	0.13

- The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.
- During the year ended 31 March 2016 and 31 March 2015, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that dividend distribution tax represents additional payment to taxation authority on behalf of the shareholders. Hence dividend distribution tax paid is charged to equity.
- There is no change in the applicable tax rate of 34.608 % compared to the previous year (31 March 2016: 34.608%)
- The unused tax losses were incurred by the company on sale on Long term units of Mutual Fund in which company is not likely to generate taxable income in the foreseeable future. The losses can be carried forward as per the provisions of Income Tax Act.

## Notes to the Financial Statements

### NOTE 22 : OTHER NON CURRENT LIABILITIES

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advance from customers	2.15	0.54	-
Deferred revenue	3.12	1.26	-
<b>Total</b>	<b>5.27</b>	<b>1.80</b>	<b>-</b>

### NOTE 23 : BORROWINGS

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Interest bearing borrowings from Banks</b>			
Export Preshipment Loan in INR	3.74	-	-
Loans: Export sales bill discounted	8.13	7.17	-
Cash credit	0.58	-	-
<b>Total</b>	<b>12.45</b>	<b>7.17</b>	<b>-</b>
Aggregate secured borrowings	12.45	7.17	-
Aggregate unsecured borrowings	-	-	-

- Borrowings are measured at amortised cost.
- Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crs. are secured to the extent of ₹ 410 Crs. by way of hypothecation (First Charge) on the whole of the current assets of the Company 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).
- For explanations on the company's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 40.6.16

### NOTE 24 : TRADE AND OTHER PAYABLES

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Acceptances	22.10	15.25	20.59
Due to micro, small and medium enterprises	5.71	3.58	5.16
Due to other than micro, small and medium enterprises	327.17	327.30	322.73
<b>Total</b>	<b>354.98</b>	<b>346.13</b>	<b>348.48</b>

- Trade and other payables are measured at amortised cost.
- For terms and conditions with related parties, refer to Note 40.6.12
- For explanations on the Company's Foreign currency risk and liquidity risk management processes, refer to Note 40.6.16



## Notes to the Financial Statements

### NOTE 25 : OTHER FINANCIAL LIABILITIES (CURRENT)

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Unclaimed dividends	7.03	8.28	2.07
Payable for capital purchases	14.86	11.30	10.06
Employee benefits payable	26.67	22.01	17.87
Other financial liabilities	3.55	3.30	4.64
<b>Total</b>	<b>52.11</b>	<b>44.89</b>	<b>34.64</b>

- Other financial liabilities are measured at amortised cost.
- For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 40.6.16

### NOTE 26 : OTHER CURRENT LIABILITIES

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Advance from customers	3.28	5.58	10.70
<b>Other payables</b>	<b>14.79</b>	<b>17.32</b>	<b>9.98</b>
Statutory dues including provident fund and tax deducted at source	8.14	7.63	7.37
Other liabilities	3.91	2.61	2.61
Deferred revenue	2.74	7.08	-
<b>Total</b>	<b>18.07</b>	<b>22.90</b>	<b>20.68</b>

## Notes to the Financial Statements

### NOTE 27 : SHORT-TERM PROVISIONS

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>Provision for employee benefits</b>	<b>9.66</b>	<b>13.87</b>	<b>14.99</b>
Provision for gratuity	0.40	3.82	4.76
Provision for leave encashment	8.98	9.75	9.91
Provision for pension and other retirement benefits	0.28	0.30	0.32
<b>Others</b>	<b>38.38</b>	<b>35.01</b>	<b>15.23</b>
Provision for warranty	23.33	19.55	15.23
Other Provision	15.05	15.46	-
<b>Total</b>	<b>48.04</b>	<b>48.88</b>	<b>30.22</b>

#### 1. Employee benefits obligations

##### a. Gratuity

The Company provides gratuity for employees as per the Gratuity Act, 1972. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity is payable on retirement or termination whichever is earlier. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity plan is funded plan.

##### b. Pension, post retirement medical benefit and long term award benefits

The Company provides certain post-employment medical scheme and long term award benefits to employees (unfunded). For long-term award scheme, the Company has defined certain eligibility criteria and grade-wise benefit available to employees and is payable only at time of separation. Pension and medical benefits are payable to employees for 15 years after retirement.

##### c. Compensated absences

The leave obligation cover the Company's liability for earned leaves.

Also refer Note 40.6.10 for detailed disclosure.

#### 2. Breakup of others Provision

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Current	38.38	35.01	15.23
Non-current	10.87	7.94	6.93
<b>Total</b>	<b>49.25</b>	<b>42.95</b>	<b>22.17</b>



## Notes to the Financial Statements

### 3. Others

- a. 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.

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of reporting period. It is expected that majority of these costs will be incurred in the next financial year and balance will be incurred in following years. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Particulars	₹ in Crs.
<b>At 1 April 2015</b>	<b>22.17</b>
Arising during the year	38.69
Utilised	32.78
Unused amount reversed	0.59
<b>At 31 March 2016</b>	<b>27.49</b>
Arising during the year	38.58
Utilised	31.13
Unused amount reversed	0.74
<b>At 31 March 2017</b>	<b>34.20</b>

- b. The Company has preferred an Appeal bearing No.125 of 2016 before the Chief Controlling Revenue Authority (CCRA) against the Stamp Duty Adjudication Order dated 2 May 2016 bearing ADJ/188/2015 passed by Collector of Stamps, Enforcement – II, Mumbai levying a total stamp duty amount of ₹ 14.94 Crs. on Company for amalgamation of KBIL with Company. For securing a Stay Order against the said Stamp duty Adjudication being ADJ/188/2015 dated 2 May 2016, the Company has deposited 50% of the stamp duty amount of ₹ 7.47 Crs. on protest on 30 June 2016. Considering the payment of 50% of stamp duty amount, through its Order dated 22 September 2016, CCRA has passed an Order granting stay on the effect and operation of said Stamp Duty Adjudication Order bearing ADJ/188/2015 dated 2 May 2016. Company's Appeal bearing No. 125 of 2016 is still pending and listing for final hearing is awaited. Accordingly, provision for Stamp duty of ₹ 14.94 Crs. has been made. Refer Note 38 Exceptional Items.
- c. Provision for stamp duty and liquidated damages has been made and same is disclosed as Short-term provision as under:

Particulars	₹ in Crs.
<b>At 1 April 2015</b>	<b>-</b>
Arising during the year	15.46
Utilised	-
Unused amount reversed	-
<b>At 31 March 2016</b>	<b>15.46</b>
Arising during the year	0.09
Utilised	0.50
Unused amount reversed	-
<b>At 31 March 2017</b>	<b>15.05</b>

## Notes to the Financial Statements

### NOTE 28 : GOVERNMENT GRANT

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Eligible incentives under Export Promotion Capital Goods Scheme	0.85	0.85	-
<b>Total</b>	<b>0.85</b>	<b>0.85</b>	<b>-</b>

- The company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods.
- For unfulfilled obligation related to the scheme refer Note 40.6.1(B).
- Government grant**

Particulars	₹ in Crs.		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
<b>As at 1 April</b>	<b>0.85</b>	-	-
Availed during the year	-	1.37	-
Released to statement of profit and loss	-	(0.52)	-
<b>As at 31 March</b>	<b>0.85</b>	<b>0.85</b>	<b>-</b>

### NOTE 29 : REVENUE FROM OPERATIONS

Particulars	₹ in Crs.	
	2016-17	2015-16
Sale of products (including excise duty)	2,761.68	2,537.74
Sale of services	56.73	49.03
<b>Total sales and services</b>	<b>2,818.41</b>	<b>2,586.77</b>
<b>Operating income</b>	<b>56.74</b>	<b>57.26</b>
Sale of scrap	7.67	8.44
Government grant income	36.58	31.61
Commission received	0.80	0.41
Export incentives	6.23	11.55
Refund of sales tax, octroi etc.	-	0.05
Sundry credit balances written back	1.30	0.46
Provisions no longer required written back	1.90	2.67
Miscellaneous receipts	2.26	2.07
<b>Total</b>	<b>2,875.15</b>	<b>2,644.03</b>

- Government grant income accrued for the year relates to the Industrial Promotion Subsidy under the Packaged Scheme of Incentives, 2001.
- Sale of products includes excise duty collected from customers of ₹ 204.73 Crs. (Previous year ₹ 180.98 Crs.). Sale of products net of excise duty is ₹ 2,556.95 Crs. (Previous year ₹ 2,356.76 Crs.).
- Export incentives includes incentive under EPCG scheme amounting to ₹ Nil ( Previous year ₹ 0.52 Crs.)



## Notes to the Financial Statements

### NOTE 30 : OTHER INCOME

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Interest</b>	<b>17.03</b>	<b>5.80</b>
On Income Tax and Sales Tax Refund	15.34	2.97
On Bank Deposits	0.16	0.91
Unwinding of interest on security deposits	1.04	0.96
On others	0.49	0.96
Dividend income from equity investments designated at fair value through other comprehensive income	-	-
Net gain on financial instruments mandatorily measured at fair value through profit or loss	3.14	2.49
<b>Gain on Sale of Mutual Fund (mandatorily measured at fair value through profit or loss)</b>	<b>62.22</b>	<b>63.82</b>
On current investments (net)	62.18	63.57
On non-current investments	0.04	0.25
Gain on disposal of property, plant and equipment	0.51	0.35
Income from investment property	0.93	0.66
Miscellaneous income	1.20	1.22
<b>Total</b>	<b>85.03</b>	<b>74.34</b>

Fair value gain/(loss) on financial instruments at fair value through profit or loss relates to the gain/(loss) arising on fair value restatements of investment in mutual funds at balance sheet dates which are held as current or non-current investments.

### NOTE 31 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED

Particulars	₹ in Crs.	
	2016-17	2015-16
Raw materials and components consumed	1,328.86	1,217.29
Freight, octroi and entry tax	22.71	21.66
<b>Total</b>	<b>1,351.57</b>	<b>1,238.95</b>

### NOTE 32 : PURCHASES OF TRADED GOODS

Particulars	₹ in Crs.	
	2016-17	2015-16
Engines and Gensets	9.74	5.40
K-Oil	109.58	114.65
Alternators, Batteries and Others	228.88	201.29
<b>Total</b>	<b>348.20</b>	<b>321.34</b>

## Notes to the Financial Statements

### NOTE 33 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Opening inventory</b>	<b>81.34</b>	<b>63.62</b>
Work-in-process	23.61	12.79
Finished goods	48.84	43.98
Traded goods	8.89	6.85
<b>Closing Inventory</b>	<b>92.67</b>	<b>81.34</b>
Work-in-process	18.07	23.61
Finished goods	57.38	48.84
Traded goods	17.22	8.89
<b>Changes in inventory</b>	<b>(11.33)</b>	<b>(17.72)</b>
<b>Increase/(decrease) in excise duty of finished goods</b>	<b>(0.14)</b>	<b>(0.30)</b>
<b>Total</b>	<b>(11.47)</b>	<b>(18.02)</b>

### NOTE 34 : EMPLOYEE BENEFITS EXPENSE

Particulars	₹ in Crs.	
	2016-17	2015-16
Salaries, wages, bonus, commission, etc.	165.90	152.64
Gratuity (Refer Note 40.6.10)	3.54	3.79
Contribution to provident and other funds	11.86	10.92
Welfare and training expenses	19.74	17.58
Provident and other funds' expenses	0.53	0.48
<b>Total</b>	<b>201.57</b>	<b>185.41</b>

### NOTE 35 : FINANCE COSTS

Particulars	₹ in Crs.	
	2016-17	2015-16
Interest and Bill discounting charges	0.63	5.21
Interest expense - others	1.03	2.26
Other Bank charges	1.14	1.57
<b>Total</b>	<b>2.80</b>	<b>9.04</b>

### NOTE 36 : DEPRECIATION AND AMORTIZATION EXPENSE

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Depreciation and amortization expense</b>	<b>110.54</b>	<b>111.17</b>
Depreciation on Tangible assets	99.79	101.63
Depreciation on Investment properties	0.11	0.11
Amortization on Intangible assets	10.64	9.43
<b>Amount written off against leasehold land</b>	<b>0.14</b>	<b>0.14</b>
<b>Total</b>	<b>110.68</b>	<b>111.31</b>



## Notes to the Financial Statements

### NOTE 37 : OTHER EXPENSES

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Manufacturing expenses</b>	<b>196.38</b>	<b>185.79</b>
Stores consumed	64.65	60.43
Power and fuel	19.77	21.04
Machinery spares	8.57	8.76
Repairs to machinery	6.89	6.88
Job work charges	32.38	25.43
Labour charges	9.27	9.96
Cost of services	39.70	35.77
Others manufacturing expenses	15.15	17.52
<b>Selling expenses</b>	<b>134.92</b>	<b>113.81</b>
Commission	11.43	15.52
Freight and forwarding	56.40	46.59
Warranty	38.59	38.44
Royalty	6.37	5.95
Advertisement and publicity	15.59	11.63
Provision for doubtful debts (net)	0.62	(9.77)
Others selling expenses	5.92	5.45
<b>Administration expenses</b>	<b>170.91</b>	<b>162.12</b>
Rent	44.88	39.54
Rates and taxes	0.66	1.05
Insurance	0.77	0.58
Repairs to building	1.93	2.98
Other repairs and maintenance	28.20	25.22
Travelling and conveyance	26.23	25.94
Communication expenses	4.46	5.23
Printing and stationery	1.37	1.47
Professional charges	37.67	35.44
Auditor's remuneration	0.52	0.52
Donations	0.05	0.04
Spend on CSR activities (Refer Note 40.6.18)	4.15	4.93
Non executive directors' fees / commission	1.26	0.77
Miscellaneous expenses	16.67	15.46
Loss on assets sold, demolished, discarded and scrapped	0.17	0.17
Bad debts and irrecoverable balances written off	1.44	1.22
Loss on Exchange difference	0.48	1.56
<b>Total</b>	<b>502.21</b>	<b>461.72</b>

## Notes to the Financial Statements

### NOTE 38 : EXCEPTIONAL ITEMS

Particulars	₹ in Crs.	
	2016-17	2015-16
Voluntary Retirement Scheme (VRS) to Team Members [Refer note (1) below]	-	10.54
Stamp Duty on Composite Scheme of Amalgamation [Refer note (2) below]	-	14.94
<b>Total</b>	<b>-</b>	<b>25.48</b>

- During the year ended 31 March 2016, the Company had introduced Voluntary Retirement Scheme (VRS) for certain category of its workers. The total VRS compensation, amounting to ₹ 10.54 Crs. has been charged to the Statement of Profit and Loss and the same is shown as an Exceptional Item of expense.
- Refer Note 27 Short Term Provisions

### NOTE 39 : INCOME TAX

The note below details the major components of income tax expenses for the year ended 31 March 2017 and 31 March 2016. The note further describes the significant estimates made in relation to company's income tax position and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Current tax</b>	<b>79.68</b>	<b>47.35</b>
Current income tax	79.72	69.81
MAT credit utilised	-	(22.19)
(Excess)/short provision related to earlier years	(0.04)	(0.27)
<b>Deferred tax</b>	<b>(1.00)</b>	<b>(7.68)</b>
Relating to origination and reversal or temporary difference	(1.00)	(7.68)
<b>Income tax expense reported in the statement of profit and loss</b>	<b>78.68</b>	<b>39.67</b>
<b>Other Comprehensive Income (OCI)</b>		
Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Deferred tax related to items recognised in OCI during the year</b>		
Net loss/(gain) on actuarial gains and losses	(0.30)	(0.06)
<b>Deferred tax charged to OCI</b>	<b>(0.30)</b>	<b>(0.06)</b>



## Notes to the Financial Statements

Reconciliation of tax expense and the accounting profit multiplied by applicable tax rate as notified under Income Tax Act, 1961 enacted in India for the years ended 31 March 2017 and 31 March 2016.

### Current tax

Particulars	₹ in Crs.	
	2016-17	2015-16
Accounting profit before income tax expense	252.30	204.98
<b>Tax @ 34.608% (31 March 2016: 34.608%)</b>	<b>87.32</b>	<b>70.94</b>
<b>Tax effect of adjustments in calculating taxable income:</b>	<b>(8.64)</b>	<b>(31.27)</b>
Corporate Social Responsibility expenses/Donations (net)	0.86	0.96
Other Disallowances/(allowances)	6.30	3.71
Debit Balances written Off	0.13	0.30
Interest on MSMED	-	-
Dividend	-	-
Weighted Deduction of research & development expenditure (net)	(15.88)	(12.98)
Profit on Sale of Investment	(0.01)	(0.67)
Provision no longer required written back (disallowed earlier)	-	(0.13)
MAT credit utilised	-	(22.19)
(Excess)/short provision related to earlier years	(0.04)	(0.27)
<b>At the effective income tax rate of 31.18% (31 March 2016 :19.35%)</b>	<b>78.68</b>	<b>39.67</b>

## **NOTE 40: NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2017**

### **1. Corporate Information**

The Company is a public limited company domiciled in India and is incorporated under the provisions of the Companies Act 1956. The registered office of the Company is located at Laxmanrao Kirloskar Road, Khadki, Pune – 411003. The equity shares of the Company are listed on two recognised stock exchanges in India i.e. BSE Limited and National Stock Exchange of India Limited.

The Company is engaged in the business of manufacturing of engines, generating sets, pump sets and power tillers and spares thereof.

### **2. Basis of preparation of Financial Statements**

The standalone financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") as issued under the Companies (Indian Accounting Standards) Rules, 2015.

The standalone financial statements have been prepared to comply in all material respects with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the said Act and the guidelines issued by the Securities and Exchange Board of India. These standalone financial statements for the year ended 31 March 2017 are the first standalone financial statements that the Company has prepared in accordance with Ind AS. Refer to Note 4 for information on how the Company adopted Ind AS.

The standalone financial statements have been prepared on a historical cost basis, except for the investments which have been measured at fair value as they are classified as fair value through profit or loss or fair value through other comprehensive income.

### **3. Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### **3.1 Judgements**

In the process of applying the Company's accounting policies, the management has made the following judgements, which have the most significant effect on the amounts recognised in the standalone financial statements:

##### **Government grant**

The Company is eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001 from 1 April 2008 to 31 March 2017. Further the company has determined the grant as grant related to income based on the evaluation of terms and conditions attached to the eligibility of grant and the Company accounts for the grant as Income in statement of profit and loss at the time when the sale is recognised.

##### **Operating lease**

The Company has entered into commercial property leases on its investment property portfolio. The company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and



the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

### **3.2 Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the standalone financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### **Defined benefit plans**

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future post-retirement medical benefit increase. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 40.6.10

#### **Development costs**

The Company capitalises development costs for a project in accordance with its accounting policy. Initially, capitalisation of costs is based on management's judgement that the technological and economic feasibility is confirmed when a product development project has reached a defined milestone, according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

For further details about the carrying amount of development costs capitalised as Internally generated intangible assets and as intangible assets under development, refer note 3.

#### **Deferred Tax**

Deferred tax assets are recognised for all deductible temporary differences including the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

## 4. Significant Accounting Policies

### 4.1 Current Vs Non Current Classification

**The company presents assets and liabilities in the Balance Sheet based on current/non-current classification.**

**An asset is current when it is:**

- a. Expected to be realised or intended to be sold or consumed in normal operating cycle
- b. Held primarily for the purpose of trading
- c. Expected to be realised within twelve months after the reporting period, or
- d. Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

**A liability is current when it is:**

- a. Expected to be settled in normal operating cycle
- b. Held primarily for the purpose of trading
- c. Due to be settled within twelve months after the reporting period, or
- d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are treated as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 4.2 Fair value measurement

The Company measures financial instruments such as Investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the standalone financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value.

External valuation experts are involved for valuation of significant assets and liabilities. Involvement of external valuation experts is decided upon annually by the management.

#### **4.3 Property, Plant and Equipment**

- a. The Company has elected to continue with the carrying value of all of its Property, plant and equipment measured as per the Indian GAAP as at 31 March 2015 and use those values as deemed cost as at the date of transition to Ind AS i.e. 1 April 2015.

Property, plant and equipment; and construction in progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Standalone Statement of Profit and Loss as incurred.

- b. 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.
- c. Own manufactured assets are capitalised at cost including an appropriate share of allocable expenses.

## Depreciation and Amortisation

Depreciation is charged on the basis of useful life of assets on straight line method which are as follows:

Asset Category	Life in Years	Basis for useful life
Land Leasehold and Leasehold improvements	Lease Period	Amortised over lease period
<b>Factory Buildings</b>	30	Life as prescribed under Schedule-II of Companies Act, 2013
<b>Building- Non Factory</b>		
RCC Frame Structure	60	
Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
<b>Building – Roads</b>		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	
<b>Building - Temporary Shed</b>	3	
<b>Plant &amp; Equipment other than Pattern Tooling</b>	7.5 to 15	
<b>Plant &amp; Equipment - Pattern Tooling</b>	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
<b>Computers</b>		
Network	6	Life as prescribed under Schedule-II of Companies Act, 2013
End user devices, such as, desktops, laptops, etc.	3	
Servers	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
<b>Electrical Installations</b>	10	Life as prescribed under Schedule-II of Companies Act, 2013
<b>Furniture &amp; Fixture</b>		
Furniture, Fixtures and Electrical Fittings	10	Life as prescribed under Schedule-II of Companies Act, 2013
Furniture , AC , Refrigerators and Water coolers - Residential Premises	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
AC, Refrigerators and Water coolers - Company and Guest House Premises	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation
<b>Office Equipment</b>	5	Life as prescribed under Schedule-II of Companies Act, 2013
<b>Vehicles</b>		
Motorcars, Jeep	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Trucks	5	
Other Vehicles	5	
<b>Aircrafts</b>	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation

- 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 were capitalized in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

The Company, based on technical assessments made by technical experts and management estimates, depreciates certain items of plant and equipment; computers; furniture and fixtures; vehicles and aircraft over estimated useful lives which are different from the useful life prescribed in



Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Standalone Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### 4.4 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

#### Depreciation & Amortisation

Depreciation on investment property is calculated on a straight-line basis over the estimated useful life of assets as follows:

Asset Category	Life in Years	Basis for charging Depreciation
<b>Land Leasehold and Leasehold improvements</b>	Lease Period	Amortised over lease period
<b>Factory Buildings</b>	30	Life as prescribed under Schedule-II of Companies Act, 2013
<b>Building- Non Factory</b>		
RCC Frame Structure	60	
Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
<b>Building - Roads</b>		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	

Though the Company measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

An investment property is derecognised on disposal or on permanent withdrawal from use or when no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Transfers are made to (or from) investment property only when there is a change in use. Transfers between investment property, owner-occupied property and inventories are at carrying amount of the property transferred.

#### 4.5 Intangible Assets

The Company has elected to fair value, some of the intangible assets that meet the criteria for recognition and revaluation and use those values as deemed cost as at the date of transition to Ind AS i.e. 1 April 2015

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

Internally generated intangibles, excluding capitalised developments costs, are not capitalised and the related expenditure is reflected in the statement of profit and loss for the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or infinite. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised by using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Sr. No.	Asset category	Life in years
1	Computer Software	5 years
2	Drawings & Designs	10 years
3	Technical Knowhow - acquired	6 years
4	Technical Knowhow - Internally generated	3 to 5 years

Intangible assets with indefinite useful lives, if any are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

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

#### 4.6 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.

#### 4.7 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.

#### **4.8 Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **a) Financial assets**

###### **(i) Initial recognition and measurement of financial assets**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

###### **(ii) Subsequent measurement of financial assets**

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)

- Financial assets at amortised cost :

A financial asset is measured at amortised cost if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset if applicable. The EIR amortisation is included in finance income in the statement of profit and loss. The losses arising from impairment are recognised in the statement of profit and loss.

- Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income except for interest income, impairment

gains or losses and foreign exchange gains and losses which are recognised in the statement of profit and loss.

- Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

In addition, the Company may elect to classify a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the statement of profit and loss.

- (iii) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire, or
- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

- (iv) Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.



The following table shows various reclassifications and how they are accounted for.

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in the statement of profit and loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to statement of profit and loss at the reclassification date.

(v) Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost.
- Financial assets that are debt instruments and are measured as at FVOCI
- Lease receivables under Ind AS 17
- Trade receivables under Ind AS 18

The Company follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables resulting from transactions within the scope of Ind AS 18, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 18 that contain a significant financing component, if the Company applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL

is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Company is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected in a separate line in the P&L as an impairment gain or loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not derecognize impairment allowance from the gross carrying amount.
- Loan commitments: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

## **b) Financial Liabilities**

### **(i) Initial recognition and measurement of financial liabilities**

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.



(ii) Subsequent measurement of financial liabilities

For purposes of subsequent measurement, financial liabilities are classified and measured as follows:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as at fair value through profit and loss.

- Loans and Borrowings at amortised Cost

This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

(iii) Derecognition of financial liabilities

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

#### 4.9 Derivatives

Company uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk or cost to the Company. Derivative contracts are not used for trading or speculation purpose.

All derivatives are measured at fair value through the profit or loss unless they form part of a qualifying cash flow hedge, in which case the fair value is taken to reserves and released into the statement of profit and loss at the same time as the risks on the hedged instrument are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value remaining in the statement of profit and loss. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third-party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. All hedging activity is explicitly identified and documented by the Company.

#### 4.10 Foreign Currency Transactions

a. Initial Recognition

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

b. Conversion

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

c. Exchange Differences

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of the corresponding asset. Further, as per extant circulars issued by the Ministry of Corporate Affairs, eligible exchange difference on foreign currency loans utilized for acquisition of assets, was adjusted in the cost of the asset to be depreciated over the balance life of the asset up to transition date of Ind AS.

#### 4.11 Leases

i. **Where the Company is a lessee** - Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Payments under operating leases are recognised in the Statement of Profit and Loss generally on straight line basis.

ii. **Where the Company is a lessor** - Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the statement of profit and loss on straight line basis.

#### 4.12 Inventories

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

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

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



- d. Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.  
Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### **4.13 Cash and cash equivalents**

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

#### **4.14 Taxes**

##### **Current income tax**

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively, and not in the statement of profit and loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences including, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit and loss, is recognised outside the statement of profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Sales tax**

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

## **4.15 Non-Current Assets held for sale and Discontinuing operations**

### **A. Non-Current Assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate use in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **B. Discontinuing operations**

Discontinuing operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss account.

Assets and liabilities classified as held for distribution are presented separately from others assets and liabilities in the balance sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- a) Represents a separate major line of business or geographical area of operations,



- b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations  
Or
- c) Is a subsidiary acquired exclusively with a view to resale

An entity does not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

#### 4.16 Employee Benefits

##### a) Short Term Employee Benefits

The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee's entitlement 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 are recognised in the period in which the employee renders the related service.

##### b) Post-Employment Benefits

###### (i) Defined contribution plan

The Company makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the statement of profit and loss during the period in which the employee renders the related service. The Company has no further obligations under these schemes beyond its periodic contributions.

###### (ii) Defined benefit plan

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

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the profit or loss in subsequent periods.

Past service costs are recognised in the statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

c) Other long term employment benefits:

The employee's long term compensated absences are Company's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

In regard to other long term employment benefits, the Company recognises the net total of service costs; net interest on the net defined benefit liability (asset); and remeasurements of the net defined benefit liability (asset) in the statement of profit and loss.

d) Termination Benefits :

Termination benefits such as compensation under voluntary retirement scheme are recognised in the statement of profit and loss in the year in which termination benefits become payable or when the Company determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

#### 4.17 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.

#### 4.18 Revenue Recognition

- a. Revenue from sale of goods is recognised when all significant risks and rewards of ownership of the goods are passed on to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably. It also includes excise duty and excludes Value added tax / Sales Tax. Sales are stated net of discounts, rebates and returns.
- b. The Company normally sells extended warranty as separate product and revenue from sale of extended warranty is recognised on the straight line basis over the period of 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 generally recognized on completion of performance of determinable significant act as per terms of specific contracts when no significant uncertainty exists regarding the amount of consideration that will be derived from the completion of said act.
- e. Income from dividend on investments is accrued in the year in which it is authorized, whereby right to receive is established.
- f. Profit / loss on sale of investments is recognized on the contract date.
- g. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms except the cases where incremental lease reflects the inflationary effect and rental income is accounted in such case by actual rent for the period.



#### **4.19 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.

##### **a. Export Incentives**

Export incentives under various schemes notified by government are accounted for in the year of exports as grant related to income and is recognized as other operating income in the statement of profit and loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

##### **b. Industrial Promotion Subsidy**

Government grants received with reference to Industrial Promotion Subsidy under Packaged Scheme of Incentives, 2001 is treated as grant related income and is recognized as other operating income in the statement of profit and loss as and when the Company makes the sale.

##### **c. Export Promotion Capital Goods**

Government grants received with reference to export promotion capital goods scheme are initially recognised as deferred revenue and grant in proportion of export obligation achieved during the year is reduced from deferred revenue and recognized as other operating income in the statement of profit and loss.

#### **4.20 Cash dividend**

The Company recognises a liability to make cash distributions to the equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the provisions of Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit and loss.

#### **4.21 Earnings Per Share**

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

#### **4.22 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.

#### **4.23 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. Allocation of common costs

Common allocable costs are allocated to the Engine Segment based on sales of engine segment to the total sales of the Company.

c. 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 other reconciling items.

## 5. First-time adoption of Indian Accounting Standards (“Ind AS”)

The standalone financial statements have been prepared in accordance with Indian Accounting Standards (“Ind AS”) as issued under the Companies (Indian Accounting Standards) Rules, 2015. The Company has adopted Ind AS for the first time. Note 41 spells out details of various provisions for First time adoption.

## 6. Additional Notes to the Financial Statements

### 6.1 Contingent Liabilities

	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
(A) Contingent Liabilities not provided for		
a. Disputed Central Excise Demands	33.62	4.21
b. Disputed Sales Tax & Octroi Demands	16.92	15.53
c. Disputed Customs Duty Demands	0.86	0.86
d. Disputed Income Tax Liability – matter under appeal	13.54	12.58
e. Claims against Company not acknowledged as debts	59.05	62.31
	<b>123.99</b>	<b>95.49</b>
(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 1.04 million (PY - USD 1.86 million). Non fulfillment of export 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 is not achieved by the company under the said scheme, for the year ended 31 March 2017.		
<b>6.2</b> Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	9.33	6.23
<b>6.3</b> Other Commitments Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis	34.23	51.18
<b>6.4</b> Charge of Hypothecation referred to in Note no. 23 for working capital facilities extends to letter of credit issued by the Company's bankers		
Aggregate amount of such letters of credit outstanding	9.06	11.10



## 6.5 Commitments and contingencies

### a. Leases

#### Operating lease commitments- Company as a lessee

The Company has not entered into non-cancellable operating leases and there are no minimum rental payables.

#### Operating lease commitments- Company as lessor

The Company has entered into operating leases on its investment property consisting of land and building. This lease has term of five years.

## 6.6 Payment to Auditors (Net of Service tax)

₹ in Crs.

Sr. No.	Particulars	2016-17	2015-16
A	Statutory Auditors		
	a. As Auditors	0.40	0.40
	Audit Fees	0.30	0.30
	Tax Audit Fees	0.05	0.05
	Limited Review	0.05	0.05
	b. Certification fees	0.03	0.02
	c. Reimbursement of expenses	0.01	0.03
	<b>TOTAL (A)</b>	<b>0.44</b>	<b>0.45</b>
B	Cost Auditors		
	a. As auditors	0.08	0.07
	b. In other capacity		
	Certification fees	–	–
	Reimbursement of expenses	–	–
	<b>TOTAL (B)</b>	<b>0.08</b>	<b>0.07</b>
	<b>Grand Total (A+B)</b>	<b>0.52</b>	<b>0.52</b>

6.7 The Sales for the current year includes an amount of ₹ Nil (PY ₹ Nil) on account of deemed exports of goods.

6.8 The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2017. The disclosure pursuant to the said Act is as under.

₹ in Crs.

Particulars	2016-17	2015-16
Total outstanding to MSME suppliers	5.61	3.48
Payment made to suppliers (other than interest) beyond the appointed day, during the year	2.03	0.27
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.01	0.00
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.10	0.09

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

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

₹ in Crs.

Sr. No.	Particulars	2016-17	2015-16
<b>A</b>	<b>Revenue Expenditure</b>		
	<b>Manufacturing Expenses :</b>		
	Raw Material, Store, Spares & Tools Consumed	7.67	8.47
	Machinery Repairs	0.84	0.36
	<b>Payments to &amp; Provision for Employees :</b>		
	Salaries, Wages, Bonus, Allowances, etc.	10.06	10.41
	Contribution to Provident & Other Funds & Schemes	0.74	0.82
	Other Benefits	0.01	0.02
	<b>Utilities :</b>		
	Power Charges	2.41	1.83
	Helper Charges	0.41	0.38
	Water Charges	0.10	0.10
	<b>Other Expenses :</b>		
	EDP Expenses	1.92	1.46
	Travelling & Conveyance Expenses	0.99	0.69
	Other Expense (net)	6.85	5.79
	Repairs	0.95	0.70
	<b>Sub Total (A)</b>	<b>32.95</b>	<b>31.03</b>
<b>B</b>	<b>Capital Expenditure</b>	<b>15.58</b>	<b>6.50</b>
<b>C</b>	<b>Less: Amount received from sale of Prototypes / Cost (whichever is higher)</b>	<b>1.31</b>	<b>-</b>
<b>D</b>	<b>Total Eligible Research &amp; Development Expenditure(A+B-C)</b>	<b>47.22</b>	<b>37.53</b>

Approval for weighted deduction received from DSIR for the period 1 April 2016 to 31 March 2017.



**6.10: Disclosure pursuant to Employee benefits**

**A. Defined contribution plans:**

Amount of ₹11.86 Crs. (31 March 2016: ₹ 10.92 Crs.) is recognised as expenses and included in Note No. 34 "Employee benefit expense"

**B. Defined benefit plans:**

The Company has following post employment benefits which are in the nature of defined benefit plans:

- (a) Gratuity
- (b) Pension, Post retirement medical scheme and Long-term award scheme

**31 March 2017 : Changes in defined benefit obligation and plan assets**

₹ in Crs.

Particulars	Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income				Sub-total included in OCI	Contributions by employer 31 March 2017
	1 April 2016	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 34)	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from financial assumptions	Experience adjustments		
<b>Gratuity</b>										
Defined benefit obligation	(34.80)	(3.54)	(2.62)	(6.16)	-	0.06	(1.57)	1.04	(0.47)	-
Fair value of plan assets	30.98	-	2.62	2.62	-	-	(0.23)	0.14	(0.09)	7.39
Benefit liability	(3.82)	(3.54)	(0.00)	(3.54)	0.14	0.06	(1.80)	1.18	(0.57)	7.39
<b>Pension, Post retirement medical scheme and Long-term award scheme</b>										
Defined benefit obligation	(2.61)	(0.04)	(0.19)	(0.24)	0.33	(0.01)	(0.28)	(0.04)	(0.31)	-
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-
Benefit liability	(2.61)	(0.04)	(0.19)	(0.24)	0.33	(0.01)	(0.28)	(0.04)	(0.31)	-
<b>Total benefit liability</b>	<b>(6.43)</b>	<b>(3.58)</b>	<b>(0.19)</b>	<b>(3.78)</b>	<b>0.47</b>	<b>0.05</b>	<b>(2.08)</b>	<b>1.14</b>	<b>(0.88)</b>	<b>7.39</b>

**31 March 2016 : Changes in defined benefit obligation and plan assets**

₹ in Crs.

Particulars	Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income				Sub-total included in OCI	Contributions by employer 31 March 2016
	1 April 2015	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 34)	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from financial assumptions	Experience adjustments		
<b>Gratuity</b>										
Defined benefit obligation	(36.89)	(3.60)	(2.55)	(6.15)	8.35	-	-	(0.11)	(0.11)	-
Fair value of plan assets	32.13	-	2.37	2.37	(8.22)	-	-	0.09	0.09	4.62
Benefit liability	(4.76)	(3.60)	(0.19)	(3.79)	0.13	-	-	(0.02)	(0.02)	4.62
<b>Pension, Post retirement medical scheme and Long-term award scheme</b>										
Defined benefit obligation	(2.59)	(0.05)	(0.19)	(0.24)	0.36	-	-	(0.14)	(0.14)	-
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-
Benefit liability	(2.59)	(0.05)	(0.19)	(0.24)	0.36	-	-	(0.14)	(0.14)	-
<b>Total benefit liability</b>	<b>(7.35)</b>	<b>(3.65)</b>	<b>(0.38)</b>	<b>(4.03)</b>	<b>0.49</b>	<b>-</b>	<b>-</b>	<b>(0.16)</b>	<b>(0.16)</b>	<b>4.62</b>

**C. Other long-term employment benefits**

The Company has Compensated Absences plan which is covered by other long-term employment benefits.

**31 March 2017 : Changes in defined benefit obligation and plan assets of Compensated absences**

₹ in Crs.

Particulars	1 April 2016	Cost charged to statement of profit and loss			Sub-total included in statement of profit and loss (Note 34)	Benefit paid	Contributions by employer	31 March 2017
		Service cost	Interest cost	Actuarial changes arising from various assumption				
<b>Compensated absences</b>								
Defined benefit obligation	(22.41)	(3.09)	(1.67)	(1.80)	(6.56)	1.92	-	(27.06)
Fair value of plan assets	-	-	-	-	-	-	-	-
<b>Benefit liability</b>	<b>(22.41)</b>	<b>(3.09)</b>	<b>(1.67)</b>	<b>(1.80)</b>	<b>(6.56)</b>	<b>1.92</b>	<b>-</b>	<b>(27.06)</b>

**31 March 2016 : Changes in defined benefit obligation and plan assets of Compensated absences**

₹ in Crs.

Particulars	1 April 2015	Cost charged to statement of profit and loss			Sub-total included in statement of profit and loss (Note 34)	Benefit paid	Contributions by employer	31 March 2016
		Service cost	Interest cost	Actuarial changes arising from various assumption				
<b>Compensated absences</b>								
Defined benefit obligation	(25.17)	(3.34)	(1.71)	1.36	(3.69)	6.45	-	(22.41)
Fair value of plan assets	-	-	-	-	-	-	-	-
<b>Benefit liability</b>	<b>(25.17)</b>	<b>(3.34)</b>	<b>(1.71)</b>	<b>1.36</b>	<b>(3.69)</b>	<b>6.45</b>	<b>-</b>	<b>(22.41)</b>

The major categories of plan assets of the fair value of the total plan assets of Gratuity are as follows:

₹ in Crs.

Particulars	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 1 April 2015
Special Deposit Scheme	6.96	6.82	7.07
(%) of total plan assets	18%	22%	22%
Insured managed funds	0.77	0.93	0.96
(%) of total plan assets	2%	3%	3%
Others	30.92	23.24	24.10
(%) of total plan assets	80%	75%	75%



The principal assumptions used in determining above defined benefit obligations for the Company's plans are shown below:

Particulars	₹ in Crs.		
	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 1 April 2015
Discount rate	7.10%	7.80%	7.80%
Future salary increase	7.50%	7.50%	7.50%
Expected rate of return on plan assets	7.80%	7.80%	8.50%
<b>Expected average remaining working lives (in</b>			
Gratuity	8.45	7.16	6.97
Pension, Post retirement medical scheme and Long-term award scheme	7.61 - 11.15	8.26 - 11.58	6.15 - 12.38
Compensated Absences	8.45	7.16	6.97
<b>Withdrawal rate (based on grade and age of employees)</b>			
Gratuity	9.00%-12.00%	8.00% - 17.00%	8.00% - 17.00%
Pension, Post retirement medical scheme and Long-term award scheme	9.00%-12.00%	8.00% - 17.00%	8.00% - 17.00%
Compensated Absences	9.00%-12.00%	8.00% - 17.00%	8.00% - 17.00%

A quantitative sensitivity analysis for significant assumption is as shown below:

#### Gratuity

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2017 (₹ In Crs.)	Year ended 31 March 2016 (₹ In Crs.)
Discount rate	1% increase	2.20	1.40
	1% decrease	(2.48)	(1.56)
Future salary increase	1% increase	(2.08)	(1.26)
	1% decrease	1.88	1.16
Withdrawal rate	1% increase	(0.07)	(0.02)
	1% decrease	(0.05)	0.02

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

#### Pension, Post retirement medical scheme and Long-term award scheme

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2017 (₹ In Crs.)	Year ended 31 March 2016 (₹ In Crs.)
Discount rate	1% increase	0.18	0.15
	1% decrease	(0.20)	(0.17)
Withdrawal rate	1% increase	0.00	(0.00)
	1% decrease	(0.03)	(0.02)

The sensitivity analyse above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected future benefit payments for the defined benefit plan :

<b>Particulars</b>	<b>Year ended 31 March 2017 (₹ In Crs.)</b>	<b>Year ended 31 March 2016 (₹ In Crs.)</b>
<b>Within the next 12 months (next annual reporting period)</b>		
Gratuity	5.60	10.84
Pension, Post retirement medical scheme and Long-term award scheme	0.40	0.29
<b>Between 2 and 5 years</b>		
Gratuity	21.57	19.54
Pension, Post retirement medical scheme and Long-term award scheme	1.51	1.30
<b>Beyond 5 years</b>		
Gratuity	18.15	19.01
Pension, Post retirement medical scheme and Long-term award scheme	1.74	1.62
<b>Total expected payments</b>	<b>48.97</b>	<b>52.60</b>

Weighted average duration of defined plan obligation (based on discounted cash flows)

<b>Particulars</b>	<b>Year ended 31 March 2017 (₹ In Crs.)</b>	<b>Year ended 31 March 2016 (₹ In Crs.)</b>
Gratuity	7.38	7.81
Pension, Post retirement medical scheme and Long-term award scheme	11.37-15.99	8.26-11.58

The followings are the expected contributions to planned assets for the next year:

<b>Particulars</b>	<b>Year ended 31 March 2017 (₹ In Crs.)</b>	<b>Year ended 31 March 2016 (₹ In Crs.)</b>
Gratuity	7.00	4.00



**6.11.** The Company's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof and hence the Company has considered “Engines” as the single reportable segment. As per Ind AS 108 “Operating Segments”, company is required to disclose required segment details in consolidated financial statement. Hence, these details are disclosed under consolidated financial statement.

**6.12.** Related Parties have been identified as defined under Clause 9 of Accounting Standard (Ind AS 24) “Related Party Disclosures”

**(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)	KOEL Americas Corp.USA
2	Entity controlled by Key Managerial Personnel	Achyut & Neeta Holdings & Finance Private Limited
		Expert Quality Cloud Information Technology Private Limited
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)
		Lakeland Universal Limited BVI
3	Entity controlled by Close Member of Key Managerial Personnel	Alpak Investment Private Limited
		Snow Leopard Technology Ventures LLP

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

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

**(B) Transactions with related parties**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2016-17		2015-16	
		Amount	Amount from major parties	Amount	Amount from major parties
1	<b>Gross Sales</b>				
	<b>Subsidiary Company</b>	6.96		2.67	
	KOEL Americas Corp.		6.96		2.67
	<b>Total</b>	6.96	6.96	2.67	2.67
2	<b>Purchases of Fixed Assets</b>				
	<b>Entity controlled by Key Managerial Personnel</b>	-	-	0.23	-
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)	-	-	-	0.23
	<b>Total</b>	-	-	0.23	0.23
3	<b>Purchases of goods</b>				
	<b>Entity controlled by Key Managerial Personnel</b>	1.61		-	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		1.61		-
	<b>Total</b>	1.61	1.61	-	-
4	<b>Rendering of Services from</b>				
	<b>Key Management Personnel</b>	15.00		11.80	
	Atul C. Kirloskar		3.25		3.11
	Gautam A. Kulkarni		4.00		2.93
	Nihal G. Kulkarni		4.13		3.30
	Rajendra R. Deshpande		3.62		2.46
	<b>Close member of Key Managerial Personnel</b>	0.23		0.22	
	Rahul C. Kirloskar		0.17		0.16
	Gauri A. Kirloskar (Kolenaty)		0.06		0.06
	<b>Entity controlled by Key Managerial Personnel</b>	19.32		14.65	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		19.32		14.65
<b>Total</b>	34.55	34.55	26.67	26.67	
5	<b>Expenses paid to</b>				
	<b>Subsidiary Company</b>	-		0.02	
	KOEL Americas Corp.		-		0.02
	<b>Total</b>	-	-	0.02	0.02
6	<b>Reimbursement / ( recovery ) of Expenses</b>				
	<b>Subsidiary Company</b>	0.13		(0.16)	
	KOEL Americas Corp.		0.13		(0.16)
	<b>Total</b>	0.13	0.13	(0.16)	(0.16)
7	<b>Payables written back</b>				
	<b>Subsidiary Company</b>	0.02		-	
	KOEL Americas Corp.		0.02		-
	<b>Total</b>	0.02	0.02	-	-

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2016-17		2015-16	
		Amount	Amount from major parties	Amount	Amount from major parties
8	<b>Interim Dividend and Final Dividend Paid</b>				
	<b>Key Management Personnel</b>	-		37.02	
	Atul C. Kirloskar		-		18.46
	Gautam A. Kulkarni		-		18.39
	Nihal G. Kulkarni		-		0.16
	Rajendra R. Deshpande		-		0.01
	<b>Close member of Key Managerial Personnel</b>	-		32.43	
	Rahul C. Kirloskar		-		17.73
	Arti A.Kirloskar		-		7.07
	Jyotsna G. Kulkarni		-		7.57
	Suman C. Kirloskar		-		0.06
	<b>Entity controlled by Key Managerial Personnel</b>	-		0.07	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.	-	-	-	0.07
	Navsai Investments Pvt. Ltd.	-	-	-	0.00
	<b>Entity controlled by Close Member of Key Managerial Personnel</b>	-		0.00	
	Alpak Investments Private Limited		-		0.00
<b>Total</b>	-	-	69.52	69.52	
9	<b>Investment made</b>				
	<b>Subsidiary Company</b>	-		1.59	
	KOEL Americas Corp.		-		1.59
	<b>Total</b>	-	-	1.59	1.59

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	As at 31st March 2017		As at 31st March 2016	
		Amount	Amount from major parties	Amount	Amount from major parties
	<b>Outstanding</b>				
<b>1</b>	<b>Accounts Payable</b>				
	<b>Subsidiary Company</b>	<b>0.33</b>		<b>0.02</b>	
	KOEL Americas Corp.		0.33		0.02
	<b>Key Management Personnel</b>				
	<b>Commission</b>	<b>7.30</b>		<b>4.65</b>	
	Atul C. Kirloskar		1.20		1.00
	Gautam A. Kulkarni		1.20		1.00
	Nihal G. Kulkarni		2.50		1.40
	Rajendra R. Deshpande		2.40		1.25
	<b>Close member of Key Managerial Personnel</b>	<b>0.16</b>		<b>0.15</b>	
	Rahul C. Kirloskar		0.12		0.11
	Gauri A. Kirloskar (Kolenaty)		0.04		0.04
	<b>Superannuation</b>	<b>0.31</b>		<b>0.30</b>	
	Atul C. Kirloskar		0.09		0.09
	Gautam A. Kulkarni		0.09		0.09
	Nihal G. Kulkarni		0.07		0.06
	Rajendra R. Deshpande		0.06		0.06
	<b>Other Allowances</b>	<b>-</b>		<b>0.08</b>	
	Atul C. Kirloskar		-		0.02
	Gautam A. Kulkarni		-		0.02
	Nihal G. Kulkarni		-		0.02
	Rajendra R. Deshpande		-		0.02
	<b>Entity controlled by Key Managerial Personnel</b>	<b>0.01</b>		<b>0.03</b>	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		0.01		0.03
	<b>Total</b>	<b>8.11</b>	<b>8.11</b>	<b>5.23</b>	<b>5.23</b>
<b>2</b>	<b>Accounts Receivable</b>				
	<b>Subsidiary Company</b>	<b>1.58</b>		<b>1.53</b>	
	KOEL Americas Corp.		1.58		1.53
	<b>Total</b>	<b>1.58</b>	<b>1.58</b>	<b>1.53</b>	<b>1.53</b>
<b>3</b>	<b>Investment</b>				
	<b>Subsidiary Company</b>	<b>1.59</b>		<b>1.59</b>	
	KOEL Americas Corp.		1.59		1.59
	<b>Total</b>	<b>1.59</b>	<b>1.59</b>	<b>1.59</b>	<b>1.59</b>



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

#### Terms and conditions of transactions with related parties

Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2017, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2016: ₹ Nil and 1 April 2015: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

#### Commitments with related parties

The Company has not provided any commitment to the related party as at 31 March 2017 (31 March 2016: ₹ Nil and 1 April 2015: ₹ Nil)

#### Transactions with key management personnel

Compensation of key management personnel of the Company

₹ in Crs.

Particulars	2016-17	2015-16
Short-term employee benefits	14.38	11.18
Post employment benefits	0.62	0.61
Other long-term employment benefits	-	-
Termination benefits	-	-
<b>Total compensation paid to key management personnel</b>	<b>15.00</b>	<b>11.79</b>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

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.

#### 6.13 Earnings Per Share (Basic and Diluted)

Particulars	2016-17	2015-16
Profit for the year after taxation (₹ in Crs.)	173.62	165.31
Total number of equity shares at the end of the year	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Earning Per Share	14,46,14,326	14,46,14,326
Basic and Diluted Earnings Per Share (in ₹)	12.01	11.43

Earnings per share are calculated in accordance with Accounting Standard (Ind AS 33) "Earnings Per Share".

## 6.14 Fair value disclosures for financial assets and financial liabilities

The management believes that the fair values of non-current financial assets (e.g., Investments at FVPL, loans and others), current financial assets (e.g., cash and cash equivalents, trade and other receivables, loans), non-current financial liabilities and current financial liabilities (e.g. Trade payables and other payables and others) approximate their carrying amounts.

The Company has not performed a fair valuation of its investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 4), as the Company believes that impact of change on account of fair value is insignificant.

Fair value of unquoted investment in Mutual fund is determined by reference to Net Asset Value ('NAV') available from respective Assets Management Companies ('AMC').

## 6.15 Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities

### Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2017, 31 March 2016 and 1 April 2015

₹ in Crs.

Particulars	Valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>As at 31 March 2017</b>					
<b>Assets measured at fair value</b>					
<b>Investments (Note 4 &amp; 9)</b>					
<b>Fair value through profit or loss</b>					
Unquoted mutual fund	31 March 2017	988.23	-	988.23	-
<b>Fair value through OCI (Note 4)</b>					
Unquoted equity shares	31 March 2017	0.01	-	-	0.01
<b>Assets held for disposal (Note 14)</b>					
Investment property (Note 2)	31 March 2017	0.25	-	-	0.25
<b>Assets for which fair values are disclosed</b>					
Investment property (Note 2)	31 March 2017	74.23	-	-	74.23
<b>As at 31 March 2016</b>					
<b>Assets measured at fair value</b>					
<b>Investments (Note 4 &amp; 9)</b>					
<b>Fair value through profit or loss</b>					
Unquoted mutual fund	31 March 2016	788.76	-	788.76	-
<b>Fair value through OCI</b>					
Unquoted equity shares	31 March 2016	0.00	-	-	0.00
<b>Assets held for disposal (Note 14)</b>					
Investment property (Note 2)	31 March 2016	0.00	-	-	0.00
<b>Assets for which fair values are disclosed</b>					
Investment property (Note 2)	31 March 2016	73.60	-	-	73.60
<b>As at 1 April 2015</b>					
<b>Assets measured at fair value</b>					
<b>Investments (Note 4 &amp; 9)</b>					
<b>Fair value through profit or loss</b>					
Unquoted mutual fund	1 April 2015	880.52	-	880.52	-
<b>Fair value through OCI</b>					
Unquoted equity shares	1 April 2015	0.00	-	-	0.00
<b>Assets for which fair values are disclosed</b>					
Investment property (Note 2)	1 April 2015	72.59	-	-	72.59



## 6.16 Financial instruments risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations to support its operations. The Company's principal financial assets include Investments, loans, trade and other receivables, cash and short-term deposits and other financial assets that derive directly from its operations. The Company also enters into derivative transactions.

The company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Audit Committee and Board review financial risks and the appropriate risk governance framework for the company's financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below

### a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, deposits, Investments, trade and other receivables, trade and other payables and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2017, 31 March 2016 and 1 April 2015

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit and loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2017, 31 March 2016 and 1 April 2015 including the effect of hedge accounting.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company' does not have any long term borrowings with floating interest rate. Thus the Company does not have any interest rate risk at present.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries.

## Amounts in Foreign Currencies in 000's

Nature of Exposure	Currency	31 March 2017	31 March 2016	31 March 2015
Receivable	USD	2,053	1860	144
	EUR	-	-	32
	GBP	-	1	-
Payable	USD	1,658	2,286	2,099
	EUR	457	665	646
	GBP	13	68	1
	SEK	511	134	-
	CHF	4	7	0

The Company manages its foreign currency risk by hedging transactions related to sales & purchases.

At 31 March 2017, 31 March 2016 and 1 April 2015, the Company has hedged 976,726 USD, Nil and 185,572 EUR, for 2-4 months, respectively, of its total foreign currency exposure. This foreign currency risk is hedged by using foreign currency forward contracts.

**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and GBP exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Company's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Company's exposure to foreign currency changes for all other currencies is not material.

₹ in Crs.

Financial Year	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2017	+5%	0.13	0.13
	-5%	(0.13)	(0.13)
31 March 2016	+5%	(0.14)	(0.14)
	-5%	0.14	0.14
1 April 2015	+5%	(0.61)	(0.61)
	-5%	0.61	0.61

Financial Year	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2017	+5%	(0.16)	(0.16)
	-5%	0.16	0.16
31 March 2016	+5%	(0.25)	(0.25)
	-5%	0.25	0.25
1 April 2015	+5%	(0.27)	(0.27)
	-5%	0.27	0.27

Financial Year	Change in GBP rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2017	+5%	(0.01)	(0.01)
	-5%	0.01	0.01
31 March 2016	+5%	(0.03)	(0.03)
	-5%	0.03	0.03
1 April 2015	+5%	-	-
	-5%	-	-

**Commodity price risk**

The Company is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase and manufacture of engines and therefore require a continuous supply of copper and steel. However, Company being the indirect user of these commodities, volatility in price of such commodity does not have direct or immediate impact on the profitability of the Company. Hence, the Company do not foresee any direct or immediate risk with respect to such commodity price fluctuation.

**Other Price Risk**

The company's portfolio of investments mainly consists of debt mutual fund with short term maturity. Hence management believes that this portfolio is not significantly susceptible to market risk.

**Equity price risk**

The Company's unlisted equity securities are not susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company has not made any significant investment in equity instruments and hence, the Company do not foresee any risk from this unlisted equity shares.

**b) Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

**Trade receivables**

Receivables are reviewed, managed and controlled for each class of customers separately. Credit exposure risk is mainly influenced by class /type of customers, depending upon their characteristics. Credit risk is managed through credit approval process by establishing credit limits alongwith continuous monitoring of credit worthiness of customers to whom credit terms are granted. Wherever required, credit risk of receivables is further covered through letter of credit, bank guarantee, business deposits and such other forms of credit assurance schemes.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are combined into homogenous category and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are spread over vast spectrum.

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made as per the approved investment policy. Investment limits are set to minimise the concentration of risks and therefore mitigate financial loss if any.

**c) Liquidity risk**

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility

through the use of bank overdrafts, bank loans. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Company to manage risk concentrations at both the relationship and industry levels.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

₹ in Crs.

Particulars	On demand	less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total
<b>Year ended 31 March 2017</b>						
Interest bearing borrowings	-	12.45	-	-	-	12.45
Other financial liabilities	8.56	4.19	39.35	0.75	17.17	70.02
Trade payables	0.11	350.22	4.65	-	-	354.98
Derivatives	-	-	-	-	-	-
	<b>8.67</b>	<b>366.87</b>	<b>44.00</b>	<b>0.75</b>	<b>17.17</b>	<b>437.46</b>
<b>Year ended 31 March 2016</b>						
Interest bearing borrowings	-	7.17	-	-	-	7.17
Other financial liabilities	10.40	4.48	30.01	0.67	16.73	62.29
Trade payables	0.09	340.15	5.89	-	-	346.13
Derivatives	-	-	-	-	-	-
	<b>10.49</b>	<b>351.80</b>	<b>35.90</b>	<b>0.67</b>	<b>16.73</b>	<b>415.59</b>
<b>Year ended 1 April 2015</b>						
Interest bearing borrowings	-	-	-	-	-	-
Other financial liabilities	3.60	3.57	27.46	0.62	16.23	51.48
Trade payables	0.09	344.26	4.13	-	-	348.48
Derivatives	-	-	-	-	-	-
	<b>3.69</b>	<b>347.83</b>	<b>31.59</b>	<b>0.62</b>	<b>16.23</b>	<b>399.96</b>

### 6.17 Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.



The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017, 31 March 2016 and 1 April 2015.

#### 6.18 Expenditure on CSR Activities

₹ in Crs.

1	Gross amount required to be spent by the company during the year	4.02
2	Amount spent during the year	4.15

#### 41. First-time adoption of Indian Accounting Standards (“Ind AS”)

These financial statements, for the year ended 31 March 2017, are the first financial statements, the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2016, the Company prepared its financial statements in accordance with Indian GAAP.

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending 31 March 2017, together with the comparative period data as at and for the year ended 31 March 2016, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening Balance Sheet was prepared as at 1 April 2015, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the Balance Sheet as at 1 April 2015 and the financial statements as at and for the year ended 31 March 2016.

##### Exemptions applied

Ind AS 101 “First-time Adoption of Indian Accounting Standards” allows a first-time adopter certain exemptions from the retrospective application of certain requirements under Ind AS.

The Company has applied the following exemptions:

- 41.1** The Company has elected to continue with the carrying value for all of its Property, plant and equipment as recognised in its Indian GAAP financial statements as at 1 April 2015 as deemed cost at the date of transition.
- 41.2** The Company has elected to disclose the following amounts prospectively from the date of transition (Ind AS ordinarily requires the amounts for the current and previous four annual periods to be disclosed):
- (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and
  - (ii) the experience adjustments arising on the plan liabilities and the plan assets.
- 41.3** Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Company has used the exemption in Ind AS 101 and assessed all such arrangements for embedded leases based on conditions existing as at the date of transition to Ind AS.
- 41.4** The Company has designated the unquoted equity instruments except investment in subsidiary, held at 1 April 2015 as fair value through Other Comprehensive Income (FVOCI) investments. However the Company has not performed the fair valuation of these Investments in unquoted

ordinary shares which are classified as FVOCI (Refer note 4), as the Company believes that impact of change on account of fair value is insignificant.

### **Exceptions**

The Company has elected to apply the derecognition requirement for financial assets under Ind AS 109 "Financial Instruments", prospectively for transactions occurring on or after 1 April 2015.

### **Estimates**

The estimates made under Ind AS as at 1 April 2015 and at 31 March 2016 are consistent with the estimates made for the same dates in accordance with Indian GAAP except the following item where application of Indian GAAP did not require estimation:

- FVTPL – unquoted mutual funds

The estimates used by the Company to present these amounts in accordance with Ind AS reflect the conditions as at 1 April 2015, the date of transition to Ind AS and as of 31 March 2016.

## **41.5 Notes to the reconciliation of equity as at 1 April 2015 and 31 March 2016 and total comprehensive income for the year ended 31 March 2016**

### **a. Investment Property**

Under Indian GAAP, investment property were presented as a part of Fixed assets. Under Ind AS, Investment property is separately presented on the face of the Balance sheet.

### **b. Intangible Assets**

The Company has elected to fair value, some of the intangible assets that meet the criteria for recognition and revaluation and use those values as deemed cost as at the date of transition to Ind AS i.e. April 1, 2015

### **c. Investments**

#### **1) Long term investments in unquoted equity shares (other than investment in subsidiary)**

Under Indian GAAP, the Company accounted for long term investments in unquoted equity shares as investments measured at cost less provision for other than temporary diminution in the value of investments. Under Ind AS, the Company has designated such instruments as financial assets at fair value other comprehensive income (FVOCI).

The Company has not performed a fair valuation of its investment in unquoted ordinary shares which are classified as FVOCI (refer Note 4), as the Company believes that impact of change on account of fair value is insignificant.

#### **2) Investments in unquoted mutual funds**

Under Indian GAAP, the Company accounted for long term investments in unquoted mutual funds as investments measured at cost less provision for other than temporary diminution in the value of investments. Short term investments in unquoted mutual funds were measured at cost or fair value whichever was lower. Under Ind AS, the Company has designated both long term and short term instruments as financial assets at fair value through profit or loss (FVTPL).



- 3) On the date of transition to Ind AS, the difference between the fair value of such FVTPL investments and their Indian GAAP carrying value has been recognised as an adjustment against the retained earnings net of deferred taxes. Further, net effect of Fair Value through Profit or Loss ( FVTPL) for subsequent period is recognized in Other Income.

**d. Provisions**

Under Indian GAAP, the proposed dividends are recognised as a liability in the financial statements of the period to which they relate, irrespective of when they are declared. Under Ind AS, a proposed dividend is recognised as a liability in the financial statements of the period in which it is declared by the company (usually when approved by the ordinary equity shareholders in a general meeting) or paid.

Since the declaration of dividend occurs after the end of each financial year ending 31 March the liability recorded for the proposed dividend as at 31 March 2015 has been derecognised against retained earnings as at 1 April 2015.

**e. Trade receivables**

Under Indian GAAP, the Company had derecognised the trade receivables against which the bills discounting facility has been availed; and had disclosed such bills discounted which are outstanding as at the balance sheet date under contingent liabilities. Under Ind AS, the risk of default associated with certain trade receivables against which the bill discounting facility has been availed remains with the Company and hence, the Company cannot derecognise the related trade receivable. The Company has implemented the Ind AS derecognition accounting prospectively post 1 April 2015 in line with the first time adoption exemptions available under Ind AS 101.

**f. Financial liabilities - Borrowings**

Under Indian GAAP, the Company had not recognised the borrowings in the nature of bill discounted as the same has been set off against related trade receivables and have been disclosed as a contingent liability. Under Ind AS, as the trade receivables cannot be derecognised till the risk of default does not get transferred, the bill discounting facility availed against such trade receivables has to be recognised separately as short term borrowings. Also, refer note (e) above.

**g. Government Grant**

Under Indian GAAP, incentives accrued under the Industrial Promotion Subsidy under the Package Scheme of Incentives was considered to be in the nature of promoters' contribution and were recognised directly in the balance sheet as capital reserve. Under Ind AS, these incentives qualify as revenue based grants and hence, has been recognised in the statement of profit and loss as other operating income. As at the date of transition, the capital reserves created out of incentive accounting as per Indian GAAP have been transferred to retained earnings.

Under Indian GAAP, eligible incentives under Export promotion capital goods (EPCG) scheme were recognised by way of reduction of the duty saved from the cost of related capital goods imported under the scheme and the outstanding amount of underlying export obligation as at the Balance Sheet date was disclosed as contingent liability. Under Ind AS, eligible incentives under EPCG scheme is recognised as deferred income by a corresponding debit to the cost of capital goods imported under the scheme and income is recognised in the Statement of Profit and Loss in proportion of fulfilment of export obligations over the period.

**h. Other financial assets**

Under Indian GAAP, interest free security deposit given is initially measured at the transaction value at the time of initial measurement without any adjustments in regard to the fair value. Under Ind AS, interest free security deposit is to be initially measured at fair value. As at the date of transition, the interest free security deposit has been recognised at fair value based on the facts and circumstances which existed at the date of initial measurement by giving corresponding effect to retained earnings for the period from initial measurement to the date of transition and to other current assets (prepaid expenses) for the remaining period of deposit post the date of transition. In subsequent year the impact of fair valuation is disclosed in other income and prepaid expenses are being amortised as a part of rent.

**i. Defined benefit obligation**

Both under Indian GAAP and Ind AS, the Company recognises costs related to its post-employment defined benefit plan on an actuarial basis. However, under Indian GAAP, the entire cost, including actuarial gains and losses, are recognised in the statement of profit and loss. Under Ind AS, re-measurements [comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability] are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income net of taxes.

**j. Deferred taxes**

Indian GAAP requires deferred taxes to be accounted using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 - Income Taxes requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

In addition, certain transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments have been recognised in correlation to the underlying transaction either in retained earnings or as a separate component of equity.

**k. Sale of service**

Under Indian GAAP, the Company recognises revenue from extended warranty on the date of entering into an arrangement with the customer and makes an upfront provision in regard to the costs, if any, required against the extended period of warranty at such time. Under Ind AS, extended warranty is normally in the nature of a service and is recognized as revenue on a straight line basis over the period of warranty. Cost of service and other components under warranty is recognised as and when it is incurred and not on straight line basis or on upfront basis and if at any point of time, the estimated cost of warranty is higher than the deferred income (unearned income), the excess should be provided for immediately. Transitional adjustments in regard to extended warranty as at the date of transition have been made by debiting retained earnings with a corresponding credit to the deferred income.

**l. Sale of goods**

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented on the face of statement of profit and loss. Thus sale of goods under Ind AS has increased with a corresponding increase in expenses.



**m. Other comprehensive income**

Under Indian GAAP, there were no requirements to separately disclose Other Comprehensive Income ('OCI') and hence, the Company had not presented other comprehensive income (OCI) separately. As such, items falling under OCI and effect of Income tax thereon is disclosed. Hence, the Company has reconciled the profit under Indian GAAP to the profit as per Ind AS. Further, the profit under Ind AS is reconciled to total comprehensive income as per Ind AS.

**n. Standalone Statement of cash flow**

The transition from Indian GAAP to Ind AS has no material impact on the standalone statement of cash flows.

**42. Standards issued but not yet effective**

The company has applied all the relevant Indian Accounting Standards which have been notified and effective under the Rules. In 31 March 2017, the Ministry of Company Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payments', respectively. Amendment related Statement of cash flows is applicable from 1 April 2017. Amendment to Share-based payments is not applicable to company.

Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated

**43. Salient features of the financial statements of subsidiary for the year ended 31 March 2017**

Form AOC-1

In accordance with section 129(3) of the Companies Act, 2013, the salient features of the financial statements of subsidiaries is given below:

₹ in Crs.

Particulars	KOEL Americas Corp.
<b>a</b> Reporting period for the subsidiary concerned, if different from the holding company's reporting period	N A
<b>b</b> Reporting currency as on the last date of the relevant financial year in the case of foreign subsidiaries	USD
<b>c</b> Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	64.845
<b>d</b> Share capital	1.59
<b>e</b> Reserves and surplus	0.47
<b>f</b> Total assets	3.68
<b>g</b> Total liabilities	1.62
<b>h</b> Investments	-
<b>i</b> Turnover	10.71
<b>j</b> Profit before tax	0.36
<b>k</b> Provision for tax	0.09
<b>l</b> Profit after tax	0.27
<b>m</b> Proposed dividend	-
<b>n</b> % of shareholding	100%

- 44.** Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as follows:

**Subsidiary Company**  
KOELAmericas Corp.

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

There are no loans and advances in the nature of loans to Subsidiary companies.

There are no Investments in the firms/companies in which Directors are interested except as disclosed in Note 4(i) and (iii).

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

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Signatures to Note 1 to 45, forming part of the Financial Statements.

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI  
Managing Director  
DIN: 01139147

R. R. DESHPANDE  
Joint Managing Director  
DIN: 00007439

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Company Secretary

Pune : 10 May 2017

Pune : 10 May 2017



# CONSOLIDATED FINANCIAL STATEMENTS

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LIMITED

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **Kirloskar Oil Engines Limited** (hereinafter referred to as "the Holding Company") and **KOEL Americas Corp.** ("the subsidiary"), (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at 31 March 2017, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement and the consolidated statement of changes in equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements").

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

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms with the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards (Ind AS) prescribed under Section 133 of the Act, read with relevant rules issued thereunder. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain



reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view 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 the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS 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 including Ind AS, of the consolidated state of affairs of the Group as at 31 March, 2017, and its consolidated profit including other comprehensive income, their consolidated cash flows and consolidated changes in equity for the year ended on that date.

### **Other Matters**

1. We did not audit the Ind AS financial statements of overseas subsidiary whose Ind AS financial statements reflect total assets of ₹ 3.68 Crores as at 31 March, 2017, total revenues of ₹ 10.71 Crores and net cash flows amounting to ₹ 0.87 Crores for the year ended on that date, as considered in the consolidated Ind AS financial statements. These Ind AS financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary is based solely on such unaudited Ind AS financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the financial statements certified by the Management.

2. The comparative financial information of the Group for the year ended 31 March 2016 included in these consolidated Ind AS financial statements, is based on the previously issued statutory financial statements

prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by us whose report for the year ended 31 March 2016 dated 18 May 2016 expressed an unmodified opinion on those consolidated financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to the Ind AS, which have been audited by us.

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
  - b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books.
  - c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including the other comprehensive income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
  - d. In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder.
  - e. On the basis of the written representations received from the directors of the Holding Company as on 31 March, 2017 taken on record by the Board of Directors of the Holding Company none of the directors is disqualified as on 31 March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
  - f. Reporting with respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls is applicable to holding company only (as per Annexure B of Standalone Auditor's report) as the subsidiary is not incorporated in India.
  - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer Note 40 (6.1) to the consolidated financial statements.
    - ii. The Group did not have any long term contract including derivative contract having any material foreseeable losses for which provision was required to be made under the applicable law or accounting standard.



- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company.
- h. The Group has provided requisite disclosures in its consolidated Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016. Based on audit procedures and relying on management representations, these disclosures are in accordance with the books of accounts maintained by the Group. Refer Note 11a (2) Cash and cash equivalents to the Consolidated Ind AS financial statements.

**For M/S P G BHAGWAT**

Chartered Accountants

Firm Registration Number: 101118W

**Nachiket Deo**

Partner

Membership Number 117695

Place : Pune

Date : 10 May 2017

**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017**

Particulars	Note No.	₹ in Crs.	
		As at 31 March 2017	As at 31 March 2016
<b>ASSETS</b>			
<b>I. Non-current assets</b>		<b>534.68</b>	<b>621.07</b>
(a) Property, plant and equipment	1	385.12	444.22
(b) Capital work-in-progress	1	8.71	3.85
(c) Investment property	2	2.17	2.28
(d) Other Intangible assets	3	52.50	30.99
(e) Intangible assets under development	3	6.20	25.41
(f) Financial assets			
(i) Investments	4	2.70	2.85
(ii) Loans	5	0.42	0.75
(iii) Other financial assets	6	41.77	28.72
(g) Other non-current assets	7	35.09	82.00
<b>II. Current assets</b>		<b>1,635.65</b>	<b>1,348.82</b>
(a) Inventories	8	226.09	205.79
(b) Financial assets			
(i) Investments	9	985.54	785.90
(ii) Trade receivables	10	201.26	158.23
(iii) Cash and cash equivalents	11a	12.96	28.91
(iv) Bank balance other than (iii) above	11b	7.03	13.44
(v) Loans	12	0.38	0.51
(vi) Other financial assets	13	65.70	38.97
(c) Assets held for sale	14	0.25	-
(d) Current tax assets (net)	15	1.34	6.22
(e) Other current assets	16	135.10	110.85
<b>Total Assets</b>		<b>2,170.33</b>	<b>1,969.89</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>		<b>1,617.17</b>	<b>1,443.83</b>
(a) Equity share capital	17	28.92	28.92
(b) Other equity			
Capital redemption reserve	18	0.20	0.20
General reserve	18	608.39	608.39
Retained earnings	18	979.57	806.25
Reserves representing unrealised gains/ (losses)	18	0.09	0.07
<b>Liabilities</b>			
<b>I. Non-current liabilities</b>		<b>66.38</b>	<b>55.08</b>
(a) Financial liabilities			
Other financial liabilities	19	17.92	17.40
(b) Long-term provisions	20	31.50	22.91
(c) Deferred tax liabilities (net)	21	11.69	12.97
(d) Other non-current liabilities	22	5.27	1.80
<b>II. Current liabilities</b>		<b>486.78</b>	<b>470.98</b>
(a) Financial liabilities			
(i) Borrowings	23	12.45	7.17
(ii) Trade and other payables	24	354.87	346.28
(iii) Other financial liabilities	25	52.10	44.90
(b) Other current liabilities	26	18.47	22.90
(c) Short-term provisions	27	48.04	48.88
(d) Government grants	28	0.85	0.85
<b>Total Equity and Liabilities</b>		<b>2,170.33</b>	<b>1,969.89</b>
Significant accounting policies	40		

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI  
Managing Director  
DIN: 01139147

R. R. DESHPANDE  
Joint Managing Director  
DIN: 00007439

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Company Secretary

Pune :10 May 2017

Pune : 10 May 2017



**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2017**

Particulars	Note No.	₹ in Crs.	
		2016-17	2015-16
<b>Income</b>			
Revenue from operations	29	2,878.34	2,644.53
Other income	30	85.02	74.35
<b>Total Income</b>		<b>2,963.36</b>	<b>2,718.88</b>
<b>Expenses</b>			
Cost of raw materials and components consumed	31	1,351.57	1,238.95
Purchase of traded goods	32	348.21	321.34
Changes in inventories of finished goods, work-in-progress and traded goods	33	(11.47)	(18.02)
Excise duty on sale of goods		204.73	180.99
Employee benefits expense	34	202.34	185.51
Finance costs	35	2.81	9.04
Depreciation and amortisation expense	36	110.72	111.32
Other Expenses	37	504.21	461.99
Expense capitalised		(2.41)	(2.82)
<b>Total expenses</b>		<b>2,710.71</b>	<b>2,488.30</b>
<b>Profit before exceptional items and tax</b>		<b>252.65</b>	<b>230.58</b>
Exceptional items	38	-	(25.48)
<b>Profit before tax</b>		<b>252.65</b>	<b>205.10</b>
<b>Tax expense</b>		<b>78.76</b>	<b>39.68</b>
Current tax	39	79.78	47.64
(Excess)/short provision related to earlier years		(0.04)	(0.27)
Deferred tax	39	(0.98)	(7.69)
<b>Profit for the year</b>		<b>173.89</b>	<b>165.42</b>
<b>Other comprehensive income</b>			
<b>A. Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>		<b>0.02</b>	<b>0.07</b>
Exchange differences in translating the financial statements of a foreign operation	18	0.02	0.07
Income tax effect on above		-	-
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods (A)</b>		<b>0.02</b>	<b>0.07</b>
<b>B. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>		<b>(0.57)</b>	<b>(0.10)</b>
Re-measurement gains / (losses) on defined benefit plans	18	(0.87)	(0.16)
Income tax effect on above		0.30	0.06
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (B)</b>		<b>(0.57)</b>	<b>(0.10)</b>
<b>Total other comprehensive income for the year, net of tax [A + B]</b>		<b>(0.55)</b>	<b>(0.03)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>173.34</b>	<b>165.39</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		173.89	165.42
Non-controlling interest		-	-
<b>Total comprehensive income attributable to:</b>		<b>173.89</b>	<b>165.42</b>
Owners of the Company		173.34	165.39
Non-controlling interest		-	-
<b>Earnings per equity share [nominal value per share ₹ 2/- (31 March 2016: ₹ 2/- )]</b>		<b>173.34</b>	<b>165.39</b>
Basic		12.02	11.44
Diluted		12.02	11.44
Significant accounting policies	40		

The accompanying notes are an integral part of the financial statements.

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI  
Managing Director  
DIN: 01139147

R. R. DESHPANDE  
Joint Managing Director  
DIN: 00007439

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Company Secretary

Pune : 10 May 2017

Pune : 10 May 2017

**STATEMENT OF CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 MARCH 2017**

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before Tax</b>	<b>252.65</b>	<b>205.10</b>
Adjustments to reconcile profit before tax to net cash flows:		
<b>Add:</b>		
Depreciation and Amortisation	110.72	111.32
Loss on disposal of assets & Others	1.48	0.17
Inventories written down to net realisable value	4.15	4.99
Bad debts and irrecoverable balances written off	1.44	1.22
Provision for doubtful debts and advances (net)	0.41	(9.65)
Loss / ( Profit ) on Revalorisation on Imports	-	0.55
Loss / ( Profit ) on Revalorisation on Exports	0.37	0.03
Unrealised gains/ losses on translation of foreign operation	0.02	0.08
Finance cost	2.81	9.04
Amortisation of rent expenses	1.07	0.98
	<b>122.47</b>	<b>118.73</b>
<b>Less:</b>		
Extended warranty revenue	2.57	(3.83)
Profit / ( Loss ) on sale of mutual fund investment ( net)	62.22	63.82
Net gain / ( Loss ) on financial instruments at fair value	3.14	2.49
Unwinding of interest on deposits	1.04	0.96
Surplus on sale of assets	0.51	0.35
Interest received	0.49	0.96
Sundry Credit Balances Appropriated	1.28	0.46
Provisions no longer required written back	1.90	2.67
Dividend received	-	-
	<b>73.15</b>	<b>67.88</b>
<b>Operating Profit before working capital changes</b>	<b>301.97</b>	<b>255.95</b>
<b>Working Capital Adjustments</b>		
(Increase) / Decrease in Government Grant	(35.79)	13.67
(Increase) / Decrease in Trade and Other Receivables	(66.84)	(113.59)
(Increase) / Decrease in Inventories	(24.45)	(35.10)
Increase / (Decrease) in Trade and other Payables	20.46	3.67
Increase / (Decrease) in Provisions	8.76	19.61
	<b>(97.86)</b>	<b>(111.74)</b>
<b>Net Cash generated from operations</b>	<b>204.11</b>	<b>144.21</b>
Direct taxes paid	(28.23)	(44.92)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>175.88</b>	<b>99.29</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Add :</b>		
Sale of Property, Plant and Equipment	0.89	0.40
Sale of investments ( Net )	-	158.07
Interest received	0.49	0.96
Dividend received	-	-
	<b>1.38</b>	<b>159.43</b>
<b>Less :</b>		
Purchase of investments ( net )	134.12	-
Purchase of Property, Plant and Equipment	61.56	78.12
	<b>195.68</b>	<b>78.12</b>
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>(194.30)</b>	<b>81.31</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from bill discounting & borrowings	5.28	7.17
Interest paid (finance cost)	(2.81)	(9.03)
Final and Interim Dividend Paid	-	(144.61)
Tax on Final and Interim Dividend	-	(29.44)
<b>NET CASH USED IN FINANCING ACTIVITY</b>	<b>2.47</b>	<b>(175.91)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(15.95)</b>	<b>4.69</b>
<b>Opening Cash and Cash equivalents</b>	<b>28.91</b>	<b>23.19</b>
<b>Cash and Cash equivalents received from the Transferor Company under Composite Scheme</b>	<b>-</b>	<b>1.03</b>
<b>Closing Cash and Cash equivalents (Refer Note 11a)</b>	<b>12.96</b>	<b>28.91</b>

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI  
Managing Director  
DIN: 01139147

R. R. DESHPANDE  
Joint Managing Director  
DIN: 00007439

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Company Secretary

Pune : 10 May 2017

Pune : 10 May 2017


**Consolidated Statement of changes in Equity for the year ended 31 March 2017**
**A. Equity Share Capital (Note 17)**

₹ in Crs.

Equity Shares of ₹ 2 each issued, subscribed and fully paid	No. of Shares	Amount
<b>At 1 April 2015</b>	<b>144,614,326</b>	<b>28.92</b>
Issue/Reduction, if any during the year	-	-
<b>At 31 March 2016</b>	<b>144,614,326</b>	<b>28.92</b>
Issue/Reduction, if any during the year	-	-
<b>At 31 March 2017</b>	<b>144,614,326</b>	<b>28.92</b>

**B. Other Equity (Note 18)**

₹ in Crs.

Particulars	Reserves and Surplus				Items of OCI		Total equity
	Capital Redemption Reserve	General Reserve	Retained Earnings	Changes in revaluation surplus	FVOCI reserve	Foreign currency translation reserve	
<b>At 1 April 2015</b>	<b>0.20</b>	<b>594.34</b>	<b>815.83</b>	-	-	-	<b>1,410.37</b>
Profit for the year	-	-	165.42	-	-	-	165.42
Other comprehensive income for the year	-	-	(0.10)	-	-	0.07	(0.03)
<b>Total Comprehensive income for the year</b>	-	-	<b>165.32</b>	-	-	<b>0.07</b>	<b>165.39</b>
Final Dividend for year ended 31 March 2015	-	-	(72.31)	-	-	-	(72.31)
Tax on final dividend for the year ended 31 March 2015	-	-	(14.72)	-	-	-	(14.72)
Interim Dividend for the year ended 31 March 2016	-	-	(72.31)	-	-	-	(72.31)
Tax on Interim dividend for the year ended 31 March 2016	-	-	(14.72)	-	-	-	(14.72)
Transfer from Retained earnings	-	14.05	(14.05)	-	-	-	-
Transfer of Net Surplus in the Statement of Profit and Loss of residual undertaking of Kirloskar Brothers Investments Limited, under Composite Scheme	-	-	13.20	-	-	-	13.20
<b>As at 31 March 2016</b>	<b>0.20</b>	<b>608.39</b>	<b>806.25</b>	-	-	<b>0.07</b>	<b>1,414.91</b>
<b>As at 1 April 2016</b>	<b>0.20</b>	<b>608.39</b>	<b>806.25</b>	-	-	<b>0.07</b>	<b>1,414.91</b>
Profit for the year	-	-	173.89	-	-	-	173.89
Other comprehensive income for the year	-	-	(0.57)	-	-	0.02	(0.55)
<b>Total Comprehensive income for the year</b>	-	-	<b>173.32</b>	-	-	<b>0.02</b>	<b>173.34</b>
<b>At 31 March 2017</b>	<b>0.20</b>	<b>608.39</b>	<b>979.57</b>	-	-	<b>0.09</b>	<b>1,588.26</b>

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

 NIHAL G. KULKARNI  
 Managing Director  
 DIN: 01139147

 R. R. DESHPANDE  
 Joint Managing Director  
 DIN: 00007439

 NACHIKET DEO  
 Partner  
 Membership Number : 117695

 T. VINODKUMAR  
 Chief Financial Officer

 SMITA RAICHURKAR  
 Company Secretary

Pune : 10 May 2017

Pune : 10 May 2017

## Reconciliation of equity as at 31 March 2016

				₹ in Crs.
Particulars	Note No.	Indian GAAP	Effects of transition to Ind AS	Ind AS
<b>ASSETS</b>				
<b>I. Non-current assets</b>		<b>623.96</b>	<b>(2.89)</b>	<b>621.07</b>
(a) Property, plant and equipment	41.5.a & 41.5.g	445.51	(1.30)	444.22
(b) Capital work-in-progress	41.5.g	3.48	0.38	3.85
(c) Investment property	41.5.a	-	2.28	2.28
(d) Other Intangible assets	41.5.b	32.04	(1.05)	30.99
(e) Intangible assets under development		25.41	-	25.41
(f) Financial assets				
(i) Investments	41.5.c	2.00	0.85	2.85
(ii) Trade receivables		-	-	-
(iii) Loans		103.30	(102.55)	0.75
(iv) Other financial assets	41.5.h	-	28.72	28.72
(g) Deferred tax assets (net)		-	-	-
(h) Other non-current assets		12.22	69.78	82.00
<b>II. Current assets</b>		<b>1,334.88</b>	<b>13.94</b>	<b>1,348.82</b>
(a) Inventories		202.86	2.93	205.79
(b) Financial assets				
(i) Investments	41.5.c	783.14	2.76	785.90
(ii) Trade receivables	41.5.e & 41.5.f	151.06	7.17	158.23
(iii) Cash and cash equivalents		42.35	(13.44)	28.91
(iv) Bank balance other than (iii) above		-	13.44	13.44
(v) Loans		118.17	(117.66)	0.51
(vi) Other financial assets	41.5.h	-	38.97	38.97
(c) Assets held for sale		-	-	-
(d) Current tax assets (net)		-	6.22	6.22
(e) Other current assets		37.30	73.54	110.82
<b>Total Assets</b>		<b>1,958.84</b>	<b>11.05</b>	<b>1,969.89</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>1,439.92</b>	<b>3.91</b>	<b>1,443.83</b>
(a) Equity share capital		28.92	-	28.92
(b) Other equity				
Capital reserve	41.5.g	268.84	(268.84)	-
Capital redemption reserve		0.20	-	0.20
General reserve		608.39	-	608.39
Retained earnings	41	533.50	272.75	806.25
Reserves representing unrealised gains/ (losses)		0.07	-	0.07
<b>Liabilities</b>				
<b>I. Non-current liabilities</b>		<b>58.51</b>	<b>(3.43)</b>	<b>55.08</b>
(a) Financial liabilities				
(i) Borrowings		-	-	-
(ii) Trade and other payables		-	-	-
(iii) Other financial liabilities		-	17.40	17.40
(b) Long-term provisions		22.90	-	22.90
(c) Deferred tax liabilities (net)	41.5.j	17.67	(4.70)	12.97
(d) Government grants		-	-	-
(e) Other non-current liabilities		17.94	(16.13)	1.81
<b>II. Current liabilities</b>		<b>460.41</b>	<b>10.57</b>	<b>470.98</b>
(a) Financial liabilities				
(i) Borrowings	41.5.f	-	7.17	7.17
(ii) Trade and other payables		331.54	14.74	346.28
(iii) Other financial liabilities		-	44.90	44.90
(b) Other current liabilities		95.43	(72.52)	22.91
(c) Short-term provisions		33.44	15.44	48.88
(d) Government grants	41.5.g	-	0.85	0.85
<b>Total Equity and Liabilities</b>		<b>1,958.84</b>	<b>11.05</b>	<b>1,969.89</b>


**Reconciliation of Consolidated total comprehensive income for the year ended 31 March 2016**

₹ in Crs.				
Particulars	Note No.	Indian GAAP	Effects of transition to Ind AS	Ind AS
<b>Income</b>				
Revenue from operations	41.5.k & 41.5.l	2,455.36	189.17	2,644.53
Other income	41.5.c & 41.5.h	73.97	0.38	74.35
<b>Total Income</b>		<b>2,529.33</b>	<b>189.55</b>	<b>2,718.88</b>
<b>Expenses</b>				
Cost of raw materials and components consumed		1,239.73	(0.78)	1,238.95
Purchase of traded goods		321.34	-	321.34
Changes in inventories of finished goods, work-in-progress and traded goods		(18.02)	-	(18.02)
Excise duty on sale of goods	41.5.l	-	180.99	180.99
Employee benefits expense	41.5.i	185.65	(0.14)	185.51
Finance costs		0.06	8.98	9.04
Depreciation and amortisation expense	41.5.g & 41.5.b	111.51	(0.19)	111.32
Other Expenses	41.5.h	489.62	(27.63)	461.99
Expense capitalised		(2.82)	-	(2.82)
<b>Total expenses</b>		<b>2,327.07</b>	<b>161.23</b>	<b>2,488.30</b>
<b>Profit before exceptional items and tax</b>		<b>202.26</b>	<b>28.32</b>	<b>230.58</b>
Exceptional items		(25.48)	-	(25.48)
<b>Profit before tax</b>		<b>176.77</b>	<b>28.32</b>	<b>205.10</b>
<b>Tax expense</b>				
Current tax		47.64	-	47.64
(Excess)/short provision related to earlier years		(0.27)	-	(0.27)
Deferred tax	41.5.j	(11.22)	3.53	(7.69)
<b>Profit for the year</b>		<b>140.62</b>	<b>24.79</b>	<b>165.42</b>
<b>Other comprehensive income</b>				
<b>A. Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>				
Exchange differences in translating the financial statements of a foreign operation		-	0.07	0.07
Income tax effect on above		-	-	-
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods (A)</b>		<b>-</b>	<b>0.07</b>	<b>0.07</b>
<b>B. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</b>				
Re-measurement gains / (losses) on defined benefit plans	41.5.i & 41.5.m	-	(0.16)	(0.16)
Income tax effect on above	41.5.i & 41.5.m	-	0.06	0.06
Net gain / (loss) on FVOCI equity instruments		-	-	-
Income tax effect on above		-	-	-
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (B)</b>		<b>-</b>	<b>(0.10)</b>	<b>(0.10)</b>
<b>Total other comprehensive income for the year, net of tax [A+B]</b>		<b>-</b>	<b>-</b>	<b>(0.03)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>140.62</b>	<b>24.76</b>	<b>165.39</b>

**Consolidated Statement of Reconciliation of Other Equity**

₹ in Crs.		
Particulars	Note No.	As at 31 March 2016
<b>Other Equity as per IGAAP</b>		
Fair Value Gain /(Losses) on Financial Instruments	41.5.c	1411.00
Net Impact of Fair Valuation of Interest Free Deposits	41.5.h	3.61
Recognition of Government Grant as Operating Income	41.5.g	(0.05)
Deferment of Revenue on Extended Warranty Sale	41.5.k	0.52
Deferred Tax impact	41.5.j	(3.83)
Others	41.5	4.70
		(1.04)
<b>Net Increase/(Decrease)</b>		<b>3.91</b>
<b>Other Equity as per Ind AS</b>	18	<b>1,414.91</b>

## Notes to the Consolidated Financial Statements

## NOTE 1 : PROPERTY, PLANT AND EQUIPMENT

₹ in Crs.

Particulars	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
<b>Gross Block</b>												
As at 1 April 2015	0.00	11.80	135.66	871.88	16.72	9.98	35.23	4.42	56.96	35.42	1,178.07	5.62
Additions	-	-	20.59	28.69	11.66	0.94	2.15	0.96	6.94	0.08	72.01	70.24
Deductions / Amortisation	0.00	0.14	1.00	5.97	0.28	0.30	-	0.09	4.94	-	12.72	72.01
<b>As at 31 March 2016</b>	-	<b>11.66</b>	<b>155.25</b>	<b>894.60</b>	<b>28.11</b>	<b>10.61</b>	<b>37.38</b>	<b>5.28</b>	<b>58.96</b>	<b>35.50</b>	<b>1,237.36</b>	<b>3.85</b>
Additions	-	-	3.95	27.31	1.16	0.90	5.27	0.05	3.01	1.12	42.77	47.63
Asset Held for Disposal	-	-	-	12.63	0.09	-	-	0.01	-	0.19	12.92	-
Deductions / Amortisation	-	0.14	-	11.21	0.07	0.83	-	-	0.02	0.34	12.61	42.77
<b>As at 31 March 2017</b>	-	<b>11.52</b>	<b>159.20</b>	<b>898.07</b>	<b>29.11</b>	<b>10.68</b>	<b>42.65</b>	<b>5.33</b>	<b>61.95</b>	<b>36.09</b>	<b>1,254.61</b>	<b>8.71</b>
<b>Depreciation</b>												
Upto 1 April 2015	-	-	28.74	587.92	10.05	4.64	16.65	3.16	38.19	14.51	703.86	-
For the year	-	-	6.23	76.08	1.91	1.46	2.86	0.57	8.31	4.21	101.63	-
Deductions / Amortisation	-	-	1.00	5.76	0.27	0.30	-	0.09	4.93	-	12.35	-
<b>As at 31 March 2016</b>	-	-	<b>33.97</b>	<b>658.24</b>	<b>11.69</b>	<b>5.80</b>	<b>19.51</b>	<b>3.64</b>	<b>41.57</b>	<b>18.72</b>	<b>793.14</b>	-
For the year	-	-	6.41	73.36	2.84	1.51	3.22	0.58	7.91	4.00	99.83	-
Asset Held for Disposal	-	-	-	11.11	0.09	-	-	0.01	-	0.16	11.37	-
Deductions / Amortisation	-	-	-	10.96	0.07	0.74	-	-	0.02	0.34	12.13	-
<b>As at 31 March 2017</b>	-	-	<b>40.38</b>	<b>709.53</b>	<b>14.37</b>	<b>6.57</b>	<b>22.73</b>	<b>4.21</b>	<b>49.46</b>	<b>22.22</b>	<b>869.49</b>	-
<b>Net Block</b>												
As at 1 April 2015	0.00	11.80	106.92	283.96	6.67	5.34	18.58	1.26	18.77	20.91	474.22	5.62
<b>As at 31 March 2016</b>	-	<b>11.66</b>	<b>121.28</b>	<b>236.36</b>	<b>16.42</b>	<b>4.81</b>	<b>17.87</b>	<b>1.64</b>	<b>17.39</b>	<b>16.78</b>	<b>444.22</b>	<b>3.85</b>
<b>As at 31 March 2017</b>	-	<b>11.52</b>	<b>118.82</b>	<b>188.54</b>	<b>14.74</b>	<b>4.11</b>	<b>19.92</b>	<b>1.11</b>	<b>12.49</b>	<b>13.87</b>	<b>385.12</b>	<b>8.71</b>

Notes:

- Gross block is at Cost except leasehold land which is net of amount written off.
- For Depreciation and amortisation refer accounting policy (Note 40.4.3).
- In the previous year assets held for disposal having Written Down Value of ₹ 39,566 is disclosed under Deduction/Amortisation.
- Capital work in progress:
  - Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is ₹ 8.71 Crs. (31 March 2016: ₹ 3.85 Crs. 1 April 2015: ₹ 5.62 Crs).
- The information relating to Gross block, accumulated Depreciation and Impairment if any, has been disclosed as an additional information since the Group has adopted deemed cost exemption under Ind AS 101, refer Note 41 on first time adoption.
- Note 1 of Property, Plant and equipment includes assets at Research & Development facility, the details of which are as under.



**Notes to the Financial Statements**

**Property, Plant and equipment : Research and Development facility**  
(Below figures are included in Note 1: Property, Plant and equipment)

₹ in Crs.

Particulars	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
<b>Gross Block</b>												
As at 1 April 2015	-	-	-	58.45	0.52	-	-	0.12	1.18	1.99	62.26	-
Additions	-	-	-	4.34	4.61	-	-	-	-	-	8.95	-
Inter transfers (Net)	-	-	-	(0.14)	-	-	-	-	-	-	(0.14)	-
Deductions / Amortisation	-	-	-	0.79	-	-	-	-	0.03	-	0.82	-
<b>As at 31 March 2016</b>	-	-	-	<b>61.86</b>	<b>5.13</b>	-	-	<b>0.12</b>	<b>1.15</b>	<b>1.99</b>	<b>70.25</b>	-
Additions	-	-	-	13.91	0.17	-	-	0.01	0.58	0.99	15.66	-
Inter transfers (Net)	-	-	-	4.77	-	-	-	0.00	-	-	4.77	-
Deductions / Amortisation	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2017</b>	-	-	-	<b>80.54</b>	<b>5.30</b>	-	-	<b>0.13</b>	<b>1.73</b>	<b>2.98</b>	<b>90.68</b>	-
<b>Depreciation</b>												
Upto 1 April 2015	-	-	-	29.27	0.44	-	-	0.11	1.06	0.57	31.45	-
For the year	-	-	-	5.19	0.09	-	-	0.00	0.09	0.23	5.60	-
Inter transfers (Net)	-	-	-	(0.15)	-	-	-	-	-	-	(0.15)	-
Deductions / Amortisation	-	-	-	0.76	-	-	-	-	0.03	-	0.79	-
<b>As at 31 March 2016</b>	-	-	-	<b>33.55</b>	<b>0.53</b>	-	-	<b>0.11</b>	<b>1.12</b>	<b>0.80</b>	<b>36.11</b>	-
For the year	-	-	-	5.75	0.68	-	-	0.00	0.12	0.23	6.78	-
Inter transfers (Net)	-	-	-	3.56	-	-	-	0.00	-	-	3.56	-
Deductions / Amortisation	-	-	-	(0.00)	-	-	-	-	-	-	(0.00)	-
<b>As at 31 March 2017</b>	-	-	-	<b>42.86</b>	<b>1.21</b>	-	-	<b>0.11</b>	<b>1.24</b>	<b>1.03</b>	<b>46.45</b>	-
<b>Net Block</b>												
As at 1 April 2015	-	-	-	29.18	0.08	-	-	0.01	0.12	1.42	30.81	-
<b>As at 31 March 2016</b>	-	-	-	<b>28.31</b>	<b>4.60</b>	-	-	<b>0.01</b>	<b>0.03</b>	<b>1.19</b>	<b>34.14</b>	-
<b>As at 31 March 2017</b>	-	-	-	<b>37.68</b>	<b>4.09</b>	-	-	<b>0.02</b>	<b>0.49</b>	<b>1.95</b>	<b>44.23</b>	-

## Notes to the Consolidated Financial Statements

### NOTE 2 : INVESTMENT PROPERTY

₹ in Crs.

Particulars	Land Leasehold	Buildings	Total
<b>Gross Block</b>			
As at 1 April 2015	0.01	4.73	4.74
Additions	-	-	-
Deductions / Amortisation	0.00	-	0.00
<b>As at 31 March 2016</b>	<b>0.01</b>	<b>4.73</b>	<b>4.74</b>
Additions	-	-	-
Deductions / Amortisation	0.00	-	0.00
<b>As at 31 March 2017</b>	<b>0.01</b>	<b>4.73</b>	<b>4.74</b>
<b>Depreciation</b>			
Upto 1 April 2015	-	2.35	2.35
For the year	-	0.11	0.11
Deductions / Amortisation	-	-	-
<b>As at 31 March 2016</b>	<b>-</b>	<b>2.46</b>	<b>2.46</b>
For the year	-	0.11	0.11
Deductions / Amortisation	-	-	-
<b>As at 31 March 2017</b>	<b>-</b>	<b>2.57</b>	<b>2.57</b>
<b>Net Block</b>			
As at 1 April 2015	0.01	2.38	2.39
<b>As at 31 March 2016</b>	<b>0.01</b>	<b>2.27</b>	<b>2.28</b>
<b>As at 31 March 2017</b>	<b>0.01</b>	<b>2.16</b>	<b>2.17</b>

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 40.4.4).
3. The information relating to Gross block, accumulated Depreciation and Impairment if any, has been disclosed as an additional information since the Group has adopted deemed cost exemption under Ind AS 101, refer Note 41 on first time adoption.



## Notes to the Consolidated Financial Statements

### NOTE 2 : INVESTMENT PROPERTY

#### Information regarding income and expenditure of Investment property

₹ in Crs.

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Rental income derived from Investment properties	0.93	0.66
Direct operating expenses (including repairs and maintenance) generating rental income	0.07	0.04
Direct operating expenses (including repairs and maintenance) that did not generate rental income	-	-
<b>Profit arising from investment properties before depreciation and indirect expenses</b>	<b>0.86</b>	<b>0.62</b>
Less : Depreciation	0.11	0.11
<b>Profit arising from investment properties before indirect expenses</b>	<b>0.75</b>	<b>0.51</b>

As at 31 March 2017 and 31 March 2016, the fair values of the properties are based on valuations performed by an accredited independent valuer, who is a specialist in valuing these types of investment properties.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures for investment properties are in Note 40.6.15.

#### Fair value of the Investment properties are as under

₹ in Crs.

Fair value	Land Leasehold	Factory Building	Total
<b>Balance as at 1 April 2015</b>	<b>60.49</b>	<b>12.11</b>	<b>72.60</b>
Fair value difference for the year	-	1.00	1.00
Purchases	-	-	-
<b>Balance as at 31 March 2016</b>	<b>60.49</b>	<b>13.11</b>	<b>73.60</b>
Fair value difference for the year	-	0.63	0.63
Purchases	-	-	-
<b>Balance as at 31 March 2017</b>	<b>60.49</b>	<b>13.74</b>	<b>74.23</b>

Particulars	Valuation techniques	Significant unobservable inputs	Range of change in fair value per 5% (+/-) change in rate per sq. mtr.	
			31 March 2017	31 March 2016
Leasehold land	Direct Comparison Approach	Sales price of similar properties adjusted for peculiar factors of the property valued	₹ 3 Crs.	₹ 3 Crs.
Factory Building	Direct Comparison Approach	Sales price of similar properties adjusted for peculiar factors of the property valued	₹ 0.70 Crs.	₹ 0.65 Crs.

Direct Comparison Approach: The direct comparison approach involves a comparison of the subject property to similar properties that have actually been sold in arms-length distance from Subject Property or are offered for sale in the same region. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market, and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis. This approach leads to a reasonable estimation of the prevailing land price.

## Notes to the Consolidated Financial Statements

### NOTE 3 : OTHER INTANGIBLE ASSETS

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Capital work-in-progress
<b>Gross Block</b>						
As at 1 April 2015	31.02	11.12	3.74	18.58	64.46	15.69
Additions	4.68	-	-	-	4.68	14.40
Deductions / Amortisation	-	-	-	-	-	4.68
<b>As at 31 March 2016</b>	<b>35.70</b>	<b>11.12</b>	<b>3.74</b>	<b>18.58</b>	<b>69.14</b>	<b>25.41</b>
Additions	1.73	-	-	30.63	32.36	13.15
Deductions / Amortisation	-	-	-	0.31	0.31	32.36
<b>As at 31 March 2017</b>	<b>37.43</b>	<b>11.12</b>	<b>3.74</b>	<b>48.90</b>	<b>101.19</b>	<b>6.20</b>
<b>Depreciation</b>						
Upto 1 April 2015	13.07	11.12	3.74	0.80	28.73	-
For the year	5.28	-	-	4.15	9.43	-
Deductions / Amortisation	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>18.35</b>	<b>11.12</b>	<b>3.74</b>	<b>4.95</b>	<b>38.16</b>	<b>-</b>
For the year	5.18	-	-	5.46	10.64	-
Deductions / Amortisation	-	-	-	0.11	0.11	-
<b>As at 31 March 2017</b>	<b>23.53</b>	<b>11.12</b>	<b>3.74</b>	<b>10.30</b>	<b>48.69</b>	<b>-</b>
<b>Net Block</b>						
As at 1 April 2015	17.95	0.00	-	17.78	35.74	15.69
<b>As at 31 March 2016</b>	<b>17.35</b>	<b>0.00</b>	<b>-</b>	<b>13.64</b>	<b>30.99</b>	<b>25.41</b>
<b>As at 31 March 2017</b>	<b>13.90</b>	<b>0.00</b>	<b>-</b>	<b>38.60</b>	<b>52.50</b>	<b>6.20</b>

- Intangible Assets are amortised on Straight Line method.
- For Depreciation and amortisation refer accounting policy (Note 40.4.5).
- Capital work in progress:  
Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is ₹ 6.20 Crs. (31 March 2016: ₹ 25.41 Crs., 1 April 2015: ₹ 15.69 Crs.).
- Refer Note 41 on first time adoption.
- Note 3 of Other Intangible assets includes assets at Research & Development facility, the details of which are as under.



## Notes to the Consolidated Financial Statements

### Other Intangible assets : Research and Development facility (Below figures are included in Note 3 : Other Intangible assets)

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Capital work-in-progress
<b>Gross Block</b>						
As at 1 April 2015	6.39	10.42	-	18.58	35.39	-
Additions	4.35	-	-	(0.00)	4.35	-
Deductions / Amortisation	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>10.74</b>	<b>10.42</b>	<b>-</b>	<b>18.58</b>	<b>39.74</b>	<b>-</b>
Additions	1.08	-	-	30.63	31.71	-
Inter Transfers	1.85	-	1.50	-	3.35	-
Deductions / Amortisation	-	-	-	0.32	0.32	-
<b>As at 31 March 2017</b>	<b>13.67</b>	<b>10.42</b>	<b>1.50</b>	<b>48.89</b>	<b>74.48</b>	<b>-</b>
<b>Depreciation</b>						
Upto 1 April 2015	4.24	10.42	-	0.80	15.46	-
For the year	0.96	-	-	4.15	5.11	-
Deductions / Amortisation	-	-	-	-	-	-
<b>As at 31 March 2016</b>	<b>5.20</b>	<b>10.42</b>	<b>-</b>	<b>4.95</b>	<b>20.57</b>	<b>-</b>
For the year	1.39	-	-	5.46	6.85	-
Inter Transfers	1.85	-	1.50	-	3.35	-
Deductions / Amortisation	-	-	-	0.10	0.10	-
<b>As at 31 March 2017</b>	<b>8.44</b>	<b>10.42</b>	<b>1.50</b>	<b>10.31</b>	<b>30.67</b>	<b>-</b>
<b>Net Block</b>						
As at 1 April 2015	2.15	-	-	17.78	19.93	-
<b>As at 31 March 2016</b>	<b>5.54</b>	<b>-</b>	<b>-</b>	<b>13.63</b>	<b>19.17</b>	<b>-</b>
<b>As at 31 March 2017</b>	<b>5.23</b>	<b>-</b>	<b>-</b>	<b>38.58</b>	<b>43.81</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

### NOTE 4 : NON-CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit in ₹	As at 31 March 2017		As at 31 March 2016	
		Nos.	₹ in Crs	Nos.	₹ in Crs
<b>(i) At Fair value through Profit or Loss (FVTPL)</b>					
<b>Investment</b>					
In unquoted mutual fund					
HDFC Group Unit Linked Plan (Debt Instrument)	10 ₹	1,355,118	2.69	1,522,045	2.85
<b>(ii) At Fair value through Other Comprehensive Income (FVOCI)</b>					
<b>Investment</b>					
In Unquoted Equity Instruments					
Kirloskar Proprietary Limited - Equity Share (Fully Paid up)	100 ₹	1	0.00	1	0.00
S.L.Kirloskar CSR Foundation - Equity Shares (Fully paid up)	10 ₹	9,800	0.01	-	-
<b>Total</b>			<b>2.70</b>		<b>2.85</b>

- Aggregate amount of Unquoted Investments 2.70 2.85
- Face value per unit in Rupees unless otherwise stated.
- During the year, the Company has invested in 9,800 Equity shares of ₹ 10 each of S. L. Kirloskar CSR Foundation.
- Refer Note 41, 40.6.14 and 40.6.15 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments
- Refer Note 40.6.16 on risk management objectives and policies for financial instruments.

### NOTE 5 : LOANS (NON CURRENT)

₹ in Crs.

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Loans to employees (unsecured, considered good)	0.42	0.75
<b>Total</b>	<b>0.42</b>	<b>0.75</b>

- Loans are measured at amortised cost.
- Loans are non-derivative financial assets which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.

### NOTE 6 : OTHER FINANCIAL ASSETS (NON CURRENT)

₹ in Crs.

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Security deposits (Unsecured, considered good)	28.76	19.25
Subsidy receivable under PSI scheme, 2001	12.83	9.26
Others	0.18	0.21
<b>Total</b>	<b>41.77</b>	<b>28.72</b>

Other financial assets are measured at amortised cost.



## Notes to the Consolidated Financial Statements

### NOTE 7 : OTHER NON-CURRENT ASSETS

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Capital advances	1.76	0.97
Prepaid expenses	0.45	1.52
Tax paid in advance (net of provision) (Refer Note 15)	32.88	79.51
<b>Other Advances to suppliers</b>	-	-
Unsecured, considered good	-	-
Doubtful	0.14	0.04
Less : Provision for doubtful advances	(0.14)	(0.04)
<b>Total</b>	<b>35.09</b>	<b>82.00</b>

### NOTE 8 : INVENTORIES

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>Raw materials</b>	<b>120.28</b>	<b>112.89</b>
Raw materials and components	119.26	111.29
Raw materials in transit	1.02	1.60
Work-in-progress	18.07	23.61
Finished goods	57.38	48.84
Traded goods	17.22	8.89
Stores and spares	13.14	11.56
<b>Total</b>	<b>226.09</b>	<b>205.79</b>

Inventories written down to net realisable value during the year ended 31 March 2017 ₹ 4.15 Crs. (31 March 2016: ₹ 4.99 Crs.) were recognised as an expense in the statement of profit and loss during the year.

## Notes to the Consolidated Financial Statements

### NOTE 9 : CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2017		As at 31 March 2016	
	₹	Nos.	₹ in Crs	Nos.	₹ in Crs
<b>At fair value through Profit or Loss (FVTPL)</b>					
<b>Unquoted Investment</b>					
<b>Current Portion of Long Term Investment</b>					
HDFC Group Unit Linked Plan (Debt Instrument)	10	673,238	1.34	1,171,840	2.19
			<b>1.34</b>		<b>2.19</b>
<b>Other Current Investment</b>					
Investments In Mutual Funds					
<b>Fixed Maturity Plan - Growth Option</b>					
ICICI Prudential FMP Series 78-95 days plan K Cumulative	10	-	-	26,005,470	26.30
ICICI Prudential FMP Series 78-95 days plan M Cumulative	10	-	-	10,000,000	10.08
Reliance Fixed Horizon Fund - XXX - Series 9 - Growth Plan (YL-GP)	10	-	-	25,000,000	25.23
UTI-Fixed Income Interval Fund - III- Quarterly Interval Plan - Growth Plan	10	-	-	4,982,685	10.09
			-		<b>71.70</b>
<b>Liquid Scheme - Growth Option</b>					
Axis Liquid Fund - Growth( CF-GP)	1000	506,975	91.16	319,556	53.56
Axis Banking Debt Fund - Growth (BD-DG)	1000	-	-	109,363	15.16
Birla Sun life Cash Plus - Growth - Regular plan	100	1,689,447.00	44.01	4,249,766	103.17
Birla Sun life Savings Fund - Growth - Regular Plan	100	3,364,940.00	107.22	1,734,520	50.80
DHFL Pramerica Insta Cash Plus Fund - Growth	100	1,187,561.00	25.02	-	-
DSP BlackRock Liquidity Fund-Institutional Plan Growth	1000	108,049.00	25.05	-	-
HDFC Liquid Fund Regular Plan- Growth	1000	87,642	28.04	-	-
HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option Regular Plan-Growth	10	38,324,038	108.34	39,093,177	101.81
ICICI Prudential Liquid Plan - Growth	100	2,211,133	53.10	2,236,675	50.07
ICICI Prudential- Money Market Fund - Growth	100	1,605,182	36.02	1,770,739	37.03
ICICI Prudential Flexible Income - Growth	100	3,451,127	107.45	1,778,651	50.91
Invesco India Liquid Fund - Growth Plan(LF-SG)	1000	112,178	25.04	-	-
L & T liquid fund Regular - Growth	1000	112,583	25.05	-	-
Reliance Medium Term Fund - Growth Plan - Growth Option (IP-GP)	10	22,352,812	76.28	-	-
Reliance Liquidity Fund - Growth Plan Growth Option (LQ-GP)	1000	-	-	131,862	30.05
Reliance Liquid Fund - Treasury Plan - Growth Plan - Growth Option (LF-IG)	1000	253,171	100.10	274,492	101.16
SBI Premier Liquid Fund - Regular Plan - Growth	1000	-	-	210,784	50.09
SBI Treasury Advantage Fund - Regular Plan - Growth	1000	-	-	60,344	10.13
UTI Liquid Cash Plan - Institutional - Growth	1000	196,021	52.08	-	-
UTI-Money Market Fund - Institutional Plan - Growth	1000	-	-	342,890	58.07
UTI Treasury Advantage Fund - Institutional Plan - Growth	1000	357,952	80.24	-	-
			<b>984.20</b>		<b>712.01</b>
<b>Total</b>			<b>985.54</b>		<b>785.90</b>

1. Aggregate amount of Unquoted Investments 985.54 785.90
2. Face value per unit in Rupees unless otherwise stated.
3. Refer Note 41 on first time adoption
4. Fair value disclosures for financial assets and liabilities are stated in Note 40.6.14 and fair value hierarchy disclosures for investment are stated in Note 40.6.15
5. Refer Note 40.6.16 on risk management objectives and policies for financial instruments.



## Notes to the Consolidated Financial Statements

### NOTE 10 : TRADE RECEIVABLES

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>Total Trade Receivables</b>	<b>201.26</b>	<b>158.23</b>
Trade receivables [Refer note (1) below]	201.26	158.23
<b>Break-up for security details:</b>	<b>201.26</b>	<b>158.23</b>
Secured, considered good	-	-
Unsecured, considered good	201.26	158.23
Doubtful	12.10	11.58
Impairment Allowance (allowance for bad and doubtful debts)	(12.10)	(11.58)
<b>Total</b>	<b>201.26</b>	<b>158.23</b>

- Trade receivables are measured at amortised cost.
- No trade or other receivable are due from directors or other officers of the Group either severally or jointly with any other person. Trade or other receivables due from firms or private companies respectively in which any director is a partner, a director or a member ₹ 7.86 Crs. (31 March 2016 : ₹ 10.22 Crs).  
For terms and conditions relating to related party receivables, refer Note 40.6.12.
- Movement of impairment Allowance (allowance for bad and doubtful debts)

Particulars	₹ in Crs.
<b>At 1 April 2015</b>	<b>21.34</b>
Provided during the year	1.40
Amounts written off	(1.19)
Amount written back	(9.97)
<b>At 31 March 2016</b>	<b>11.58</b>
Provided during the year	2.53
Amounts written off	(1.42)
Amount written back	(0.59)
<b>At 31 March 2017</b>	<b>12.10</b>

- Refer Note 40.6.16 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.
- The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, the Group has retained late payment and credit risks.  
The Group therefore continues to recognise these assets in the entirety in its balance sheet. The amount repayable under this arrangement is presented as secured borrowings.

The relevant carrying amounts are as follows:-

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Total transferred receivables w.r.t. Bills discounted	8.13	7.17
Related secured borrowings (Refer Note 23)	8.13	7.17

- Refer Note 41 on first time adoption.

## Notes to the Consolidated Financial Statements

### NOTE 11a : CASH AND CASH EQUIVALENTS

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>Balance with Bank</b>		
Current accounts and debit balance in cash credit accounts	12.31	28.86
Cash in transit	0.63	-
Cash on hand	0.02	0.05
<b>Total</b>	<b>12.96</b>	<b>28.91</b>

### NOTE 11b : OTHER BANK BALANCES

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Unpaid dividend accounts	7.03	8.28
Deposits with original maturity of more than three months but less than 12 months	-	5.16
<b>Total</b>	<b>7.03</b>	<b>13.44</b>

1. Refer Note 40.6.16 for further details
2. As per Ministry of Corporate Affairs notification vide G.S.R. 308(E) dated 30 March 2017, Details of Specified Bank Notes (SBN) held and transacted during the period 8 November 2016 to 30 December 2016

Particulars	₹ in Crs.		
	SBNs	Other denomination notes	Total
<b>Closing cash in hand as on 8 November 2016</b>	<b>0.04</b>	<b>0.01</b>	<b>0.05</b>
(+) Permitted receipts	-	0.05	0.05
(-) Permitted payments	-	0.04	0.04
(-) Amount deposited in Banks	0.04	-	0.04
<b>Closing cash in hand as on 30 December 2016</b>	<b>-</b>	<b>0.02</b>	<b>0.02</b>

### NOTE 12 : LOANS (CURRENT)

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Loans to employees (unsecured, considered good)	0.38	0.51
<b>Total</b>	<b>0.38</b>	<b>0.51</b>

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.



## Notes to the Consolidated Financial Statements

### NOTE 13 : OTHER FINANCIAL ASSETS (CURRENT)

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Security deposits (Unsecured, considered good)	0.33	2.01
Subsidy receivable under PSI scheme, 2001	61.66	29.45
Export incentive receivable	3.54	7.15
Others	0.17	0.36
<b>Total</b>	<b>65.70</b>	<b>38.97</b>

- Other financial assets are measured at amortised cost.
- Others includes, Change in fair valuation of Derivatives (Foreign exchange forward contracts) designated as hedging instruments and intended to reduce the level of foreign currency risk for expected sales of USD 9,76,726 as of 31 March 2017 (31 March 2016 : Nil).
- Refer Note 40.6.16 on risk management objectives and policies for financial instruments.

### NOTE 14 : ASSETS HELD FOR SALE (CURRENT)

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Property, plant and equipment (net)	0.25	-
<b>Total</b>	<b>0.25</b>	<b>-</b>

- Fair value hierarchy disclosures for Assets held for sale are in Note 40.6.15.
- Property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying value and fair value less cost to sale at the time of reclassification, resulted in the recognition of write down of ₹ 1.31 Crores in the statement of profit and loss account. The fair value of property, plant and equipment was determined based on its estimated realisable value.

### NOTE 15 : CURRENT TAX ASSETS (NET)

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Tax Paid in Advance (Net of Provision)	1.34	6.22
<b>Total</b>	<b>1.34</b>	<b>6.22</b>

Non-current Tax paid in advance included in Note 7.

### NOTE 16 : OTHER CURRENT ASSETS

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Advance to suppliers	7.76	6.57
Balance with collectorate of central excise and customs	15.07	9.86
Sales tax / VAT / service tax receivable (net)	108.19	90.16
Prepaid expenses	3.96	3.80
Other Current Assets	0.12	0.46
<b>Total</b>	<b>135.10</b>	<b>110.85</b>

## Notes to the Consolidated Financial Statements

### NOTE 17 : SHARE CAPITAL

#### Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
<b>At 1 April 2015</b>	<b>200,000,000</b>	<b>40.00</b>
Increase/(decrease) during the year	70,000,000	14.00
<b>At 31 March 2016</b>	<b>270,000,000</b>	<b>54.00</b>
Increase/(decrease) during the year	-	-
<b>At 31 March 2017</b>	<b>270,000,000</b>	<b>54.00</b>

During the year ended 31 March 2016, the authorised share capital was increased by ₹ 14 Crs., i.e. 7 Crs. equity shares of ₹ 2 each

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

The Company has only one class of equity shares having a 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.

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.

#### Issued and subscribed share capital

Equity shares of ₹ 2/- each

Particulars	No. of shares	₹ in Crs.
<b>As at 1 April 2015</b>	<b>144,614,326</b>	<b>28.92</b>
Changes during the year	-	-
<b>As at 31 March 2016</b>	<b>144,614,326</b>	<b>28.92</b>
Changes during the year	-	-
<b>As at 31 March 2017</b>	<b>144,614,326</b>	<b>28.92</b>

The Company has share suspense account which represents equity shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR), are kept in abeyance as per the Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.

Particulars	No. of shares	₹ in Crs.
<b>As at 1 April 2015</b>	<b>465</b>	<b>0.00</b>
Changes during the year	-	-
<b>As at 31 March 2016</b>	<b>465</b>	<b>0.00</b>
Changes during the year	-	-
<b>As at 31 March 2017</b>	<b>465</b>	<b>0.00</b>



## Notes to the Consolidated Financial Statements

### 17.1. Shares held by holding Company

Out of equity shares issued by the Company, shares held by its holding Company are as below

Particulars	As at 31 March 2017		As at 31 March 2016	
	No. of shares	₹ in Crs.	No. of shares	₹ in Crs.
<b>Kirloskar Brothers Investments Limited*</b>				
Equity shares of ₹ 2 each	-	-	-	-
Equity share holding (%)		-		-

\* Effective 30 June 2015, Kirloskar Brothers Investments limited ceased to be the holding Company of the Company, vide order from Hon'ble High Court of Judicature at Bombay dated 30 April 2015. Refer Note 17.4 for details.

### 17.2. Number of Shares held by each shareholder holding more than 5% Shares in the Company

Name of the Shareholder	As at 31 March 2017		As at 31 March 2016	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Kirloskar Brothers Investments Limited	-	-	-	-
Atul Chandrakant Kirloskar	18,456,667	12.76	18,456,667	12.76
Gautam Achyut Kulkarni	18,398,233	12.72	18,391,027	12.72
Rahul Chandrakant Kirloskar	17,732,902	12.26	17,732,902	12.26
Nalanda India Fund Limited	10,896,124	7.53	10,896,124	7.53
Kirloskar Industries Limited	8,210,439	5.68	8,210,439	5.68
Alpana Rahul Kirloskar	7,711,817	5.33	7,711,817	5.33
Jyotsna Gautam Kulkarni	7,572,631	5.24	7,572,631	5.24

### 17.3. 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:

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, up to 24 January 2013.

### 17.4. Scheme of Arrangement and amalgamation

Hon'ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (The Composite Scheme) between Kirloskar Brothers Investments Limited ('KBIL' - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited ('KOEL' - Transferee Company) and their respective shareholders and creditors under Sections 391 to 394 and other relevant Sections of the Companies Act, 1956, and the relevant Sections of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company were cancelled on account of Cross holdings and same number of equity shares were allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Company pre and post the Composite Scheme.

## Notes to the Consolidated Financial Statements

### NOTE 18 : OTHER EQUITY

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
CAPITAL REDEMPTION RESERVE	0.20	0.20
<b>GENERAL RESERVE</b>	<b>608.39</b>	<b>608.39</b>
Opening Balance	608.39	594.34
Add : Transferred from Retained Earnings	-	14.05
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>	<b>0.09</b>	<b>0.07</b>
Opening Balance	0.07	-
Add : For the year	0.02	0.07
<b>RETAINED EARNINGS</b>	<b>979.57</b>	<b>806.25</b>
Opening Balance	806.25	815.84
Add : Net surplus in the statement of Profit & Loss balance of residual undertaking of Kirloskar Brothers Investments Limited, transferred under Composite Scheme Arrangement and Amalgamation	-	13.20
Add : Profit for the year	173.89	165.42
Add : Other Comprehensive income / (Loss)	(0.57)	(0.10)
	<b>173.32</b>	<b>178.52</b>
<b>Less : Appropriations</b>		
Transferred to General reserve	-	14.05
Interim Dividend	-	72.31
Tax on Interim Dividend	-	14.72
Final dividend	-	72.31
Tax on proposed dividend	-	14.72
Transition effect of reassessment of useful life on carrying value of fixed assets (net of deferred tax)	-	-
	-	<b>188.11</b>
<b>Total</b>	<b>1,588.25</b>	<b>1,414.91</b>

### Other reserves

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Foreign currency translation reserve	0.09	0.07
Retained Earnings	979.57	806.25
<b>Total other reserves</b>	<b>1,588.25</b>	<b>1,414.91</b>


**Notes to the Consolidated Financial Statements**

- Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.
- General reserve is created by setting aside amount from the Retained Earnings of the Group for general purposes which is freely available for distribution.
- Foreign currency translation reserve is created as result of translation of foreign operations into reporting currency.
- Dividend distribution made and proposed

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Cash dividends on Equity shares declared and paid</b>		
Final dividend for the year ended 31 March 2016: ₹ Nil		
(31 March 2015: ₹ 5 per share)	-	72.31
Dividend distribution tax on final dividend	-	14.72
Interim dividend for year ended 31 March 2016: ₹ 5 per share	-	72.31
Dividend distribution tax on Interim dividend	-	14.72
	<u>-</u>	<u>174.06</u>
<b>Proposed dividends on Equity shares</b>		
Final cash dividend proposed for the year ended 31 March 2017:		
₹ 5 per share (31 March 2016: ₹ NIL per share )	72.31	-
Dividend distribution tax on proposed dividend	14.72	-
	<u>87.03</u>	<u>-</u>

Proposed dividend on equity shares are subject to approval of the shareholders of the Company at the annual general meeting and are not recognised as a liability (including taxes thereon) as at 31 March.

**NOTE 19 : OTHER FINANCIAL LIABILITIES (NON CURRENT)**

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Deposits from customers and others	17.92	17.40
<b>Total</b>	<u>17.92</u>	<u>17.40</u>

- Other financial liabilities are measured at amortised cost.
- For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 40.6.16.

**NOTE 20 : LONG-TERM PROVISIONS**

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>Provision for employee benefits</b>	<b>20.63</b>	<b>14.97</b>
Provision for leave encashment	18.08	12.67
Provision for pension and other retirement benefits	2.55	2.30
<b>Other provisions</b>	<b>10.87</b>	<b>7.94</b>
Provision for warranty	10.87	7.94
<b>Total</b>	<u>31.50</u>	<u>22.91</u>

Refer Note 27 Short-term provisions

## Notes to the Consolidated Financial Statements

### NOTE 21: DEFERRED TAX LIABILITY (NET)

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>Deferred Tax Liability</b>	<b>32.57</b>	<b>39.58</b>
Depreciation	29.99	30.53
Others	2.58	9.05
<b>Less : Deferred Tax Assets</b>	<b>20.88</b>	<b>26.61</b>
Disallowances u/s 43 B of Income Tax Act	9.93	11.22
Provision for Doubtful debts & advances	4.16	4.02
VRS Compensation	2.19	4.24
Amalgamation/Demerger Expenses	3.18	4.25
Others	1.42	2.88
<b>Total</b>	<b>11.69</b>	<b>12.97</b>

#### 1. Reconciliation of deferred tax assets / (liabilities), net

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>Opening balance as of 1 April</b>	<b>(12.97)</b>	<b>(20.71)</b>
Tax income/(expense) during the year recognised in profit or loss	0.98	7.69
Tax income/(expense) during the year recognised in OCI	0.30	0.06
<b>Closing balance as at 31 March</b>	<b>(11.69)</b>	<b>(12.97)</b>

#### 2. Tax Losses

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Unused tax losses for which no Deferred Tax Assets have been recognised- Long Term capital Loss on sale of Mutual Fund units	0.61	0.57
Potential Tax benefit	0.14	0.13

- The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.
- During the year ended 31 March 2016, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that dividend distribution tax represents additional payment to taxation authority on behalf of the shareholders. Hence dividend distribution tax paid is charged to equity.
- There is no change in the applicable tax rate of 34.608 % compared to the previous year (31 March 2016: 34.608%)
- The unused tax losses were incurred by the Company on sale on Long term units of Mutual Fund in which Company is not likely to generate taxable income in the foreseeable future. The losses can be carried forward as per the provisions of Income Tax Act .
- The Deferred tax liability is not recognized for temporary difference between carrying amount and tax base of investments in subsidiary as the parent company is able to control the timing of reversal of temporary difference and it is probable that the difference will not reverse in the foreseeable future. Hence the Group has not recognized any deferred tax liability for taxes on undistributed profits.



## Notes to the Consolidated Financial Statements

### NOTE 22 : OTHER NON CURRENT LIABILITIES

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Advance from customers	2.15	0.54
Deferred revenue	3.12	1.26
<b>Total</b>	<b>5.27</b>	<b>1.80</b>

### NOTE 23 : BORROWINGS

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>Interest bearing borrowings from Banks</b>		
Export Preshipment Loan in INR	3.74	-
Loans: Export sales bill discounted	8.13	7.17
Cash credit	0.58	-
<b>Total</b>	<b>12.45</b>	<b>7.17</b>
Aggregate secured borrowings	<b>12.45</b>	<b>7.17</b>
Aggregate unsecured borrowings	-	-

- Borrowings are measured at amortised cost.
- Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crs. are secured to the extent of ₹ 410 Crs. by way of hypothecation (First Charge) on the whole of the current assets of the Company 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)
- For explanations on the Group's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 40.6.16

### NOTE 24 : TRADE AND OTHER PAYABLES

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Acceptances	22.10	15.25
Due to micro, small and medium enterprises	5.94	3.71
Due to other than micro, small and medium enterprises	326.83	327.32
<b>Total</b>	<b>354.87</b>	<b>346.28</b>

- Trade and other payables are measured at amortised cost.
- For terms and conditions with related parties, refer to Note 40.6.12
- For explanations on the Group's Foreign currency risk and liquidity risk management processes, refer to Note 40.6.16

## Notes to the Consolidated Financial Statements

### NOTE 25 : OTHER FINANCIAL LIABILITIES (CURRENT)

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Unclaimed dividends	7.03	8.28
Payable for capital purchases	14.86	11.31
Employee benefits payable	26.67	22.01
Other financial liabilities	3.54	3.30
<b>Total</b>	<b>52.10</b>	<b>44.90</b>

1. Other financial liabilities are measured at amortised cost.
2. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 40.6.16

### NOTE 26 : OTHER CURRENT LIABILITIES

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Advance from customers	3.66	5.58
<b>Other payables</b>	<b>14.81</b>	<b>17.32</b>
Statutory dues including provident fund and tax deducted at source	8.16	7.63
Other liabilities	3.91	2.61
Deferred revenue	2.74	7.08
<b>Total</b>	<b>18.47</b>	<b>22.90</b>



## Notes to the Consolidated Financial Statements

### NOTE 27 : SHORT-TERM PROVISIONS

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>Provision for employee benefits</b>	<b>9.66</b>	<b>13.87</b>
Provision for gratuity	0.40	3.82
Provision for leave encashment	8.98	9.75
Provision for pension and other retirement benefits	0.28	0.30
<b>Others</b>	<b>38.38</b>	<b>35.01</b>
Provision for warranty	23.33	19.55
Other Provision	15.05	15.46
<b>Total</b>	<b>48.04</b>	<b>48.88</b>

#### 1. Employee benefits obligations

##### a. Gratuity

The Company provides gratuity for employees as per the Gratuity Act, 1972. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity is payable on retirement or termination whichever is earlier. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity plan is funded plan.

##### b. Pension, post retirement medical benefit and long term award benefits

The Company provides certain post-employment medical scheme and long term award benefits to employees (unfunded). For long-term award scheme, the Company has defined certain eligibility criteria and grade-wise benefit available to employees and is payable only at time of separation. Pension and medical benefits are payable to employees for 15 years after retirement.

##### c. Compensated absences

The leave obligation cover the Company's liability for earned leaves.

Also refer Note 40.6.10 for detailed disclosure.

#### 2. Breakup of others Provision

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Current	38.38	35.01
Non-current	10.87	7.94
<b>Total</b>	<b>49.25</b>	<b>42.95</b>

## Notes to the Consolidated Financial Statements

### 3. Others

- a. 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.

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of reporting period. It is expected that majority of these costs will be incurred in the next financial year and balance will be incurred in following years. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Particulars	₹ in Crs.
<b>At 1 April 2015</b>	<b>22.17</b>
Arising during the year	38.69
Utilised	32.78
Unused amount reversed	0.59
<b>At 31 March 2016</b>	<b>27.49</b>
Arising during the year	38.58
Utilised	31.13
Unused amount reversed	0.74
<b>At 31 March 2017</b>	<b>34.20</b>

- b. The Company has preferred an Appeal bearing No.125 of 2016 before the Chief Controlling Revenue Authority (CCRA) against the Stamp Duty Adjudication Order dated 2 May 2016 bearing ADJ/188/2015 passed by Collector of Stamps, Enforcement – II, Mumbai levying a total stamp duty amount of ₹ 14.94 Crs. on Company for amalgamation of KBIL with Company. For securing a Stay Order against the said Stamp duty Adjudication being ADJ/188/2015 dated 2 May 2016, the Company has deposited 50% of the stamp duty amount of ₹ 7.47 Crs. on protest on 30 June 2016. Considering the payment of 50% of stamp duty amount, through its Order dated 22 September 2016, CCRA has passed an Order granting stay on the effect and operation of said Stamp Duty Adjudication Order bearing ADJ/188/2015 dated 2 May 2016. Company's Appeal bearing No. 125 of 2016 is still pending and listing for final hearing is awaited. Accordingly, provision for Stamp duty of ₹ 14.94 Crs. has been made. Refer Note 38 Exceptional Items.
- c. Provision for stamp duty and liquidated damages has been made and same is disclosed as Short-term provision as under:

Particulars	₹ in Crs.
<b>At 1 April 2015</b>	-
Arising during the year	15.46
Utilised	-
Unused amount reversed	-
<b>At 31 March 2016</b>	<b>15.46</b>
Arising during the year	0.09
Utilised	0.50
Unused amount reversed	-
<b>At 31 March 2017</b>	<b>15.05</b>



## Notes to the Consolidated Financial Statements

### NOTE 28 : GOVERNMENT GRANT

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
Eligible incentives under Export Promotion Capital Goods Scheme	0.85	0.85
<b>Total</b>	<b>0.85</b>	<b>0.85</b>

- The company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods.
- For unfulfilled obligation related to the scheme refer Note 40.6.1(B).
- Government grant**

Particulars	₹ in Crs.	
	As at 31 March 2017	As at 31 March 2016
<b>As at 1 April</b>	<b>0.85</b>	-
Availed during the year	-	1.37
Released to statement of profit and loss	-	(0.52)
<b>As at 31 March</b>	<b>0.85</b>	<b>0.85</b>

### NOTE 29 : REVENUE FROM OPERATIONS

Particulars	₹ in Crs.	
	2016-17	2015-16
Sale of products (including excise duty)	2,764.90	2,538.23
Sale of services	56.73	49.02
<b>Total sales and services</b>	<b>2,821.63</b>	<b>2,587.25</b>
<b>Operating income</b>	<b>56.71</b>	<b>57.28</b>
Sale of scrap	7.66	8.44
Government grant income	36.58	31.61
Commission received	0.80	0.43
Export incentives	6.23	11.55
Refund of sales tax, octroi etc.	-	0.05
Sundry credit balances written back	1.28	0.46
Provisions no longer required written back	1.90	2.67
Miscellaneous receipts	2.26	2.07
<b>Total</b>	<b>2,878.34</b>	<b>2,644.53</b>

- Government grant income accrued for the year relates to the Industrial Promotion Subsidy under the Packaged Scheme of Incentives, 2001.
- Sale of products includes excise duty collected from customers of ₹ 204.73 Crs. (Previous year ₹ 180.98 Crs.). Sale of products net of excise duty is ₹ 2,560.17 Crs. (Previous year ₹ 2,357.25 Crs.).
- Export incentives includes incentive under EPCG scheme amounting to ₹ Nil ( Previous year ₹ 0.52 Crs.)

## Notes to the Consolidated Financial Statements

### NOTE 30 : OTHER INCOME

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Interest</b>	<b>17.03</b>	<b>5.81</b>
On Income Tax and Sales Tax Refund	15.34	2.97
On Bank Deposits	0.16	0.92
Unwinding of interest on security deposits	1.04	0.96
On others	0.49	0.96
Dividend income from equity investments designated at fair value through other comprehensive income	-	-
Net gain on financial instruments mandatorily measured at fair value through profit or loss	3.14	2.49
<b>Gain on Sale of Mutual Fund (mandatorily measured at fair value through profit or loss)</b>	<b>62.22</b>	<b>63.82</b>
On current investments (net)	62.18	63.57
On non-current investments	0.04	0.25
Gain on disposal of property, plant and equipment	0.50	0.35
Income from investment property	0.93	0.66
Miscellaneous income	1.20	1.22
<b>Total</b>	<b>85.02</b>	<b>74.35</b>

Fair value gain/(loss) on financial instruments at fair value through profit or loss relates to the gain/(loss) arising on fair value restatements of investment in mutual funds at balance sheet dates which are held as current or non-current investments.

### NOTE 31 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED

Particulars	₹ in Crs.	
	2016-17	2015-16
Raw materials and components consumed	1,328.86	1,217.29
Freight, octroi and entry tax	22.71	21.66
<b>Total</b>	<b>1,351.57</b>	<b>1,238.95</b>

### NOTE 32 : PURCHASES OF TRADED GOODS

Particulars	₹ in Crs.	
	2016-17	2015-16
Engines and Gensets	9.74	5.40
K-Oil	109.59	114.65
Alternators, Batteries and others	228.88	201.29
<b>Total</b>	<b>348.21</b>	<b>321.34</b>



## Notes to the Consolidated Financial Statements

### NOTE 33 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Opening inventory</b>	<b>81.34</b>	<b>63.63</b>
Work-in-process	23.61	12.79
Finished goods	48.84	43.98
Traded goods	8.89	6.86
<b>Closing Inventory</b>	<b>92.67</b>	<b>81.35</b>
Work-in-process	18.07	23.61
Finished goods	57.38	48.84
Traded goods	17.22	8.90
<b>Changes in inventory</b>	<b>(11.33)</b>	<b>(17.72)</b>
<b>Increase/(decrease) in excise duty of finished goods</b>	<b>(0.14)</b>	<b>(0.30)</b>
<b>Total</b>	<b>(11.47)</b>	<b>(18.02)</b>

### NOTE 34 : EMPLOYEE BENEFITS EXPENSE

Particulars	₹ in Crs.	
	2016-17	2015-16
Salaries, wages, bonus, commission, etc.	166.46	152.72
Gratuity (Refer Note 40.6.10)	3.54	3.79
Contribution to provident and other funds	11.86	10.92
Welfare and training expenses	19.95	17.60
Provident and other funds' expenses	0.53	0.48
<b>Total</b>	<b>202.34</b>	<b>185.51</b>

### NOTE 35 : FINANCE COSTS

Particulars	₹ in Crs.	
	2016-17	2015-16
Interest and Bill discounting charges	0.63	5.21
Interest expense - others	1.03	2.26
Other Bank charges	1.15	1.57
<b>Total</b>	<b>2.81</b>	<b>9.04</b>

### NOTE 36 : DEPRECIATION AND AMORTIZATION EXPENSE

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Depreciation and amortization expense</b>	<b>110.58</b>	<b>111.18</b>
Depreciation on Tangible assets	99.83	101.64
Depreciation on Investment properties	0.11	0.11
Amortization on Intangible assets	10.64	9.43
<b>Amount written off against leasehold land</b>	<b>0.14</b>	<b>0.14</b>
<b>Total</b>	<b>110.72</b>	<b>111.32</b>

## Notes to the Consolidated Financial Statements

### NOTE 37 : OTHER EXPENSES

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Manufacturing expenses</b>	<b>196.38</b>	<b>185.79</b>
Stores consumed	64.65	60.43
Power and fuel	19.77	21.04
Machinery spares	8.57	8.76
Repairs to machinery	6.89	6.88
Job work charges	32.38	25.43
Labour charges	9.27	9.96
Cost of services	39.70	35.77
Others manufacturing expenses	15.15	17.52
<b>Selling expenses</b>	<b>135.20</b>	<b>113.88</b>
Commission	11.61	15.59
Freight and forwarding	56.54	46.59
Warranty	38.59	38.44
Royalty	6.37	5.95
Advertisement and publicity	15.53	11.63
Provision for doubtful debts (net)	0.62	(9.77)
Others selling expenses	5.94	5.45
<b>Administration expenses</b>	<b>172.63</b>	<b>162.32</b>
Rent	44.96	39.63
Rates and taxes	0.66	1.05
Insurance	0.92	0.58
Repairs to building	1.93	2.98
Other repairs and maintenance	28.20	25.22
Travelling and conveyance	26.37	25.94
Communication expenses	4.49	5.24
Printing and stationery	1.37	1.47
Professional charges	38.99	35.51
Auditor's remuneration	0.52	0.52
Donations	0.05	0.04
Spend on CSR activities (Refer Note 40.6.18)	4.15	4.93
Non executive directors' fees / commission	1.26	0.77
Miscellaneous expenses	16.67	15.49
Loss on assets sold, demolished, discarded and scrapped	0.17	0.17
Bad debts and irrecoverable balances written off	1.44	1.22
Loss on Exchange difference	0.48	1.56
<b>Total</b>	<b>504.21</b>	<b>461.99</b>



## Notes to the Consolidated Financial Statements

### NOTE 38 : EXCEPTIONAL ITEMS

Particulars	₹ in Crs.	
	2016-17	2015-16
Voluntary Retirement Scheme (VRS) to Team Members [Refer note (1) below]	-	10.54
Stamp Duty on Composite Scheme of Amalgamation [Refer note (2) below]	-	14.94
<b>Total</b>	<b>-</b>	<b>25.48</b>

1. During the year ended 31 March 2016, the Company had introduced Voluntary Retirement Scheme (VRS) for certain category of its workers. The total VRS compensation, amounting to ₹ 10.54 Crs. has been charged to the Statement of Profit and Loss and the same is shown as an Exceptional Item of expense.
2. Refer Note 27 Short Term Provisions

## Notes to the Consolidated Financial Statements

### NOTE 39 : INCOME TAX

The note below details the major components of income tax expenses for the year ended 31 March 2017 and 31 March 2016. The note further describes the significant estimates made in relation to Group's income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Current tax</b>	<b>79.74</b>	<b>47.37</b>
Current income tax	79.78	69.83
MAT credit utilised	-	(22.19)
(Excess)/short provision related to earlier years	(0.04)	(0.27)
<b>Deferred tax</b>	<b>(0.98)</b>	<b>(7.69)</b>
Relating to origination and reversal or temporary difference	(0.98)	(7.69)
<b>Income tax expense reported in the statement of profit and loss</b>	<b>78.76</b>	<b>39.68</b>

### Other Comprehensive Income (OCI)

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Deferred tax related to items recognised in OCI during the year</b>		
Net loss/(gain) on actuarial gains and losses	(0.30)	(0.06)
<b>Deferred tax charged to OCI</b>	<b>(0.30)</b>	<b>(0.06)</b>

Reconciliation of tax expense and the accounting profit multiplied by applicable tax rate as notified under Income Tax Act, 1961 enacted in India for the years ended 31 March 2017 and 31 March 2016.

Particulars	₹ in Crs.	
	2016-17	2015-16
<b>Current tax</b>		
Accounting profit before tax from continuing operations	252.65	205.10
<b>Tax @ 34.608% (31 March 2016: 34.608%)</b>	<b>87.44</b>	<b>70.98</b>
<b>Tax effect of adjustments in calculating taxable income:</b>	<b>(8.68)</b>	<b>(31.30)</b>
Corporate Social Responsibility expenses/Donations (net)	0.86	0.96
Other Disallowances/(allowances)	6.32	3.70
Debit Balances written Off	0.13	0.30
Interest on MSMED	-	-
Dividend	-	-
Weighted Deduction of research & development expenditure (net)	(15.88)	(12.98)
Profit on Sale of Investment	(0.01)	(0.67)
Provision no longer required written back (disallowed earlier)	-	(0.13)
MAT credit utilised	-	(22.19)
(Excess)/short provision related to earlier years	(0.04)	(0.27)
Difference in overseas tax rate	(0.06)	(0.02)
<b>At the effective income tax rate of 31.17% (31 March 2016 19.34%)</b>	<b>78.76</b>	<b>39.68</b>



## **NOTE 40: NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2017**

### **1. Corporate Information**

The consolidated financial statements comprise the financial statements of Kirloskar Oil Engines Limited ('The Company') and its subsidiary (collectively 'the Group'). The parent company is a public limited company domiciled in India and is incorporated under the provisions of the Companies Act 1956. The registered office of the parent company is located at Laxmanrao Kirloskar Road, Khadki, Pune – 411003. The equity shares of the parent company are listed on two recognised stock exchanges in India i.e. BSE Limited and National Stock Exchange of India Limited.

The Group is engaged in the business of manufacturing of diesel engines, agricultural pump sets, generating sets and spares thereof.

During FY 2015-16, the parent has invested USD 250,000 in "KOEL Americas Corp." (50 Shares of USD 5000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, "KOEL Americas Corp." is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015.

### **2. Basis of preparation of Financial Statements**

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") as issued under the Companies (Indian Accounting Standards) Rules, 2015.

The consolidated financial statements have been prepared to comply in all material respects with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the said Act and the guidelines issued by the Securities and Exchange Board of India. These consolidated financial statements for the year ended 31 March 2017 are the first consolidated financial statements that the Group has prepared in accordance with Ind AS. Refer to Note 4 for information on how the Group adopted Ind AS.

The consolidated financial statements have been prepared on a historical cost basis, except for the investments which have been measured at fair value as they are classified as fair value through profit or loss or fair value through other comprehensive income.

#### **2a. Basis of Consolidation**

##### **I) Basis of Accounting and Preparation of the Consolidated financial statements**

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting standards (Ind AS) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the 2013 Act") and the relevant provisions of the 1956 Act/ 2013 Act, including rules thereunder as applicable and guidelines issued by Securities and Exchange Board of India (SEBI). The accounting policies adopted in the preparation of the consolidated financial statements are consistent. All assets and liabilities have been classified as current or non-current as per the respective Company's normal operating cycle and other criteria set out in Schedule III to the 2013 Act.

## II) Principles of Consolidation

The consolidated financial statements have been prepared on the following basis:

- a) The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Ind AS 110, "Consolidated Financial Statements".
- b) The financial statements of the Company and its subsidiary company have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-company balances and intra-company transactions and resulting unrealised profit or losses, unless cost cannot be recovered, as per the applicable Accounting Standard in India. The information relating to opening balances of previous year has been disclosed as an additional information for consolidation
- c) The consolidated financial statements are presented, to the extent applicable, in accordance with the requirements of Schedule III of the 2013 Act as applicable to the Group's separate financial statements. Differences if any, in accounting policies have been disclosed separately.
- d) Particulars of subsidiary have been considered in the preparation of the consolidated financial statements:

Name of the company	Country of Incorporation	% Shareholding of Kirloskar Oil Engines Ltd.	Consolidated as
KOEL Americas Corp.	State of Delaware laws, United States of America, based in Houston, Texas.	100%	Subsidiary

- e) The accounting policies of the parent are best viewed in its independent financial statements. Differences in accounting policies followed by the KOEL Americas Corp. have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

### 3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### 3.1. Judgements

In the process of applying the Group's accounting policies, the management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### Government grant

The Group is eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001 from 1 April 2008 to 31 March 2017. Further the Group has determined the grant as grant related to income based on the evaluation of terms and conditions attached to the eligibility of grant and the Group accounts for the grant as Income in statement of profit and loss at the time when the sale is recognised.



### **Operating lease**

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

### **3.2. Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

#### **Defined benefit plans**

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future post-retirement medical benefits increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 40.6.10.

#### **Development costs**

The Group capitalises development costs for a project in accordance with its accounting policy. Initially, capitalisation of costs is based on management's judgement that the technological and economic feasibility is confirmed when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

For further details about the carrying amount of development costs capitalised as Internally generated intangible assets and as intangible assets under development, refer note 3.

#### **Deferred Tax**

Deferred tax assets are recognised for all deductible temporary differences including the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

## 4. Significant Accounting Policies

### 4.1 Current Vs Non Current Classification

The Group presents assets and liabilities in the Balance Sheet based on current/non-current classification.

**An asset is current when it is:**

- a. Expected to be realised or intended to be sold or consumed in normal operating cycle
- b. Held primarily for the purpose of trading
- c. Expected to be realised within twelve months after the reporting period, or
- d. Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non - current.

**A liability is current when it is:**

- a. Expected to be settled in normal operating cycle
- b. Held primarily for the purpose of trading
- c. Due to be settled within twelve months after the reporting period, or
- d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are treated as non - current.

Deferred tax assets and liabilities are classified as non - current assets and liabilities.

### 4.2 Fair value measurement

The Group measures financial instruments such as Investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are



categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value.

External valuation experts are involved for valuation of significant assets and liabilities. Involvement of external valuation experts is decided upon annually by the management.

#### **4.3. Property, Plant and Equipment**

- a. The Group has elected to continue with the carrying value of all of its Property, plant and equipment measured as per the Indian GAAP as at 31 March 2015 and use those values as deemed cost as at the date of transition to Ind AS i.e. 1 April 2015.

Property, plant and equipment; and construction in progress are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Consolidated Statement of Profit and Loss as incurred.

- b. 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.
- c. Own manufactured assets are capitalised at cost including an appropriate share of allocable expenses.

### Depreciation and Amortisation

Depreciation is charged on the basis of useful life of assets on straight line method which are as follows:

Asset Category	Life in Years	Basis for useful life
<b>Land Leasehold and Leasehold improvements</b>	<b>Lease Period</b>	Amortised over lease period
<b>Factory Buildings</b>	30	Life as prescribed under Schedule-II of Companies Act, 2013
<b>Building- Non Factory</b>		
RCC Frame Structure	60	
Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
<b>Building – Roads</b>		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	
<b>Building - Temporary Shed</b>	3	
<b>Plant &amp; Equipment other than Pattern Tooling</b>	7.5 to 15	
<b>Plant &amp; Equipment - Pattern Tooling</b>	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
<b>Computers</b>		
Network	6	Life as prescribed under Schedule-II of Companies Act, 2013
End user devices, such as, desktops, laptops, etc.	3	
Servers	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
<b>Electrical Installations</b>	10	Life as prescribed under Schedule-II of Companies Act, 2013
<b>Furniture &amp; Fixture</b>		
Furniture, Fixtures and Electrical Fittings	10	Life as prescribed under Schedule-II of Companies Act, 2013
Furniture, AC, Refrigerators and Water coolers - Residential Premises	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
AC, Refrigerators and Water coolers - Company and Guest House Premises	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation
<b>Office Equipment</b>	5	Life as prescribed under Schedule-II of Companies Act, 2013
<b>Vehicles</b>		
Motorcars, Jeep	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation
Trucks	5	
Other Vehicles	5	
<b>Aircrafts</b>	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation



- 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 were capitalized in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

The Group, based on technical assessments made by technical experts and management estimates, depreciates certain items of plant and equipment; computers; furniture and fixtures; vehicles and aircraft over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Consolidated Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### 4.4 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the consolidated statement of profit and loss as incurred.

#### Depreciation & Amortisation

Depreciation on investment property is calculated on a straight-line basis over the estimated useful life of assets as follows:

Asset Category	Life in Years	Basis for charging Depreciation
<b>Land Leasehold and Leasehold improvements</b>	<b>Lease Period</b>	Amortised over lease period
<b>Factory Buildings</b>	30	Life as prescribed under Schedule-II of Companies Act, 2013
<b>Building- Non Factory</b>		
RCC Frame Structure	60	
Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
<b>Building - Roads</b>		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	

Though the Group measures investment property using cost based measurement, the fair value of investment property is disclosed in the notes. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

An investment property is derecognised on disposal or on permanent withdrawal from use or when no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit and loss when the asset is derecognised.

Transfers are made to (or from) investment property only when there is a change in use. Transfers between investment property, owner-occupied property and inventories are at carrying amount of the property transferred.

#### 4.5 Intangible Assets

The Group has elected to fair value, some of the intangible assets that meet the criteria for recognition and revaluation and use those values as deemed cost as at the date of transition to Ind AS i.e. 1 April 2015

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost of the asset can be measured reliably.

Internally generated intangibles, excluding capitalised developments costs, are not capitalised and the related expenditure is reflected in the consolidated statement of profit and loss for the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or infinite. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with finite useful lives are amortised by using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Sr. No.	Asset category	Life in years
1	Computer Software	5 years
2	Drawings & Designs	10 years
3	Technical Knowhow - acquired	6 years
4	Technical Knowhow - Internally generated	3 to 5 years

Intangible assets with indefinite useful lives, if any are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

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



#### 4.6 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.

#### 4.7 Impairment of Assets

The Group 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 Group 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.

#### 4.8 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### a) Financial assets

###### (i) Initial recognition and measurement of financial assets

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

###### (ii) Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)

###### ● Financial assets at amortised cost :

A financial asset is measured at amortised cost if:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset, if applicable. The EIR amortisation is included in finance income in the consolidated statement of profit and loss. The losses arising from impairment are recognised in the consolidated statement of profit and loss.

- Financial assets at fair value through other comprehensive income:

A financial asset is measured at fair value through other comprehensive income if:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income except for interest income, impairment gains or losses and foreign exchange gains and losses which are recognised in the consolidated statement of profit and loss.

- Financial assets at fair value through profit or loss:

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

In addition, the Group may elect to classify a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit or loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the consolidated statement of profit and loss.

- (iii) Derecognition of financial assets

A financial asset is derecognised when:

- the contractual rights to the cash flows from the financial asset expire,  
or
- The Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.



Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(iv) **Reclassification of financial assets**

The Group determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for.

<b>Original classification</b>	<b>Revised classification</b>	<b>Accounting treatment</b>
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in the consolidated statement of profit and loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to the consolidated statement of profit and loss at the reclassification date.

## (v) Impairment of financial assets

In accordance with Ind AS 109, the Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost
- Financial assets that are debt instruments and are measured as at FVOCI
- Lease receivables under Ind AS 17
- Trade receivables under Ind AS 18

The Group follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables resulting from transactions within the scope of Ind AS 18, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind-AS 18 that contain a significant financing component, if the Group applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Group is required to use the remaining contractual term of the financial instrument.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.



ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the consolidated statement of profit and loss. This amount is reflected in a separate line in the P&L as an impairment gain or loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not derecognise impairment allowance from the gross carrying amount.
- Loan commitments: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Group does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

## **b) Financial Liabilities**

### **(i) Initial recognition and measurement of financial liabilities**

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

### **(ii) Subsequent measurement of financial liabilities**

For purposes of subsequent measurement, financial liabilities are classified and measured as follows:

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit and loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Group has not designated any financial liability as at fair value through profit and loss.

- **Loans and Borrowings at amortised Cost**

This is the category most relevant to the Group. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

(iii) **Derecognition of financial liabilities:**

A financial liability (or a part of a financial liability) is derecognised from its balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss.

#### **4.9 Derivatives**

The Group uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk or cost to the Group. Derivative contracts are not used for trading or speculation purpose.

All derivatives are measured at fair value through the profit or loss unless they form part of a qualifying cash flow hedge, in which case the fair value is taken to reserves and released into consolidated statement of profit and loss at the same time as the risks on the hedged instrument are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value remaining in the consolidated statement of profit and loss. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third-party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. All hedging activity is explicitly identified and documented by the Group.

#### **4.10 Foreign Currency Transactions**

a. **Initial Recognition**

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

b. **Conversion**

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

c. **Exchange Differences**

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of the corresponding asset. Further, as per extant circulars issued by the Ministry of Corporate Affairs, eligible exchange difference on foreign currency loans utilized for acquisition of assets, was adjusted in the cost of the asset to be depreciated over the balance life of the asset up to transition date of IndAS.



#### 4.11 Leases

- i. **Where the Group is a lessee** - Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Payments under operating leases are recognised in the Statement of Profit and Loss generally on straight line basis.
- ii. **Where the Group is a lessor** - Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the statement of profit and loss on straight line basis.

#### 4.12 Inventories

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

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

#### 4.13 Cash and cash equivalents

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

#### 4.14 Taxes

##### **Current income tax**

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively, and not in the consolidated statement of profit and loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences including, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the profit or loss, is recognised outside the consolidated statement of profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **Sales tax**

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.



#### **4.15 Non-Current Assets held for sale and Discontinuing operations**

##### **A. Non-Current Assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate use in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

##### **B. Discontinuing operations**

Discontinuing operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss account.

Assets and liabilities classified as held for distribution are presented separately from others assets and liabilities in the balance sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- a) Represents a separate major line of business or geographical area of operations,
- b) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- c) Is a subsidiary acquired exclusively with a view to resale

An entity does not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

#### **4.16 Employee Benefits**

##### **a) Short Term Employee Benefits**

The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee's entitlement 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 are recognised in the period in which the employee renders the related service.

##### **b) Post-Employment Benefits**

###### **(i) Defined contribution plan**

The Company makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the consolidated statement of profit and loss during the period in which the employee renders the related service. The Company has no further obligations under these schemes beyond its periodic contributions.

**(ii) Defined benefit plan**

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

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the profit or loss in subsequent periods.

Past service costs are recognised in the consolidated statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the consolidated statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

**c) Other long term employment benefits:**

The employee's long term compensated absences are Company's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

In regard to other long term employment benefits, the Company recognises the net total of service costs; net interest on the net defined benefit liability (asset); and remeasurements of the net defined benefit liability (asset) in the profit or loss.

**d) Termination Benefits :**

Termination benefits such as compensation under voluntary retirement scheme are recognised in profit and loss in the year in which termination benefits become payable or when the Company determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

**4.17 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.

#### **4.18 Revenue Recognition**

- a. Revenue from sale of goods is recognised when all significant risks and rewards of ownership of the goods are passed on to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably. It also includes excise duty and excludes Value added tax / Sales Tax. Sales are stated net of discounts, rebates and returns.
- b. The Group normally sells extended warranty as separate product and revenue from sale of extended warranty is recognised on the straight line basis over the period of 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 generally recognized on completion of performance of determinable significant act as per terms of specific contracts when no significant uncertainty exists regarding the amount of consideration that will be derived from the completion of said act.
- e. Income from dividend on investments is accrued in the year in which it is authorized, whereby right to receive is established.
- f. Profit / loss on sale of investments is recognized on the contract date.
- g. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms except the cases where incremental lease reflects the inflationary effect and rental income is accounted in such case by actual rent for the period.

#### **4.19 Government Grant**

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

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

##### **a. Export Incentives**

Export incentives under various schemes notified by government are accounted for in the year of exports as grant related to income and is recognized as other operating income in the consolidated statement of profit and loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.

##### **b. Industrial Promotion Subsidy**

Government grants received with reference to Industrial Promotion Subsidy under Packaged Scheme of Incentives, 2001 is treated as grant related income and is recognized as other operating income in the consolidated statement of profit and loss as and when the Group makes the sale.

##### **c. Export Promotion Capital Goods**

Government grants received with reference to export promotion capital goods scheme are initially recognised as deferred revenue and grant in proportion of export obligation achieved during the year is reduced from deferred revenue and recognized as other operating income in the profit and loss.

#### **4.20 Cash dividend**

The Group recognises a liability to make cash distributions to the equity holders of the Group when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per the provisions of Companies Act, 2013, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions, if any, are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the consolidated statement of profit and loss.

#### **4.21 Earnings Per Share**

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

#### **4.22 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 Group are segregated.

#### **4.23 Segment Reporting**

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

The Group'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. Allocation of common costs**

Common allocable costs are allocated to the Engine Segment based on sales of engine segment to the total sales of the Group.

##### **c. Unallocated items**

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

#### **5. First-time adoption of Indian Accounting Standards ("Ind AS")**

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") as issued under the Companies (Indian Accounting Standards) Rules, 2015. The Group has adopted Ind AS for the first time. Note 41 spells out details of various provisions for First time adoption.



**6. Additional Notes to the Financial Statements**

**6.1 Contingent Liabilities**

	As at 31 March 2017	As at 31 March 2016
₹ जी.		
(A) Contingent Liabilities not provided for		
a. Disputed Central Excise Demands	33.62	4.21
b. Disputed Sales Tax & Octroi Demands	16.92	15.53
c. Disputed Customs Duty Demands	0.86	0.86
d. Disputed Income Tax Liability – matter under appeal	13.54	12.58
e. Claims against Company not acknowledged as debts	59.05	62.31
	<b>123.99</b>	<b>95.49</b>

(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 1.04 million (PY - USD 1.86 million). Non fulfillment of export 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 Group is not achieved by the Group under the said scheme, for the year ended 31 March 2017.

<b>6.2</b> Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	9.33	6.23
<b>6.3</b> Other Commitments Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis	34.23	51.18
<b>6.4</b> Charge of Hypothecation referred to in Note no. 23 for working capital facilities extends to letter of credit issued by the Group's bankers Aggregate amount of such letters of credit outstanding	9.06	11.10

**6.5 Commitments and contingencies**

**a. Leases**

**Operating lease commitments- Group as a lessee**

The Group has not entered into non-cancellable operating leases and there are no minimum rental payables.

**Operating lease commitments- Group as lessor**

The Group has entered into operating leases on its investment property consisting of land and building. This lease has term of five years.

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

₹ in Crs.

Sr. No.	Particulars	2016-17	2015-16
A	Statutory Auditors		
	a. As Auditors	0.40	0.40
	Audit Fees	0.30	0.30
	Tax Audit Fees	0.05	0.05
	Limited Review	0.05	0.05
	b. Certification fees	0.03	0.02
	c. Reimbursement of expenses	0.01	0.03
	<b>TOTAL (A)</b>	<b>0.44</b>	<b>0.45</b>
B	Cost Auditors		
	a. As auditors	0.08	0.07
	b. In other capacity		
	Certification fees	-	-
	Reimbursement of expenses	-	-
	<b>TOTAL (B)</b>	<b>0.08</b>	<b>0.07</b>
	<b>Grand Total (A+B)</b>	<b>0.52</b>	<b>0.52</b>

- 6.7** The Sales for the current year includes an amount of ₹ Nil (PY ₹ Nil) on account of deemed exports of goods.
- 6.8** The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2017. The disclosure pursuant to the said Act is as under.

₹ in Crs.

Particulars	2016-17	2015-16
Total outstanding to MSME suppliers	5.61	3.48
Payment made to suppliers (other than interest) beyond the appointed day, during the year	2.03	0.27
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.01	0.00
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.10	0.09

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



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

₹ in Crs.

No.	Particulars	2016-17	2015-16
<b>A</b>	<b>Revenue Expenditure</b>		
	<b>Manufacturing Expenses :</b>		
	Raw Material, Store, Spares & Tools Consumed	7.67	8.47
	Machinery Repairs	0.84	0.36
	<b>Payments to &amp; Provision for Employees :</b>		
	Salaries, Wages, Bonus, Allowances, etc.	10.06	10.41
	Contribution to Provident & Other Funds & Schemes	0.74	0.82
	Other Benefits	0.01	0.02
	<b>Utilities :</b>		
	Power Charges	2.41	1.83
	Helper Charges	0.41	0.38
	Water Charges	0.10	0.10
	<b>Other Expenses :</b>		
	EDP Expenses	1.92	1.46
	Travelling & Conveyance Expenses	0.99	0.69
	Other Expense (net)	6.85	5.79
	Repairs	0.95	0.70
	<b>Sub Total (A)</b>	<b>32.95</b>	<b>31.03</b>
<b>B</b>	<b>Capital Expenditure</b>	<b>15.58</b>	<b>6.50</b>
<b>C</b>	<b>Less: Amount received from sale of Prototypes / Cost (whichever is higher)</b>	<b>1.31</b>	<b>-</b>
<b>D</b>	<b>Total Eligible Research &amp; Development Expenditure(A+B-C)</b>	<b>47.22</b>	<b>37.53</b>

Approval for weighted deduction received from DSIR for the period 1 April 2016 to 31 March 2017.

**6.10: Disclosure pursuant to Employee benefits****A. Defined contribution plans:**

Amount of ₹11.86 Crs. (31 March 2016: ₹ 10.92 Crs.) is recognised as expenses and included in Note No. 34 "Employee benefit expense"

**B. Defined benefit plans:**

The Company has following post employment benefits which are in the nature of defined benefit plans:

- (a) Gratuity  
(b) Pension, Post retirement medical scheme and Long-term award scheme

**31 March 2017 : Changes in defined benefit obligation and plan assets**

₹ in Crs.

Particulars	Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income				Sub-total included in OCI	Contributions by employer 31 March 2017
	1 April 2016	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 34)	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments		
<b>Gratuity</b>										
Defined benefit obligation	(34.80)	(3.54)	(2.62)	(6.16)	-	0.06	(1.57)	1.04	(0.47)	-
Fair value of plan assets	30.98	-	2.62	2.62	-	-	(0.23)	0.14	(0.09)	7.39
Benefit liability	(3.82)	(3.54)	(0.00)	(3.54)	0.14	0.06	(1.80)	1.18	(0.57)	7.39
<b>Pension, Post retirement medical scheme and Long-term award scheme</b>										
Defined benefit obligation	(2.61)	(0.04)	(0.19)	(0.24)	-	(0.01)	(0.28)	(0.04)	(0.31)	-
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-
Benefit liability	(2.61)	(0.04)	(0.19)	(0.24)	0.33	(0.01)	(0.28)	(0.04)	(0.31)	-
<b>Total benefit liability</b>	<b>(6.43)</b>	<b>(3.58)</b>	<b>(0.19)</b>	<b>(3.78)</b>	<b>0.47</b>	<b>0.05</b>	<b>(2.08)</b>	<b>1.14</b>	<b>(0.88)</b>	<b>7.39</b>

**31 March 2016 : Changes in defined benefit obligation and plan assets**

₹ in Crs.

Particulars	Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income				Sub-total included in OCI	Contributions by employer 31 March 2016
	1 April 2015	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 34)	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments		
<b>Gratuity</b>										
Defined benefit obligation	(36.89)	(3.60)	(2.55)	(6.15)	-	-	-	(0.11)	(0.11)	-
Fair value of plan assets	32.13	-	2.37	2.37	-	-	-	0.09	0.09	4.62
Benefit liability	(4.76)	(3.60)	(0.19)	(3.79)	0.13	-	-	(0.02)	(0.02)	4.62
<b>Pension, Post retirement medical scheme and Long-term award scheme</b>										
Defined benefit obligation	(2.59)	(0.05)	(0.19)	(0.24)	-	-	-	(0.14)	(0.14)	-
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-
Benefit liability	(2.59)	(0.05)	(0.19)	(0.24)	0.36	-	-	(0.14)	(0.14)	-
<b>Total benefit liability</b>	<b>(7.35)</b>	<b>(3.65)</b>	<b>(0.38)</b>	<b>(4.03)</b>	<b>0.49</b>	<b>-</b>	<b>-</b>	<b>(0.16)</b>	<b>(0.16)</b>	<b>4.62</b>


**C. Other long-term employment benefits**

The Company has Compensated Absences plan which is covered by other long-term employment benefits.

**31 March 2017 : Changes in defined benefit obligation and plan assets of Compensated absences**

₹ in Crs.

Particulars	1 April 2016	Cost charged to statement of profit and loss			Sub-total included in statement of profit and loss (Note 34)	Benefit paid	Contributions by employer	31 March 2017
		Service cost	Interest cost	Actuarial changes arising from various assumption				
<b>Compensated absences</b>								
Defined benefit obligation	(22.41)	(3.09)	(1.67)	(1.80)	(6.56)	1.92	-	(27.06)
Fair value of plan assets	-	-	-	-	-	-	-	-
<b>Benefit liability</b>	<b>(22.41)</b>	<b>(3.09)</b>	<b>(1.67)</b>	<b>(1.80)</b>	<b>(6.56)</b>	<b>1.92</b>	<b>-</b>	<b>(27.06)</b>

**31 March 2016 : Changes in defined benefit obligation and plan assets of Compensated absences**

₹ in Crs.

Particulars	1 April 2015	Cost charged to statement of profit and loss			Sub-total included in statement of profit and loss (Note 34)	Benefit paid	Contributions by employer	31 March 2016
		Service cost	Interest cost	Actuarial changes arising from various assumption				
<b>Compensated absences</b>								
Defined benefit obligation	(25.17)	(3.34)	(1.71)	1.36	(3.69)	6.45	-	(22.41)
Fair value of plan assets	-	-	-	-	-	-	-	-
<b>Benefit liability</b>	<b>(25.17)</b>	<b>(3.34)</b>	<b>(1.71)</b>	<b>1.36</b>	<b>(3.69)</b>	<b>6.45</b>	<b>-</b>	<b>(22.41)</b>

The major categories of plan assets of the fair value of the total plan assets of Gratuity are as follows:

₹ in Crs.

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Special Deposit Scheme	6.96	6.82
(%) of total plan assets	18%	22%
Insured managed funds	0.77	0.93
(%) of total plan assets	2%	3%
Others	30.92	23.24
(%) of total plan assets	80%	75%

The principal assumptions used in determining above defined benefit obligations for the Company's plans are shown below:

₹ in Crs.

Particulars	Year ended	Year ended
	31 March 2017	31 March 2016
Discount rate	7.10%	7.80%
Future salary increase	7.50%	7.50%
Expected rate of return on plan assets	7.80%	7.80%
<b>Expected average remaining working lives (in years)</b>		
Gratuity	8.45	7.16
Pension, Post retirement medical scheme and Long-term award scheme	7.61 - 11.15	8.26 - 11.58
Compensated Absences	8.45	7.16
<b>Withdrawal rate (based on grade and age of employees)</b>		
Gratuity	9.00%-12.00%	8.00% - 17.00%
Pension, Post retirement medical scheme and Long-term award scheme	9.00%-12.00%	8.00% - 17.00%
Compensated Absences	9.00%-12.00%	8.00% - 17.00%

A quantitative sensitivity analysis for significant assumption is as shown below:

#### Gratuity

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2017	Year ended 31 March 2016
		(₹ In Crs.)	(₹ In Crs.)
Discount rate	1% increase	2.20	1.40
	1% decrease	(2.48)	(1.56)
Future salary increase	1% increase	(2.08)	(1.26)
	1% decrease	1.88	1.16
Withdrawal rate	1% increase	(0.07)	(0.02)
	1% decrease	(0.05)	0.02

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

#### Pension, Post retirement medical scheme and Long-term award scheme

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2017	Year ended 31 March 2016
		(₹ In Crs.)	(₹ In Crs.)
Discount rate	1% increase	0.18	0.15
	1% decrease	(0.20)	(0.17)
Withdrawal rate	1% increase	0.00	(0.00)
	1% decrease	(0.03)	(0.02)



The sensitivity analyse above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected future benefit payments for the defined benefit plan :

<b>Particulars</b>	<b>Year ended 31 March 2017 (₹ In Crs.)</b>	<b>Year ended 31 March 2016 (₹ In Crs.)</b>
<b>Within the next 12 months (next annual reporting period)</b>		
Gratuity	5.60	10.84
Pension, Post retirement medical scheme and Long-term award scheme	0.40	0.29
<b>Between 2 and 5 years</b>		
Gratuity	21.57	19.54
Pension, Post retirement medical scheme and Long-term award scheme	1.51	1.30
<b>Beyond 5 years</b>		
Gratuity	18.15	19.01
Pension, Post retirement medical scheme and Long-term award scheme	1.74	1.62
<b>Total expected payments</b>	<b>48.97</b>	<b>52.60</b>

Weighted average duration of defined plan obligation (based on discounted cash flows)

<b>Particulars</b>	<b>Year ended 31 March 2017 (₹ In Crs.)</b>	<b>Year ended 31 March 2016 (₹ In Crs.)</b>
Gratuity	7.38	7.81
Pension, Post retirement medical scheme and Long-term award scheme	11.37-15.99	8.26-11.58

The followings are the expected contributions to planned assets for the next year:

<b>Particulars</b>	<b>Year ended 31 March 2017 (₹ In Crs.)</b>	<b>Year ended 31 March 2016 (₹ In Crs.)</b>
Gratuity	7.00	4.00

**6.11** The Group's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof and hence the Group has considered "Engines" as the single reportable segment.

A) Profit (before exceptional items and tax) of reportable segment

₹ in Crs.

Particulars	2016-17		
	Engine Business segment	Other Reconciling amounts	Consolidated Total
Segment Revenue	2,778.52	99.82	2,878.34
<b>Total revenue</b>	<b>2,778.52</b>	<b>99.82</b>	<b>2,878.34</b>
<b>Profit before exceptional items and tax</b>	<b>207.23</b>	<b>45.42</b>	<b>252.65</b>
Depreciation and Amortisation	106.82	3.90	110.72
Interest expense	2.70	0.11	2.81

Particulars	2015-16		
	Engine Business segment	Other Reconciling amounts	Consolidated Total
Segment Revenue	2,566.86	77.67	2,644.53
<b>Total revenue</b>	<b>2,566.86</b>	<b>77.67</b>	<b>2,644.53</b>
<b>Profit before exceptional items and tax</b>	<b>178.15</b>	<b>52.43</b>	<b>230.58</b>
Depreciation and Amortisation	108.47	2.85	111.32
Interest expense	8.69	0.35	9.04

B) Capital employed of reportable segment

₹ in Crs.

Particulars	As at 31 March 2017		
	Engine Business segment	Other Reconciling amounts	Consolidated Total
Assets	1,068.62	1,101.71	2,170.33
<b>Total Assets (I)</b>	<b>1,068.62</b>	<b>1,101.71</b>	<b>2,170.33</b>
Liabilities	480.01	60.70	540.71
<b>Total Liabilities (II)</b>	<b>480.01</b>	<b>60.70</b>	<b>540.71</b>

Particulars	As at 31 March 2016		
	Engine Business segment	Other Reconciling amounts	Consolidated Total
Assets	991.35	978.54	1,969.89
<b>Total Assets (I)</b>	<b>991.35</b>	<b>978.54</b>	<b>1,969.89</b>
Liabilities	460.30	58.59	518.89
<b>Total Liabilities (II)</b>	<b>460.30</b>	<b>58.59</b>	<b>518.89</b>



C) Geographical based bifurcation of engine segment revenue

₹ in Crs.

Geographical Area	2016-17	2015-16
Domestic	2619.88	2328.21
Export	158.64	238.65
<b>Total</b>	<b>2778.52</b>	<b>2566.86</b>

D) The Group do not have transaction with single customer amounting to 10 per cent or more of Group's revenues.

6.12 Related Parties have been identified as defined under Clause 9 of Accounting Standard (Ind AS 24) "Related Party Disclosures".

**(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	Entity controlled by Key Managerial Personnel	Achyut & Neeta Holdings & Finance Private Limited
		Expert Quality Cloud Information Technology Private Limited
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)
		Lakeland Universal Limited BVI
		Navsai Investments Private Limited
2	Entity controlled by Close Member of Key Managerial Personnel	Alpak Investment Private Limited Snow Leopard Technology Ventures LLP

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

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

**(B) Transactions with Related Parties**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2016-17		2015-16	
		Amount	Amount from major parties	Amount	Amount from major parties
<b>1</b>	<b>Purchases of Fixed Assets</b>				
	<b>Entity controlled by Key Managerial Personnel</b>	-	-	0.23	-
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)	-	-	-	0.23
	<b>Total</b>	-	-	0.23	0.23
<b>2</b>	<b>Rendering of Services from</b>				
	<b>Key Management Personnel</b>	15.00		11.80	
	Atul C. Kirloskar		3.25		3.11
	Gautam A. Kulkarni		4.00		2.93
	Nihal G. Kulkarni		4.13		3.30
	Rajendra R. Deshpande		3.62		2.46
	<b>Close member of Key Managerial Personnel</b>	0.23		0.22	
	Rahul C. Kirloskar		0.17		0.16
	Gauri A. Kirloskar (Kolenaty)		0.06		0.06
	<b>Entity controlled by Key Managerial Personnel</b>	19.32		14.65	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		19.32		14.65
	<b>Total</b>	34.55	34.55	26.67	26.67
<b>3</b>	<b>Purchase of goods from</b>	1.61		-	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		1.61		-
	<b>Total</b>	1.61	1.61	0.02	0.02
<b>4</b>	<b>Interim Dividend and Final Dividend Paid</b>				
	<b>Key Management Personnel</b>	-		37.02	
	Atul C. Kirloskar		-		18.46
	Gautam A. Kulkarni		-		18.39
	Nihal G. Kulkarni		-		0.16
	Rajendra R. Deshpande		-		0.01
	<b>Close member of Key Managerial Personnel</b>	-		32.43	
	Rahul C. Kirloskar		-		17.73
	Arti A. Kirloskar		-		7.07
	Jyotsna G. Kulkarni		-		7.57
	Suman C. Kirloskar		-		0.06
	<b>Entity controlled by Key Managerial Personnel</b>	-		0.07	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.	-	-	-	0.07
	Navsai Investments Pvt. Ltd.	-	-	-	0.00
	<b>Entity controlled by Close Member of Key Managerial Personnel</b>	-		0.00	
	Alpak Investments Private Limited		-		0.00
	<b>Total</b>	-	-	69.52	69.52

₹ in Crs.

		As at 31 March 017		As at 31 March 2016	
	<b>Outstanding</b>				
<b>1</b>	<b>Accounts Payable</b>				
	<b>Key Management Personnel</b>				
	<b>Commission</b>	<b>7.30</b>		<b>4.65</b>	
	Atul C. Kirloskar		1.20		1.00
	Gautam A. Kulkarni		1.20		1.00
	Nihal G. Kulkarni		2.50		1.40
	Rajendra R. Deshpande		2.40		1.25
	<b>Close member of Key Managerial Personnel</b>	<b>0.16</b>		<b>0.15</b>	
	Rahul C. Kirloskar		0.12		0.11
	Gauri A. Kirloskar (Kolenaty)		0.04		0.04
	<b>Superannuation</b>	<b>0.31</b>		<b>0.30</b>	
	Atul C. Kirloskar		0.09		0.09
	Gautam A. Kulkarni		0.09		0.09
	Nihal G. Kulkarni		0.07		0.06
	Rajendra R. Deshpande		0.06		0.06
	<b>Other Allowances</b>	<b>-</b>		<b>0.08</b>	
	Atul C. Kirloskar		-		0.02
	Gautam A. Kulkarni		-		0.02
	Nihal G. Kulkarni		-		0.02
	Rajendra R. Deshpande		-		0.02
	<b>Entity controlled by Key Managerial Personnel</b>	<b>0.01</b>		<b>0.03</b>	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		0.01		0.03
	<b>Total</b>	<b>7.78</b>	<b>7.78</b>	<b>5.21</b>	<b>5.21</b>

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

#### **Terms and conditions of transactions with related parties**

Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2016: ₹ Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

#### **Commitments with related parties**

The Group has not provided any commitment to the related party as at 31 March 2017 (31 March 2016: ₹ Nil)

**Transactions with key management personnel**

Compensation of key management personnel of the Group

₹ in Crs.

Particulars	2016-17	2015-16
Short-term employee benefits	14.38	11.18
Post employment benefits	0.62	0.61
Other long-term employment benefits	-	-
Termination benefits	-	-
<b>Total compensation paid to key management personnel</b>	<b>15.00</b>	<b>11.79</b>

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

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.

**6.13 Earnings Per Share (Basic and Diluted)**

Particulars	2016-17	2015-16
Profit for the year after taxation (₹ in Crs.)	173.89	165.42
Total number of equity shares at the end of the year	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Earning Per Share	14,46,14,326	14,46,14,326
Basic and Diluted Earnings Per Share (in ₹)	12.02	11.44

Earnings per share are calculated in accordance with Accounting Standard (Ind AS 33) "Earnings Per Share".

**6.14 Fair value disclosures for financial assets and financial liabilities**

The management believes that the fair values of non-current financial assets (e.g. investments at FVPL, loans and others), current financial assets (e.g., cash and cash equivalents, trade and other receivables, loans), non-current financial liabilities and current financial liabilities (e.g trade payables and other payables and others) approximate their carrying amounts.

The Group has not performed a fair valuation of its investment in unquoted ordinary shares which are classified as FVOCI (refer Note 4), as the Group believes that impact of change on account of fair value is insignificant.

Fair value of unquoted investment in Mutual fund is determined by reference to Net Asset Value ('NAV') available from respective Assets Management Companies ('AMC').



## 6.15 Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities

### Quantitative disclosures fair value measurement hierarchy for assets as at 31 March 2017 and 31 March 2016

Particulars	Valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)	Significant unobservable inputs (Level 3)
<b>As at 31 March 2017</b>					
<b>Assets measured at fair value</b>					
<b>Investments (Note 4 &amp; 9)</b>					
<i>Fair value through profit or loss</i>					
Unquoted mutual fund	31 March 2017	988.23	-	988.23	-
<i>Fair value through OCI (Note 4)</i>					
Unquoted equity shares	31 March 2017	0.01	-	-	0.01
<b>Assets held for disposal (Note 14)</b>	31 March 2017	0.25	-	-	0.25
<b>Assets for which fair values are disclosed</b>					
Investment property (Note 2)	31 March 2017	74.23	-	-	74.23
<b>As at 31 March 2016</b>					
<b>Assets measured at fair value</b>					
<b>Investments (Note 4 &amp; 9)</b>					
<i>Fair value through profit or loss</i>					
Unquoted mutual fund	31 March 2016	788.76	-	788.76	-
<i>Fair value through OCI</i>					
Unquoted equity shares	31 March 2016	0.00	-	-	0.00
<b>Assets held for disposal (Note 14)</b>	31 March 2016	0.00	-	-	0.00
<b>Assets for which fair values are disclosed</b>					
Investment property (Note 2)	31 March 2016	73.60	-	-	73.60

## 6.16 Financial instruments risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations to support its operations. The Group's principal financial assets include Investments, loans, trade and other receivables, cash and short-term deposits and other financial assets that derive directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Audit Committee and Board review financial risks and the appropriate risk governance framework for the Group's financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below

**a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, deposits, Investments, trade and other receivables, trade and other payables and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2017 and 31 March 2016.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit and loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2017 and 31 March 2016 including the effect of hedge accounting.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not have any long term borrowings with floating interest rate. Thus the Group does not have any interest rate risk at present.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

**Amounts in Foreign Currencies in 000's**

Nature of Exposure	Currency	31 March 2017	31 March 2016
Receivable	USD	2,053	1860
	EUR	-	-
	GBP	-	1
Payable	USD	1,658	2,286
	EUR	457	665
	GBP	13	68
	SEK	511	134
	CHF	4	7

The Group manages its foreign currency risk by hedging transactions related to sales & purchases.

At 31 March 2017 and 31 March 2016, the Group has hedged 976,726 USD and Nil for 2-4 months, respectively, of its total foreign currency exposure. This foreign currency risk is hedged by using foreign currency forward contracts.



**Foreign currency sensitivity**

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and GBP exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

₹ in Crs.

Financial Year	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2017	+5%	0.13	0.13
	-5%	(0.13)	(0.13)
31 March 2016	+5%	(0.14)	(0.14)
	-5%	0.14	0.14

Financial Year	Change in EURO rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2017	+5%	(0.16)	(0.16)
	-5%	0.16	0.16
31 March 2016	+5%	(0.25)	(0.25)
	-5%	0.25	0.25

Financial Year	Change in GBP rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2017	+5%	(0.01)	(0.01)
	-5%	0.01	0.01
31 March 2016	+5%	(0.03)	(0.03)
	-5%	0.03	0.03

**Commodity price risk**

The Group is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase and manufacture of engines and therefore require a continuous supply of copper and steel. However, Group being the indirect user of these commodities, volatility in price of such commodity does not have direct or immediate impact on the profitability of the Group. Hence, the Group do not foresee any direct or immediate risk with respect to such commodity price fluctuation.

**Other Price Risk**

The Group's portfolio of investments mainly consists of debt mutual fund with short term maturity. Hence management believes that this portfolio is not significantly susceptible to market risk.

**Equity price risk**

The Group's unlisted equity securities are not susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group has not made any significant investment in equity instruments and hence, the Group do not foresee any risk from this unlisted equity shares.

**b) Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

**Trade receivables**

Receivables are reviewed, managed and controlled for each class of customers separately. Credit exposure risk is mainly influenced by class /type of customers, depending upon their characteristics. Credit risk is managed through credit approval process by establishing credit limits alongwith continuous monitoring of credit worthiness of customers to whom credit terms are granted. Wherever required, credit risk of receivables is further covered through letter of credit, bank guarantee, business deposits and such other forms of credit assurance schemes.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are combined into homogenous category and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are spread over vast spectrum.

**Financial instruments and cash deposits**

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made as per the approved investment policy. Investment limits are set to minimise the concentration of risks and therefore mitigate financial loss if any.

**c) Liquidity risk**

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

**Excessive risk concentration**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is



used within the Group to manage risk concentrations at both the relationship and industry levels.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

₹ in Crs.

Particulars	On demand	less than 3 months	3 months to 1 year	1 year to 5 years	more than 5 years	Total
<b>Year ended 31 March 2017</b>						
Interest bearing borrowings	-	12.45	-	-	-	<b>12.45</b>
Other financial liabilities	8.56	4.20	39.34	0.75	17.17	<b>70.02</b>
Trade payables	0.11	350.23	4.53	-	-	<b>354.87</b>
Derivatives	-	-	-	-	-	-
	<b>8.67</b>	<b>366.88</b>	<b>43.87</b>	<b>0.75</b>	<b>17.17</b>	<b>437.34</b>
<b>Year ended 31 March 2016</b>						
Interest bearing borrowings	-	7.17	-	-	-	<b>7.17</b>
Other financial liabilities	10.40	4.48	30.02	0.67	16.73	<b>62.30</b>
Trade payables	0.10	340.14	6.04	-	-	<b>346.28</b>
Derivatives	-	-	-	-	-	-
	<b>10.50</b>	<b>351.79</b>	<b>36.06</b>	<b>0.67</b>	<b>16.73</b>	<b>415.75</b>

### 6.17 Capital management

For the purpose of the Group's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2016.

### 6.18 Expenditure on CSR Activities

₹ in Crs.

1	Gross amount required to be spent by the Group during the year	4.02
2	Amount spent during the year	4.15

**6.19. Disclosure in terms of Schedule III of the Companies Act, 2013**

₹ in Crs.

Particulars	Net Assets (i.e. Total assets minus total liabilities)		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit/ loss Amount	Amount	As a % of consolidated other comprehensive	Amount	As a % of total comprehensive income	Amount
<b>F.Y. 2016-17</b>								
<b>1. Parent:</b>								
Kirloskar Oil Engines Ltd.	99.97%	1,616.71	99.84%	173.62	105.86%	(0.58)	99.83%	173.04
<b>2. Subsidiary (Foreign):</b>								
KOEL Americas Corp.	0.13%	2.07	0.16%	0.27	(5.86%)	0.03	0.17%	0.30
Add/(Less): Minority interests in all subsidiaries		-		-		-		-
Add/(Less): Inter-company eliminations	(0.10%)	(1.61)	(0.00%)	(0.00)	-	-	-	-
<b>Total</b>	<b>100.00%</b>	<b>1,617.17</b>	<b>100.00%</b>	<b>173.89</b>	<b>100.00%</b>	<b>(0.55)</b>	<b>100.00%</b>	<b>173.34</b>
<b>F.Y. 2015-16</b>								
<b>1. Parent:</b>								
Kirloskar Oil Engines Ltd.	99.99%	1,443.66	99.93%	165.31	333.33%	(0.10)	99.89%	165.21
<b>2. Subsidiary (Foreign):</b>								
KOEL Americas Corp.	0.12%	1.77	0.07%	0.11	(233.33%)	0.07	0.11%	0.18
Add/(Less): Minority interests in all subsidiaries		-		-		-		-
Add/(Less): Inter-company eliminations	(0.11%)	(1.60)	(0.00%)	0.00	-	-	-	-
<b>Total</b>	<b>100.00%</b>	<b>1,443.83</b>	<b>100.00%</b>	<b>165.42</b>	<b>100.00%</b>	<b>(0.03)</b>	<b>100.00%</b>	<b>165.39</b>

**41. First-time adoption of Indian Accounting Standards (“Ind AS”)**

These financial statements, for the year ended 31 March 2017, are the first financial statements, the Group has prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2016, the Group prepared its financial statements in accordance with Indian GAAP.

Accordingly, the Group has prepared financial statements which comply with Ind AS applicable for periods ending 31 March 2017, together with the comparative period data as at and for the year ended 31 March 2016, as described in the summary of significant accounting policies. This note explains the principal adjustments made by the Group in restating its Indian GAAP financial statements and the financial statements as at and for the year ended 31 March 2016.



### Exemptions applied

Ind AS 101 “First-time Adoption of Indian Accounting Standards” allows a first-time adopter certain exemptions from the retrospective application of certain requirements under Ind AS.

The Group has applied the following exemptions:

- 41.1** The Group has elected to continue with the carrying value for all of its Property, plant and equipment as recognised in its Indian GAAP financial statements as deemed cost at the date of transition.
- 41.2** The Group has elected to disclose the following amounts prospectively from the date of transition (Ind AS ordinarily requires the amounts for the current and previous four annual periods to be disclosed):
- (i) the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and
  - (ii) the experience adjustments arising on the plan liabilities and the plan assets.
- 41.3** Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. However, the Group has used the exemption in Ind AS 101 and assessed all such arrangements for embedded leases based on conditions existing as at the date of transition to Ind AS.
- 41.4** The Group has designated the unquoted equity instruments, except investment in subsidiary, as fair value through Other Comprehensive Income (FVOCI) investments. However the Group has not performed the fair valuation of these Investments in unquoted ordinary shares which are classified as FVOCI (Refer note 4), as the Group believes that impact of change on account of fair value is insignificant.

### Exceptions

The Group has elected to apply the derecognition requirement for financial assets under Ind AS 109 “Financial Instruments”, prospectively for transactions occurring.

### Estimates

The estimates made under Ind AS as at 31 March 2016 are consistent with the estimates made for the same dates in accordance with Indian GAAP except from the following items where application of Indian GAAP did not require estimation:

- FVTPL – unquoted mutual funds

The estimates used by the Group to present these amounts in accordance with Ind AS reflect the conditions, the date of transition to Ind AS.

**41.5 Notes to the reconciliation of equity as at 31 March 2016 and total comprehensive income for the year ended 31 March 2016****a. Investment Property**

Under Indian GAAP, investment property were presented as part of Fixed assets. Under Ind AS, Investment property is separately presented on the face of the Balance sheet.

**b. Intangible Assets**

The Group has elected to fair value, some of the intangible assets that meet the criteria for recognition and revaluation and use those values as deemed cost as at the date of transition to Ind AS.

**c. Investments****1) Long term investments in unquoted equity shares (other than investment in subsidiary)**

Under Indian GAAP, the Company accounted for long term investments in unquoted equity shares as investments measured at cost less provision for other than temporary diminution in the value of investments. Under Ind AS, the Company has designated such instruments as financial assets at fair value other comprehensive income (FVOCI).

The Company has not performed a fair valuation of its investment in unquoted ordinary shares which are classified as FVOCI (refer Note 4), as the Company believes that impact of change on account of fair value is insignificant.

**2) Investments in unquoted mutual funds**

Under Indian GAAP, the Company accounted for long term investments in unquoted mutual funds as investments measured at cost less provision for other than temporary diminution in the value of investments. Short term investments in unquoted mutual funds were measured at cost or fair value whichever was lower. Under Ind AS, the Company has designated both long term and short term instruments as financial assets at fair value through profit or loss (FVTPL).

**3) On the date of transition to Ind AS, the difference between the fair value of such FVTPL investments and their Indian GAAP carrying value has been recognised as an adjustment against the retained earnings net of deferred taxes. Further, net effect of Fair Value through Profit or Loss ( FVTPL) for subsequent period is recognized in Other Income.****d. Provisions**

Under Indian GAAP, the proposed dividends are recognised as a liability in the financial statements of the period to which they relate, irrespective of when they are declared. Under



Ind AS, a proposed dividend is recognised as a liability in the financial statements of the period in which it is declared by the Group (usually when approved by the ordinary equity shareholders in a general meeting) or paid.

**e. Trade receivables**

Under Indian GAAP, the Group had derecognised the trade receivables against which the bills discounting facility has been availed; and had disclosed such bills discounted which are outstanding as at the balance sheet date under contingent liabilities. Under Ind AS, the risk of default associated with certain trade receivables against which the bill discounting facility has been availed remains with the Group and hence, the Group cannot derecognise the related trade receivable. The Group has implemented the Ind AS derecognition accounting prospectively in line with the first time adoption exemptions available under Ind AS 101.

**f. Financial liabilities - Borrowings**

Under Indian GAAP, the Group had not recognised the borrowings in the nature of bill discounted as the same has been set off against related trade receivables and have been disclosed as a contingent liability. Under Ind AS, as the trade receivables cannot be derecognised till the risk of default does not get transferred, the bill discounting facility availed against such trade receivables has to be recognised separately as short term borrowings. Also, refer note (e) above.

**g. Government Grant**

Under Indian GAAP, incentives accrued under the Industrial Promotion Subsidy under the Package Scheme of Incentives was considered to be in the nature of promoters' contribution and were recognised directly in the balance sheet as capital reserve. Under Ind AS, these incentives qualify as revenue based grants and hence, has been recognised in the consolidated statement of profit and loss as other operating income. As at the date of transition, the capital reserves created out of incentive accounting as per Indian GAAP have been transferred to retained earnings.

Under Indian GAAP, eligible incentives under Export promotion capital goods (EPCG) scheme were recognised by way of reduction of the duty saved from the cost of related capital goods imported under the scheme and the outstanding amount of underlying export obligation as at the Balance Sheet date was disclosed as contingent liability. Under Ind AS, eligible incentives under EPCG scheme is recognised as deferred income by a corresponding debit to the cost of capital goods imported under the scheme and income is recognised in the Statement of Profit and Loss in proportion of fulfilment of export obligations over the period.

**h. Other financial assets**

Under Indian GAAP, interest free security deposit given is initially measured at the transaction value at the time of initial measurement without any adjustments in regard to the fair value. Under Ind AS, interest free security deposit is to be initially measured at fair value. As at the date of transition, the interest free security deposit has been recognised at fair value based on the facts and circumstances which existed at the date of initial measurement by giving corresponding effect to retained earnings for the period from initial measurement to the date of transition and to other current assets (prepaid expenses) for the remaining period of deposit post the date of transition. In subsequent year the impact of fair valuation is disclosed in other income and pre-paid expenses are being amortised as a part of rent.

**i. Defined benefit obligation**

Both under Indian GAAP and Ind AS, the Company recognises costs related to its post-employment defined benefit plan on an actuarial basis. However, under Indian GAAP, the entire cost, including actuarial gains and losses, are recognised in the consolidated statement of profit and loss. Under Ind AS, re-measurements [comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets excluding amounts included in net interest on the net defined benefit liability] are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other Comprehensive Income net of taxes.

**j. Deferred taxes**

Indian GAAP requires deferred taxes to be accounted using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 - Income Taxes requires entities to account for deferred taxes using the balance sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The application of Ind AS 12 has resulted in recognition of deferred tax on new temporary differences which was not required under Indian GAAP.

In addition, certain transitional adjustments lead to temporary differences. According to the accounting policies, the Group has to account for such differences. Deferred tax adjustments have been recognised in correlation to the underlying transaction either in retained earnings or as a separate component of equity.

**k. Sale of service**

Under Indian GAAP, the Group recognises revenue from extended warranty on the date of entering into an arrangement with the customer and makes an upfront provision in regard to the costs, if any, required against the extended period of warranty at such time. Under Ind AS,



extended warranty is normally in the nature of a service and is recognized as revenue on a straight line basis over the period of warranty. Cost of service and other components under warranty is recognised as and when it is incurred and not on straight line basis or on upfront basis and if at any point of time, the estimated cost of warranty is higher than the deferred income (unearned income), the excess should be provided for immediately. Transitional adjustments in regard to extended warranty as at the date of transition have been made by debiting retained earnings with a corresponding credit to the deferred income.

**I. Sale of goods**

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented on the face of statement of profit and loss. Thus sale of goods under Ind AS has increased with a corresponding increase in expenses.

**m. Other comprehensive income**

Under Indian GAAP, there were no requirements to separately disclose Other Comprehensive Income ('OCI') and hence, the Group had not presented other comprehensive income (OCI) separately. As such, items falling under OCI and effect of Income tax thereon are disclosed. Hence, the Group has reconciled the profit under Indian GAAP to the profit as per Ind AS. Further, the profit under Ind AS is reconciled to total comprehensive income as per Ind AS.

**n. Consolidated Statement of cash flow**

The transition from Indian GAAP to Ind AS has no material impact on the consolidated statement of cash flows.

**42. Standards issued but not yet effective**

The Group has applied all the relevant Indian Accounting Standards which have been notified and effective under the Rules. In March 2017, the Ministry of Company Affairs issued the Companies ( Indian Accounting Standards) (Amendments) Rules 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payments, respectively. Amendment related Statement of cash flows is applicable from 1 April 2017. Amendment to Share-based payments is not applicable to Group.

Amendment to IndAS 7:

The amendment to Ind AS 7 requires the entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated

- 43.** Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as applicable to the Company are disclosed under standalone financials statements.
- 44. Previous year's figures have been re-grouped wherever considered necessary to make them comparable with those of the current year.**

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Signatures to Note 1 to 44, forming part of the Financial Statements.

As per our attached report of even date.

For and on behalf of the Board of Directors.

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

NIHAL G. KULKARNI  
Managing Director  
DIN: 01139147

R. R. DESHPANDE  
Joint Managing Director  
DIN: 00007439

NACHIKET DEO  
Partner  
Membership Number : 117695

T. VINODKUMAR  
Chief Financial Officer

SMITA RAICHURKAR  
Company Secretary

Pune : 10 May 2017

Pune : 10 May 2017

## KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

CIN: L29120PN2009PLC133351

Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune – 411 003 (Maharashtra)

Tel.: 020-25810341 Fax: 020-25813208 website: [www.koel.co.in](http://www.koel.co.in) E-mail: [investors@kirloskar.com](mailto:investors@kirloskar.com)

### ATTENDANCE SLIP

(Please complete this attendance slip and hand over at the entrance of the meeting venue)

Registered Folio No. / DP ID & Client ID	
Name and address of the Member(s)	
Joint Holder 1 Joint Holder 2	
No. of Shares	

I/We hereby record my/our presence at the Annual General Meeting of the Company to be held on Friday, 4 August, 2017 at 11.45 a.m. at Sheraton Grand Pune Bund Garden Hotel (formerly Le Meridien), Raja Bahadur Mill Road, Pune – 411 001.

Member's / Proxy's name in Block Letters

Member's / Proxy's Signature

TEAR HERE

## KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

CIN: L29120PN2009PLC133351

Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune – 411 003 (Maharashtra)

Tel.: 020-25810341 Fax: 020-25813208 website: [www.koel.co.in](http://www.koel.co.in) E-mail: [investors@kirloskar.com](mailto:investors@kirloskar.com)

### PROXY FORM

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

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

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

TEAR HERE

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Friday, 4 August 2017 at 11.45 a.m. at Sheraton Grand Pune Bund Garden Hotel (formerly Le Meridien), Raja Bahadur Mill Road, Pune – 411 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Item No.	Description of Resolution	Optional*	
		For	Against
<b>Ordinary Business</b>			
1.	Adoption of Audited Standalone Financial Statements and the Consolidated Financial Statements of the Company for the Financial Year ended 31 March 2017 together with the Reports of the Directors and the Auditors thereon.		
2.	Declaration of dividend on equity shares for the Financial Year ended 31 March 2017		
3.	Re-appointment of Mr. Rahul C. Kirloskar who retires by rotation.		
4.	Ratification of Appointment of Auditors and fixing their remuneration.		
<b>Special Business</b>			
5.	Re-appointment of Mr. Atul C. Kirloskar as an Whole Time Director with designation as the Executive Chairman		
6.	Re-appointment of Mr. Gautam A. Kulkarni as an Whole Time Director with designation as the Executive Vice Chairman		
7.	Re-appointment of Mr. Nihal G. Kulkarni as the Managing Director		
8.	Appointment of Satish Jamdar as an Independent Director.		
9.	Approval of remuneration of the Cost Auditors.		
10.	Re-appointment of R. Srinivasan as an Independent Director.		

Signed this ..... day of ..... 2017

Signature of Member(s) .....

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

Please affix Revenue Stamp
----------------------------------

**Note:**

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

## Kirloskar Remote Monitoring Real Time Connectivity



## KOEL Green 910 -1010 kVA Gensets



### EFFICIENCY • INTEGRATED



## Mega-T



## Compact Gensets for Defence





Enriching Lives

## **KIRLOSKAR OIL ENGINES LIMITED**

A Kirloskar Group Company

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

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

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