



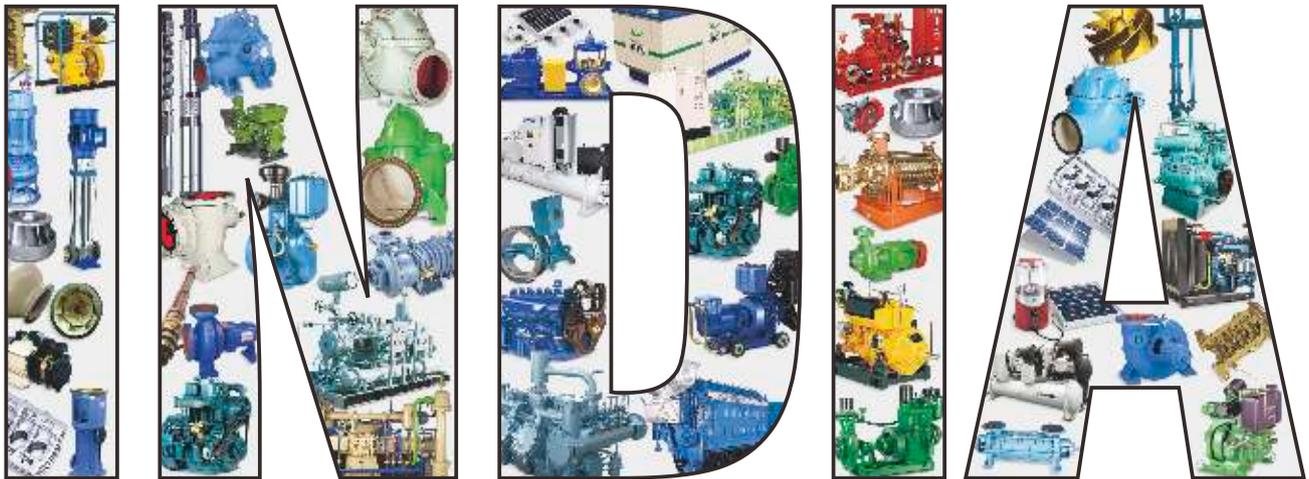
KIRLOSKAR PNEUMATIC CO. LTD.

A Kirloskar Group Company

40th ANNUAL REPORT 2014 - 2015

Enriching Lives

MAKING IN



SINCE 1910

It has always been a matter of great pride for us to be able to serve the world relentlessly through critical engineering solutions - made right here in India, since 1910. And with the 'Make in India' programme gaining momentum, there is greater emphasis on reforms, new initiatives and best-in-class manufacturing infrastructure.

With the winds of change blowing in India's favour, there's never been a better time for us to put it in the league of global champions. With innovative, indigenous offerings, we will ensure that the world continues to look at India with awe and admiration.



Your company is poised to make India proud by:

- Becoming a compression technology partner for CNG infrastructure in India (from producing wells to distribution).
- Being at the heart of the Indian cold chain industry with its natural refrigerant compressor.
- Developing advanced technology refrigeration systems for refineries and petrochemical plants in India.
- Being a one stop shop for air conditioning and refrigeration systems of ships.
- Manufacturing high-end customised gearboxes for wind turbines and power plants, steel mills and cement plants.
- Manufacturing railway brake compressors for diesel electric locomotives.
- Reducing carbon footprint with efficient products.

40th Annual Report for the financial year ended on 31 March, 2015

BOARD OF DIRECTORS

Mr Rahul C Kirloskar	Executive Chairman
Mr Aditya Kowshik	Managing Director
Mr Atul C Kirloskar	
Mr Vikram S Kirloskar	
Mr A C Mukherji	
Mr P S Jawadekar	
Mr G Krishna Rao	
Mr D R Swar	
Mr Sunil Shah Singh	
Mr Sanjay C Kirloskar	(upto 23 April, 2014)
Dr Aditi Pant	(appointed w.e.f. 24 July, 2014)
Late Mr J Y Tekawade	(upto 4 November, 2014)

CHIEF FINANCIAL OFFICER

Mr Suhas S Kolhatkar

COMPANY SECRETARY

Mr Jitendra R Shah

AUDITORS

M/s P G Bhagwat
Chartered Accountants, Pune

SECRETARIAL AUDITORS

M/s SVD & Associates
Company Secretaries, Pune

BANKERS

Bank of India	ICICI Bank Ltd.
Bank of Maharashtra	HDFC Bank Ltd.
Union Bank of India	

REGISTERED OFFICE

Hadapsar Industrial Estate,
Pune 411 013
Email: sec@kpcl.net
www.kirloskarkpcl.com
CIN: L29120PN1974PLC110307

Information for shareholders

Annual General Meeting	
Day & Date	: Wednesday, 29 July, 2015
Time	: 2.30 p.m.
Venue	: S. M. Joshi Socialist Foundation (S. M. Joshi Hall) S. No. 191/192, Navi Peth Near Ganjave Chowk Pune - 411 030
Proposed Dividend	: 50% (₹ 5 per share of ₹ 10/- each)
Date of Book Closure	: 23 July 2015

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NOTICE OF 40TH ANNUAL GENERAL MEETING

NOTICE is hereby given that the 40th Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Wednesday the 29th day of July, 2015 at 2.30 p.m. at SM Joshi Socialist Foundation (SM Joshi Hall), S. No. 191/192 Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune 411030 to transact the following business :

ORDINARY BUSINESS

- 1 To receive, consider and adopt the Financial Statements of the Company for year ended 31 March, 2015 together with the Report of the Auditors' and Board of Directors thereon and Consolidated Financial Statements of the Company for year ended 31 March, 2015.
- 2 To declare dividend on equity shares for the financial year ended on 31st March, 2015.
- 3 To appoint a Director in place of Mr Atul C Kirloskar (holding DIN 00007387), who retires by rotation and being eligible, offers himself for re-appointment.
- 4 To ratify the appointment of M/s P G Bhagwat (Firm Registration No.101118W) Chartered Accountants, as Statutory Auditors.

SPECIAL BUSINESS

- 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 148 and any other applicable provisions of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) consent of the Company be and is hereby accorded for the payment of remuneration of Rs. 5 Lacs (Rupees Five Lacs only) to Company's Cost Auditor, M/s S G Jog, a proprietary firm of Cost Accountant, for auditing the cost records maintained by the Company for the financial year ending 31 March, 2016."

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

"RESOLVED that pursuant to the provisions of Sections 149, 152 and any 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) read with Schedule IV to the Companies Act, 2013, Dr Aditi Pant (holding DIN 06930011), Director of the Company who was appointed as an additional director, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member proposing her 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 3 consecutive years up to 28 July, 2018.

RESOLVED FURTHER that pursuant to the provisions of Sections 149, 197 and any 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), Dr Aditi Pant be paid such fees and remuneration and profit related commission as the Board may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time".

NOTES:

- 1 A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY / PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH A PROXY / PROXIES SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of members not exceeding fifty (50) and holding aggregate not more than ten percent of the total share capital of the Company.

The instrument of Proxy in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not less than 48 hours before the commencement of the meeting. A proxy form is sent herewith. Proxies submitted on behalf of companies must be supported by an appropriate resolution/authority as applicable.

- 2 The relative Explanatory Statement, pursuant to Section 102(1) of the Companies Act, 2013, in respect of the special business under item nos. 5 and 6 is annexed hereto.
- 3 The Register of Members and the Share Transfer Books of the Company will remain closed on Thursday, the 23rd day of July, 2015 for the purpose of payment of the dividend for the financial year ended 31 March, 2015 and the AGM.

- 4 Subject to the provisions of the Companies Act, 2013, dividend as recommended by the Board of Directors, if declared at the meeting will be paid after 29 July, 2015 to those members whose names appear on the Register of Members as on 22 July, 2015. In order to get their dividend through Electronic Clearing Service (ECS) members who are holding shares in physical form are requested to inform their Bank Account Details i.e Name of the Bank, Branch, its address, Account Number and Type of Account to M/s Link Intime India Pvt Ltd (LIPL) or to the Company. Shareholders holding shares in electronic form are requested to inform their Bank Account details to their respective Depository Participants. Those shareholders who do not opt for ECS facility may inform their details to LIPL for printing the same on the Dividend Warrants to ensure safety.
- 5 All documents referred to in the notice and the explanatory statement requiring the approval of the Members at the Meeting and other statutory registers shall be available for inspection by the Members at the Registered Office of the Company during normal business hours on all working days between 11.00 a.m. and 1.00 p.m. except Saturdays, from the date hereof up to the date of the Annual General Meeting.
- 6 In terms of the provisions of Section 124 of the Companies Act, 2013 (corresponding to Section 205A of the Companies Act, 1956), the amount of dividend not encashed or claimed within 7(seven) years from the date of its transfer to the unpaid dividend account, will be transferred to the Investor Education and Protection Fund established by the Government. Accordingly, the unclaimed dividend in respect of financial year 2007-08 is due for transfer to the said Fund in July 2015. In terms of provisions of Section 124 of the Companies Act, 2013 (corresponding to Section 205C of the Companies Act, 1956), no claim shall lie against the Company or the said Fund after the said transfer.
- 7 Members who have neither received nor encashed their dividend warrant(s) for the financial years 2007-08 to 2013-14, are requested to write to the Company, mentioning the relevant Folio number or DP ID and Client ID, for issuance of duplicate/revalidated dividend warrant(s) before the amount becomes due for transfer.
- 8 Members holding shares in physical form are requested to promptly notify in writing any changes in their address/bank account details to the Secretarial Department of the Company at Hadapsar Industrial Estate, Pune 411013 or its registrar M/s Link Intime India Pvt Ltd (LIPL) at their address, Akshay Complex, No. 202, 2nd floor, near Ganesh Temple, Off Dhole Patil Road, Pune 411001. Members holding shares in electronic form are requested to notify the changes in the above particulars, if any, directly to their Depository Participants (DP).
- 9 Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantage of scripless trading, members are encouraged to consider dematerialization of their shareholding so as to avoid inconvenience in future.
- 10 **Voting through electronic means for Annual General Meeting**
- I. Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and modifications and amendments thereof and Clause 35B of the Listing Agreement, the Company is pleased to provide members facility to exercise their right to vote at the 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):
- The process and manner for remote e-voting are as under:-
- A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company / Depository Participants(s)]:
- (i) Open email and open PDF file viz; "remote e-voting.pdf" with your Client ID or Folio No. 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.
 - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
 - (iii) Click on Shareholder - Login
 - (iv) Put user ID and password as initial password/PIN noted in step (i) above. Click Login.
 - (v) Password change menu appears. Change the password/PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
 - (vii) Select "EVEN" of "KIRLOSKAR PNEUMATIC COMPANY LIMITED".
 - (viii) Now you are ready for remote e-voting as Cast Vote page opens.

- (ix) Cast your vote by selecting appropriate option and click on “Submit” and also “Confirm” when prompted.
 - (x) Upon confirmation, the message “Vote cast successfully” will be displayed.
 - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to deulkarcs@gmail.com with a copy marked to 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] :
- (i) Initial password is provided as below/at the bottom of the Attendance Slip for the AGM
 EVEN (Remote e-voting Event Number) USER ID PASSWORD/PIN
 - (ii) Please follow all steps from Sl. No. (ii) to Sl. No. (xii) above, to cast vote.
- II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Members and remote e-voting user manual for Members available at the downloads section of www.evoting.nsdl.com or call on toll free no.: 1800-222-990.
- III. If you are already registered with NSDL for remote e-voting then you can use your existing user ID and password/PIN for casting your vote.
- IV. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- V. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of 22 July, 2015.
- VI. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 22 July, 2015, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or pune@linktime.co.in.
 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” option available on www.evoting.nsdl.com or contact NSDL at the following toll free no.: 1800-222-990.
- VII. 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.
- VIII. 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 polling paper.
- IX. Mr S V Deulkar, of SVD & Associates, Company Secretaries, (Membership No. FCS: 1321) (C/o. M/s LINK INTIME INDIA PVT. LTD. (Unit : Kirloskar Pneumatic Company Limited) C-13, Pannalal Silk Mills Compound, LBS Marg, Bhandup (W), Mumbai - 400 078) has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the remote e-voting process in a fair and transparent manner.
- X. 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 “Polling Paper” for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XI. The Scrutinizer shall after the conclusion of voting at the AGM, 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.
- XII. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company www.kirloskarkpcl.com and on the website of NSDL www.nsdl.co.in 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 BSE Limited, Mumbai.

- XIII. The e-voting period commences on 26 July, 2015 (9 a.m.) and ends on 28 July, 2015 (5 p.m.). The e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- 11 Under the provisions of the Income Tax Act, 1961, dividend amount is tax free in the hands of shareholders.
- 12 Members are requested to sign at the place provided on the attendance slip and handover the same at the entrance of the Meeting.
- 13 Queries on Accounts of the Company, if any, may please be sent to the Company Secretary at the Registered Office of the Company seven (7) days in advance of the Meeting so that the answers may be made available at the Meeting.
- 14 Members are requested to bring their personal copy of the Annual Report to the Meeting.
- 15 With a view to using natural resources responsibly, we request shareholders to update their email address with their Depository Participants to enable the Company to send communications electronically.
- 16 The Annual Report 2014-15 is being sent through electronic mode only to the members whose email addresses are registered with Company / Depository Participant(s), unless any member has requested for a physical copy of the report. For members who have not registered their email addresses, physical copies of the Annual Report 2014-15 are being sent by the permitted mode.
- 17 Re-appointment of Director at the Annual General Meeting :

Mr Atul C Kirloskar is liable to retire by rotation and being eligible, offers himself for re-appointment. Pursuant to Clause 49(VIII)(E) of the Listing Agreement relating to the Code of Corporate Governance, the particulars of the aforesaid Director is given below:

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

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

The Directorship in other public limited companies is as follows:

Name of the Company	Board position held	Committee Position held
Kirloskar Oil Engines Ltd	Executive Chairman	
Kirloskar Brothers Investments Ltd	Chairman	-
Kirloskar Ferrous Industries Ltd	Chairman	Stakeholders' Relationship Committee – Chairman
Kirloskar Industries Ltd	Chairman	
Kirloskar Proprietary Ltd	Director	
Pneumatic Holdings Ltd	Director	
Five Star Bulkcarriers Ltd	Director	

Only 2 Committees i.e. the Audit Committee and Stakeholders Relationship Committee are considered for this purpose.

Mr Atul C Kirloskar holds 1,54,363 shares (singly & jointly) in the Company .

Mr Rahul C Kirloskar Director of the company, being the brother, is related to each other.

By Order of the Board of Directors

sd/-

Jitendra Shah

Company Secretary

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013
Date : 7 May, 2015

ANNEXURE TO THE NOTICE

Explanatory statement as required under Section 102 of the Companies Act, 2013.

ITEM NO. 5 OF THE NOTICE

The Board of Directors at their meeting held on 7 May, 2015, based on the recommendation of the Audit Committee, had appointed M/s S G Jog, a proprietary firm of Cost Accountants as Cost Auditors of the Company for auditing the cost records maintained by the Company for the financial year ending 31 March, 2016 and also fixed their remuneration for the said purpose.

Pursuant to the provisions of Section 148 and any other applicable provisions of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) remuneration payable to the Cost Auditors is required to be ratified by the members of the Company.

Therefore, the Board of Directors recommend the proposed resolution for your approval.

None of the Directors and Key Managerial Personnel is concerned or interested, financial or otherwise, in the resolution set out at an Item No. 5.

ITEM NO. 6 OF THE NOTICE

Dr Aditi Pant (DIN 06930011) is an Additional Director (Independent Director for the purpose of Clause 49 of the Listing Agreement) with effect from 24 July, 2014 till the ensuing Annual General Meeting.

Profile of the Director

Dr Aditi Pant has done her PH.D in the year 1973 from University of London (UK). She is a Member of General Body Maharashtra Association for the Cultivation of Science, Biofuel Committee, Department of Biotechnology and Maharashtra Society for the Cultivation of Science.

Dr Aditi Pant has 67+ publications (International Journals), 4 Reviews and 5 Patents in her own name.

The Directorship in other companies is Nil.

Dr Aditi Pant ceases to be an Additional Director at the ensuing Annual General Meeting in terms of Section 161 and any other applicable provisions of the Companies Act, 2013, being eligible offer herself for appointment, is proposed to be appointed as an Independent Director for a term of 3 consecutive years upto 28 July, 2018. A notice has been received from a Member proposing Dr Aditi Pant as a candidate for the office of the Director of the Company.

In the opinion of the Board, Dr Aditi Pant fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder for her appointment as an Independent Director of the Company and is independent of the management and also possesses appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively. Copy of the draft letter of appointment of Dr Aditi Pant as an Independent Director setting out the terms and conditions would be available for inspection by the members at the Registered Office of the Company during normal business hours on any working day excluding Saturday.

The Board considers that her continued association would be a immense benefit to the Company and it is desirable to continue to avail services of Dr Aditi Pant as an Independent Director. The Board recommends the resolution in relation to the appointment of Dr Aditi Pant as an Independent Director, for the approval of the Members of the Company.

Under the Companies Act, 2013, Independent Directors can only receive fees under the provisions of Section 197(5) and profit related commission as may be approved by the members. Accordingly approval of members is also being sought for the purposes of payment of fees and profit related commission, which amounts may be decided by the Board / Nomination and Remuneration Committee, from time to time subject to the limit prescribed under Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time.

Dr Aditi Pant does not hold any shares in the Company.

Dr Aditi Pant is not related to any other director on the Board of the Company.

None of the Directors or Key Managerial Personnel other than Dr Aditi Pant is concerned or interested, financial or otherwise, in the resolution set out at an Item No. 6. This explanatory statement may also be regarded as disclosure under clause 49 of the Listing Agreement with the Stock Exchange.

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013
Date : 7 May, 2015

By Order of the Board of Directors
sd/-
Jitendra Shah
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting this Report with Audited Annual Accounts of the Company for the year ended 31 March, 2015.

FINANCIAL RESULTS

The financial results for the year ended 31 March, 2015 are summarized below:

	2014-15	2013-14
Gross Profit	473,218,544	746,791,697
Less:		
Depreciation	189,026,949	132,140,425
Provision for Taxation	58,439,009	226,350,955
Profit after tax	225,752,586	388,300,317
Surplus from previous year	195,809,253	207,781,268
Add / (Less)		
Transferred to General Reserve	144,794,186	250,000,000
Proposed Dividend	64,221,690	128,443,380
Tax on Proposed Dividend	13,149,200	21,828,952
Retained Earnings	199,396,763	195,809,253

Financial Performance

The year 2014-15 has been a very challenging year for your Company. As your Company is primarily a capital goods equipment manufacturer, lack of investments in major sectors like Oil & Gas, Power, Steel, Cement, Railways and Defence has impacted the revenues of your Company.

The drop in oil prices has forced all Oil & Gas companies to delay their projects which has had a direct impact on us. However, your Company has endeavoured to keep costs under control and this is reflected in its performance.

Net revenues from operations of the company were Rs 4409 million for the year 2014-15 as against Rs 5099 million for the previous year. Consequently, PBT declined to Rs 284 million from Rs 615 million.

DIVIDEND

The Board of Directors have recommended a dividend of Rs 5/- (50%) per equity share for the year ended 31 March, 2015. In the last year a dividend of Rs 10/- (100%) per equity share was paid.

FIXED DEPOSIT

The Company has stopped accepting fixed deposits since 2001-02. As such as of 31 March, 2015 there are no fixed deposits outstanding.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

No Loans, Guarantees covered under the provisions of Section 186 of the Companies Act, 2013 are given / provided during the reporting year.

During the year under review, your Company has made an investment of Rs 44.7 million in Kirloskar RoadRailer Limited, Wholly Owned Subsidiary Company by subscribing to its rights issue of 14.9 million equity shares of Rs. 10/- each partly paid-up of Rs 3/- per equity share.

Your Company has offered 0.1 million equity shares of Rs 10/- each at Rs 500/- per equity share in response to the Buyback offer made by Kirloskar Chillers Private Limited, Associate Company. As a result of this buyback, your Company now holds 0.39 million equity shares representing 34.21% in Kirloskar Chillers Private Limited.

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There have been no material changes and commitments affecting the financial position of the Company, which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of this report.

COMMENTS ON AUDITORS' REPORT

There are no qualifications, reservations or adverse remarks or disclaimers made by M/s P G Bhagwat & Co, Statutory Auditors except a matter of emphasis in respect of approval of Central Government to payment of minimum remuneration to Executive Chairman in their Audit Report. Application, as required is being filed.

There are no qualifications, reservations or adverse remarks in the Secretarial Audit Report of M/s SVD & Associates, Partnership firm of Company Secretaries.

ENERGY CONSERVATION

Your Company is working to reduce the energy required and is continually improving operations to become more energy efficient. Every year your Company adopts best available technology and enhances energy efficiency of its operations. Your Company also works on minimizing waste generated and adopting 5R (Reduce, Reuse, Recycle, Refuse & Recover) practices to reduce the impact on environment. To create awareness amongst employees and society, your Company celebrates Energy Conservation Week, Environment day and Ozone day.

AWARDS

During the year under review, your Company has received:

- 2nd prize at 9th State Level EC Award for financial year 2012-13 from MEDA (Maharashtra Energy Development Agency).
- The Company has also received the following awards in the 28th National Convention on Quality Concepts - NCQC 2014 organised by QCFI:
 - ❖ "Par Excellence Award Trophy" – 2 Nos.
 - ❖ "Excellence Award Trophy" – 5 Nos.
 - ❖ "Distinguished Award Trophy" – 1 No.
 - ❖ "Meritorious Award Trophy" – 2 Nos.
- CII- EXIM Bank Award for "Significant Achievement on the Journey towards Business Excellence – 2014"

DIRECTORS

Mr A C Mukherji, Mr P S Jawadekar, Mr G Krishna Rao, Mr Sunil Shah Singh and Late Mr J Y Tekawade were appointed as Independent Directors on the Board in the last Annual General Meeting held on 23 July, 2014.

The Board of Directors have co-opted Dr Aditi Pant as an Additional Director on the Board with effect from 24 July, 2014. She ceases to be a Director at the ensuing Annual General Meeting and being eligible offers herself for appointment as an Independent Director for a period 3 years. Details of the proposal for appointment of Dr Aditi Pant are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 40th Annual General Meeting.

The Company has received notice in writing proposing her candidature for the office of Director. The necessary resolution for her appointment is being placed before you.

Your Company has received necessary declarations from all its Independent Directors stating that they meet the criteria of independence as provided in Sub-section (6) of Section 149 of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Accordingly, Mr Atul C Kirloskar, Non-Executive Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

We deeply regret to inform that Mr J Y Tekawade, Independent Director of the Company, passed away on 4 November, 2014 at the age of 80. He was associated with your Company over a decade. His guidance in every aspect has helped the Company to a great extent. The Company remembered his pragmatic approach in tackling any given situation and his enormous contribution to the Board. Your Company places on record its profound grief and sense of sorrow on the sad demise of Mr J Y Tekawade.

Board Evaluation

The annual evaluation framework for assessing the performance of Directors comprises of the following key areas:

- a) Attendance for the meetings, participation and independence during the meetings;
- b) Interaction with Management;
- c) Knowledge and proficiency;
- d) Strategic perspectives or inputs

The evaluation involves assessment by the Nomination and Remuneration Committee and Board of Directors. A member of the Nomination and Remuneration Committee and Board does not participate in the discussion of his / her evaluation.

Directors Appointment and Remuneration Policy

The Board has on the recommendation of the Nomination and Remuneration Committee framed a 'Remuneration Policy' for selection and appointment of Directors and for their remuneration. The Remuneration Policy is annexed as "Annexure 1".

Number of Meetings of the Board

A calendar of meetings is prepared and circulated in advance to the Directors. During the year six Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

Directors' Responsibility Statement

To the best of their knowledge and belief and according to the information and explanation obtained by them, the Directors in terms of clause (c) of Sub-section (3) of Section 134 state that:

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- (b) Accounting policies as mentioned in note 50 to the financial statements have been selected and applied 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, 2015 and of the profit of the company for the year ended on that date;
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities;
- (d) The annual accounts have been prepared on a going concern basis;
- (e) Proper internal financial controls have been laid down for the company and that such internal financial controls are adequate and are operating effectively; and
- (f) Proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

AUDITORS

a. Statutory Auditors

The Auditors of the Company, M/s P G Bhagwat, Firm Registration No. 101118W, Chartered Accountants, were appointed for a period of two years in the last Annual General Meeting subject to ratification at the ensuing Annual General Meeting. The requisite certificate pursuant to Section 139 (1) of the Companies Act, 2013 has been received by the Company from M/s P G Bhagwat, Chartered Accountants. Resolution seeking Members ratification for the appointment of M/s P G Bhagwat, Chartered Accountants, is included at Item No. 4 of the Notice convening the Annual General Meeting.

b. Cost Auditors

The Board of Directors had, on the recommendation of the Audit Committee, appointed M/s S G Jog, a proprietary firm of Cost Accountant to audit the cost accounts of the Company for the financial year 2014-15 on a remuneration of Rs 5 Lacs. However pursuant to Section 148 of the Companies Act, 2013 read with the Companies (Cost Records and Audit) Amendment Rules, 2014, the cost audit will be applicable to the Company for the financial year commencing on or after 1 April, 2015.

As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a resolution seeking Members' ratification for the remuneration payable to M/s S G Jog, a proprietary firm of Cost Accountant for the year ended on 31 March, 2016 is included at Item No. 5 of the Notice convening the Annual General Meeting.

c. Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and amendments and modifications thereof, the Company has appointed M/s SVD & Associates, a partnership firm of Company Secretaries in Practice to undertake the Secretarial Audit of the Company. The Report of the Secretarial Audit is annexed herewith as "Annexure 2".

CORPORATE GOVERNANCE

The Company endeavors to maximize the wealth of the shareholders by managing the affairs of the Company with a pre-eminent level of accountability, transparency and integrity. A report on Corporate Governance including the relevant Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with BSE Limited alongwith Management Discussion and Analysis is annexed and forms part of the Annual Report.

EXTRACT OF ANNUAL RETURN

The extract of Annual Return as provided under Sub-section (3) of Section 92 of the Companies Act, 2013 is annexed as "Annexure 3".

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions which were entered into during the financial year were on an arm's length basis and in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large.

The statement that the transactions are at arm's length and in the ordinary course of business is supported by a Certificate from the Managing Director. The Company has also obtained the certificate from a Chartered Accountant on periodical basis.

All Related Party Transactions are placed before the Audit Committee for their approval and to the Board, as and when required. In certain cases prior omnibus approval of the Audit Committee is obtained on a yearly basis. The transactions entered into pursuant to the omnibus approval so granted are reviewed by the Audit Committee on a quarterly basis.

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

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an Internal Control System commensurate with the size, scale and complexity of its operations. The scope of the Internal Audit is decided by the Audit Committee and the Board. To maintain its objectivity and independence, the Board has appointed an external Auditor, which reports to the Audit Committee of the Board on a periodic basis.

The Internal Auditor monitors and evaluates the efficacy and adequacy of internal control systems in the Company, its compliance with operating systems, accounting procedures and policies for various functions of the Company. Based on the report of Internal Auditor, process owners undertake corrective action wherever required in their respective areas and thereby strengthen the controls further. Audit observations and actions taken thereof are presented to the Audit Committee of the Board.

RISK MANAGEMENT

The Company has a Risk Management framework to identify, evaluate business risks and opportunities. This framework seeks to minimize adverse impact on the business objectives and enhance the Company's competitive advantage. The risk framework defines the risk management approach across the enterprise at various levels. To strengthen the risk management framework, company has formed segment level risk committees to identify, analyze and mitigate the potential risks.

SUBSIDIARY COMPANY

As on 31 March, 2015, the Company had one wholly owned subsidiary and an associate company. There has been no change in the number of subsidiary and associate company or in the nature of their business, during the year under review.

Kirloskar RoadRailer Limited is a wholly owned subsidiary of the Company. The subsidiary company is set up for providing RoadRailer services. Your Company expects that the RoadRailer services will commence from the current financial year.

Kirloskar Chillers Private Limited is an associate company. The Company is engaged in manufacture of an entire range of chillers i.e. Centrifugal Screw and Reciprocating and its Spares and After Sales Service. During the year under review the net revenue of Kirloskar Chillers Private Limited is Rs 760 million and profit after tax is Rs 49.9 million.

In accordance with Section 129(3) of the Companies Act, 2013, the Company has prepared a consolidated financial statement of the company which includes its subsidiary and associate company and forms part of the Annual Report. A

statement containing salient features of the subsidiary and associate company is also included in the Annual Report. In accordance with third proviso of Section 136(1) of the Companies Act, 2013, the Annual Report of the Company, containing therein its standalone and consolidated financial statements has been placed on the website of the Company namely www.kirloskarpcl.com.

CORPORATE SOCIAL INITIATIVES

As part of its initiatives under Corporate Social Responsibility (CSR), the Company has undertaken projects in the areas of Promoting Education, Health and Sanitation. These projects are largely in accordance with Schedule VII of the Companies Act, 2013.



Sanitation, being a national agenda, your Company has taken initiative to create awareness about WaSH (Water, Sanitation and Hygiene) among the school children from nearby schools by promoting employee volunteering and training these volunteers to implement various WaSH modules throughout the academic year.

Your Company has provided preventive health care to 15000+ school children from nearby 12 schools (8 schools in the vicinity of Hadapsar Plant and 4 schools in the vicinity of Saswad Plant) by offering them annual health check up.



To create awareness about HIV AIDS in the general community (approximately reaching out to about 3000 people) by way of campaigns conducted by trained GET (Graduate Engineer Trainee) volunteers. HIV Positive Boot Camp was conducted to induct and train 15 GET volunteers and in turn HIV AIDS awareness campaigns were conducted for the general community on 1st December, 2014 (World AIDS Day), during GAWA (Global AIDS Week Action) and in the whole month that followed.

Your Company has contributed an amount of Rs 15 million by way of donation to the Corpus Fund of KIAMS for creating infrastructure facilities for imparting education.



CSR Policy in brief:

The focus of CSR activities will be on Education, Environment and Health.

While devising projects, care should be taken to promote the education, health and sanitation, protect the environment and minimize adverse impact if any on the society at large.

The Company is committed to uphold the interests of all the stakeholders by implementing the various guidelines like business excellence models.

The Company shall spend at least 2% (two percent) of the average net profits, calculated in accordance with the provisions of the Companies Act, 2013, and Rules thereunder, made by it in three immediately preceding financial years, in every financial year.

Any income or surplus arising out of CSR activities undertaken by the Company will form part of the corpus earmarked for CSR activities.

Any surplus arising out of any of the CSR activities carried out by the Company will not be treated as part of the business profits of the Company.

The Annual Report on CSR activities is annexed herewith as "Annexure 4".

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is annexed herewith as "Annexure 5".

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has established a vigil mechanism for Directors and employees to report their genuine concerns, details of which have been given in the Corporate Governance Report.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 197(12) of the Companies Act, 2013 and Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the names and other particulars of employees are set out in the "Annexure 6" to the Directors' Report.

DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Pursuant to Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 read with Rule 14 of the Rules issued thereunder, the Internal Committee constituted under the said Act has confirmed that no complaint / case has been filed / pending with the Company during the year.

EMPLOYEES

Your Company has taken several initiatives for Human Resource development and retention. Competency mapping, identifying training needs, career counseling and Management Development Programs are some of the initiatives adopted by your Company. Training programs are designed to enhance skills, knowledge and behaviour. Employees are motivated through empowerment and rewards for good performance. Adoption of 5S across the Company has led to a clean and healthy environment. All these measures have resulted in increased employee engagement.

Your Company has 876 permanent employees on its roll as on 31 March, 2015.

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors
sd/-

Rahul C Kirloskar
Executive Chairman
DIN 00007319

Place : Pune
Date : 7 May, 2015

“Annexure 1” to the Board's Report

REMUNERATION POLICY

PHILOSOPHY:

The Company strongly believes that the system of Corporate Governance protects the interest of all the stakeholders by inculcating transparent business operations and accountability from management towards fulfilling consistently high standard of Corporate Governance in all facets of the Company's operations.

The Company is committed to provide employment to all eligible applicants on the principles of equality without any discrimination.

The employees have to strictly follow code of ethics and the management practices a zero tolerance for the same.

OBJECTIVE:

- To strike the right balance in the composition of the Board of Directors by ensuring experts from different spectrum of the existing and/or future business environment are co-opted on the Board to help the Company achieve its objectives, aspirations and growth potential.
- To implement a transparent process of determining remuneration at Board and Senior Management level of the Company that would strengthen confidence of stakeholders in the Company and its management and help in creation of long - term value for them.
- To strike appropriate balance between the elements comprising the remuneration so as to attract and retain potential high performing candidates for critical position in the Company for attaining continual growth in business.
- To ensure a direct relationship with the Key Result Areas and individual achievements considering short as well as long term performance objectives appropriate to the working of the Company and its goals.

COVERAGE:

A. Guidelines for Appointment:

The Board of Directors shall comprise of persons who have expertise in the areas of business that the Company operates in and of such persons having expertise to help the Company to diversify its business at the appropriate times.

The Nomination and Remuneration Committee of the Board shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management level and recommend to the Board his / her appointment.

A person to be appointed as Director, KMP or Senior Management level should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

B. Guidelines of determining remuneration of:

- I. Directors
- II. Key Managerial Personnel and Senior Management Personnel

I. DIRECTORS

i. Executive Directors:

The Board of Directors of the Company shall decide the remuneration of Executive Directors on the basis of recommendation from Nomination & Remuneration Committee (N&RC) 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 compliance of related provisions provided therein.

The remuneration shall be approved by the shareholders of the Company as and when required.

The Company shall enter into a contract with every executive director which will set out the terms and conditions of the performance of the role and the key indicators and criteria for assessing their performance. The contract shall be recommended by the N&RC and approved by the Board. The contract shall be maximum for such tenure as may be provided in the Act subject to such approvals as may be required.

Board may vary any terms and conditions of the contract subject to such approvals, as may be required under the Act.

Every notice sent to the shareholder for seeking their approval for appointment / re-appointment / remuneration of the director shall contain the gist of terms and conditions of the contract.

The remuneration components shall include:

- a. Fixed salary:

Each Executive Director shall be paid fixed salary consisting of basic salary and such allowances and perquisites as may be decided by Board.

OPTION 1: The revision in the salary may be annually done and shall be determined by the Board as per the appraisal of the performance of each Executive Director by the Board, subject to overall limit approved by the shareholders.

OPTION 2: The salary shall remain fixed for the term of the Executive Director.
- b. Commission:

The Board may approve payment of commission subject to the provisions of the Act. The amount of commission to be paid to Executive Director(s) shall be recommended by the N&RC on the basis of the performance evaluation carried out in respect of such Executive Director(s).
- c. Perquisites / Other Benefits:

The Executive Director(s) may be entitled to club membership, company vehicle with driver, petrol reimbursement, vehicle maintenance, telephone, fax, internet at residence, reimbursement of mobile phone bill, fully furnished accommodation (in case of use of own residential property for accommodation, house rent allowance shall be paid), furnishings, reimbursement of house maintenance expenditure, reimbursement of gas, electricity bill, water & other utilities and repairs at residence, reimbursement of medical expenditure for self and family and leave travel assistance.

Executive Director(s) may also be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance etc. as per Company policy.
- d. Stock options:

Executive Director(s) except promoter directors may be granted stock options as may be approved by the Board, if they are eligible as per any scheme of stock options declared by the Company in the future.
- e. Compensation for loss of office may be paid as may be approved by the Board subject to the provisions of Section 202 of the Act.
- f. Separation / Retirement benefits:

Executive Director(s) shall be eligible to the retirement benefits like Contribution to provident fund as per Company Rules, Superannuation Fund as per Company Policy and Gratuity one month each completed year of service and encashment of leave at the end of tenure.

Executive Director(s) shall be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration provided in the Act in the event of inadequacy of profits in terms of Section IV of Part II of Schedule V of 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 half a month's salary for each completed year of service and
 - (c) Encashment of leave at the end of the tenure.

ii. Non Executive Directors:

The Company shall issue a letter of engagement or appointment to every Non Executive Director. The components of payment of remuneration to Non Executive Directors shall be as follows:

- a. Sitting fees :

Sitting fees shall be paid for Board Meetings and/or any Committee Meetings attended by the Director. Different amount of sitting fees may be paid for different types of meetings.

Sitting fees shall be over and above the limits prescribed in the Act for payment of remuneration but shall not exceed the amount as may be prescribed in the Rules for payment of sitting fees.

The disclosure of the payment of sitting fees for all types of meetings shall be made in the Annual Report of the Company.

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 provisions of the Act. The amount of commission to be paid to Non-Executive Director(s) shall be recommended by the N&RC on the basis of annual performance evaluation carried out in respect of such Non-Executive Director(s).
- c. Stock Options:
Independent Directors & Promoter Directors shall not be entitled for stock options of the Company.
- d. Professional fees:
Non independent directors may be paid fees for services of professional nature, if in the opinion of N&RC, the director possesses the requisite qualification for the practice of the profession. The professionals shall be deemed to be possessing requisite qualification and the N&RC is not required to give its opinion, if the director is any of the professional and renders his services to the company in that capacity. Such professional fees shall not be considered as remuneration for the purpose of Act.

EXCESS REMUNERATION:

The Board of Directors may decide to remunerate the Director/s beyond the overall limits provided under the Companies Act, subject to compliance of provisions in this regard including obtaining approval of Central Government, if required, owing to loss incurred by the Company or inadequacy of profits and situation entails providing such remuneration.

WAIVING OF EXCESS REMUNERATION:

Any remuneration or sitting fees paid, whether directly or indirectly, to any director whether executive or not beyond the limits prescribed under the Act and for which approval of the shareholders or Central Government is not obtained, if required to be obtained, the same shall be refunded to the Company and until such sum is refunded, hold it in trust for the Company.

The Company shall not, in any case, waive the recovery of any such sum unless specific permission is obtained from Central Government for waiving such excess payment.

II. KEY MANAGERIAL PERSONNEL & SENIOR MANAGEMENT

For the purpose of this Policy, Key Managerial Personnel includes Chief Executive Officer, Manager, Chief Financial Officer, Company Secretary and such other officers as may be prescribed from time to time.

The Company shall issue an appointment letter to every Key Managerial Personnel (KMP) / Senior Management Personnel (SMP).

The remuneration components may be:

- a. Fixed salary:
Each KMP and SMP shall be 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 personal 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:
Variable pay to every KMP and SMP shall be as per the Performance Linked Pay Scheme / Incentive Scheme of the Company, which is designed to bring about increase in overall organizational effectiveness through alignment of Company, Unit and Individual objectives.
Every KMP and SMP shall be entitled for variable compensation, based on responsibility of the position and performance of the organization as detailed in the Performance Linked Pay Scheme / Incentive Scheme.
The variable pay shall be payable at the end of every quarter based on absolute & relative performance of the Company and Business Units. The performance will be measured on the basis of contribution made by the respective Business Unit to the Sales of the Company and Contribution earned by the respective Business Unit while arriving at bottom line of Company.
The performance parameters & its evaluation:
 - i. Company Level parameters:
Company level targets shall be in line with their approved Annual Operating Plan to be approved by the Executive Directors.

- ii. Business Unit level parameters:
Business Unit level targets shall be in line with their approved Annual Operating Plan to be approved by the Executive Directors.
- iii. Corporate Functional & Sector shared services parameters & its evaluation
The average of Business Unit performance & Company level performance shall be applicable for all the corporate functions & sector shared services.
The entitlement as per the Performance Linked Variable Pay Scheme shall be disclosed in the appointment letter. Variable Pay is assessed on quarterly basis and the same is paid in the salary of a month following the quarter ending month. The particulars of the payment shall be communicated to the concerned in his/her salary slip relevant for the month in which the variable pay is paid.
- c. Perquisites / Other Benefits:
Perquisites / Other Benefits to KMP and SMP may include club membership, company vehicle, petrol reimbursement, vehicle maintenance, telephone, reimbursement of mobile phone bill, furnishings, reimbursement of medical expenditure for self and family and leave travel assistance.
KMP and SMP may be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance etc. as per Company policy.
- d. Annual Pay Revision / Promotion
There are Key Result Areas which will be set in the beginning of the year for every quarter in consultation with the executive director and the performance appraisal shall be done in the format provided by the HR department. Based on this annual pay revision and/or promotion will be decided.
- e. Stock options:
To motivate executives to pursue long term growth and objectives of the Company, the executive directors may nominate KMP and SMP for receiving stock options on the basis of the eligibility criterion of any scheme of stock options, if any, declared in future by the Company.
- f. Compensation for loss of office may be paid as may be set out in the appointment letter.
- g. Separation / Retirement benefits:
Separation / retirement benefits as per Company policy which shall include contribution to provident fund, superannuation, gratuity and leave encashment.

DIRECTORS' & 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 such personnel. Provided that if such person is proved to be guilty, the premium paid shall be treated as part of remuneration.

CONSULTANTS & ADVISORS:

The N&RC may take services of such consultants & advisors as may be required to assist in determination of optimum remuneration structure and evaluation of the same for the Company's Directors and senior management and shall have the authority to approve the fees payable to such consultants & advisors.

The N&RC shall have access to data of the Company relating to annual operating plan, management & leadership programs, employee survey, initiatives, operational reviews for purpose of undertaking their terms of reference and providing such recommendations as are required under the policy and take such assistance from the Head of the Human Resource Department as may be required for assessing the effectiveness and performance of any employee covered under the policy.

For Kirloskar Pneumatic Co. Ltd.

sd/-

Rahul C Kirloskar

Executive Chairman

DIN 00007319

“Annexure 2” to the Board's Report

**SVD & ASSOCIATES
COMPANY SECRETARIES**

4th Floor, Vedwati Apartments, Shlvajinagar, Pune- 411005
Telephone:020-69000666,email:deulkarcs@gmail.com

**Form No.MR-3
SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31 March, 2015

(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]

To,
The Members,
Kirloskar Pneumatic Company limited
Hadapsar Industrial Estate, Pune-411013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Kirloskar Pneumatic Company Limited (hereinafter called the "Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts /statutory compliances and expressing our opinion thereon.

Based on our 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, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31 March, 2015 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:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder (In so far as they are made applicable);
- (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 Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (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) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of capital and Disclosure Requirements) Regulations, 2009 (not applicable to the company during the Audit Period);
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (not applicable to the company during the Audit Period);
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (not applicable to the company during the Audit Period);

- (f) The Securities and Exchange Board of India (Registrars to an 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 (not applicable to the company during the Audit Period); and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (not applicable to the company during the Audit Period);

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India (not applicable as on today).
- (ii) The Listing Agreements entered into by the Company with Stock Exchange(s).

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

We 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. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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 decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

We 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.

For SVD & Associates
Company Secretaries
sd/-
S. V. Deulkar
Partner
FCS 1321
CP No.: 965

Place : Pune
Date : 28 April, 2015

“Annexure 3” to the Board's Report

Fom No. MGT-9
EXTRACT OF ANNUAL RETURN

(as on the financial year ended on 31 March, 2015)

[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	L29120PN1974PLC110307
ii	Registration Date	8 November 1974
iii	Name of the Company	Kirloskar Pneumatic Company Limited
iv	Category / Sub-Category of the Company	Public Company / Limited by shares
v	Address of the Registered Office and contact details	Hadapsar Industrial Estate, Pune 411 013 Tel: +91(20) 26727000 Fax: +91(20) 26870297 Email: sec@kpcl.net Website: www.kirloskarkpcl.com
vi	Whether listed company	Yes
vii	Name, address and contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited “Akshay” Complex, Block No. 202, 2nd Floor, Near Ganesh Temple, Off. Dhole Patil Road, Pune 411 001 Tel: +91(20) 26161629/26160084 Fax: +91(20) 26163503 Email: pune@linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and description of main products / services	*NIC code of the product / service	% to total turnover of the Company
1.	Compression Segment Compressors	29121	87.60
2.	Transmission Segment Gears and Gear boxes	29131	12.40

*As per NIC 2004 Group code

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.	Kirloskar Brothers Investments Ltd. 13/A Karve Road, Kothrud, Pune 411 038	L65999PN2009PLC133794	Holding	54.45%	2(46)
2.	Kirloskar RoadRailer Ltd. Hadapsar Industrial Estate, Pune 411013	U35990PN2008PLC132445	Subsidiary	100.00%	2(87)
3.	Kirloskar Chillers Private Ltd. Office # 104, 1st Floor, Tower P3, Pentagon, Magarpatta City Pune 411 028	U29191PN1995PTC095733	Associate	34.21%	2(6)

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				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual / Hindu Undivided Family	537,157	Nil	537,157	4.18	537,157	Nil	537,157	4.18	0.00
b) Central Government	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) State Government (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Bodies Corporate	8,182,967	Nil	8,182,967	63.71	8,182,967	Nil	8,182,967	63.71	0.00
e) Bank / Financial Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (A)(1)	8,720,124	Nil	8,720,124	67.89	8,720,124	Nil	8,720,124	67.89	0.00
(2) Foreign									
a) Non Resident Indians – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Other – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Bodies Corporate	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Banks / Financial Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (A)(2)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Shareholding of Promoter (A) = (A)(1) + (A)(2)	8,720,124	Nil	8,720,124	67.89	8,720,124	Nil	8,720,124	67.89	0.00
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	2,097,121	7,375	2,104,496	16.38	2,276,617	7,375	2,283,992	17.78	1.40
b) Banks / Financial Institutions	335	611	946	0.01	335	611	946	0.01	0.00
c) Central Government	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) State Government (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
f) Insurance Companies	65,614	5,450	71,064	0.55	78,952	5,450	84,402	0.66	0.11
g) Foreign Institutional Investors	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
h) Foreign Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Others (Specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (B)(1)	2,163,070	13,436	2,176,506	16.95	2,355,904	13,436	2,369,340	18.45	1.50
2. Non-Institutions									
a) Body Corporate	455,154	13,240	468,394	3.65	354,237	13,228	367,465	2.86	(0.79)
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs. 1 Lac	787,213	429,683	1,216,896	9.47	722,072	414,552	1,136,624	8.85	(0.62)
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lac	225,342	Nil	225,342	1.75	212,163	Nil	212,163	1.65	(0.10)
c) Others (Specify)									
a. NRI	34,950	265	35,215	0.28	35,790	265	36,055	0.28	0.00
b. Clearing members	1,860	Nil	1,860	0.01	2,566	Nil	2,566	0.02	0.01
c. Trusts	1	Nil	1	0.00	1	Nil	1	0.00	0.00
Sub-total (B)(2) :-	1,504,520	443,188	1,947,708	15.16	1,326,829	428,045	1,754,874	13.66	(1.50)
Total Public Shareholding (B) = (B)(1) + (B)(2)	3,667,590	456,624	4,124,214	32.11	3,682,733	441,481	4,124,214	32.11	0.00
C. Shares held by custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	12,387,714	456,624	12,844,338	100.00	12,402,857	441,481	12,844,338	100.00	0.00

ii) **Shareholding of Promoters**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% 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 Brothers Investments Limited	6,994,176	54.45	0.00	6,994,176	54.45	0.00	0.00
2	Kirloskar Industries Limited	1,186,866	9.24	0.00	1,186,866	9.24	0.00	0.00
3	Mr Gautam Achyut Kulkarni J/w Mrs Jyotsna Gautam Kulkarni	135,522	1.06	0.00	135,522	1.06	0.00	0.00
4	Mr Rahul C Kirloskar J/w Mrs Alpana Rahul Kirloskar	115,309	0.90	0.00	115,309	0.90	0.00	0.00
5	Mr Atul C Kirloskar J/w Mrs Arti Atul Kirloskar	114,330	0.89	0.00	114,330	0.89	0.00	0.00
6	Mrs Alpana Rahul Kirloskar J/w Mr Rahul C Kirloskar	93,754	0.73	0.00	93,754	0.73	0.00	0.00
7	Mrs Arti Atul Kirloskar J/w Mr Atul C Kirloskar	40,000	0.31	0.00	40,000	0.31	0.00	0.00
8	Mrs Jyotsna Gautam Kulkarni J/w Mr Gautam Achyut Kulkarni	25,125	0.20	0.00	25,125	0.20	0.00	0.00
9	Miss Alike Rahul Kirloskar J/w Mr Rahul C Kirloskar	12,152	0.09	0.00	12,152	0.09	0.00	0.00
10	Cees Investments & Consultants Private Limited	1,350	0.01	0.00	1,350	0.01	0.00	0.00
11	Mrs Alpana Rahul Kirloskar J/w Master Aman Rahul Kirloskar U/G Mr Rahul C Kirloskar	537	0.00	0.00	537	0.00	0.00	0.00
12	Karad Projects and Motors Limited	425	0.00	0.00	425	0.00	0.00	0.00
13	Mr Rahul C Kirloskar J/w Master Aman Rahul Kirloskar U/G Mr Rahul C Kirloskar	270	0.00	0.00	270	0.00	0.00	0.00
14	Miss Rama Sanjay Kirloskar J/w Mr Sanjay C Kirloskar	125	0.00	0.00	125	0.00	0.00	0.00
15	Alpak Investments Private Limited	50	0.00	0.00	50	0.00	0.00	0.00
16	Navsai Investments Private Limited	50	0.00	0.00	50	0.00	0.00	0.00
17	Achyut and Neeta Holdings and Finance Private Limited	50	0.00	0.00	50	0.00	0.00	0.00
18	Miss Gauri Atul Kirloskar J/w Mr Atul C Kirloskar	33	0.00	0.00	33	0.00	0.00	0.00
	Total	8,720,124	67.89	0.00	8,720,124	67.89	0.00	0.00

Note - The above list does not include the name of the promoters who are not holding any shares of the Company.

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

Sl. No.		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
	At the beginning of the year	8,720,124	67.89	8,720,124	67.89
	Date wise Increase / Decrease in Promoters Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	No change during the year			
	At the end of the year	8,720,124	67.89	8,720,124	67.89

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

Sl. No.	For Each of the Top 10 Shareholders	Reason	Shareholding		Cumulative Shareholding during the year	
			No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
1	Reliance Capital Trustee Co. Limited A/c Reliance Diversified Power Sector Fund					
	At the beginning of the year [01/04/2014]		828,217	6.45	828,217	6.45
	Increase as on 31/03/2015	Transfer	650	0.00	828,867	6.45
	At the end of the year		828,867	6.45	828,867	6.45
2	HDFC Trustee Company Limited - HDFC Tax Saver Fund					
	At the beginning of the year [01/04/2014]		626,706	4.88	626,706	4.88
	Decrease as on 20/02/2015	Transfer	(60,000)	(0.47)	566,706	4.41
	Decrease as on 27/02/2015	Transfer	(60,000)	(0.47)	506,706	3.94
	At the end of the year		506,706	3.94	506,706	3.94
3	IDFC Premier Equity Fund					
	At the beginning of the year [01/04/2014]		414,367	3.23	414,367	3.23
	Increase / Decrease in shareholding	No change during the year				
	At the end of the year		414,367	3.23	414,367	3.23

Sl. No.	For Each of the Top 10 Shareholders	Reason	Shareholding		Cumulative Shareholding during the year	
			No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
4	Reliance Capital Trustee Co. Limited A/c Reliance Small Cap Fund					
	At the beginning of the year [01/04/2014]		202,444	1.58	202,444	1.58
	Increase as on 09/05/2014	Transfer	2,050	0.01	204,494	1.59
	Increase as on 18/07/2014	Transfer	3,015	0.02	207,509	1.61
	Increase as on 25/07/2014	Transfer	8,485	0.07	215,994	1.68
	Increase as on 31/10/2014	Transfer	500	0.00	216,494	1.68
	Increase as on 07/11/2014	Transfer	5,440	0.04	221,934	1.72
	Increase as on 14/11/2014	Transfer	5,070	0.04	227,004	1.76
	Increase as on 21/11/2014	Transfer	5,100	0.04	232,104	1.80
	Increase as on 28/11/2014	Transfer	8,850	0.07	240,954	1.87
	Increase as on 05/12/2014	Transfer	12,400	0.10	253,354	1.97
	Increase as on 12/12/2014	Transfer	10,250	0.08	263,604	2.05
	Increase as on 19/12/2014	Transfer	8,600	0.07	272,204	2.12
	Increase as on 31/12/2014	Transfer	1,600	0.01	273,804	2.13
At the end of the year		273,804	2.13	273,804	2.13	
5	HDFC Trustee Company Limited - HDFC Core and Satellite Fund					
	At the beginning of the year [01/04/2014]		-	-	-	-
	Increase as on 20/02/2015	Transfer	60,000	0.47	60,000	0.47
	Increase as on 27/02/2015	Transfer	60,000	0.47	120,000	0.93
	At the end of the year		120,000	0.93	120,000	0.93
6	HDFC Trustee Company Limited- HDFC Prudence Fund					
	At the beginning of the year [01/04/2014]		-	-	-	-
	Increase as on 12/07/2014	Transfer	104,000	0.81	104,000	0.81
	Increase as on 27/03/2015	Transfer	1,300	0.01	105,300	0.82
	Increase as on 31/03/2015	Transfer	2,845	0.02	108,145	0.84
	At the end of the year		108,145	0.84	108,145	0.84

Sl. No.	For Each of the Top 10 Shareholders	Reason	Shareholding		Cumulative Shareholding during the year	
			No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
7	Sudarshan Securities Private Limited					
	At the beginning of the year [01/04/2014]		91,091	0.71	91,091	0.71
	Increase / Decrease in shareholding	No change during the year				
	At the end of the year		91,091	0.71	91,091	0.71
8	Arun Nahar					
	At the beginning of the year [01/04/2014]		56,300	0.44	56,300	0.44
	Increase / Decrease in shareholding	No change during the year				
	At the end of the year		56,300	0.44	56,300	0.44
9	The Oriental Insurance Company Limited					
	At the beginning of the year [01/04/2014]		65,614	0.51	65,614	0.51
	Decrease as on 06/06/2014	Transfer	(5,013)	(0.04)	60,601	0.47
	Decrease as on 20/06/2014	Transfer	(418)	(0.00)	60,183	0.47
	Decrease as on 18/07/2014	Transfer	(3,000)	(0.02)	57,183	0.45
	Decrease as on 25/07/2014	Transfer	(3,856)	(0.03)	53,327	0.42
	At the end of the year		53,327	0.42	53,327	0.42
10	Mukesh Babu Financial Services Limited					
	At the beginning of the year [01/04/2014]		50,000	0.39	50,000	0.39
	Increase / Decrease in shareholding	No change during the year				
	At the end of the year		50,000	0.39	50,000	0.39

Notes:

1. In case of shares held in dematerialize form, the date of increase / decrease in shareholding corresponds to the date of Benpos provided by the Depositories i.e. NSDL & CDSL.
2. The above list is based on information of shareholders folio wise.

(v) Shareholding of Directors and Key Managerial Personnel:

SI No	Particulars	Mr Rahul C Kirloskar – Executive Chairman				Mr Atul C Kirloskar – Non-Executive Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		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	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	222,022	1.73	222,022	1.73	154,363	1.20	154,363	1.20
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	222,022	1.73	222,022	1.73	154,363	1.20	154,363	1.20

SI No	Particulars	Mr Sanjay C Kirloskar – Non-Executive Director (upto 23 April 2014)				Mr Vikram S Kirloskar – Non-Executive Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		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	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	125	0.00	125	0.00	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	NA	NA	NA	NA	Nil	Nil	Nil	Nil

Note : The above shareholding includes singly and jointly.

SI No	Particulars	Mr A C Mukherji – Non-Executive & Independent Director				Late Mr J Y Tekawade – Non-Executive & Independent Director (upto 4 November 2014)			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		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	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil	104	0.00	104	0.00
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	NA	NA	NA	NA

SI No	Particulars	Mr P S Jawadekar – Non-Executive & Independent Director				Mr G K Rao – Non-Executive & Independent Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		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	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note : The above shareholding includes singly and jointly.

SI No	Particulars	Mr D R Swar – Non-Executive Director				Mr Sunil Shah Singh – Non-Executive & Independent Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		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	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil	1,000	0.01	1,000	0.01
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	1,000	0.01	1,000	0.01

SI No	Particulars	Dr Aditi Pant – Non-Executive Additional Director (from 24 July 2014)				Mr Aditya Kowshik – Managing Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		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	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	NA	NA	NA	NA	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note : The above shareholding includes singly and jointly.

SI No	Particulars	Mr Suhas S Kolhatkar – Vice President & Chief Financial Officer				Mr Jitendra Shah – Company Secretary			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		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	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	208	0.00	208	0.00	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	208	0.00	208	0.00	Nil	Nil	Nil	Nil

Note : The above shareholding includes singly and jointly.

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	NIL			
Total (i+ii+iii)	NIL			
Change in Indebtedness during the financial year • Addition • Reduction	NIL			
Net Change	NIL			
Indebtedness at the end of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	NIL			
Total (i+ii+iii)	NIL			

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration of Managing Director, Whole-time Directors and/or Manager:

Sl. No.	Particulars of Remuneration	Name of Managing Director / Whole Time Director / Manager		Total Amount
		Mr Rahul C Kirloskar Executive Chairman*	Mr Aditya Kowshik Managing Director	
1.	Gross Salary			
	a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	12,000,000	6,600,000	18,600,000
	b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	2,849,709	538,131	3,387,840
	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 Contribution to Funds #	500,000	850,000	1,350,000
	Total (A)	15,349,709	7,988,131	23,337,840
	Ceiling as per the Act @	16,000,000	8,000,000	-

Notes:

* Subject to the approval of the Central Government.

Excluding contributions to Provident Fund, Superannuation and Gratuity not forming part of minimum remuneration in terms of Section IV of Part II of Schedule V of the Companies Act, 2013.

@ Minimum remuneration approved by the members by way of Postal Ballot subject to the approval of the Central Government if required.

B. Remuneration to other Directors:

Sl. No.	Particulars of Remuneration	Name of Directors	Total Amount				
			Mr P S Jawadekar	Mr G K Rao	Mr Sunil Shah Singh	Late Mr J Y Tekawade*	
1.	Independent Directors	Mr A C Mukherji					
	Fee for attending board / committee meetings	500,000	700,000	800,000	425,000	355,000	2,780,000
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (1)	500,000	700,000	800,000	425,000	355,000	2,780,000
2.	Other Non-Executive Directors	Mr Atul Kirloskar	Mr Sanjay Kirloskar**	Mr Vikram Kirloskar	Mr D R Swar	Dr Aditi Pant***	
	Fee for attending board / committee meetings	300,000	-	50,000	350,000	150,000	850,000
	Commission	-	-	-	-	-	-
	Others, please specify	-	-	-	-	-	-
	Total (2)	300,000	-	50,000	350,000	150,000	850,000
	Total (B) = (1+2)						3,630,000
	Total Managerial Remuneration						
	Overall Ceiling as per the Act						Not applicable

Notes :

* Late Mr J Y Tekawade Ceased to be a Director w.e.f. 4 November, 2014.

** Mr Sanjay C Kirloskar was a Director up to 23 April, 2014.

*** Dr Aditi Pant appointed as Additional Director w.e.f. 24 July, 2014.

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MANAGING DIRECTOR / MANAGER / WHOLE TIME DIRECTOR

Sl. No.	Particulars of Remuneration	Key Managerial personnel		
		Suhas S Kolhatkar - Vice President & Chief Financial Officer	Mr Jitendra Shah - Company Secretary	Total
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	5,335,195	1,338,574	6,673,769
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	123,640	-	123,640
	(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 Contribution to Statutory Funds	472,856	155,278	628,134
	Total	5,931,691	1,493,852	7,425,543

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)
A. COMPANY					
Penalty			NIL		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			NIL		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			NIL		
Punishment					
Compounding					

Annexure “4” to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and Projects or Programs - The CSR Policy is stated herein below: Weblink <http://www.kirloskarkpcl.com/Pdf/company-policies/corporate-social-responsibility-policy.pdf>
2. The Composition of the CSR Committee -
The CSR Committee consists of :
Mr Rahul C Kirloskar (Chairman),
Mr Aditya Kowshik
Dr Aditi Pant (w.e.f. 22 January, 2015)
Mr P S Jawadekar (w.e.f. 12 March, 2015)
Late Mr J Y Tekawade (upto 4 November, 2014)
3. Average net profit of the Company for last three financial years : Rs 7,811.58 Lacs
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): The Company is required to spend Rs 156.23 Lacs towards CSR
5. Details of CSR spent during the financial year
 - a. Total amount spent for the financial year: Rs 169.89 Lacs
 - b. Amount unspent, if any: NIL
 - c. Manner in which the amount spent during the financial year is detailed below

(Rs in Lacs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S.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	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
1	Contribution by way of donation to corpus fund to create facilities for education.	Promoting Education	Pune (Maharashtra)	150.00	150.00	150.00	150.00
2	Promoting preventive health care of ~15,000 + students from 12 schools located in Hadapsar and Saswad from where the company operates.	Promoting Preventive Health Care	Pune (Maharashtra)	13.00	13.08	13.08	13.08

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S.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	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
3	Creating awareness for HIV AIDS amongst different sections of the society reaching ~ 3000 citizens in Pune city and supporting nutrition programmes for ~70 people living with HIV. 15 Company employees volunteered in this program.	Health Care	Pune (Maharashtra)	3.50	3.23	3.23	3.23
4	Water, Sanitation & Hygiene awareness created by over 100 Company employees among ~ 7500 school students from 17 schools located in the vicinity of Hadapsar, Saswad and Nashik from where the company operates.	Sanitation	Pune & Nashik (Maharashtra)	3.50	3.58	3.58	3.58
	TOTAL			170.00	169.89	169.89	169.89

Details of implementing agency: Kirloskar Institute of Advanced Management & Studies (KIAMS) and Deep Griha Society.

CSR Committee states that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Sd/-
 Aditya Kowshik
 (Managing Director)
 DIN 00228983

Sd/-
 Rahul C Kirloskar
 (Executive Chairman)
 DIN 00007319

“Annexure 5” to the Board's Report

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

[Section 134(3)(m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014]

Conservation of natural resources and environment protection is of utmost importance. Company's commitment to energy conservation is evident from consistent implementation and recognition of our ENCON projects.

(A) Conservation of Energy

- i. **The steps taken or impact on conservation of Energy:** Total 48 Nos. ENCON projects implemented by using new technology, by waste elimination, by reuse and recycling in different areas like power, process, lighting, natural resources. Some of the projects are as under.

a. Continuous projects

- Energy saving by reducing operating voltage of power transformer by changing the position of off load tap changer.
- Switch 'OFF' Power Transformer at no load condition and save no load losses.
- Maintain Unity Power Factor and avail the 7% incentive benefit from MSEDCL on Electricity Consumption.
- Maximum demand control through remote control operation.
- Transformer of 1 MW gear testing to be put off during no load and on holidays to avoid no load power consumption.
- Rigorous Planned Maintenance of Air Compressed Grid and Reduced Air Leakage.
- Saving in oil consumption through oil extraction from chips using a Centrifuge.
- Saving in water consumption by introducing water filtration plant at Saswad plant.
- Saving in oil consumption by maintaining oil metering unit at Saswad plant.

b. Productivity improvement projects

- Change of temperature setting to reduce the heat treatment time.
- Change of fixtures for tempering cycle.
- Process modification in spider job operation.
- Process modification in Crankcase machining operation by changing cutting tool.
- Productivity improvement by process modification for liner opening operation.
- Fixing the loading of SR furnace for better utilization.
- Redesigning of VLD Piston housing.

c. New Technology

- Use of energy efficient LED lights at office area as well as at shop floor area in all divisions.
- Use of energy efficient split (5 star labeled) /cassette Air Conditioners in Air Compressor Division.
- Use of energy efficient inverter based welding machines in Air Compressor Division.
- Use of energy efficient cooling circulation pumps at Air Compressor & Refrigeration Division.

d. Waste elimination

- Use of AC drive for water circulation pump of paint shop in dispatch area of Air Compressor Division.
- Reuse of wooden material for the packaging of products at all divisions.
- Reuse of aluminum burr at foundry of Air Compressor Division.
- Water Audit for Saswad Plant conducted by TUV India.
- Reduction of fresh oil consumption at three divisions by reuse with help of filtration plant.
- Reduction in water consumption for leak test at Air Compressor & Refrigeration Division.
- To reinforce our Partnership and Process improvement programme, your Company conducted an Energy Audit at two Vendors Premises to help them make their operations more energy efficient.

As a result of steps taken, your Company avoided 571 Tons of CO₂ emissions & reduced natural resources consumption like water, oil & aluminum significantly. Use of 5-star rated air conditioners, LED based lighting systems at office area created positive impact on working staff and resulted responsive nature.

- ii. **The steps taken by the company for utilizing alternate sources of energy:** During the year under review, your Company has studied the possibility of wind (renewable) energy usage for its Hadapsar Plant through open access and possibility of solar (renewable) energy usage for Saswad Plant by installation of solar power plant (Solar PV) system. Further, a feasibility study for the use of biomass based solid pallets in canteen of Hadapsar Plant is also completed.

These Proposals are evaluated for implementation in 2015-16.

- iii. **The capital investment on energy conservation equipments:** Company has made capital investment of Rs 3.25 million on energy conservation equipments and technology adoption for the energy efficiency improvement projects.

(B) Technology absorption-

(i) the efforts made towards technology absorption:

- Development of high pressure screw compressor with FD fan for water well application.
- In house trials of zero couple direct driven compressor completed successfully.
- Development and in house trials for KCW 555 – for railway compressor requirements.
- Release of KPCL designed centrifugal compressor for field trials.
- A Unique Split condenser has been developed for installation in a submarine without having to cut for the hall.
- Design and development of high speed gearbox components.

(ii) the benefits derived like product improvement, cost reduction, product development or import substitution:

- In house design capability for centrifugal compressors which is utilized to design extension of range.
- Strengthen water well market presence.
- Strengthen railway compressor business with additional products.
- Offer innovative solutions to the market with compact direct driven machines.
- Offer an innovative solution to the market with compact designed condenser.
- In house design capability for high speed gearbox components.

(iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) - NIL

- (a) the details of technology imported;
- (b) the year of import;
- (c) whether the technology been fully absorbed;
- (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and

(iv) the expenditure incurred on Research and Development – Rs 61.26 million

(C) Foreign exchange earnings and Outgo-

Foreign Exchange earned in terms of actual inflows during the year: Rs 200.68 million

Foreign Exchange outgo during the year in terms of actual outflows: Rs 447.27 million

For Kirloskar Pneumatic Co. Ltd.

Sd/-

Rahul C Kirloskar

(Executive Chairman)

DIN 00007319

“Annexure 6” to the Board's Report

**DISCLOSURE PRUSUANT TO SECTION 197 (12) OF THE COMPANIES ACT, 2013
AND THE RULES MADE THEREUNDER:**

A. Information as per Section 197 (12) and Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

i & ii) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year and the percentage increase in remuneration of each Director & KMP in the financial year

Sr No	Name of the Director / KMP and Designation	% Increase in Remuneration in the FY 2014-15	Ratio of remuneration of each Director / to median remuneration of employees
1	Mr Rahul C Kirloskar - Executive Chairman	Nil	38.09
2	Mr Aditya Kowshik - Managing Director	Nil	17.73
3	Mr Atul C Kirloskar – Non Executive Director	54%	0.69
4	Mr Sanjay C Kirloskar - Non Executive Director	NA *	NA *
5	Mr Vikram S Kirloskar- Non Executive Director	Nil	0.11
6	Mr A C Mukherji – Independent Director	Nil	1.15
7	Late Mr J Y Tekawade - Independent Director	NA **	NA **
8	Mr P S Jawadekar - Independent Director	109%	1.61
9	Mr G K Rao - Independent Director	Nil	1.84
10	Mr D R Swar – Non- Executive Director	Nil	0.81
11	Mr Sunil Shah Singh - Independent Director	31%	0.98
12	Dr Aditi Pant - Additional Director	NA ***	NA ***
13	Mr Suhas S Kolhatkar Vice President and Chief Financial Officer	11%	NA
14	Mr Jitendra R Shah Company Secretary	5%	NA

Notes :

* Details not given as Mr Sanjay C Kirloskar was a Director only for part of the financial year 2014-15 i.e. upto 23 April, 2014.

** Details not given as Late Mr J Y Tekawade was a Director only for part of the financial year 2014-15 i.e. upto 4 November, 2014.

*** Details not given as Dr Aditi Pant was Director only for part of the financial year 2014-15 i.e. w.e.f. 24 July, 2014.

- iii) In the financial year, there was an increase of 8.34 % in the median remuneration of employees.
- iv) There were 876 permanent employees on the rolls of Company as on 31 March, 2015.
- v) The relationship between average increase in remuneration and company performance was mainly governed by the “market trend” – meaning the average increase given in similar industries / sectors.
- vi) Comparison on the remuneration of the Key Managerial Personnel against the performance of the Company was in line with Business Results.
- vii) a) Variation in the market capitalization of the Company : The market capitalization as on 31 March 2015 was Rs 7,016 million (as on 31 March 2014 was Rs 5324 million) (calculated on the closing rate).

- b) Price earnings ratio of the Company was 31.07 as at 31 March, 2015 (13.71 as at 31 March, 2014).
- c) Percentage increase over decrease in the market quotations of the shares of the Company in comparison to the rate at which the Company came out with the last public offer in the year – The Company had come out with initial public offer (IPO) in 1977 at a price of Rs 10 per share. In comparison, the market price increase as at 31 March, 2015 is 5363%.
- viii) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year ie. 2014-15 was 6.57% whereas there was no increase in the overall managerial remuneration in the last financial year.
- ix) Comparison of the remuneration of each Key Managerial Personnel (KMP) against the performance of the Company : Remuneration of each KMP is based on nature of duties and responsibilities. KMP's are eligible to commission/incentive as a part of variable remuneration, which is linked to the performance of the Company. Such payment is effected only if the performance of the Company so permits and as recommended by the Nomination & Remuneration Committee and approved by the Board.
- x) The key parameters for any variable component of remuneration availed by the Directors – In case of Non-Executive Directors, Payment of sitting fees for Board / Committee Meetings are on the basis of their attendance.
- xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year – Not Applicable.
- xii) The Board affirms that the remuneration is as per the remuneration policy of the Company.

B. Information as per Rule 5 (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014:

Name and Age	Designation, Nature of Employment & date of commencement of employment	Qualification and Experience	* Gross Remuneration (Rs)	Last employment	Name of the Director / Manager, whose relative he is
Mr Rahul C Kirloskar 51 years	Executive Chairman 27 January, 2012	B.S. (Mech. Engg), U.S.A.	15,349,709	Kirloskar Oil Engines Limited	Mr Atul C Kirloskar
Mr Aditya Kowshik 59 years	Managing Director 22 February, 1993	B.E. (Mech)	7,988,131	Reconn International	-

Note:

- * Excluding contributions to Provident Fund, Superannuation and Gratuity not forming part of minimum remuneration in terms of Section IV of Part II of Schedule V of the Companies Act, 2013.

REPORT ON CORPORATE GOVERNANCE

The Company has been practicing the principles of good corporate governance over the years. The Directors present below the Company's report on Corporate Governance for the financial year 2014-15.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS

i. Composition and Category of Directors:

The Board of Directors of the Company represents an optimum mix of professionalism, gender, knowledge and experience, comprising of Executive, Non-Executive and Independent Directors. The Chairman is an Executive Director. In all, there are Ten Directors including Five (50%) Non Executive & Independent Directors including a Woman Director, Three (30%) Non-Executive Directors and Two (20%) Executive Directors. As on 31 March, 2015, the composition of the Board of Directors of the Company meets the stipulated requirements of clause 49 of the Listing Agreement of the BSE Limited.

None of the Independent Directors of the Company serve as an Independent Director in more than seven listed companies.

In compliance with the Companies Act, 2013 and revised Clause 49 of the Listing agreement, two Independent directors viz. Mr Sunil Shah Singh and Mr G Krishna Rao have been appointed for a period of five consecutive years upto 22 July, 2019 and three Independent Directors viz. Mr A C Mukherji, Mr P S Jawadekar and Late Mr J Y Tekawade have been appointed for a period of two consecutive years upto 22 July, 2016.

The Board of Directors of the Company has also appointed Dr Aditi Pant as an Additional Director with effect from 24 July, 2014 in the category of an Independent Director in compliance with Clause 49 of the Listing agreement.

Mr J Y Tekawade ceased to be an Independent Director on his sad demise with effect from 4 November, 2014.

The Company issued letter of appointment to all the Independent Directors as per Schedule IV to the Companies Act, 2013 and the terms and conditions of their appointment have been disclosed on the website of the Company namely www.kirloskarkpcl.com

ii. Board Training and Induction:

The Company had arranged familiarization programmes including plant visit for all the Directors during the year. The programmes were aimed to acclimatize the Directors with processes, business and actual functioning of the Company so as to enable them to carry out their role effectively.

During the year, the Company had also organized a training program for its Directors on Corporate Governance, Role of Independent Directors, etc. and the details of familiarization and training programmes have been posted on Company's website.

Weblink: <http://www.kirloskarkpcl.com/Pdf/company-policies/training-program.pdf>

iii. Number of Meetings:

The Board meets at least once in every quarter to review Company's operations and the maximum time gap between any two meetings is not more than 120 days.

During the year ended on 31 March, 2015, six Board Meetings were held on 23 April, 2014, 27 May, 2014, 23 July, 2014, 3 November, 2014, 22 January, 2015 and 12 March, 2015. The Annual General Meeting of the Company was held on 23 July, 2014.

iv. **Director's attendance record and directorships held:**

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

Name of the Director & Position	No. of Board Meetings attended	Directorship held in Indian Public Limited Companies (Including KPCL)*	Committee Position# (including KPCL)	
			Member	Chairman
Non - Executive Directors				
Mr Atul C Kirloskar (DIN 00007387)	6	8	-	1
Mr Vikram S Kirloskar (DIN 00007907)	1	5	1	-
Mr D R Swar (DIN 00007495)	4	2	1	1
Mr Sanjay C Kirloskar (DIN 00007885) (resigned with effect from 23 April 2014)	-	NA	NA	NA
Independent & Non - Executive Directors				
Mr A C Mukherji (DIN 00063975)	5	4	3	2
Mr P S Jawadekar (DIN 00155177)	6	2	2	-
Mr G Krishna Rao (DIN 00058985)	6	1	1	1
Mr Sunil Shah Singh (DIN 00233918)	6	3	2	-
Dr Aditi Pant (DIN 06930011) (Appointed with effect from 24 July 2014)	3	1	-	-
Late Mr J Y Tekawade (DIN 00075502) (Ceased with effect from 4 November 2014)	4	NA	NA	NA
Executive Directors				
Mr Rahul C Kirloskar Chairman (DIN 00007319)	6	5	3	-
Mr Aditya Kowshik Managing Director (DIN 00228983)	6	1	-	-

Notes:

* Excluding Private, Foreign and Section 8 Companies.

For this purpose only Membership / Chairmanship of Audit Committee and Stakeholders' Relationship Committee of Public Limited Companies are considered.

All Directors as on that date except Mr Vikram S Kirloskar attended the Annual General Meeting held on 23 July, 2014.

v. Meeting of Independent Directors:

Separate meetings of Independent Directors in compliance with Schedule IV of the Companies Act, 2013 were held during the year and all independent directors were present at the said meetings.

vi. Code of Conduct:

The Board has prescribed the Code of Conduct for all its Board Members and Senior Management. The Code of Conduct has been posted on Company's Website at <http://www.kirloskarkpcl.com/Pdf/Investor%20Relations/Code%20of%20Conduct/CODE%20FOR%20BOD%20&%20SR%20MGMT.pdf>.

The Managing Director has confirmed to the Board that the Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of Conduct for Directors and Senior Management in respect of the financial year ended on 31 March, 2015. A declaration to this effect signed by Managing Director has been incorporated in the Annual Report.

3. AUDIT COMMITTEE

i. Composition:

The Audit Committee, before reconstitution, consisted of Mr A C Mukherji, Mr G Krishna Rao and Late Mr J Y Tekawade, all Independent Directors.

The Audit Committee was reconstituted on 23 April 2014 and after reconstitution the Committee consists of Mr A C Mukherji, Mr G Krishna Rao and Mr P S Jawadekar, all Independent Directors.

Mr A C Mukherji, Independent Director is the Chairman of the Audit Committee. The Audit Committee Chairman and Members are well-versed with the financial matters.

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

ii. Terms of Reference:

The role and terms of reference of the Audit Committee covers the areas as contemplated under Clause 49 of the Listing Agreement and Section 177 of the Companies Act, 2013, besides other terms as may be referred by the Board of Directors.

Role of Audit Committee

The brief role of the audit committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommendation for appointment, remuneration, terms of appointment of auditors of the Company.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with management the quarterly / half yearly / annual financial statements and auditor's report thereon before submission to the Board for approval.
5. Review and monitor the auditor's independence and performance and effectiveness of audit process;
6. Approval or any subsequent modification of transactions of the Company with related parties;
7. Scrutiny of inter-corporate loans and investments;
8. Valuation of undertakings or assets of the Company, wherever it is necessary;
9. Evaluation risk management systems;
10. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
11. Discussion with internal auditors of any significant findings and follow up thereon;

12. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
13. Discussion with statutory auditors before the audit commences, about nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
14. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
15. To review the functioning of the Whistle Blower mechanism;
16. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

iii. Meetings & attendance of the Audit Committee:

The Audit Committee met six times during the year i.e. on 23 April, 2014, 27 May, 2014, 23 July, 2014, 3 November, 2014, 22 January, 2015 and 12 March, 2015 which was attended by the members as per the following details:-

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr A C Mukherji	6	5
Mr G Krishna Rao	6	6
*Late Mr J Y Tekawade	1	1
**Mr P S Jawadekar	5	5

Notes:

* Ceased to be a member of committee with effect from 23 April, 2014.

** Appointed as member of committee with effect from 23 April, 2014.

The Chairman of the Committee was present in the Annual General Meeting to answer the shareholder queries.

4. NOMINATION AND REMUNERATION COMMITTEE:

In compliance with Section 178 of the Companies Act, 2013, the Board has renamed "Remuneration Committee" as "Nomination and Remuneration Committee."

i. Composition:

The Nomination & Remuneration Committee, before reconstitution, comprised of 3 Directors consisting of Mr P S Jawadekar, Mr G Krishna Rao and Late Mr J Y Tekawade.

The Nomination & Remuneration Committee was reconstituted on 23 April 2014 and after reconstitution the Committee comprises of Mr P S Jawadekar who is the Chairman of the Committee, Mr G Krishna Rao and Mr Sunil Shah Singh. Company Secretary acts as Secretary to the Committee.

ii. Terms of Reference:

The broad terms of reference of the Nomination and Remuneration Committee are as under.

- i) Formulation of the criteria for determining the qualifications, positive attributes and independence of Director;
- ii) Devising a policy on Board diversity;
- iii) Formulation of Remuneration policy;
- iv) Review the structure, size and composition of the Board;
- v) Identifying and selection of candidates for appointment as Directors;
- vi) Identifying potential individuals for appointment as Key Managerial Personnel and Senior Management;
- vii) Formulation of criteria for evaluation of Independent Directors and the Board.

iii. Meetings & attendance of the Nomination & Remuneration Committee:

During the year, six Meetings were held on 23 April, 2014, 27 May, 2014, 23 July, 2014, 3 November, 2014, 22 January, 2015 and 12 March, 2015, and were attended by the members as per the following details :-

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr P S Jawadekar	6	6
Mr. G Krishna Rao	6	6
*Late Mr J Y Tekawade	1	1
** Mr Sunil Shah Singh	5	5

Notes:

* Ceased to be a member of the Committee with effect from 23 April, 2014.

** Appointed as member of committee with effect from 23 April, 2014.

The Chairman of the Committee was present in the Annual General Meeting to answer the shareholder queries.

iv. Remuneration Policy:

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

Non-Executive Directors are paid sitting fees for attending Board / Committee Meetings as decided by the Board within the limits prescribed under the Companies Act, 2013.

The Remuneration policy is provided as Annexure to the Directors' Report.

v. Details of remuneration paid / payable to Directors during the year 2014-15:

A. Non Executive Directors

Name of Director	Sitting Fees (Rs)	Salary & Perquisites (Rs)	No. of shares held
Mr Atul C Kirloskar	300,000	-	154,363*
Mr Vikram S Kirloskar	50,000	-	-
Mr A C Mukherji	500,000	-	-
Mr P S Jawadekar	700,000	-	-
Mr G Krishna Rao	800,000	-	-
Mr D R Swar	350,000	-	-
Mr Sunil Shah Singh	425,000	-	1,000
Dr Aditi Pant	150,000	-	-
**Late Mr J Y Tekawade	355,000	-	104
***Mr Sanjay C Kirloskar	-	-	125

Notes:

* Includes shareholding singly and jointly.

** Ceased to be a Director with effect from 4 November 2014.

*** Resigned as Director with effect from 23 April 2014.

Notes:

1. There are no other pecuniary relationships or transactions of Non-Executive Directors vis-à-vis the Company.
2. Pursuant to limits approved by the Board, all Non-Executive Directors are paid sitting fees of Rs. 50,000 for attending each meeting of the Board and Audit Committee and Rs. 25,000 for attending each meeting of the other Committees of the Board.
3. No remuneration by way of commission to Non-Executive Directors is proposed for the financial year.

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

The Members of the Company have approved the following minimum remuneration paid to Mr Rahul C Kirloskar, Executive Chairman and Mr Aditya Kowshik, Managing Director by way of resolution passed by postal ballot on 6 May, 2015.

(Amount in Rupees)

Particulars	*Mr Rahul C. Kirloskar From 1 April, 2014 to 31 March, 2015	Mr Aditya Kowshik From 1 April, 2014 to 31 March, 2015
Salary	12,000,000	6,000,000
House Rent Allowance	-	600,000
**Contribution to Funds	500,000	850,000
Other perquisites	2,849,709	538,131
TOTAL	15,349,709	7,988,131
***No. of shares held	222,022	NIL

Notes:

- * Minimum remuneration paid subject to approval of the Central Government.
- ** Excluding contributions to Provident Fund, Superannuation and Gratuity not forming part of minimum remuneration in terms of Section IV of Part II of Schedule V of the Companies Act, 2013.
- *** Includes Shareholding singly and jointly.

5. STAKEHOLDERS' RELATIONSHIP COMMITTEE

In compliance with Section 178 of the Companies Act, 2013, the Board has renamed "Investors Grievance Committee" as "Stakeholders' Relationship Committee."

The Committee, presently functions under the Chairmanship of Mr G Krishna Rao, an Independent Director with Mr Rahul C Kirloskar, Executive Director and Mr Sunil Shah Singh (appointed as a member with effect from 22 January, 2015), Independent Director as its members. Late Mr J Y Tekawade was the member of the Committee upto 4 November, 2014. Company Secretary is the Compliance Officer.

During the year, two Stakeholders' Relationship Committee meetings were held on 23 April, 2014 and 3 November, 2014 and both were attended by members as per the following details:-

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr G Krishna Rao	2	2
Mr Rahul C Kirloskar	2	2
Late Mr J Y Tekawade	2	2

The Company has received 4 complaints during the year and all of them were resolved. There were no complaints pending as on 31 March, 2015.

6. SUBSIDIARY COMPANY

The company does not have any material subsidiary whose net worth exceeds 20% of the consolidated net worth of the holding Company in the immediately preceding financial year or has generated 20% of the consolidated income of the Company during the previous financial year.

A policy on material subsidiaries has been formulated by the Company and placed on the website of the Company at <http://www.kirloskarkpcl.com/html/Aboutus/company-policies.htm>

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

The financial statements of the Subsidiary Company are placed before the Audit Committee for their review.

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

7. RISK MANAGEMENT

The detailed framework relating to the Risk Management has been provided under the Section of Directors' Report in the Annual Report.

8. RELATED PARTY TRANSACTIONS

As required under clause 49(VIII) of the revised Listing Agreement, the Company has formulated a Related Party Transactions Policy which has been put up on the website of Company at <http://www.kirloskarkpcl.com/Pdf/company-policies/policy-on-materiality-of-related-party-transactions.pdf>.

9. GENERAL BODY MEETINGS

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

Date	Time	Location
23 July, 2014	2.30 pm	Maharatta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune - 411 002
23 July, 2013	2.30 pm	
17 July, 2012	2.30 pm	

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

The shareholders of the Company have passed one special resolution by way of e-voting at the last three AGM's.

Sr. No.	Resolutions
1	Alteration of Articles of Association

iii. Postal Ballot:

The shareholders of the Company have passed following special resolutions by way of Postal Ballot at the Annual General Meeting held on 23 July, 2014.

Sr. No.	Resolutions	Votes in favour of the Resolution		Votes against the Resolution	
		No. of votes	% to total votes	No. of votes	% to total votes
1	Increase in borrowing limits	10,413,935	99.99	203	0.01
2	Creation of charge on the properties of the Company	10,414,104	99.99	33	0.01
3	To make investment(s), loan(s), give guarantee(s) and provide securities	10,413,764	99.99	366	0.01

The Notice dated 27 May, 2014 was sent to the Members and the last date for receipt of postal ballot forms was 19 July, 2014. Mr S V Deulkar, Proprietor of M/s S V Deulkar & Company, Company Secretaries was appointed as Scrutinizer for the process of postal ballot exercise. According to the Scrutinizer's report, the Resolutions were passed by the requisite majority. The result of the postal ballot was declared on 24 July, 2014 on the website of the Company and informed to the BSE Limited, where the shares of the Company are listed for the information of the members.

The following resolutions are proposed to be conducted during the financial year 2014-15 through postal ballot vide notice dated 12 March, 2015.

Sr. No.	Items
1	Remuneration to Mr Rahul C Kirloskar, Executive Chairman due to inadequate profits
2	Remuneration to Mr Aditya Kowshik, Managing Director due to inadequate profits

The above Resolutions were approved by the members by way of resolution passed by Postal Ballot on 6 May, 2015.

10. DISCLOSURES :

i. Related Party Transactions:

All the transactions entered into with the related parties as defined under the Companies Act, 2013 and Clause 49 of the Listing Agreement during the year were in the ordinary course of business and on arms length basis and do not attract provisions of Section 188 of the Companies Act, 2013. As a result, the Company had no materially significant related party transaction that has potential conflict of interest with the interest of Company at large during the year 2014-15.

ii. Strictures or Penalties

There was no non-compliance by the Company, penalties or strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to Capital Markets, during the last three years.

iii. Vigil Mechanism / Whistle-Blower Policy

Pursuant to Section 177(9) and (10) of the Companies Act, 2013 and the revised Clause 49 of the Listing Agreement, the Company has a Whistle- Blower Policy for establishing a vigil mechanism for Directors and employees to report genuine concerns regarding unethical behavior, actual or suspected fraud or violation of the Company's code of conduct and ethics Policy. The said mechanism also provides for direct access to the Chairperson of the Audit Committee in appropriate or exceptional cases. During the year, no employee of the Company was denied access to the Audit Committee. The said policy has been uploaded on the website of the Company at <http://www.kirloskarkpcl.com/html/Aboutus/company-policies.htm>

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

v. The Company has also complied with the following non-mandatory requirements:

- Audit qualification: Company's financial statements are unqualified.
- Separate Posts of Chairman & CEO: The positions of the Chairman and CEO are separate.

vi. Prohibition of Insider Trading:

The Company has adopted a Code of Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company. The code provides for periodical disclosures from Directors and designated employees as well as pre-clearances of transactions by such persons.

11. MEANS OF COMMUNICATION:

The unaudited quarterly / half yearly results are announced within forty-five days of the close of the quarter. The audited annual results are announced within sixty days from the close of the financial year as per the requirements of the Listing Agreement with the BSE Limited.

The aforesaid financial results are sent to BSE Limited where the Company's securities are listed, immediately after these are approved by the Board. The results are thereafter published in the leading English and Marathi news papers within fortyeight hours.

The audited financial statements form part of the Annual Report which is sent to the Members well in advance of the Annual General Meeting.

The Company also informs by way of intimation to BSE Limited all price sensitive matters or such other matters, which in its opinion are material and of relevance to the members.

The Annual Report of the Company, the quarterly / half yearly and the annual results of the Company, statement of unclaimed dividend, shareholding pattern, Corporate Governance Report etc. are also placed on the Company's website: www.kirloskarkpcl.com

12. GENERAL SHAREHOLDER INFORMATION:

i. Annual General Meeting :

Date	:	29 July, 2015
Day	:	Wednesday
Time	:	2.30 pm
Venue	:	S M Joshi Socialist Foundation (SM Joshi Hall) S.No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune 411030.

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

iii. **Book Closure** : Thursday the 23rd day of July, 2015

iv. **Dividend Payment Date** : On or after 29 July, 2015

v. **Listing on** : BSE Limited

vi. **Stock Code** : 505283

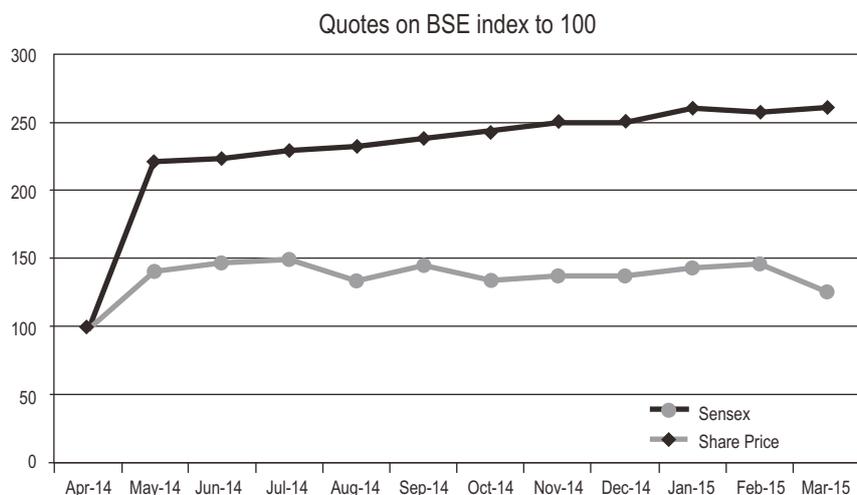
vii. **Depositories** : National Securities Depository Ltd.
Central Depository Services (I) Ltd.
ISIN No. - INE811A01012

viii. Market Price Data :

Market Price Data as per BSE Limited, i.e. High-Low and close for each month during this financial year:

Year	High (Rs)	Low (Rs)	Close (Rs)
April 2014	448.00	397.00	430.75
May 2014	630.05	413.30	630.00
June 2014	659.95	561.00	595.00
July 2014	670.00	560.00	579.85
August 2014	599.95	551.10	581.55
September 2014	650.00	521.10	535.85
October 2014	600.00	491.00	591.30
November 2014	614.90	570.00	600.10
December 2014	615.00	561.15	579.05
January 2015	641.40	575.00	583.50
February 2015	655.00	500.50	520.50
March 2015	564.00	457.50	546.25

ix. Stock Performance in comparison to BSE Sensex:



x. Registrar & Transfer Agent:

M/s Link Intime India Private Limited is the Registrar & Transfer Agent for shares in physical form as well as electronic mode.

xi. Share Transfer System:

Share Transfers are registered and returned within a period of 10 days from the date of receipt, provided the documents are correct and valid in all respects.

xii. Distribution of Shareholding as on 31 March, 2015:

Holding		No. of Members	%	No. of Shares of Rs. 10/- each	% to Capital
UPTO	500	17,303	97.57	688,041	5.36
501	1000	247	1.40	205,643	1.60
1001	2000	89	0.50	131,983	1.03
2001	3000	26	0.15	64,248	0.50
3001	4000	13	0.07	45,128	0.35
4001	5000	11	0.06	49,904	0.39
5001	10000	9	0.05	58,412	0.45
10001	AND ABOVE	36	0.20	11,600,979	90.32
Total		17,734	100.00	12,844,338	100.00

xiii. Dematerialisation of Shares & Liquidity:

The name of the Company appears in the compulsory Trading List and 96.56% of Share Capital is in Electronic Form as on 31 March, 2015.

xiv. An annual listing fee for the year 2014-15 as applicable has been paid by the Company to BSE Limited.

xv. Company has not issued GDRs / ADRs / Warrants or any convertible instruments.

xvi. Plant Locations & Address for Correspondence:

Registered Office of the Company

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

Plant Locations :

Pune
Hadapsar Industrial Estate,
Pune 411 013

Saswad

Saswad,
Tal.: Purandar, Dist. Pune

Nashik

Thermal Power Station Road,
Nashik Road, Nashik

**Registrar & Transfer Agent :
Link Intime India Private Limited**

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

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

xvii. CEO/CFO Certification

The CEO/CFO Certificate signed by Mr Aditya Kowshik, Managing Director and Mr Suhas S Kolhatkar, Vice President & Chief Financial Officer was placed before the meeting of Board of Directors held on 7 May, 2015.

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Kirloskar Pneumatic Company Limited

We have examined the compliance of conditions of Corporate Governance by Kirloskar Pneumatic Company Limited, for the year ended 31 March, 2015, as stipulated in Clause 49 of the Listing Agreement of the said Company, with the Stock Exchange(s).

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

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

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

For M/S P G BHAGWAT

Chartered Accountants
Firm's Registration Number : 101118W
sd/-

S S Athavale

Partner
Membership Number 83374

Place : Pune

Date : 7 May, 2015

DECLARATION FOR COMPLIANCE WITH THE CODE OF CONDUCT

Pursuant to Clause 49 of the Listing Agreement I, hereby declare that all Board Members & Senior Management personnel have affirmed compliance with the Code of Conduct for the year ended 31 March, 2015.

Kirloskar Pneumatic Company Limited

sd/-

Aditya Kowshik

Managing Director
DIN 00228983

Place : Pune

Date : 7 May, 2015

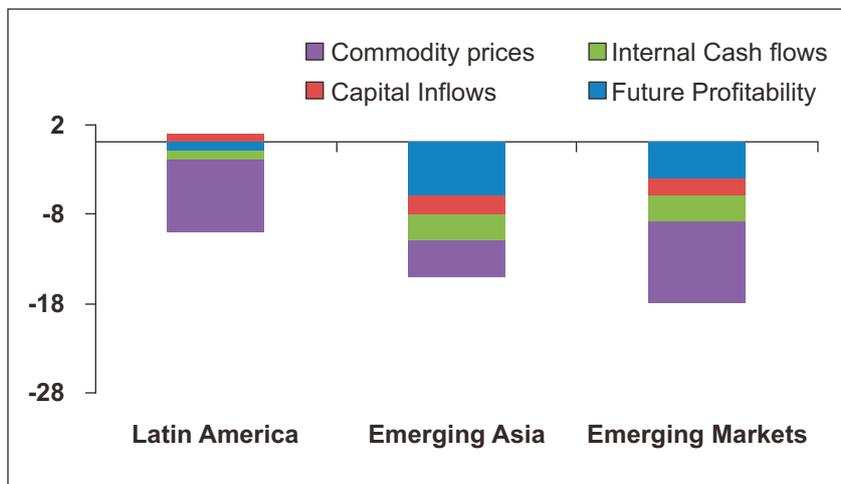
MANAGEMENT DISCUSSIONS AND ANALYSIS

Global Economy

Global growth in the year 2014 was modest 3.4% and it is expected to marginally improve in 2015. However this growth had regional imbalances. Advanced economies have shown pickup in the economic activities while emerging markets show slowdown. Recent sharp decline in oil and commodity prices had a net positive impact on some economies. Asian economies have witnessed steady performance. However oil producing and commodity exporting countries of Latin America, Caribbean, CIS, Middle East and North Africa, and sub-Saharan Africa are witnessing negative trend.

Private fixed investment in advanced economies contracted sharply during the global financial crisis, with little recovery since. It has generally slowed more gradually in the rest of the world. The weakness in business investment (the largest component of private investment) is primarily a symptom of the weak economic environment. With few exceptions, business investment has been low.

Weaker expectations on future profitability, contribution of higher corporate leverage and lower internal cash flow, decline in capital inflows and commodity export prices are key contributors for the business investment slowdown. In advanced economies, private fixed investment has declined by an average of 25 percent since the global financial crisis compared with pre-crisis forecasts. Private investment in emerging market and developing economies has also slowed in recent years, following a boom in the early- to mid-2000s, but more gradually than in advanced economies.



Indian Economy

Index of Industrial Production showed marginal increase of 2% in 2014-15 after deceleration of 1% in previous year. Specifically for Machinery and equipment production index was at -5% annually for last three consecutive years. In the year 2014-15 this has grown by 2.5%. Growth in gross fixed capital formation also continues to be below 3%.

In India, a slow economic recovery is underway, helped by a sharp slide in inflation to multi-year lows and improving export momentum in line with rising global demand. With the reform agenda building momentum and current account vulnerabilities considerably diminished compared to 2013, currency and equity markets came under some pressure but were less affected than other emerging market peers during an episode of global financial volatility in December 2014.

The improvement follows a sharp slowdown in the previous two years during which high inflation and a perception of policy paralysis had depressed domestic investment, while growing macroeconomic imbalances increased

vulnerability to volatility in global financial markets.

Supported by a recovery in domestic demand, especially investment, GDP growth is expected to steadily accelerate toward 8 percent by 2018. Contingent on strong and sustained progress on reforms, rising investment should help boost growth to 7.5 percent in 2016 and 2017. However, any slackening in the reform momentum, energy sector challenges and continued weak business sentiment could result in slower pace of recovery. Soft oil prices will raise real incomes support consumption and help ease current account pressures.

Segment Analysis

Your Company serves two business segments – Compression Products/ Systems and Transmission Products.

1. Compression Products:

Your Company offers a wide range of products which include – Air, Gas and Refrigeration Compressors, Packages and Systems. These products primarily serve Oil and Gas, Cold Chain and other industrial markets. Additionally Kirloskar Pneumatic Company Limited ("KPCL") also serves defense needs of compression systems.

- a. **Oil & Gas Business** : Your Company offers refrigeration and gas compression systems for refineries, petrochemical plants, CNG stations etc. Your Company has proven to key customers like ONGC, Reliance, Jindal, BPCL, HPCL, Shell and other companies its capabilities of design, procure, build & test high end systems. Customers have time and again posed confidence on this capability and this helps us to retain market leadership in the segment.

Your company bagged and executed significant projects during the period 2010-13. This was the time when oil and gas sector went in for modernization of the facilities and capacity additions. However since 2013 there has not been any significant investment in this sector by both the Government as well private sector. CNG stations have not grown in the recent past due to infrastructure issues and policy guidelines. Coupled with this oil and gas prices globally went down.

In spite of this subdued business environment your company has maintained market share in the Oil and Gas market. Your company is now regularly receiving orders for indigenously developed CNG compressor.

The drop in oil prices has resulted in almost zero investments in this sector and only a few minor projects for improvement and up-gradation are seen in the coming year.

Volatility and availability of gas in new cities is an issue which has affected investment in CNG stations. Very few CNG stations were installed in India in 2014-15 and your company has however continued to retain its market share in this business.



- b. **Cold Chain Business** : Your Company supplies ammonia compressor and packages for the cold store units, dairy units and pharmaceutical plants. These compressors are of reciprocating technology and offer excellent reliability. Your company has a wide network of dealers who provide 24x7 services to the customers. Your company is closely associated with various state level cold store association and government nodal agencies and technical committees. KPCL enjoys excellent market share in this segment.

With about 140 million ton of fruits and vegetable production, India is second largest producer in the world. However 40% of this produce is wasted due to improper storage and transportation. India is the largest producer of milk in the world with 100 million ton production. However 10% of this milk gets wasted. With this in mind the Government of India is aggressively pushing for the infrastructure development for cold chain. The Government of India has set up NCCD - a national body to serve as a nodal agency to promote and develop cold-chain in India. Government has also announced incentives for infrastructure development in cold chain.

As such demand for compressors for cold stores is growing. During the year 2014-15 your company has

grown this business by 14%. In fact this business has grown consistently over last three years at a CAGR 10%.

Your company has developed air cooled compressors which reduces system cost to the customer. This also improves the efficiency and running cost. To improve quality and delivery of refrigeration compressors your company successfully installed sophisticated machining centres and results are very encouraging.

- c. Industrial Business :** Your Company offers air compressors and packages of various technologies. KPCL has distinction of over 10000 installations with reputed customers in cement, steel, power, engineering and other markets. KPCL has integrated capability of designing, manufacturing and servicing air compressors. Customers value engineering and solution offering capability of KPCL.



The year 2014-15 was difficult year for this business. With slowdown in the private sector investment over the last 2 years, demand for compressors contracted by 40%. There was no major investment in key markets like air separation, steel plants, cement and power plants. With contracted demand competition was intense and put pressure on margins.

Additionally, there is an entry of low cost products from Asian countries. There has been marginal improvement in demand from sectors like rice mills, textile, tiles etc. All this has resulted into lower sales by 32% over previous year in the industrial business.

KPCL is known in the market place for engineering capability and customized design. Your company has developed a new series of compressors which will reduce noise and vibrations for the customers. These have successfully been offered in the high pressure market like PET bottling market. KPCL has entered into high speed compressor market with development of centrifugal compressor. First production unit is installed at customer. All these technological innovations will take us to next level of growth.

- d. Defense Business :** KPCL serves defense sector with products like HVAC systems and air compressor packages. KPCL has unique distinction of being preferred supplier status. This has been possible with relentless efforts of our engineering team. Some of the prestigious installations include HVAC system for warships and submarines, cooling trolleys for aircraft and helicopter, air charging units, refrigeration plants for food preservation.

This is a tender based business and includes new equipment as well as service business. During the year 2014-15 this business dropped by 28% owing to delays in finalizing orders.

Performance: With demand contraction in industrial market and defense business, during the year 2014-15 revenue for the Compression Product segment was Rs 3862 Million (Previous year Rs 4159 Million).

Opportunities, Threats and Concerns: The new Government through its reform policy is attempting to bring in improved business environment. However your company believes that this year may be year of a transition for Oil & Gas sector. Company will continue to support the customers with products and services. To de-risk this challenge of growth, the company has set up an International Business Division. Your company has been approved by major consultants and contractors in Middle East and South East Asia. A team of sales and marketing is travelling to the region and promoting KPCL capabilities.

Cold chain market is expected to grow at 10% annually. However implementation of government programmes for developing this market will have to be watched carefully. Your company, with its extensive distribution network and delivery process is confident of seizing the opportunity as and when they appear.

Industrial markets will see upturn in next two to three years. Company has invested into developing new technology products. This will offer a competitive edge to regain its leadership position. To reach to smaller markets, company has been expanding dealer network aggressively. This will enable to increase market access and reach.

The Government of India is aggressively modernizing defense installations. Your company with strong references expects to play an important role in this "Make in India" programme. However delays in finalizing orders may dampen the demand. Your company expects more international players to start business in India. But your company is strongly poised to take on this competition.

2. Transmission Products:

Your Company offers wide range of product which includes – Traction Gears, Customised Gearboxes and Specialized Products. These products primarily serve Indian Railways, wind power projects and other industrial markets.

- a. **Railways Business** : Your Company is a strong player in this market. The company, over the years has developed capability of manufacturing entire range of gear pinion requirement of Indian Railways. It has been approved as part 1 supplier for the new generation high speed locomotives. Your company serves locomotive manufacturing units of Indian Railways.

Over the last couple of years, your company worked extensively in modernizing its gear plant. As such, deliveries from gear plant improved dramatically. However demand for railways gears and pinions was lower this year by 24%, due to excessive inventory at locomotive works. Spares demand continued to be similar to previous year.

- b. **Wind Turbine Gearbox Business** : Your Company traditionally has been manufacturing and selling gearboxes for wind turbines. These gear boxes can be classified into kilowatt class and megawatt class. Company is a leader in kilowatt class gearbox. With market moving to megawatt class, company has developed capability of making megawatt class gearbox. It works with some of the leading companies in wind power industry. Gearbox produced by KPCL is low noise and high reliability gearbox.

For last two years new wind farm projects are very few. With a change in the Government policy on wind power projects the demand for gearbox has reduced substantially. In fact new wind power annual installations have dramatically dropped as compared to 2011. In last couple of years a few of our valued customers have actually gone bankrupt and closed down. In this diminishing market KPCL has maintained its market share and executed few orders for replacement of gearboxes in the sub megawatt class. This market is not expected to grow in the coming year.

- c. **Industrial Gearbox Business** : With a fluctuating demand in wind turbine gearbox market, your company strategically decided to work in the industrial markets with customized gearboxes. These are planetary gearboxes for sugar mills, cement plants, steel plants. To be successful in this business your company requires registrations with consultants and reference installations. This process has been taken up aggressively.



As part of the strategy execution, KPCL has emphasized on developing competency and bringing new talent in design and marketing. KPCL proactively participated in the exhibitions which are specific to sectors like cement, steel, power and engineering industry. KPCL is now registered with more than 20 leading consultants/contractors. With this, KPCL has successfully executed prestigious orders from industry majors. This will help your company grow in the long term.

Performance: With lower demand in railway business and wind turbine business, during the year revenue for the Transmission Product segment was Rs 546 Million (Previous year Rs 679 Million).

Opportunities, Threats and Concerns: Railways demand for traction gears may grow by 5% over next three years. Indian Railways is working on developing multiple sources. This may affect the growth opportunities for your company. KPCL has developed capability for faster delivery which will be a competitive advantage.

Wind turbine market has shown some sporadic movement in some parts of the country. But no major thrust is envisaged. Although central government is working on promoting renewable energy, there are still many bottlenecks at state level such as power purchase agreements etc. Future direction for wind turbine business will be clear only towards end of 2015. KPCL will continue to explore new opportunities and support existing customer base.

Your Company expects its entry into industrial gearbox market will open opportunities for growth. Your company is also exploring opportunity for entering service business for gearbox. KPCL planning to monitor the field performance of the gearboxes supplied and enhance customer satisfaction. This will instill confidence in customer about our reliability and service capability.

Gearbox business is solely dependent on availability of engineering talent and adequate infrastructure. Infrastructure has already been augmented with state of the art manufacturing and testing equipments procured from global leading manufacturers. Engineering talent is being inducted and training on various software and analysis tools is being enhanced.

3. Other:

Your Company has worked on a new technology offering the RoadRailer for the logistics sector. This technology developed with the support of Wabash Inc, USA is designed to offer quicker, safer and economical transportation of cargo. RoadRailer rake manufactured by your company has successfully completed the EBD (Emergency Brake Distance) test. Your company is now awaiting few clearances for commencing the operations.

Internal Control Systems and their Adequacy

Your Company has covered this in the Directors' Report.

Safety, Health and Environment

Your Company is one of the few IMS (Integrated Management System - ISO 9001, ISO 14001 and OHSAS 18001) Certified Companies. Your Company is committed to comply with all statutory and regulatory requirements. Your Company has been taking efforts in building awareness among employees, suppliers and service providers. Your Company has been giving a lot of attention to improving greenery all around its manufacturing plants. Energy conservation initiatives, safety initiatives and quality initiatives are being taken on a regular basis to ensure sustainability.

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

Corporate Social Responsibility (CSR)

Inspired by our founder Late Shri S L Kirloskar all our CSR initiatives are focused in the areas of Education, Environment and Health. CSR initiatives in your Company are planned, budgeted, implemented and reviewed regularly. CSR provides a volunteering platform to the employees and about 20 % of employees volunteer to actively contribute for a social cause every year. During this year, your Company has reached out to 35 schools and 25,000 community members with the help of 185 employee volunteers who put in over 7500 man hours of volunteering. Significant CSR initiatives include supports WaSH (Water, Sanitation and Hygiene) initiative, School Health Check Program, HIV AIDS workplace and community intervention. Also during the year 183 employees of Hadapsar Plant donated blood voluntarily.



The Board has established a CSR Committee to monitor its CSR activities. On the recommendation of the CSR Committee the Board of Directors has adopted a CSR Policy in line with the Companies Act, 2013.

Human Resources and Industrial Relations

A committed and competent team is the back bone of your Company. Significant efforts are made to enhance efficiency and effectiveness of employees. Your Company has a well structured Management Development Programme which seeks to identify, leverage and appropriately deploy talent within the Company. Attracting & retaining talent and succession management continue to be a major focus of HR.

Upgrading skills and competencies across all levels has become essential with the changes in the business and technological environment. Your Company will continue to build on the people and processes with a definite plan on strengthening the organization.

Various initiatives like staffing, career planning, learning & development, rewards & recognition and communication have been taken during the year.

Recruitment & Staffing : Selection of new employees is done through a rigorous process including aptitude test, technical test to ensure we get the right candidate onboard.

Career Planning : Key Role Holders are identified as part of the succession process. They go through Development centers to assess their potential. They attend management development program at KIAMS to develop their skills.



Learning & Development : Based on the gaps identified, employees attend knowledge, skill, behaviour programs during the year. This helps them fulfill their potential. Higher education assistance scheme offers opportunities to enhance aspirations of employees.

Rewards & Recognition : Employees are motivated through various reward schemes that recognize individual as well as team performance.



Communication : A dialogue is maintained with employees throughout the year through speakout sessions, house magazine (Susamwad) and intranet (Shashwat). The employees are aware of developments in the Company.

Your Company has a total strength of 876 employees as on 31 March, 2015. The relations with the employees at all levels continue to be cordial.

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

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Kirloskar Pneumatic Company Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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 financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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 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 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 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the 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 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 financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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, of the state of affairs of the Company as at 31st March, 2015, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following matter in the Notes to the financial statements:

Chairman's remuneration for FY 2014-15 is in excess of limits laid down in Schedule V of the Companies Act 2013, and is subject to the approval of the Central Government (refer Note No. 31)

Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 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 purposes 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, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) In our opinion there are no financial transactions or matters which have any adverse effect on the functioning of the Company.
- (f) On the basis of the written representations received from the directors as on 31 March, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act;
- (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 financial statements – Refer Note 37 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

Place : Pune
Date : 7 May, 2015

sd/-
S S Athavale
Partner
Membership Number 83374

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our above report of even date)

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, considering the nature of the Fixed Assets, the same have been physically verified by the management at reasonable intervals during the year as per the verification plan adopted by the company, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. According to the information and explanations given to us and the records produced to us for our verification, the discrepancies noticed during such physical verification were not material and the same have been properly dealt with in the books of account.
2. (a) The inventory has been physically verified during the year by the management, which, is in our opinion, at reasonable intervals.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) On the basis of our examination of the records of inventory, we are of the opinion that the company is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stock and the book records.
3. The Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the Register maintained under Section 189 of the Companies Act, 2013, during the year.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
5. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits.
6. The Company is maintaining cost records as prescribed under Section 148 (1) of the Companies Act, 2013. However, we have not verified the same for completeness or accuracy.
7. (a) According to the records of the Company, the Company is regular in depositing undisputed statutory dues with the appropriate authorities. There were no amounts payable in respect of the statutory dues outstanding, as at the Balance Sheet date for a period of more than six months from the date they became payable.
According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, ESI, Sale Tax, VAT, Income Tax, Customs duty, Wealth Tax, Service Tax, Excise Duty, Cess and any other statutory dues were outstanding, as at the balance sheet date for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, there are no dues of Sales Tax, VAT, Income Tax, Customs Duty, Wealth Tax, Excise Duty, Cess and Service Tax which have not been deposited on account of any dispute, except:

Name of the Statute	Nature of dues	Amount (Rs)	Period to which amount relates	Forum
Excise Duty	Demand of penalty on reversal of Cenvat Credit not made	1,844,000	FY 1997-98 to 2001-02 upto Feb-2002	CESSTAT, Delhi
Customs Duty	Non compliance of conditions for availing concessional rate of customs duty	1,454,000	FY 1997-98	Asst. Commissioner (Customs) Mumbai
Sales Tax	Non- production of C Forms	102,000 56,831,414 12,207,000	FY 1992-93 FY 2009-10 FY 2010-11	Asst. Commissioner Appeal Jt. Commissioner Appeal Jt. Commissioner Appeal
Sales Tax	Demand under Work Contract Tax	475,000	AY 1985-86 to 1987-88	Asst. Commissioner Appeal
Income Tax	Disallowance of certain expenditure	712,247	AY 1960-70 to AY 1978-79	High Court

- (c) The amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time.
8. The company has no accumulated losses as on the Balance Sheet date. The company has not incurred cash losses during the financial year covered by our audit nor during the immediately preceding financial year.
9. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
10. As informed to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.
11. During the year, Term Loans have not been raised by the company.
12. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

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

sd/-
S S Athavale
Partner
Membership Number 83374

Place : Pune
Date : 7 May, 2015

BALANCE SHEET AS AT 31ST MARCH, 2015

	Note No.	Rs.	As at 31st March, 15 Rs.	As at 31st March, 14 Rs.
I. EQUITY AND LIABILITIES				
(1) SHAREHOLDERS' FUNDS :				
(a) Share Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	<u>2,831,242,651</u>		<u>2,697,655,141</u>
			2,959,686,031	<u>2,826,098,521</u>
(2) SHARE APPLICATION MONEY PENDING ALLOTMENT :				
(3) NON CURRENT LIABILITIES :				
(a) Long Term Borrowings		—		—
(b) Deferred Tax Liability (Net)	3	—		5,407,624
(c) Other Long Term Liabilities	4	6,640,885		9,669,535
(d) Long Term Provisions	5	<u>44,846,018</u>		<u>43,450,917</u>
			51,486,903	<u>58,528,076</u>
(4) CURRENT LIABILITIES :				
(a) Short Term Borrowings		—		—
(b) Trade Payables	6	955,099,933		741,171,515
(c) Other Current Liabilities	7	811,796,177		707,689,210
(d) Short Term Provisions	8	<u>180,208,700</u>		<u>366,325,628</u>
			1,947,104,810	<u>1,815,186,353</u>
	Total		<u>4,958,277,744</u>	<u>4,699,812,950</u>
II. ASSETS :				
(1) NON CURRENT ASSETS :				
(a) Fixed Assets				
(i) Tangible Assets	9	842,719,788		1,004,197,619
(ii) Intangible Assets	10	127,874,703		134,870,372
(iii) Capital work in progress		6,395,217		—
(b) Non Current Investments	11	73,298,206		29,581,904
(c) Deferred Tax Assets (Net)	3	8,480,800		—
(d) Long Term Loans and Advances	12	33,909,259		38,537,089
(e) Other Non Current Assets	13	<u>3,243,228</u>		<u>5,115,489</u>
			1,095,921,201	<u>1,212,302,473</u>
(2) CURRENT ASSETS :				
(a) Current Investments	14	1,080,929,371		1,184,690,584
(b) Inventories	15	578,389,905		418,029,636
(c) Trade Receivables	16	1,769,272,997		1,428,618,094
(d) Cash and Bank Balances	17	192,834,705		130,884,976
(e) Short Term Loans and Advances	18	129,117,945		123,248,055
(f) Other Current Assets	19	<u>111,811,620</u>		<u>202,039,132</u>
			3,862,356,543	<u>3,487,510,477</u>
	Total		<u>4,958,277,744</u>	<u>4,699,812,950</u>
Notes forming part of the Financial Statements	1-51			

As per our attached report of even date

For and on behalf of the Board of Directors

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

Aditya Kowshik
Managing Director
DIN - 00228983

Rahul C Kirloskar
Executive Chairman
DIN - 00007319

S S Athavale
Partner
Membership No. 83374
Pune, 7 May, 2015

Jitendra Shah
Company Secretary

Suhas S Kolhatkar
Vice President & Chief Financial Officer

Pune, 7 May, 2015

STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2015

	Note No.	Rs.	Current Year Rs.	Previous Year Rs.
I				
Net Revenue from Operations	20		4,409,588,593	5,099,269,423
II				
Other Income	21		<u>191,835,892</u>	<u>160,527,292</u>
III				
Total Revenue (I + II)			4,601,424,485	5,259,796,715
IV				
EXPENSES :				
Cost of Materials Consumed	22	2,281,687,042		2,443,377,153
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	23	(26,064,201)		189,501,870
Employee Benefits Expenses	24	822,265,858		808,839,257
Finance Costs	25	188,702		3,483,339
Depreciation and Amortization Expense	26	189,026,949		132,140,425
Other Expenses	27	<u>1,050,128,540</u>		<u>1,067,803,399</u>
Total Expenses			4,317,232,890	4,645,145,443
V				
Profit before Exceptional and Extraordinary Items and Tax (III - IV)			284,191,595	614,651,272
VI				
Exceptional Items			-	-
VII				
Profit before Extraordinary Items and Tax (V-VI)			284,191,595	614,651,272
VIII				
Extraordinary Items			-	-
IX				
Profit before Tax (VII-VIII)			284,191,595	614,651,272
X				
Taxation :	47			
Current Tax (Net)		64,709,581		222,000,000
Deferred Tax		<u>(6,270,572)</u>		<u>4,350,955</u>
			58,439,009	226,350,955
Profit (Loss) for the Period			<u>225,752,586</u>	<u>388,300,317</u>
Earning per Share :				
(1) Basic			17.58	30.23
(2) Diluted			17.58	30.23

Notes forming part of the Financial Statements 1- 51

As per our attached report of even date

For and on behalf of the Board of Directors

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

Aditya Kowshik
Managing Director
DIN - 00228983

Rahul C Kirloskar
Executive Chairman
DIN - 00007319

S S Athavale
Partner
Membership No. 83374
Pune, 7 May, 2015

Jitendra Shah
Company Secretary

Suhas S Kolhatkar
Vice President & Chief Financial Officer

Pune, 7 May, 2015

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2015

PARTICULARS	Rs.	2014-2015 Rs.	2013-2014 Rs.
(I) OPERATING ACTIVITIES			
(A) PROFIT BEFORE TAXATION		284,191,595	614,651,272
(B) ADJUSTMENTS :			
Add :			
(i) Depreciation and Amortisation	189,026,949		132,140,425
(ii) Provision for Diminution in value of Investment	(9,429,000)		11,500,000
(iii) Bad Debts	7,817,078		3,634,475
(iv) Loss on Assets sold	-		-
(v) Interest on Secured / Unsecured Loans	188,702		3,483,339
		187,603,729	150,758,239
		471,795,324	765,409,511
Less :			
(i) Investment Income included above :			
(a) Dividend	59,401,697		86,586,804
(b) Interest Received	2,220,117		2,552,649
		61,621,814	89,139,453
(ii) Surplus on Sale of Assets	3,361,971		2,708,244
(iii) Profit on Sale of Investment	91,851,824		16,412,948
(iv) Provision no longer required	46,101		231,169
(v) Sundry Credit Balances appropriated	408,133		162,644
(vi) Income Tax paid	85,746,724		190,245,964
		243,036,567	298,900,422
CASH FROM OPERATIONS		228,758,757	466,509,089
(C) (INCREASE) / DECREASE IN CURRENT ASSETS			
(i) Inventories	(160,360,269)		305,816,360
(ii) Sundry Debtors	(346,599,720)		(102,623,507)
(iii) Other Current Assets, Loans & Advances	(4,700,665)		(7,269,558)
		(511,660,654)	195,923,295
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		317,236,607	(301,745,072)
		(194,424,047)	(105,821,777)
NET CASH FROM OPERATIONS		34,334,710	360,687,312

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2015 (Contd.)

PARTICULARS	Rs.	2014-2015 Rs.	2013-2014 Rs.
(II) INVESTMENT ACTIVITIES			
(i) Investments, net.	161,325,735		(73,587,052)
(ii) Capital Expenditure - Tangible Assets	(40,332,868)		(204,100,069)
(iii) Capital Expenditure - Intangible Assets	(12,715,636)		(22,913,794)
(iv) Sale proceeds of Assets	<u>7,049,770</u>		<u>4,794,943</u>
		115,327,001	(295,805,972)
(v) Investment Income :			
(a) Dividend	59,401,697		86,586,804
(b) Interest Received	<u>2,220,117</u>		<u>2,552,649</u>
		61,621,814	89,139,453
NET CASH FROM INVESTING ACTIVITIES		176,948,815	(206,666,519)
(III) FINANCING ACTIVITIES			
(i) Increase / (Decrease) in Secured Loans	-		-
(ii) Interest on Secured / Unsecured Loans	(188,702)		(4,170,672)
(iii) Dividend & Dividend Tax paid	<u>(149,145,094)</u>		<u>(177,813,804)</u>
NET CASH FROM FINANCING ACTIVITY		(149,333,796)	(181,984,476)
NET CHANGE IN CASH + CASH EQUIVALENTS (I + II + III)		61,949,729	(27,963,683)
Cash & Cash Equivalents as at 1-4-2014 (Opening Balance)		130,884,976	158,848,659
Cash & Cash Equivalents as at 31-3-2015 (Closing Balance)		192,834,705	130,884,976

As per our attached report of even date

For and on behalf of the Board of Directors

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

Aditya Kowshik
Managing Director
DIN - 00228983

Rahul C Kirloskar
Executive Chairman
DIN - 00007319

S S Athavale
Partner
Membership No. 83374
Pune, 7 May, 2015

Jitendra Shah
Company Secretary

Suhas S Kolhatkar
Vice President & Chief Financial Officer

Pune, 7 May, 2015

NOTES

Note Nos. 1 - 51 annexed to and forming part of the Financial Statements for the year ended 31st March, 2015

	Rs.	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
NOTE 1 : SHARE CAPITAL :			
EQUITY SHARES:			
AUTHORISED :			
15,000,000 Equity Shares of Rs. 10/- each		<u>150,000,000</u>	<u>150,000,000</u>
		<u>150,000,000</u>	<u>150,000,000</u>
ISSUED AND SUBSCRIBED :			
12,844,338 Equity Shares of Rs. 10/- each		<u>128,443,380</u>	<u>128,443,380</u>
		<u>128,443,380</u>	<u>128,443,380</u>
PAID UP :			
12,844,338 Equity Shares of Rs. 10/- each fully paid		<u>128,443,380</u>	<u>128,443,380</u>
		<u>128,443,380</u>	<u>128,443,380</u>
Total		<u><u>128,443,380</u></u>	<u><u>128,443,380</u></u>

Rights attached to Equity Shares :

The Company has only one class of share capital, i.e. equity shares having face value of Rs.10/- per share. Each holder of equity share is entitled to one vote per share.

Share Holding Details :

Shareholder holding more than 5%

	Nos.	Nos.
a) Kirloskar Brothers Investments Ltd.	6,994,176	6,994,176
	54.45%	54.45%
b) Kirloskar Industries Ltd.	1,186,866	1,186,866
	9.24%	9.24%
*c) Reliance Capital Trustee Co. Ltd.	1,115,294	1,043,284
	8.68%	8.12%
*d) HDFC Trustee Co. Ltd.	746,863	638,706
	5.81%	4.97%

* Consolidated holding of all schemes

NOTE 2 : RESERVES AND SURPLUS :

Capital Reserve :

As per last Account 27,965 27,965

Securities Premium (Share Premium) Account:

As per last Account 51,817,923 51,817,923

General Reserve :

As per last Account 2,450,000,000 2,200,000,000

Less : Amount (Net of Deferred Tax) as per Note 7

(b) of Sch II of the Companies Act 2013 14,794,186 -

Add: Set aside this year 144,794,186 250,000,000

2,580,000,000 2,450,000,000

Surplus :

As per last Account 195,809,253 207,781,268

Add : Transferred from Statement of

Profit & Loss Account 225,752,586 388,300,317

421,561,839 596,081,585

Less :

Transfer to General Reserve 144,794,186 250,000,000

Proposed Dividend 64,221,690 128,443,380

Tax on Proposed Dividend 13,149,200 21,828,952

222,165,076 400,272,332

199,396,763 195,809,253

Total 2,831,242,651 2,697,655,141

	Rs.	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
NOTE 3 : DEFERRED TAX LIABILITIES :			
Deferred Tax Liabilities		24,279,712	40,733,535
Deferred Tax Assets		32,760,512	35,325,911
(Refer Note no.47A)			
Total		<u><u>(8,480,800)</u></u>	<u><u>5,407,624</u></u>

NOTE 4 : OTHER LONG TERM LIABILITIES :

Deposits Received		6,361,104	7,480,630
Other Liabilities		279,781	2,188,905
Total		<u><u>6,640,885</u></u>	<u><u>9,669,535</u></u>

NOTE 5 : LONG TERM PROVISIONS :

Provision for Employee Benefits		44,846,018	43,450,917
Total		<u><u>44,846,018</u></u>	<u><u>43,450,917</u></u>

NOTE 6 : TRADE PAYABLES :

(I) Due to Micro, Small and Medium Enterprises	-	-	-
(ii) Other Trade Payables	<u>955,099,933</u>	<u>955,099,933</u>	<u>741,171,515</u>
Total		<u><u>955,099,933</u></u>	<u><u>741,171,515</u></u>

NOTE 7 : OTHER CURRENT LIABILITIES :

Unpaid Dividends		14,928,674	13,801,437
Advances Received		243,773,376	143,732,709
Other Payables		553,094,127	550,155,064
Total		<u><u>811,796,177</u></u>	<u><u>707,689,210</u></u>

NOTE 8 : SHORT TERM PROVISIONS :

Provision for Employee Benefits		24,837,810	23,330,036
Provision for Income Tax		78,000,000	192,723,260
Proposed Dividend		64,221,690	128,443,380
Tax on Dividend		13,149,200	21,828,952
Total		<u><u>180,208,700</u></u>	<u><u>366,325,628</u></u>

NOTE 9 : TANGIBLE ASSETS :

PARTICULARS	TANGIBLE ASSETS								TOTAL	
	Free Hold Land Rs.	Buildings Rs.	Plant & Machinery Rs.	Electrical Installation Rs.	Office Equipments Rs.	Furniture & Fixture Rs.	Vehicle Rs.	Lease Asset P&M Rs.	As At 31/03/2015 Rs.	As At 31/03/2014 Rs.
GROSS BLOCK AT COST : As at 01/04/2014	2,164,553	394,685,417	1,336,767,070	42,049,529	37,569,567	46,326,326	89,219,698	49,037,904	1,997,820,064	1,776,876,752
Additions	–	167,669	12,708,841	514,570	2,008,177	3,644,458	14,893,936	–	33,937,651	230,003,833
Deductions and adjustments	–	–	29,674,443	–	231,795	495,465	10,949,915	49,037,904	90,389,522	9,060,521
Cost As at 31/03/2015	2,164,553	394,853,086	1,319,801,468	42,564,099	39,345,949	49,475,319	93,163,719	–	1,941,368,193	1,997,820,064
DEPRECIATION : Up to 31/03/2014	–	80,406,295	760,145,797	16,800,496	10,302,382	27,173,966	49,755,605	49,037,904	993,622,445	881,501,194
Carrying amount as per Note 7 (b) of Sch II of the Companies Act 2013	–	10,729,294	3,134,251	26,854	7,406,364	1,115,275	–	–	22,412,038	–
For the year	–	8,900,787	129,928,299	3,740,749	8,702,327	3,554,291	14,489,191	–	169,315,644	119,095,073
Deductions and Adjustments	–	–	28,436,948	–	231,795	482,480	8,512,595	49,037,904	86,701,722	6,973,822
Total up to 31/03/2015	–	100,036,376	864,771,399	20,568,099	26,179,278	31,361,052	55,732,201	–	1,098,648,405	993,622,445
NET BLOCK As at 31/03/2015	2,164,553	294,816,710	455,030,069	21,996,000	13,166,671	18,114,267	37,431,518	–	842,719,788	1,004,197,619
As at 31/03/2014	2,164,553	314,279,122	576,621,273	25,249,033	27,267,185	19,152,360	39,464,093	–	1,004,197,619	–

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

NOTE 10 : INTANGIBLE ASSETS :

PARTICULARS	INTANGIBLE ASSETS		TOTAL	
	Softwares	Technical Know How	As At 31/03/2015	As At 31/03/2014
	Rs.	Rs.	Rs.	Rs.
GROSS BLOCK AT COST : As at 01/04/2014	41,118,670	147,740,847	188,859,517	165,945,723
Additions	12,715,636	–	12,715,636	22,913,794
Cost As at 31/03/2015	53,834,306	147,740,847	201,575,153	188,859,517
DEPRECIATION : Up to 31/03/2014	35,681,162	18,307,983	53,989,145	40,943,793
For the year	13,903,321	5,807,984	19,711,305	13,045,352
Total up to 31/03/2015	49,584,483	24,115,967	73,700,450	53,989,145
NET BLOCK As at 31/03/2015	4,249,823	123,624,880	127,874,703	134,870,372
As at 31/03/2014	5,437,508	129,432,864	134,870,372	–

As at
31st March, 2015
Rs.

As at
31st March, 2014
Rs.

NOTE 11 : NON CURRENT INVESTMENTS :

INVESTMENTS AT COST :

Government and Trust Securities

Quoted :

Unit Trust of India :

201.988 units of Rs. 10/- each in

UTI Balanced fund (Growth)

8,063

8,063

6,069.629 (5,288.053) units of Rs. 10/- each in

UTI Balanced fund (Dividend Plan-Re-investment)

104,804

88,502

112,867

96,565

3300 Master Shares of Rs. 10/- each

8,244

8,244

121,111

104,809

Carried Over Rs.

121,111

104,809

NOTE 11 : NON CURRENT INVESTMENTS : (Contd.)

	Rs.	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
Brought Over Rs.		121,111	104,809
Equity Shares :			
Trade, Unquoted :			
Fully Paid Shares 1 Share of Rs. 100/- each in Kirloskar Proprietary Ltd.	100		100
In Subsidiary Company:			
Kirloskar RoadRailer Limited			
Fully Paid Shares			
100,000 Equity Shares of Rs. 10/- each	1,000,000		1,000,000
Partly Paid Shares :			
14,900,000 Equity Shares of Rs. 10/- each (Rs. 3/- paid)	44,700,000		-
		45,700,100	1,000,100
Other, Quoted :			
100,000 Shares of Rs. 10/- each in The Mysore Kirloskar Ltd.	2,400,000		2,400,000
Less: Provision for diminution in value	(2,399,999)		(2,399,999)
		1	1
46,990 Shares of Rs. 2/- each in Housing Development Finance Corporation Ltd.	117,475		117,475
375,000 Shares of Rs. 10/- each in Kirloskar Investment and Finance Ltd.	5,000,000		5,000,000
Less: Provision for diminution in value	(4,999,999)		(4,999,999)
		1	1
50,295 shares of Rs. 2/- each (10,059 shares of Rs. 10/- each) in ICICI Bank Ltd.	206,101		206,101
2,000,000 Shares of Rs. 5/- each in Kirloskar Ferrous Industries Ltd.	20,000,000		20,000,000
2,500 Shares of Rs. 2/- each in HDFC Bank Ltd.	5,000		5,000
7,000 shares of Rs. 2/- each (1,400 shares of Rs. 10/- each) in Punjab National Bank	43,400		43,400
		20,371,978	20,371,978
Unquoted :			
1,272 Shares of Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.	833,984		833,984
56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate	1,120,932		1,120,932
1 Share of Rs. 100/- fully paid in The Nasik Merchants' Co-operative Bank Ltd.	100		100
62,500 Shares of Rs. 20/- each fully paid in The Cosmos Co-operative Bank Ltd.	1,250,000		1,250,000
Carried Over Rs.		69,398,205	24,681,903

NOTE 11 : NON CURRENT INVESTMENTS : (Contd.)

	Rs.	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
Brought Over Rs.		69,398,205	24,681,903
Associate Company			
390,000 (490,000) Equity Shares of Rs. 10/- each fully paid in Kirloskar Chillers Pvt. Ltd.	<u>3,900,000</u>		<u>4,900,000</u>
		7,105,016	8,105,016
 In Debentures and Bonds :			
Quoted :			
\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs. 100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs. 44/- per Debenture - matured on 01.06.1998 awaiting realisation	1,100,000		1,100,000
Less: Provision for diminution in value	<u>(1,099,999)</u>		<u>(1,099,999)</u>
		1	1
Total		<u>73,298,206</u>	<u>29,581,904</u>

	Book Value as at		Market Value as at	
	31st March, 2015 Rs.	31st March, 2014 Rs.	31st March, 2015 Rs.	31st March, 2014 Rs.
Quoted	20,493,090	20,476,788	186,959,334	110,115,373
Unquoted	<u>52,805,116</u>	<u>9,105,116</u>		
Total Rs.	<u>73,298,206</u>	<u>29,581,904</u>		
Aggregate provision for diminution in value	(8,499,997)	(8,499,997)		

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

NOTE 12 : LONG TERM LOANS AND ADVANCES :

UNSECURED, GOOD :

(Unless otherwise stated)

Deposits		22,897,060	26,918,732
Other Loans and Advances		11,012,199	11,618,357
Total		<u>33,909,259</u>	<u>38,537,089</u>

NOTE 13 : OTHER NON CURRENT ASSETS :

Long Term Trade Receivables - Unsecured		3,243,228	5,115,489
Total		<u>3,243,228</u>	<u>5,115,489</u>

	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
NOTE 14 : CURRENT INVESTMENTS AT COST :		
Quoted :		
– (4,810,004.810) units of IDFC Dynamic Bond Fund-Regular Plan- Qtr. Dividend	–	50,000,000
– (5,592,528.382) units of Kotak Bond Scheme Plan A Qtr. Dividend	–	60,000,000
– (5,021,971.124) units of DWS Premier Bond Fund Regular Plan Qtr Dividend	–	60,000,000
– (5,488,043.904) units of UTI Bond Fund Direct Plan Dividend	–	70,000,000
– (7,000,000.00) units of DSP BlackRock FMP Series 151-12M – Direct- Growth	–	70,000,000
– (3,000,000.00) units of UTI-Fixed Term Income Fund Series XVII-IV (366 days) Direct Growth	–	30,000,000
– (29,873.617) units of DSP BlackRock Money Manager Fund Direct Plan Daily Dividend	–	30,000,000
– (5,000,000.00) units of HDFC FMP 384 D March 13- Series 23	–	50,000,000
– (1,779,913.674) units of Kotak Bond Scheme Plan A Direct Plan Qtr. Dividend	–	20,000,000
– (5,499,844.171) units of Reliance Yearly Interval Fund Series 2 Growth	–	60,000,000
– (4,943,078.269) units of HDFC Liquid Fund Direct Plan Daily Dividend	–	50,410,506
– (5,000,000.00) units of DWS Fixed Maturity Plan Series 50 Direct Growth	–	50,000,000
– (5,000,000.00) units of Reliance Fixed Horizon Fund XXVI Series 3 Direct Dividend Payout	–	50,000,000
– (502,158.740) units of Birla Sun Life Cash Plus Daily Dividend Direct	–	50,313,795
– (5,000,000.00) units of Sundaram FTP FB 369 Days Direct Growth	–	50,000,000
– (6,000,000.00) units of ICICI Prudential FMP Series 72-366 Days Plan T Direct Growth	–	60,000,000
– (5,000,000.00) units of Religare Invesco FMP Sr. 23 Plan B 367 Days Direct Growth	–	50,000,000
– (4,000,000.00) units of DSP BlackRock FMP Series 155-12M – Direct Plan – Growth	–	40,000,000
4,345,143.433 (4,345,143.433) units of Birla Dynamic Bond Fund Retail Qtr. Dividend	50,000,000	50,000,000
131,309.631 (123,506.604) units of SBI Premier Liquid Fund Direct Plan Daily Dividend	131,736,386	123,908,001
327,942.011 (308,373.932) units of ICICI Prudential Liquid – Direct Plan Daily Dividend	32,812,022	30,854,109
42,968.825 (40,409.395) units of Reliance Liquidity Funds Direct Plan Daily Dividend	42,990,747	40,430,004
Carried Over Rs.	257,539,155	1,145,916,415

NOTE 14 : CURRENT INVESTMENTS AT COST : (Contd.)

	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
Brought Over Rs.	257,539,155	1,145,916,415
533,896.704 (502,021.295) units of ICICI Prudential Money Market Fund Direct Daily Dividend	53,466,285	50,274,169
3,001,325.612 (-) units of DSP BlackRock Ultra Short Term Direct Weekly Dividend	30,013,311	-
4,940,379.919 (-) units of L & T Short Term Opportunities Fund Direct Monthly Dividend	52,929,629	-
5,000,000.00 (-) units of UTI-Fixed Term Income Fund Series XIX-III (368 days) Direct Growth	50,000,000	-
4,482,495.854 (-) units of IDFC Banking Debt Fund Direct Growth	50,000,000	-
31,509.289 (-) units of SBI Ultra Short Term Debt Fund Direct Daily Dividend	31,586,823	-
20,959.641 (-) units of UTI-Treasury Advantage Fund IP Direct Daily Dividend	21,008,980	-
51,450.452 (-) units of UTI-Liquid Fund Cash Plan IP Direct Daily Dividend	52,450,942	-
34,278.377 (-) units of Reliance Liquid Fund Treasury Plan-Direct- Daily Dividend	52,402,732	-
52,282.034 (-) units of Reliance Money Manager Fund – Direct – Daily Dividend	52,392,335	-
2,778,148.074 (-) units of Reliance Short Term Fund Direct Monthly Dividend	30,522,793	-
8,828,930.404 (-) units of DSP BlackRock Banking & PSU Debt Fund Direct Weekly Dividend	90,000,000	-
3,540,710.445 (-) units of Reliance Medium Term Fund Direct Daily Dividend	60,531,632	-
570,823.723 (-) units of ICICI Prudential Flexible Income Direct Daily Dividend	60,356,503	-
29,894.946 (-) units of SBI Ultra Short Term Debt Fund Direct Daily Dividend	30,000,000	-
30,122.09 (-) units of IDFC Cash Fund – Direct Daily Dividend	30,138,307	-
70,136.402 (-) units of DSP BlackRock Liquidity Fund Direct Daily Dividend	70,158,581	-
7,413.036 (-) units of L & T Liquid Fund Direct Plan – Daily Dividend	7,502,363	-
Less: Aggregate provision for diminution in value	(2,071,000)	(11,500,000)
Total	<u>1,080,929,371</u>	<u>1,184,690,584</u>

	Book Value as at		Market Value as at	
	31st March, 2015 Rs.	31st March, 2014 Rs.	31st March, 2015 Rs.	31st March, 2014 Rs.
Quoted	1,080,929,371	1,184,690,584	1,089,175,955	1,193,664,873
Unquoted	-	-	-	-
Total	<u>1,080,929,371</u>	<u>1,184,690,584</u>	<u>1,089,175,955</u>	<u>1,193,664,873</u>

	Rs.	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
NOTE 15 : INVENTORIES :			
Raw Materials :		375,378,553	232,704,729
(Includes Rs.3,749,119 /- (Rs.2,784,633/-) in Bonded Warehouse)			
Work-in-progress :		126,250,509	128,676,316
Finished Goods, at cost or net realisable value whichever is lower		56,707,185	28,217,177
Stores & Spares :		20,053,658	28,431,414
Total		578,389,905	418,029,636

NOTE 16 : TRADE RECEIVABLES : UNSECURED

Trade Receivables - Unsecured Considered Good			
(a) Outstanding over six months	116,339,992		188,845,116
(b) Others	1,652,933,005		1,239,772,978
		1,769,272,997	1,428,618,094
Total		1,769,272,997	1,428,618,094

NOTE 17 : CASH AND BANK BALANCES :

Cash & Cash Equivalent :			
Cash on hand	524,825		311,948
Balances with Banks :			
In Current Accounts	177,381,206		116,771,591
		177,906,031	117,083,539
Earmarked Balances with Banks		14,928,674	13,801,437
Total		192,834,705	130,884,976

NOTE 18 : SHORT TERM LOANS AND ADVANCES :

UNSECURED , GOOD :	129,117,945	123,248,055
(Unless otherwise stated)		
Dues from Companies promoted by the Company		
From Subsidiary (Maximum Balance during the year Rs. 43,821/- (PY Rs. 96,000/-))	-	-
(For Names of the Companies, refer Note No. 30 A)		
Total	129,117,945	123,248,055

As at
31st March, 2015
Rs.

As at
31st March, 2014
Rs.

NOTE 19 : OTHER CURRENT ASSETS :

Sundry Deposits	7,875,305	5,489,849
Balances with Central Excise	8,336,120	7,262,972
Taxes paid in Advance	95,600,195	189,286,311
Total	111,811,620	202,039,132

Current Year
Rs.

Previous Year
Rs.

NOTE 20 : REVENUE FROM OPERATIONS :

Sale of Products	4,255,624,826	5,128,516,552
Works Contract Sale	75,880,749	-
Sale of Services	421,195,196	397,354,684
	4,752,700,771	5,525,871,236
Less : Excise Duty & Service Tax	343,112,178	426,601,813
Total	4,409,588,593	5,099,269,423

NOTE 21 : OTHER INCOME :

Dividend (Includes foreign dividend Rs. 652,189 /- Previous Year Rs. 690,783/-, Withholding tax Rs. 65,219/- Previous Year Rs. 69,078/-)	59,401,697	86,586,804
Interest Received (Gross)	2,220,117	2,552,649
(Tax deducted Rs. 54,954 /-, Previous Year Rs. 38,165/-)		
Insurance Claim Received	168,472	-
Miscellaneous Receipts	24,948,577	34,614,167
Profit on Sale of Investments	91,851,824	16,412,948
Surplus on Sale of Assets	3,361,971	2,708,244
Sundry Credit Balances appropriated	408,133	162,644
Bad Debts / Liquidated Damages Recovered	-	17,258,667
Provisions no longer required Written Back	46,101	231,169
Adjustments to carrying amount of Investments	9,429,000	-
Total	191,835,892	160,527,292

	Rs.	Current Year Rs.	Previous Year Rs.
NOTE 22 : COST OF MATERIALS CONSUMED :			
Raw Materials (including components) consumed :			
Stocks at commencement	232,704,729		346,766,154
Add : Purchases	2,424,360,866		2,329,315,728
	<u>2,657,065,595</u>		<u>2,676,081,882</u>
Less : Stocks at close	375,378,553		232,704,729
		<u>2,281,687,042</u>	<u>2,443,377,153</u>
Total		<u><u>2,281,687,042</u></u>	<u><u>2,443,377,153</u></u>

NOTE 23 : CHANGES IN INVENTORIES :

(Increase) / Decrease in Stocks :

Finished Goods			
Stocks at close	56,707,185		28,217,177
Stocks at commencement	28,217,177		47,811,035
		<u>(28,490,008)</u>	<u>19,593,858</u>
Work-in-Progress			
Stocks at close	126,250,509		128,676,316
Stocks at commencement	128,676,316		298,584,328
		<u>2,425,807</u>	<u>169,908,012</u>
Total		<u><u>(26,064,201)</u></u>	<u><u>189,501,870</u></u>

NOTE 24 : EMPLOYEE BENEFITS EXPENSES :

Salaries, Wages, Bonus, etc.	668,674,525	643,771,628
Incentive	9,991,283	16,353,862
Contribution to Provident and Other Funds, etc.	58,649,839	60,098,612
Welfare Expenses	84,950,211	88,615,155
Total	<u><u>822,265,858</u></u>	<u><u>808,839,257</u></u>

NOTE 25 : FINANCE COSTS :

Interest :

On Loans	-	1,369,787
Other Borrowing Costs	188,702	2,113,552
Total	<u><u>188,702</u></u>	<u><u>3,483,339</u></u>

	Current Year Rs.	Previous Year Rs.
NOTE 26 : DEPRECIATION AND AMORTISATION EXPENSE :		
Depreciation of tangible assets	169,315,644	119,095,073
Amortisation of intangible assets	19,711,305	13,045,352
Total	189,026,949	132,140,425

NOTE 27 : OTHER EXPENSES :

Stores and Spares Consumed	101,768,381	108,251,023
Manufacturing Expenses	230,538,240	228,079,421
Power, Fuel and Water	75,019,689	71,650,672
Building Repairs	17,969,437	20,474,923
Machinery Repairs	23,651,111	26,531,404
Sundry Repairs	15,873,329	16,933,773
Rent	10,533,341	10,649,404
Rates and Taxes	12,687,877	9,996,505
Insurance	8,563,702	7,859,698
Commission and Discount	125,879,715	112,631,779
Royalty	13,100,266	17,884,142
Travelling Expenses	87,933,041	92,511,002
Excise Duty, net	7,978,351	14,671,269
Sales Tax	2,852,154	1,392,182
Postage, Telephones, Telex Expenses	19,235,158	19,482,999
Bank Charges	12,167,418	11,951,952
Freight Outward	33,844,735	29,437,384
Vehicle Expenses	20,529,334	18,475,147
Printing and Stationery	7,134,991	5,895,302
Legal and Professional Charges	42,504,623	42,566,915
Advertisement and Publicity Expenses	13,132,464	12,914,492
Donations	20,250,000	17,560,000
Auditors' Remuneration	2,252,649	1,772,316
Directors' Fees and Travelling Expenses	3,924,457	4,318,075
Director's Remuneration :		
Salary	18,600,000	45,450,500
Bad Debts and Sundry Debit Balances written off	7,817,078	3,634,475
Liquidated Damages	34,277,725	26,052,359
Adjustments to carrying amount of Investments	-	11,500,000
Miscellaneous Expenses	80,109,274	77,274,287
Total	1,050,128,540	1,067,803,399

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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

a. Defined Contribution Plans:

Amount of Rs. 46,555,211 /- (Previous Year Rs. 48,159,022/-) is recognised as expense and included in "Employee Benefits Expenses" in Note 24 in the Profit and Loss Account.

b. Defined Benefit Plans:

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

	2014-15 Rs.	2013-14 Rs.
	Gratuity	
a. Present value of Defined Benefit Obligation at the beginning of the year	162,682,659	171,052,744
b. Interest cost	11,725,111	12,320,141
c. Current service cost	11,882,133	11,392,970
d. Acquisition adjustment	-	-
e. Actuarial Losses / (Gains)	411,471	2,018,770
f. Benefits paid	32,237,545	34,101,966
g. Present value of Defined Benefit Obligation at the close of the year	154,463,829	162,682,659

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

	Gratuity	
a. Fair value of Plan Assets at the beginning of the year	150,743,069	163,924,541
b. Add : Expected return on Plan Assets	12,306,188	13,539,389
c. Add / (Less) : Actuarial (Losses) / Gains	(382,101)	252,902
d. Acquisition adjustment	-	-
e. Add : Contributions	12,035,713	7,128,203
f. Less: Benefits Paid	32,237,545	34,101,966
g. Fair value of Plan Assets at the close of the year (includes Rs. 30.51 Lacs with trust, previous year Rs. 27.85 Lacs)	142,465,324	150,743,069

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

	Gratuity	
a. Present value of Defined Benefit obligation	154,463,829	162,682,659
b. Less: Fair value of Plan Assets - with LIC	139,413,920	147,957,952
c. Less: Fair value of Plan Assets - with Trust	3,051,404	2,785,117
d. Total Fair Value of Plan Assets	142,465,324	150,743,069
e. Net Liability / (Asset) recognised in the Balance Sheet	11,998,505	11,939,590

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

2014-15 **2013-14**
Rs. **Rs.**

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

	Gratuity	
a. Current Service Cost	11,882,133	11,392,970
b. Interest Cost	11,725,111	12,320,141
c. Expected return on Plan Assets	12,306,188	13,539,389
d. Actuarial Losses / (Gains)	793,572	1,765,868
e. Acquisition Cost	-	-
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	12,094,628	11,939,590

v Broad Categories of plan assets as at 31.03.15

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

vi Actuarial Assumptions at the Balance Sheet date:

	Gratuity	
a. Discount Rate	7.80%	8.00%
b. Expected rate of return on Plan Assets	8.75%	9.00%
c. Salary Escalation rate	5.00%	5.00%

Particulars	For the year ended March 31, 2015 Rs.	For the year ended March 31, 2014 Rs.	For the year ended March 31, 2013 Rs.	For the year ended March 31, 2012 Rs.
Defined Benefit Obligation	154,463,829	162,682,659	171,052,744	146,108,679
Plan Assets	142,465,324	150,743,069	163,924,541	145,657,015
(Surplus) / Deficit	11,998,505	11,939,590	7,128,203	451,664
Experience Adjustment on plan liabilities (gain)/ loss	-	-	4,935,680	3,136,303
Experience Adjustment on plan assets (gain)/ loss	382,101	(252,902)	877,174	(87,960)

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

vii General Descriptions of significant Defined Benefit plans:

Gratuity Plan:

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

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

29 Details of Segment Reporting:

A.	Information about Business Segment - Primary (See Note below)	2014-15			2013-14		TOTAL
		COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	
S.No.	Particulars	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Segment Revenue						
	Sales	3,862,632,353	546,956,240	4,409,588,593	4,158,792,251	679,277,172	4,838,069,423
	Other	-	-	-	-	-	261,200,000
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	3,862,632,353	546,956,240	4,409,588,593	4,158,792,251	679,277,172	5,099,269,423
2	Result						
	Segment Result	530,212,583	(66,977,397)	463,235,186	819,347,661	(12,889,732)	806,457,929
	Less: Unallocable Corporate Expenses (Net of Income)			178,854,889			188,323,318
	Operating Profit before Interest			284,380,297			618,134,611
	Less: Interest			188,702			3,483,339
	Profit before Tax			284,191,595			614,651,272
3	Other Information						
	Segment Assets	2,468,952,652	593,655,544	3,062,608,196	2,115,584,011	609,246,000	2,724,830,011
	Add: Unallocable common assets			1,887,188,748			1,974,982,939
	Total Assets			4,949,796,944			4,699,812,950
	Segment Liabilities	1,628,886,011	192,470,170	1,821,356,181	1,241,591,393	216,054,208	1,457,645,601
	Add: Unallocable common liabilities			177,235,532			410,661,204
	Total Liabilities			1,998,591,713			1,868,306,805
4	Capital Expenditure During the year	14,232,040	3,453,288	17,685,328	186,356,058	66,391,337	252,747,395
5	Depreciation	109,240,446	61,431,160	170,671,606	78,785,942	44,305,127	123,091,069
	Add: Unallocable Depreciation			18,355,343			9,049,356
				189,026,949			132,140,425
B	Secondary Segment - Geographical by Customers						
1	Segment Revenue						
	In India			4,209,557,833			4,854,385,660
	Outside India			200,030,760			244,883,763
	Total			4,409,588,593			5,099,269,423

C Other Disclosures

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

Name of the Segment :	Comprises of :
a) Compression Systems	Air and Gas Compressors, Airconditioning and Refrigeration Compressors and Systems etc.
b) Transmission Equipments	Power Transmission Equipments (Torque Convertor), Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.
- The Segment Revenue, Results , Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 50 to the Financial Statement.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

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

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

Names of Related parties

1) Holding Company	Kirloskar Brothers Investments Ltd.	
2) Subsidiary Company	Kirloskar RoadRailer Ltd.	
3) Fellow Subsidiary	Kirloskar Oil Engines Ltd. Nasik Silk Ltd. (up to 30th March 2015) Pneumatic Holdings Ltd. (from 31st March 2015)	
4) Associate Company	Kirloskar Chillers Pvt. Ltd.	
5) Key Management Personnel	Mr Rahul C Kirloskar Mr Aditya Kowshik	Executive Chairman Managing Director
6) Relatives of Key Management Personnel	Mrs Alpana Rahul Kirloskar Smt Suman C Kirloskar Mr Atul C Kirloskar Ms Alika Rahul Kirloskar Mrs Kavita Kowshik	Wife Mother Brother Daughter Wife
7) Enterprise over which key management personnel exercise control/significant influence	Kirloskar Integrated Technologies Pvt. Ltd. Alpak Investment Pvt. Ltd. Snow Leopard Momentum LLP Green Tek Systems (India) Pvt. Ltd.	

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

(B) Related Party Transactions

									Amount in Rs.
Nature of Transaction	Year	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate Company	Key management Personnel	Relatives of Key Management Personnel	Enterprise over which key management personnel exercise control / significant influence	Total
Purchase of Goods/ Assets	2014-15	-	-	6,726,054	-	-	-	426,079	7,152,133
	2013-14	-	-	10,209,618	-	-	-	851,199	11,060,817
Sale of Goods / Assets	2014-15	-	-	-	587,052	-	-	-	587,052
	2013-14	-	261,200,000	-	869,701	-	-	-	262,069,701
Services Given	2014-15	-	-	-	785,480	-	-	-	785,480
	2013-14	-	46,000	-	-	-	-	-	46,000
Services Received	2014-15	-	-	281,667	242,500	26,447,840	-	-	26,972,007
	2013-14	-	-	298,816	-	55,143,613	180,000	-	55,622,429
Rent Received	2014-15	-	45,000	-	508,200	-	-	-	553,200
	2013-14	-	44,500	-	462,000	-	-	-	506,500
Dividend Received	2014-15	-	-	-	7,350,000	-	-	-	7,350,000
	2013-14	-	-	-	7,350,000	-	-	-	7,350,000
Rent Paid	2014-15	971,601	-	-	-	-	1,800,000	-	2,771,601
	2013-14	-	-	-	-	-	1,800,000	-	1,800,000
Dividend Paid	2014-15	69,941,760	-	-	-	1,155,790	2,207,730	500	73,305,780
	2013-14	83,930,112	-	-	-	1,386,948	2,503,452	600	87,821,112
Buyback of Shares	2014-15	-	-	-	50,000,000	-	-	-	50,000,000
	2013-14	-	-	-	-	-	-	-	-
Balance Outstanding									
Receivable	2014-15	-	330,169,860	1,253,302	-	-	-	-	331,423,162
	2013-14	-	330,169,860	-	143,043	-	-	-	330,312,903
Payable	2014-15	-	-	-	-	-	-	-	-
	2013-14	-	-	2,770,313	-	28,000,000	180,000	-	30,950,313
Deposit receivable	2014-15	-	-	-	-	-	10,000,000	-	10,000,000
	2013-14	-	-	-	-	-	10,000,000	-	10,000,000
Deposit payable	2014-15	-	-	-	420,000	-	-	-	420,000
	2013-14	-	-	-	420,000	-	-	-	420,000
Investment	2014-15	-	45,700,000	-	3,900,000	-	-	-	49,600,000
	2013-14	-	1,000,000	-	4,900,000	-	-	-	5,900,000

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per note no 31 and to Relatives of Key Managerial Personnel.

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

There are no loans and advances given in the nature of loans to aforementioned Related Parties.

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

31 Managerial Remuneration :

Due to inadequacy of profits, remuneration payable to Executive Chairman and Managing Director is restricted to Rs. 16,000,000/- and Rs. 8,000,000/- respectively being the minimum remuneration. In terms of Section IV of Part II of Schedule V to the Companies Act, 2013, contribution to provident fund and superannuation fund to the extent they are not taxable under the Income Tax Act, 1961, and gratuity payable at a rate not exceeding half month salary per completed year of service does not form part of the ceiling of minimum remuneration. While shareholders have passed a special resolution approving the minimum remuneration, remuneration payable to Executive Chairman is subject to approval of Central Government.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

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

	2014-15			2013-14		
	Executive Chairman Rs.	Managing Director Rs.	Total Rs.	Executive Chairman Rs.	Managing Director Rs.	Total Rs.
Salary	12,000,000	6,000,000	18,000,000	12,000,000	4,955,000	16,955,000
House Rent Allowance	-	600,000	600,000	-	495,500	495,500
Commission	-	-	-	20,000,000	8,000,000	28,000,000
Contribution to Provident Fund, Superannuation and Gratuity :	2,540,000	1,920,000	4,460,000	2,540,000	1,837,850	4,377,850
Other perquisites	2,849,709	538,131	3,387,840	4,585,686	729,577	5,315,263
Gross Remuneration	17,389,709	9,058,131	26,447,840	39,125,686	16,017,927	55,143,613
Less : Contributions to Provident Fund, Superannuation and Gratuity not forming part of minimum remuneration in terms of Section IV of Part II of Schedule V of the Act.	2,040,000	1,070,000	3,110,000	Not Applicable		
Remuneration paid	15,349,709	7,988,131	23,337,840			
Approved by Shareholders	16,000,000	8,000,000	24,000,000			

Note :

- As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in gross remuneration.
- As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in gross remuneration.

- b) Computation of net profit under Section 197 read with Section 198 of the Companies Act, 2013.

	2014-15	2013-14
	Rs.	Rs.
1 Net Profit as per Profit & Loss Account	284,191,595	614,651,272
2 ADD.		
Directors Remuneration	26,447,840	58,863,613
Loss on sale of Assets	-	-
	310,639,435	673,514,885
3 LESS		
Profit on sale of Assets & Investments	104,642,795	19,121,193
	104,642,795	19,121,193
Net Profit U/S 197	205,996,640	654,393,692
Maximum permissible Remuneration payable to Executive Chairman & Managing Director.	20,599,664	65,439,369
Restricted to	See Note above	55,143,613
Maximum permissible Commission payable to Non Executive Directors	NIL	6,543,937
Restricted to		3,720,000

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

32 Leases

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

- a. Payment under Lease / Leave and License for period :
 - 1) Not later than 1 year Rs. 9,010,167/- (Rs. 8,361,680/-)
 - 2) Later than 1 year but not later than 5 years Rs. 9,365,596/- (Rs. 15,589,445/-)
- b. There are no transactions in the nature of Sub Lease.
- c. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2015 amounts to Rs. 10,533,341/- (Rs. 10,649,404/-)
- d. Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

33 Intangible assets

In accordance with the Accounting Standard 26, "Intangible Assets" expenditure on Technical Know-how on Project under implementation is amortized on commencement of commercial production. Software is being amortized on pro rata basis from the month of installation, over a period of one year.

34 Capital and other commitments:

	2014-15	2013-14
	Rs.	Rs.
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	7,595,847	3,033,544
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31st March 2015	1,002,170,826	1,074,283,827

35 Payment to Auditors (Net of Service Tax):

(a) As Auditors	1,920,000	1,500,000
(b) In Other Capacity		
For Tax Audit	300,000	200,000
For Certificates	5,000	39,000
	2,225,000	1,739,000
(c) For Expenses	27,649	33,316
	2,252,649	1,772,316

36 Proposed dividend:

Dividend recommended per share	5	10
Dividend %	50	100

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

37 A. Contingent Liabilities not provided for in respect of :

	2014-15 Rs.	2013-14 Rs.
Claims against the Company not acknowledged as Debts, estimated at	402,618,329	330,385,104
Income Tax Matters	712,247	712,247
Disputed Central Excise Matters	1,844,298	2,400,872
Disputed Customs Matters	1,454,000	1,454,000
Disputed Sales Tax Demands	69,615,414	1,157,000
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	6,407,829	11,947,143

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

38 Foreign Exchange Derivatives and Exposures hedged / not hedged at close of the year:

(A) Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31.03.2015	31.03.2014
Forward Contracts	USD	Purchase	79,125	–
	EURO	Purchase	278,428	–

(B) Exposure not hedged

Nature of Instrument	Currency	31.03.2015	31.03.2014
Receivable	GBP	14,220	11,900
	USD	249,221	339,307
	EUR	6,800	30,081
	JPY	–	2,628,800
	SEK	–	850,816
Payable	GBP	67,642	290,791
	USD	350,585	1,171,290
	EUR	66,918	291,225
	SEK	96,000	48,000

- (C) Exchange differences on account of settlement / revalorization of foreign currency transactions in current account are included in Miscellaneous Expenses (Rs.2,072,300/- Previous Year Rs.848,235/-) if such differences are in the nature of expenses & in Miscellaneous Receipts (Rs. Nil, Previous Year Rs. Nil) if such differences are in the nature of gain.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

39 Miscellaneous expenses includes prior period items of Rs. 3,656,754/- (PY Rs. 2,911,175/-)

40 The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act,2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information there are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31 st March,2015.

	2014-15	2013-14
	Rs.	Rs.
41 Details of Work-in-Progress:		
Compression Systems	68,681,414	82,196,126
Gears	48,960,169	38,002,410
Others	8,608,926	8,477,780
	<u>126,250,509</u>	<u>128,676,316</u>
42 Value of Imports calculated on CIF basis:		
Raw Materials	342,762,180	332,193,521
Components & Spares	46,091,321	52,130,125
Capital Goods	1,177,593	147,646,527
	<u>390,031,094</u>	<u>531,970,172</u>
43 Expenditure in Foreign Currencies (accrual basis) :		
(i) Royalty	1,314,919	4,533,020
(ii) Technical Knowhow	-	11,504,971
(iii) Interest	-	2,807,185
(iv) Professional Fees	31,285,890	3,733,852
(v) Other matters	24,634,478	62,449,724
44 Details of raw material consumed:		
Steel Bars and Plates	1,817,205	2,282,471
Pipes	9,040,632	9,243,445
Castings	42,578,788	48,184,475
Forgings	185,766,277	206,772,290
Foundry Raw material	23,654,026	27,864,159
Components	1,858,714,864	1,891,421,865
Others	160,115,250	257,608,448
	<u>2,281,687,042</u>	<u>2,443,377,153</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

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

	2014-15		2013-14	
	Rs.	Percentage	Rs.	Percentage
Raw Material				
Imported	330,329,419	14.48	277,840,145	11.37
Indigenously obtained	1,642,514,499	71.99	1,889,583,977	77.34
	<u>1,972,843,918</u>	<u>86.47</u>	<u>2,167,424,122</u>	<u>88.71</u>
Spares				
Imported	56,393,907	2.47	38,838,195	1.59
Indigenously obtained	252,449,217	11.06	237,114,836	9.70
	<u>308,843,124</u>	<u>13.53</u>	<u>275,953,031</u>	<u>11.29</u>

	2014-15	2013-14
	Rs.	Rs.
46 Earnings in Foreign Currencies (accrual basis):		
(i) F.O.B. Value of Exports	200,030,760	244,883,763
(ii) Dividend Received	652,189	690,783

47 A. Deferred tax asset / liability :

As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs. 13,888,424 /- in the Profit and Loss Account, the details of which are as under:

Particulars	Rupees		
	Balance as at 1st April 2014	Arising During the Year	Balance as at 31st March 2015
I. Deferred Tax Liabilities			
a. Depreciation	40,733,535	(16,453,823)	24,279,712
II. Deferred Tax Assets			
Disallowances under section 43b of the Income Tax Act	35,325,911	(2,565,399)	32,760,512
Net Deferred Tax Liability	5,407,624	(13,888,424)	(8,480,800)

B. Current Tax includes credit of Rs. 12,653,469/- (PY debit Rs. 34,210,461/-) in respect of earlier years.

48 Company has incurred an expenditure of Rs. 16,988,775 /- on Corporate Social Responsibility activities in terms of Section 135 of the Companies Act, 2013, comprising of an amount of Rs.15,000,000/- as contribution by way of donation and balance Rs. 1,988,775/- as direct CSR expenditure, included in other expenses covered in Note no. 27.

49 During the year the company has given donation to two political parties viz. Bharatiya Janata Party Rs. 750,000/- and Aam Aadmi Party Rs.750,000/-.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

50 Significant accounting policies :

- A. System of Accounting :
- (i) The Company, except under significant and uncertain circumstances, follows the mercantile system of accounting and recognises income and expenditure on accrual basis.
 - (ii) The Financial Statements are based on historical costs.
 - (iii) Insurance Claims are recognised upon acceptance of claim by the Insurance Companies.
 - (iv) Estimates and assumptions used in the preparation of the Financial Statements are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements which may differ from the actual results at a subsequent date.
- B. Tangible assets
- (i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
 - (ii) Depreciation on Assets (other than Freehold Land) :
 - (i) With the commencement of the Companies Act, 2013, depreciation is being provided on straight line method according to the useful life prescribed on single shift working basis in Sch II of the Act on the carrying amount of the asset over the remaining useful life of the asset as per the said schedule, except as stated below. Where the asset is used any time during the year for double shift or triple shift depreciation is being calculated on the basis of Note 6 of the said schedule.
 - (ii) Depreciation on Vehicle is being provided over a period of five years, being the estimated useful life of the asset to the company.
 - (iii) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as per Note 2 of Sch II to Companies Act, 2013 in a manner stated above.
 - (iv) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the preceding month in which such Assets are sold, discarded or demolished.
- C. Intangible assets :
- Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year. (Also see note no.33)
- D. Investments :
- a. Long Term Investments are valued at Cost of acquisition less estimated diminution in value determined to be of permanent nature.
 - b. Current investments are mainly comprising of investments in mutual funds and are stated at lower of cost or fair value.
- E. Inventories :
- Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.
- (i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.
 - (ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
 - (iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
 - (iv) Jigs & Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

- (v) Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
- (vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
- (vii) Excise / Customs Duty :

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

F. Foreign Currency Conversion :

a. Initial Recognition

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

b. Conversion

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

c. Forward Contracts

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

In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate prevailing on the date of forward contract (i.e. forward premium / discount) is amortised as income or expense over the life of the contract, except in respect of the liabilities for the acquisition of qualifying assets, where such amortization is adjusted in the cost of the corresponding asset.

G. Borrowing Cost :

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

H. Sales :

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

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

(iii) Construction Contract Sales :

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

I. Income Tax

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

Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

J. Employee Benefits

(A) Short term Employee Benefits :

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

(B) Post Employment Benefits :

(i) Defined Contribution Plans :

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

(ii) Defined Benefit Plans :

The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected unit Credit Method, as at the date of the Balance Sheet.

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

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

K. Provisions :

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

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

As per our attached report of even date

For and on behalf of the Board of Directors

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

Aditya Kowshik
Managing Director
DIN - 00228983

Rahul C Kirloskar
Executive Chairman
DIN - 00007319

S S Athavale
Partner
Membership No. 83374
Pune, 7 May, 2015

Jitendra Shah
Company Secretary

Suhas S Kolhatkar
Vice President & Chief Financial Officer

Pune, 7 May, 2015

CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kirloskar Pneumatic Company Limited (herein referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") & its associate, comprising of the consolidated Balance Sheet as at March 31, 2015, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated 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 financial statements in terms of the requirements of the Companies Act 2013 (hereinafter referred to as the "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associate in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the Companies included in the Group and of its Associate 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 responsible and prudent; and the design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Group & its associate has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the 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 financial statements. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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, of the consolidated state of affairs of the Group and its associate as at 31st March, 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following matter in the Notes to the financial statements of the Holding Company:

Chairman's remuneration for FY 2014-15 is in excess of limits laid down in Schedule V of the Companies Act 2013, and is subject to the approval of the Central Government (refer Note No. 31)

Our opinion is not modified in respect of this matter.

Other Matters

We did not audit the financial statements / financial information of the subsidiary whose financial statements / financial information reflect total assets of Rs.373,134,106/- as at 31st March, 2015, total revenues of Rs.50/- and net cash flows amounting to Rs.14,800,259/- for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of Rs.12,372,158/- for the year ended 31st March, 2015, as considered in the consolidated financial statements, in respect of the associate, whose financial statements / financial information have not been audited by us. These financial statements / financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary and associate, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary and associate, is based solely on the reports of the other auditors.

Our opinion on the consolidated 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 reports of the other auditors.

Report on Other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company, subsidiary company, and associate company, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- As required by Section 143(3) of the Act, we report, to the extent applicable, that:
 - 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 financial statements.
 - In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2015 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company and associate company, none of the directors of the Group companies and its associate company is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
 - 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:
 - The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, and its associate— Refer Note 37 to the consolidated financial statements.
 - The Group and its associate did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary company and associate company.

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in our above report of even date)

- The Group and its associate has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - As explained to us, considering the nature of the Fixed Assets, the same have been physically verified by the management at reasonable intervals during the year as per the verification plan adopted by the Group and its associate, which, in our opinion, is reasonable having regard to the size of the Group and its associate and the nature of its assets. According to the information and explanations given to us and the records produced to us for our verification, the discrepancies noticed during such physical verification were not material and the same have been properly dealt with in the books of account.
- The inventory has been physically verified during the year by the management, which, in our opinion, at reasonable intervals.
 - The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Group and its associate and the nature of its business.
 - On the basis of our examination of the records of inventory, we are of the opinion that the Group and its associate is maintaining proper records of inventory. No material discrepancies were noticed on verification between the physical stock and the book records.
- The Group and its associate has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the Register maintained under Section 189 of the Companies Act, 2013, during the year.
- In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Group and its associate and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system.
- In our opinion and according to the information and explanations given to us, the Group and its associate has not accepted any deposits.
- The Group and its associate is maintaining cost records as prescribed under Section 148 (1) of the Companies Act, 2013. However, we have not verified the same for completeness or accuracy.
- According to the records of the Group and its associate, the Group and its associate is regular in depositing undisputed statutory dues with the appropriate authorities. There were no amounts payable in respect of the statutory dues outstanding, as at the Balance Sheet date for a period of more than six months from the date they became payable. According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, ESI, Sale Tax, VAT, Income Tax, Customs duty, Wealth Tax, Service Tax, Excise Duty, Cess and any other statutory dues were outstanding, as at the balance sheet date for a period of more than six months from the date they became payable.

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

Name of the Statute	Nature of dues	Amount (Rs)	Period to which amount relates	Forum
Excise Duty	Demand of penalty on reversal of Cenvat Credit not made	18,44,000	FY 1997-98 to 2001-02 upto Feb-2002	CESTAT, Delhi
Customs Duty	Non compliance of conditions for availing concessional rate of customs duty	14,54,000	FY 1997-98	Asst. Commissioner (Customs) Mumbai
Sales Tax	Non- production of C Forms	102,000 56,831,414 12,207,000	FY 1992-93 FY 2009-10 FY 2010-11	Asst. Commissioner Appeal Jt. Commissioner Appeal Jt. Commissioner Appeal
Sales Tax	Demand under Work Contract Tax	475,000	AY 1985-86 to 1987-88	Asst. Commissioner Appeal
Income Tax	Disallowance of certain expenditure	7,12,247	AY 1960-70 to AY 1978-79	High Court

Regarding the associate company, the exception is as under :

Name of the Statute	Nature of dues	Amount (Rs)	Period to which amount relates	Forum
Central Sales Tax Act, 1956	Levy of tax on sales against C Form at higher rates for non-submission of C form	3,001,547	2000-2001	Central Sales Tax Tribunal, Pune, Maharashtra Joint Commissioner, Pune, Maharashtra
		1,543,615	2006-2007	
		8,465,270	2008-2009	
		1,903,171	2009-2010	
		2,066,514	2010-2011	

- (c) The amount required to be transferred to investor education and protection fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within time.
- 8 The Group and its associate has no accumulated losses as on the Balance Sheet date. The Group and its associate has not incurred cash losses during the financial year covered by our audit nor during the immediately preceding financial year.
- 9 Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Group and its associate has not defaulted in repayment of dues to any financial institution, bank or debenture holders.
- 10 As informed to us, the Group and its associate has not given any guarantee for loans taken by others from bank or financial institutions.
- 11 During the year, Term Loans have not been raised by the Group and its associate.
- 12 Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Group and its associate has been noticed or reported during the course of our audit.

For M/S P G BHAGWAT
Chartered Accountants, [FRN : 101118W]

S S Athavale
Partner
Membership Number 83374
Pune: 7 May, 2015

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2015

	Note No.	Rs.	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
I. EQUITY AND LIABILITIES				
(1) SHAREHOLDERS' FUNDS :				
(a) Share Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	2,902,094,777		2,799,334,139
			3,030,538,157	2,927,777,519
(2) SHARE APPLICATION MONEY PENDING ALLOTMENT :				
(3) NON CURRENT LIABILITIES :				
(a) Long Term Borrowings		-		-
(b) Deferred Tax Liability (Net)	3	-		5,407,624
(c) Other Long Term Liabilities	4	6,640,885		9,669,535
(d) Long Term Provisions	5	44,846,018		43,450,917
			51,486,903	58,528,076
(4) CURRENT LIABILITIES :				
(a) Short Term Borrowings		-		-
(b) Trade Payables	6	955,099,933		741,171,515
(c) Other Current Liabilities	7	811,801,177		707,694,210
(d) Short Term Provisions	8	180,208,700		366,325,628
			1,947,109,810	1,815,191,353
Total			5,029,134,870	4,801,496,948
II. ASSETS :				
(1) NON CURRENT ASSETS :				
(a) Fixed Assets				
(i) Tangible Assets	9	842,719,788		1,004,197,619
(ii) Intangible Assets	10	127,874,703		134,870,372
(iii) Capital work in progress		302,092,223		269,193,800
(b) Non Current Investments	11	129,944,762		159,164,359
(c) Deferred Tax Assets (Net)	3	8,480,800		-
(d) Long Term Loans and Advances	12	33,909,259		38,537,089
(e) Other Non Current Assets	13	3,243,228		5,115,489
			1,448,264,763	1,611,078,728
(2) CURRENT ASSETS :				
(a) Current Investments	14	1,080,929,371		1,184,690,584
(b) Inventories	15	578,389,905		418,029,636
(c) Trade Receivables	16	1,439,103,137		1,098,448,234
(d) Cash and Bank Balances	17	208,422,748		131,672,760
(e) Short Term Loans and Advances	18	129,117,945		123,248,055
(f) Other Current Assets	19	144,907,001		234,328,951
			3,580,870,107	3,190,418,220
Total			5,029,134,870	4,801,496,948

Notes forming part of the Financial Statements

1 - 52

As per our attached report of even date

For and on behalf of the Board of Directors

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

Aditya Kowshik
Managing Director
DIN - 00228983

Rahul C Kirloskar
Executive Chairman
DIN - 00007319

S S Athavale
Partner
Membership No. 83374
Pune, 7 May, 2015

Jitendra Shah
Company Secretary

Suhas S Kolhatkar
Vice President & Chief Financial Officer

Pune, 7 May, 2015

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2015

	Note No.	Rs.	Current Year Rs.	Previous Year Rs.
I Net Revenue from Operations	20		4,409,588,593	4,838,069,423
II Other Income	21		135,440,942	153,132,792
III Total Revenue (I + II)			4,545,029,535	4,991,202,215
IV EXPENSES :				
Cost of Materials Consumed	22	2,281,687,042		2,443,377,153
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	23	(26,064,201)		189,501,870
Employee Benefits Expenses	24	822,265,858		808,839,257
Finance Costs	25	188,862		3,483,339
Depreciation and Amortization Expense	26	189,026,949		132,140,425
Other Expenses	27	1,052,612,469		1,067,873,702
Less Expenses Capitalised		-		(232,508,260)
Total Expenses			4,319,716,979	4,412,707,486
V Profit before Exceptional and Extraordinary Items and Tax (III - IV)			225,312,556	578,494,729
VI Exceptional Items			-	-
VII Profit before Extraordinary Items and Tax (V-VI)			225,312,556	578,494,729
VIII Extraordinary Items			-	-
IX Profit before Tax (VII-VIII)			225,312,556	578,494,729
X Taxation :	47			
Current Tax (Net)		64,709,581		222,000,000
Deferred Tax		(6,270,572)		4,350,955
Profit/(Loss) for the Period			58,439,009	226,350,955
Share in profits of Associate Company			166,873,547	352,143,774
			12,372,158	13,068,024
			179,245,705	365,211,798
Earning per Share :				
(1) Basic			13.96	28.43
(2) Diluted			13.96	28.43

Notes forming part of the Financial Statements

1- 52

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2015

PARTICULARS	Rs.	2014-2015 Rs.	2013-2014 Rs.
(I) OPERATING ACTIVITIES			
(A) PROFIT BEFORE TAXATION		225,312,556	578,494,729
(B) ADJUSTMENTS :			
Add :			
(i) Depreciation and Amortisation	189,026,949		132,140,425
(ii) Provision for Diminution in value of Investment	(9,429,000)		11,500,000
(iii) Bad Debts	7,817,078		3,634,475
(iv) Loss on Assets sold	-		-
(v) Interest on Secured / Unsecured Loans	188,862		3,483,339
		187,603,889	150,758,239
Less :		412,916,445	729,252,968
(i) Investment Income included above :			
(a) Dividend	52,051,747		79,236,804
(b) Interest Received	2,220,117		2,552,649
	54,271,864		81,789,453
(ii) Surplus on Sale of Assets	3,361,971		2,708,244
(iii) Profit on Sale of Investment	42,851,824		16,412,948
(iv) Provision no longer required	46,101		231,169
(v) Sundry Credit Balances appropriated	408,133		162,644
(vi) Income Tax paid	85,746,724		190,245,964
		186,686,617	291,550,422
CASH FROM OPERATIONS		226,229,828	437,702,546
(C) (INCREASE) / DECREASE IN CURRENT ASSETS			
(i) Inventories	(160,360,269)		305,816,360
(ii) Sundry Debtors	(346,599,720)		227,546,354
(iii) Other Current Assets, Loans & Advances	(5,506,227)		(39,559,378)
		(512,466,216)	493,803,336
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		317,236,607	(301,745,072)
		(195,229,609)	192,058,264
NET CASH FROM OPERATIONS		31,000,219	629,760,810
(II) INVESTMENT ACTIVITIES			
(i) Investments, net.	205,963,802		(73,587,052)
(ii) Capital Expenditure - Tangible Assets	(66,836,074)		(473,293,869)
(iii) Capital Expenditure - Intangible Assets	(12,715,636)		(22,913,794)
(iv) Sale proceeds of Assets	7,049,770		4,794,943
		133,461,862	(564,999,772)
(v) Investment Income :			
(a) Dividend	52,051,747		79,236,804
(b) Dividend received from Associate Company	7,350,000		7,350,000
(c) Interest Received	2,220,117		2,552,649
		61,621,864	89,139,453
NET CASH FROM INVESTING ACTIVITIES		195,083,726	(475,860,319)
(III) FINANCING ACTIVITIES			
(i) Increase / (Decrease) in Secured Loans	-		-
(ii) Interest on Secured / Unsecured Loans	(188,862)		(4,170,672)
(iii) Dividend & Dividend Tax paid	(149,145,095)		(177,813,804)
NET CASH FROM FINANCING ACTIVITY		(149,333,957)	(181,984,476)
NET CHANGE IN CASH + CASH EQUIVALENTS (I + II + III)		76,749,988	(28,083,985)
Cash & Cash Equivalents as at 1-4-2014 (Opening Balance)		131,672,760	159,756,745
Cash & Cash Equivalents as at 31-3-2015 (Closing Balance)		208,422,748	131,672,760

As per our attached report of even date
For M/s P G Bhagwat
Firm Registration No. 101118W
Chartered Accountants

Aditya Kowshik
Managing Director
DIN - 00228983

S S Athavale
Partner
Membership No. 83374
Pune, 7 May, 2015

Jitendra Shah
Company Secretary

For and on behalf of the Board of Directors
Rahul C Kirloskar
Executive Chairman
DIN - 00007319

Suhas S Kolhatkar
Vice President & Chief Financial Officer

Pune, 7 May, 2015

NOTES

Note Nos. 1 - 52 annexed to and forming part of the Financial Statements for the year ended 31st March, 2015

	Rs.	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
NOTE 1 : SHARE CAPITAL :			
EQUITY SHARES:			
AUTHORISED :			
15,000,000 Equity Shares of Rs. 10/- each		150,000,000	150,000,000
		<u>150,000,000</u>	<u>150,000,000</u>
ISSUED AND SUBSCRIBED :			
12,844,338 Equity Shares of Rs. 10/- each		128,443,380	128,443,380
		<u>128,443,380</u>	<u>128,443,380</u>
PAID UP :			
12,844,338 Equity Shares of Rs. 10/- each fully paid		128,443,380	128,443,380
		<u>128,443,380</u>	<u>128,443,380</u>
Total		<u>128,443,380</u>	<u>128,443,380</u>
Rights attached to Equity Shares :			
The Company has only one class of share capital, i.e. equity shares having face value of Rs.10/- per share. Each holder of equity share is entitled to one vote per share.			
Share Holding Details :			
Shareholder holding more than 5%		Nos.	Nos.
a) Kirloskar Brothers Investments Ltd.		6,994,176	6,994,176
		54.45%	54.45%
b) Kirloskar Industries Ltd.		1,186,866	1,186,866
		9.24%	9.24%
*c) Reliance Capital Trustee Co. Ltd.		1,115,294	1,043,284
		8.68%	8.12%
*d) HDFC Trustee Co. Ltd.		746,863	638,706
		5.81%	4.97%
* Consolidated holding of all schemes.			
NOTE 2 : RESERVES AND SURPLUS :			
Capital Reserve :			
As per last Account		27,965	27,965
Securities Premium (Share Premium) Account:			
As per last Account		51,817,923	51,817,923
General Reserve :			
As per last Account	2,450,000,000		2,200,000,000
Less : Amount (Net of Deferred Tax) as per Note 7 (b) of Sch II of the Companies Act 2013	14,794,186		-
Add: Set aside this year	<u>144,794,186</u>		<u>250,000,000</u>
		2,580,000,000	2,450,000,000
Surplus :			
As per last Account	297,488,251		332,548,785
Add : Adjustment due to Buy back of shares by Associate Company	15,680,009		-
Add : Transferred from Statement of Profit & Loss Account	<u>179,245,705</u>		<u>365,211,798</u>
	492,413,965		697,760,583
Less :			
Transfer to General Reserve	144,794,186		250,000,000
Proposed Dividend	64,221,690		128,443,380
Tax on Proposed Dividend	<u>13,149,200</u>		<u>21,828,952</u>
	222,165,076		400,272,332
		270,248,889	297,488,251
Total		<u>2,902,094,777</u>	<u>2,799,334,139</u>
NOTE 3 : DEFERRED TAX LIABILITIES :			
Deferred Tax Liabilities		24,279,712	40,733,535
Deferred Tax Assets		32,760,512	35,325,911
(Refer Note no.47 A)			
Total		<u>(8,480,800)</u>	<u>5,407,624</u>
NOTE 4 : OTHER LONG TERM LIABILITIES :			
Deposits Received		6,361,104	7,480,630
Other Liabilities		279,781	2,188,905
Total		<u>6,640,885</u>	<u>9,669,535</u>
NOTE 5 : LONG TERM PROVISIONS :			
Provision for Employee Benefits		44,846,018	43,450,917
Total		<u>44,846,018</u>	<u>43,450,917</u>
NOTE 6 : TRADE PAYABLES :			
(i) Due to Micro,Small and Medium Enterprises	-		-
(ii) Other Trade Payables	<u>955,099,933</u>		741,171,515
		955,099,933	741,171,515
Total		<u>955,099,933</u>	<u>741,171,515</u>
NOTE 7 : OTHER CURRENT LIABILITIES :			
Unpaid Dividends		14,928,674	13,801,437
Advances Received		243,773,376	143,732,709
Other Payables		553,099,127	550,160,064
Total		<u>811,801,177</u>	<u>707,694,210</u>
NOTE 8 : SHORT TERM PROVISIONS :			
Provision for Employee Benefits		24,837,810	23,330,036
Provision for Income Tax		78,000,000	192,723,260
Proposed Dividend		64,221,690	128,443,380
Tax on Dividend		<u>13,149,200</u>	<u>21,828,952</u>
Total		<u>180,208,700</u>	<u>366,325,628</u>

NOTE 9 : TANGIBLE ASSETS :

PARTICULARS	TANGIBLE ASSETS								TOTAL	
	FREE HOLD LAND Rs.	BUILDINGS Rs.	PLANT & MACHINERY Rs.	ELECTRICAL INSTALLATION Rs.	OFFICE EQUIPMENTS Rs.	FURNITURE & FIXTURE Rs.	VEHICLE Rs.	LEASE ASSET P & M Rs.	AS AT 31/03/2015 Rs.	AS AT 31/03/2014 Rs.
GROSS BLOCK AT COST :										
As at 01/04/2014	2,164,553	394,685,417	1,336,767,070	42,049,529	37,569,567	46,326,326	89,219,698	49,037,904	1,997,820,064	1,776,876,752
Additions	-	167,669	12,708,841	514,570	2,008,177	3,644,458	14,893,936	-	33,937,651	230,003,833
Deductions and adjustments	-	-	29,674,443	-	231,795	495,465	10,949,915	49,037,904	90,389,522	9,060,521
Cost As at 31/03/2015	2,164,553	394,853,086	1,319,801,468	42,564,099	39,345,949	49,475,319	93,163,719	-	1,941,368,193	1,997,820,064
DEPRECIATION :										
Up to 31/03/2014	-	80,406,295	760,145,797	16,800,496	10,302,382	27,173,966	49,755,605	49,037,904	993,622,445	881,501,194
Carrying amount as per Note 7 (b) of Sch II of the Companies Act 2013	-	10,729,294	3,134,251	26,854	7,406,364	1,115,275	-	-	22,412,038	-
For the year	-	8,900,787	129,928,299	3,740,749	8,702,327	3,554,291	14,489,191	-	169,315,644	119,095,073
Deductions and Adjustments	-	-	28,436,948	-	231,795	482,480	8,512,595	49,037,904	86,701,722	6,973,822
Total up to 31/03/2015	-	100,036,376	864,771,399	20,568,099	26,179,278	31,361,052	55,732,201	-	1,098,648,405	993,622,445
NET BLOCK										
As at 31/03/2015	2,164,553	294,816,710	455,030,069	21,996,000	13,166,671	18,114,267	37,431,518	-	842,719,788	1,004,197,619
As at 31/03/2014	2,164,553	314,279,122	576,621,273	25,249,033	27,267,185	19,152,360	39,464,093	-	1,004,197,619	

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

NOTE 10 : INTANGIBLE ASSETS :

PARTICULARS	INTANGIBLE ASSETS			
	SOFTWARES Rs.	TECHNICAL KNOW HOW Rs.	AS AT 31/03/2015 Rs.	AS AT 31/03/2014 Rs.
GROSS BLOCK AT COST :				
As at 01/04/2014	41,118,670	147,740,847	188,859,517	165,945,723
Additions	12,715,636	-	12,715,636	22,913,794
Cost As at 31/03/2015	53,834,306	147,740,847	201,575,153	188,859,517
DEPRECIATION :				
Up to 31/03/2014	35,681,162	18,307,983	53,989,145	40,943,793
For the year	13,903,321	5,807,984	19,711,305	13,045,352
Total up to 31/03/2015	49,584,483	24,115,967	73,700,450	53,989,145
NET BLOCK				
As at 31/03/2015	4,249,823	123,624,880	127,874,703	134,870,372
As at 31/03/2014	5,437,508	129,432,864	134,870,372	

As at 31st March, 2015
As at 31st March, 2014

NOTE 11 : NON CURRENT INVESTMENTS :

INVESTMENTS AT COST :

Government and Trust Securities

Quoted :

Unit Trust of India :

201,988 units of Rs.10/- each in UTI Balanced fund (Growth)

6,069.629 (5,288.053) units of Rs.10/- each in UTI Balanced fund (Dividend Plan-Re-investment)

3300 Master Shares of Rs.10/- each

Fully paid Equity Shares :

Trade, Unquoted :

2 (1) Share of Rs.100/- each in Kirloskar Proprietary Ltd.

Other, Quoted :

100,000 Shares of Rs.10/- each in The Mysore Kirloskar Ltd.

Less: Provision for diminution in value

46,990 Shares of Rs.2/- each in Housing Development Finance Corporation Ltd.

375,000 Shares of Rs.10/- each in Kirloskar Investment and Finance Ltd.

Less: Provision for diminution in value

50,295 shares of Rs.2/- each (10,059 shares of Rs. 10/- each) in ICICI Bank Ltd.

2,000,000 Shares of Rs.5/- each in Kirloskar Ferrous Industries Ltd.

2,500 Shares of Rs.2/- each in HDFC Bank Ltd.

7,000 shares of Rs. 2/- each (1,400 shares of Rs.10/- each) in Punjab National Bank

Unquoted :

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

56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.

1 share of Rs.100/- each fully paid in The Nasik Merchants' Co-operative Bank Ltd.

62,500 Shares of Rs.20/- each fully paid in The Cosmos Co-operative Bank Ltd.

Associate Company

390,000 (490,000) Equity Shares of Rs.10/- each fully paid in Kirloskar Chillers Pvt.Ltd. at the beginning

Add : Share in profit at the beginning of the year

Less : Buy back of shares

Less : Adjustments to share in profit due to buy back of shares

Less : Dividend received during the year

Add: Share in profit for the year

In Debentures and Bonds :

Quoted :

\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs.44/- per Debenture - matured on 01.06.1998 awaiting realisation

Less: Provision for diminution in value

Total

1
129,944,762

1
159,164,359

NOTE 11 : NON CURRENT INVESTMENTS : (Contd.)

	Book Value as at		Market Value as at	
	31st March, 2015	31st March, 2014	31st March, 2015	31st March, 2014
	Rs.	Rs.	Rs.	Rs.
Quoted	20,493,090	20,476,788	186,959,334	110,115,373
Unquoted	109,451,672	138,687,571		
Total Rs.	129,944,762	159,164,359		
Aggregate provision for diminution in value	(8,499,997)	(8,499,997)		

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

	As at		As at	
	31st March, 2015	31st March, 2014	31st March, 2015	31st March, 2014
	Rs.	Rs.	Rs.	Rs.
NOTE 12 : LONG TERM LOANS AND ADVANCES :				
UNSECURED , GOOD :				
(Unless otherwise stated)				
Deposits			22,897,060	26,918,732
Other Loans and Advances			11,012,199	11,618,357
Total			33,909,259	38,537,089

NOTE 13 : OTHER NON CURRENT ASSETS :

	As at	As at
	31st March, 2015	31st March, 2014
	Rs.	Rs.
Long Term Trade Receivables - Unsecured	3,243,228	5,115,489
Total	3,243,228	5,115,489

NOTE 14 : CURRENT INVESTMENTS AT COST :

Quoted :			
- (4,810,004.810) units of IDFC Dynamic Bond Fund-Regular Plan- Qtr. Dividend	-		50,000,000
- (5,592,528.382) units of Kotak Bond Scheme Plan A Qtr. Dividend	-		60,000,000
- (5,021,971.124) units of DWS Premier Bond Fund Regular Plan Qtr Dividend	-		60,000,000
- (5,488,043.904) units of UTI Bond Fund Direct Plan Dividend	-		70,000,000
- (7,000,000.00) units of DSP BlackRock FMP Series 151-12M - Direct- Growth	-		70,000,000
- (3,000,000.00) units of UTI-Fixed Term Income Fund Series XVII-IV (366 days) Direct Growth	-		30,000,000
- (29,873.617) units of DSP BlackRock Money Manager Fund Direct Plan Daily Div.	-		30,000,000
- (5,000,000.00) units of HDFC FMP 384 D March 13- Series 23	-		50,000,000
- (1,779,913.674) units of Kotak Bond Scheme Plan A Direct Plan Qtr. Dividend	-		20,000,000
- (5,499,844.171) units of Reliance Yearly Interval Fund Series 2 Growth	-		60,000,000
- (4,943,078.269) units of HDFC Liquid Fund Direct Plan Daily Div.	-		50,410,506
- (5,000,000.00) units of DWS Fixed Maturity Plan Series 50 Direct Growth	-		50,000,000
- (5,000,000.00) units of Reliance Fixed Horizon Fund XXVI Series 3 Direct Div Payout	-		50,000,000
- (502,158.740) units of Birla Sun Life Cash Plus Daily Div. Direct	-		50,313,795
- (5,000,000.00) units of Sundaram FTP FB 369 Days Direct Growth	-		50,000,000
- (6,000,000.00) units of ICICI Prudential FMP Series 72-366 Days Plan T Direct Growth	-		60,000,000
- (5,000,000.00) units of Religare Invesco FMP Sr. 23 Plan B 367 Days Direct Growth	-		50,000,000
- (4,000,000.00) units of DSP BlackRock FMP Series 155-12M - Direct Plan - Growth	-		40,000,000
4,345,143.433 (4,345,143.433) units of Birla Dynamic Bond Fund Retail Qtr. Dividend	50,000,000		50,000,000
131,309.631 (123,506.604) units of SBI Premier Liquid Fund Direct Plan Daily Div.	131,736,386		123,908,001
327,942.011 (308,373.932) units of ICICI Prudential Liquid - Direct Plan Daily Div	32,812,022		30,854,109
42,968.825 (40,409.395) units of Reliance Liquidity Funds Direct Plan Daily Div	42,990,747		40,430,004
533,896.704 (502,021.295) units of ICICI Prudential Money Market Fund Direct Daily Div	53,466,285		50,274,169
3,001,325.612 (-) units of DSP BlackRock Ultra Short Term Direct Weekly Div.	30,013,311		-
4,940,379.919 (-) units of L & T Short Term Opportunities Fund Direct Monthly Div.	52,929,629		-
5,000,000.00 (-) units of UTI-Fixed Term Income Fund Series XIX-III (368 days) Direct Growth	50,000,000		-
4,482,495.854(-) units of IDFC Banking Debt Fund Direct Growth	50,000,000		-
31,509.289 (-) units of SBI Ultra Short Term Debt Fund Direct Daily Div.	31,586,823		-
20,959.641 (-) units of UTI-Treasury Advantage Fund IP Direct Daily Div	21,008,980		-
51,450.452 (-) units of UTI-Liquid Fund Cash Plan IP Direct Daily Div.	52,450,942		-
34,278.377 (-) units of Reliance Liquid Fund Treasury Plan-Direct- Daily Div.	52,402,732		-
52,282.034 (-) units of Reliance Money Manager Fund - Direct - Daily Div.	52,392,335		-
2,778,148.074 (-) units of Reliance Short Term Fund Direct Monthly Div.	30,522,793		-
8,828,930.404 (-) units of DSP BlackRock Banking & PSU Debt Fund Direct Weekly Div	90,000,000		-
3,540,710.445 (-) units of Reliance Medium Term Fund Direct Daily Div.	60,531,632		-
570,823.723 (-) units of ICICI Prudential Flexible Income Direct Daily Div.	60,356,503		-
29,894.946 (-) units of SBI Ultra Short Term Debt Fund Direct Daily Div.	30,000,000		-
30,122.09 (-) units of IDFC Cash Fund - Direct Daily Div.	30,138,307		-
70,136.402 (-) units of DSP BlackRock Liquidity Fund Direct Daily Div.	70,158,581		-
7,413.036 (-) units of L & T Liquid Fund Direct Plan - Daily Div.	7,502,363		-
Less: Aggregate provision for diminution in value	(2,071,000)		(11,500,000)
Total	1,080,929,371		1,184,690,584

	Book Value as at		Market Value as at	
	31st March, 2015	31st March, 2014	31st March, 2015	31st March, 2014
	Rs.	Rs.	Rs.	Rs.
Quoted	1,080,929,371	1,184,690,584	1,089,175,955	1,193,664,873
Unquoted	-	-		
Total Rs.	1,080,929,371	1,184,690,584		

NOTE 15 : INVENTORIES

	As at	As at
	31st March, 2015	31st March, 2014
	Rs.	Rs.
Raw Materials :	375,378,553	232,704,729
(Includes Rs.3,749,119 /- (Rs.2,784,633/-) in Bonded Warehouse)		
Work-in-progress :	126,250,509	128,676,316
Finished Goods, at cost or net realisable value whichever is lower	56,707,185	28,217,177
Stores & Spares :	20,053,658	28,431,414
Total	578,389,905	418,029,636

	Rs.	As at 31st March, 2015 Rs.	As at 31st March, 2014 Rs.
NOTE 16 : TRADE RECEIVABLES : UNSECURED			
Trade Receivables - Unsecured Considered Good			
(a) Outstanding over six months	116,339,992		188,845,116
(b) Others	<u>1,322,763,145</u>		<u>909,603,118</u>
Total		<u><u>1,439,103,137</u></u>	<u><u>1,098,448,234</u></u>

NOTE 17 : CASH AND BANK BALANCES :

Cash & Cash Equivalent :			
Cash on hand	524,825		311,948
Balances with Banks :			
In Current Accounts	<u>192,969,249</u>		<u>117,559,375</u>
Earmarked Balances with Banks		193,494,074	117,871,323
Total		<u><u>14,928,674</u></u>	<u><u>13,801,437</u></u>
		<u><u>208,422,748</u></u>	<u><u>131,672,760</u></u>

NOTE 18 : SHORT TERM LOANS AND ADVANCES :

UNSECURED , GOOD :		129,117,945	123,248,055
(Unless otherwise stated)			
Dues from Companies promoted by the Company		-	-
From Subsidiary (Maximum Balance during the year Rs. 43,821/- (PY Rs.96,000/-))		-	-
(For Names of the Companies, refer Note No. 30 A)			
Total		<u><u>129,117,945</u></u>	<u><u>123,248,055</u></u>

NOTE 19 : OTHER CURRENT ASSETS :

Sundry Deposits		7,875,305	5,489,849
Balances with Central Excise		41,431,501	39,552,791
Taxes paid in Advance		95,600,195	189,286,311
Total		<u><u>144,907,001</u></u>	<u><u>234,328,951</u></u>

	Current Year Rs.	Previous Year Rs.
NOTE 20 : REVENUE FROM OPERATIONS:		
Sale of Products	4,255,624,826	4,867,316,552
Works Contract Sale	75,880,749	-
Sale of Services	<u>421,195,196</u>	<u>397,354,684</u>
	4,752,700,771	5,264,671,236
Less : Excise Duty & Service Tax	<u>343,112,178</u>	<u>426,601,813</u>
Total	<u><u>4,409,588,593</u></u>	<u><u>4,838,069,423</u></u>

NOTE 21: OTHER INCOME:

Dividend (Includes foreign dividend Rs. 652,189 /-Previous Year Rs. 690,783/-, Withholding tax Rs. 65,219/-Previous Year Rs. 69,078/-)	52,051,747	79,236,804
Interest Received (Gross) (Tax deducted Rs. 54,954 /-, Previous Year Rs.38,165/-)	2,220,117	2,552,649
Insurance Claim Received	168,472	-
Miscellaneous Receipts	24,903,577	34,569,667
Profit on Sale of Investments	42,851,824	16,412,948
Surplus on Sale of Assets	3,361,971	2,708,244
Sundry Credit Balances appropriated	408,133	162,644
Bad Debts / Liquidated Damages Recovered	-	17,258,667
Provisions no longer required Written Back	46,101	231,169
Adjustments to carrying amount of Investments	9,429,000	-
Total	<u><u>135,440,942</u></u>	<u><u>153,132,792</u></u>

NOTE 22 : COST OF MATERIALS CONSUMED :

Raw Materials (including components) consumed :		
Stocks at commencement	232,704,729	346,766,154
Add : Purchases	<u>2,424,360,866</u>	<u>2,329,315,728</u>
	2,657,065,595	2,676,081,882
Less : Stocks at close	<u>375,378,553</u>	<u>232,704,729</u>
Total	<u><u>2,281,687,042</u></u>	<u><u>2,443,377,153</u></u>
	<u><u>2,281,687,042</u></u>	<u><u>2,443,377,153</u></u>

NOTE 23 : CHANGES IN INVENTORIES :

(Increase) / Decrease in Stocks :		
Finished Goods		
Stocks at close	56,707,185	28,217,177
Stocks at commencement	<u>28,217,177</u>	<u>47,811,035</u>
		(28,490,008)
Work-in-Progress		
Stocks at close	126,250,509	128,676,316
Stocks at commencement	<u>128,676,316</u>	<u>298,584,328</u>
		169,908,012
Total		<u><u>2,425,807</u></u>
		<u><u>(26,064,201)</u></u>
		<u><u>189,501,870</u></u>

	Current Year Rs.	Previous Year Rs.
NOTE 24 : EMPLOYEE BENEFIT EXPENSES :		
Salaries, Wages, Bonus, etc.	668,674,525	643,771,628
Incentive	9,991,283	16,353,862
Contribution to Provident and Other Funds, etc.	58,649,839	60,098,612
Welfare Expenses	84,950,211	88,615,155
Total	822,265,858	808,839,257

	Current Year Rs.	Previous Year Rs.
NOTE 25 : FINANCE COSTS :		
Interest :		
On Loans	-	1,369,787
Other Borrowing Costs	188,862	2,113,552
Total	188,862	3,483,339

	Current Year Rs.	Previous Year Rs.
NOTE 26 : DEPRECIATION AND AMORTISATION EXPENSE :		
Depreciation of tangible assets	169,315,644	119,095,073
Amortisation of intangible assets	19,711,305	13,045,352
Total	189,026,949	132,140,425

	Current Year Rs.	Previous Year Rs.
NOTE 27 : OTHER EXPENSES :		
Stores and Spares Consumed	101,768,381	108,251,023
Manufacturing Expenses	230,538,240	228,079,421
Power, Fuel and Water	75,019,690	71,650,672
Building Repairs	17,969,437	20,474,923
Machinery Repairs	23,651,111	26,531,404
Sundry Repairs	15,873,329	16,933,773
Rent	10,711,049	10,649,404
Rates and Taxes	12,687,877	9,996,505
Insurance	8,963,702	7,859,698
Commission and Discount	125,879,715	112,631,779
Royalty	13,100,266	17,884,142
Travelling Expenses	87,933,041	92,511,002
Excise Duty, net	7,978,351	14,671,269
Sales Tax	2,852,154	1,392,182
Postage, Telephones, Telex Expenses	19,235,158	19,482,999
Bank Charges	12,171,935	11,952,052
Freight Outward	33,844,735	29,437,384
Vehicle Expenses	20,529,334	18,475,147
Printing and Stationery	7,134,991	5,895,302
Legal and Professional Charges	42,545,072	42,630,893
Advertisement and Publicity Expenses	13,132,464	12,914,492
Donations	20,250,000	17,560,000
Auditors' Remuneration	2,257,649	1,777,316
Directors' Fees and Travelling Expenses	3,924,457	4,318,075
Director's Remuneration :		
Salary	18,600,000	45,450,500
Bad Debts and Sundry Debit Balances written off	7,817,078	3,634,475
Liquidated Damages	34,277,725	26,052,359
Adjustments to carrying amount of Investments	-	11,500,000
Miscellaneous Expenses	81,965,528	77,275,511
Total	1,052,612,469	1,067,873,702

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015

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

- a. Defined Contribution Plans:
Amount of Rs. 46,555,211/- (Previous Year Rs. 48,159,022/-) is recognised as expense and included in " Employee Benefits Expenses" in Note 24 in the Profit and Loss Account.
- b. Defined Benefit Plans:
 - i. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :

	As at 2014-15 Rs.	As at 2013-14 Rs.
Gratuity		
a. Present value of Defined Benefit Obligation at the beginning of the year	162,682,659	171,052,744
b. Interest cost	11,725,111	12,320,141
c. Current service cost	11,882,133	11,392,970
d. Acquisition adjustment	-	-
e. Actuarial Losses / (Gains)	411,471	2,018,770
f. Benefits paid	32,237,545	34,101,966
g. Present value of Defined Benefit Obligation at the close of the year	154,463,829	162,682,659

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

	As at 2014-15 Rs.	As at 2013-14 Rs.
Gratuity		
a. Fair value of Plan Assets at the beginning of the year	150,743,069	163,924,541
b. Add :Expected return on Plan Assets	12,306,188	13,539,389
c. Add / (Less) : Actuarial (Losses) / Gains	(382,101)	252,902
d. Acquisition adjustment	-	-
e. Add : Contributions	12,035,713	7,128,203
f. Less: Benefits Paid	32,237,545	34,101,966
g. Fair value of Plan Assets at the close of the year (includes Rs.30.51 Lacs with trust, previous year Rs.27.85 Lacs)	142,465,324	150,743,069

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

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

	As at	As at
	2014-15 Rs.	2013-14 Rs.
	Gratuity	
a. Present value of Defined Benefit obligation	154,463,829	162,682,659
b. Less: Fair value of Plan Assets - with LIC	139,413,920	147,957,952
c. Less: Fair value of Plan Assets - with Trust	3,051,404	2,785,117
d. Total Fair Value of Plan Assets	142,465,324	150,743,069
e. Net Liability / (Asset) recognised in the Balance Sheet	11,998,505	11,939,590

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

	As at	As at
	2014-15 Rs.	2013-14 Rs.
	Gratuity	
a. Current Service Cost	11,882,133	11,392,970
b. Interest Cost	11,725,111	12,320,141
c. Expected return on Plan Assets	12,306,188	13,539,389
d. Actuarial Losses / (Gains)	793,572	1,765,868
e. Acquisition Cost	-	-
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	12,094,628	11,939,590

- v. Broad Categories of plan assets as at 31.03.15

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

- vi. Actuarial Assumptions at the Balance Sheet Date:

	As at	As at
	2014-15 Rs.	2013-14 Rs.
	Gratuity	
a. Discount Rate	7.80%	8.00%
b. Expected rate of return on Plan Assets	8.75%	9.00%
c. Salary Escalation rate	5.00%	5.00%

Particulars	For the year ended			
	March 31, 2015 Rs.	March 31, 2014 Rs.	March 31, 2013 Rs.	March 31, 2012 Rs.
Defined Benefit Obligation	154,463,829	162,682,659	171,052,744	146,108,679
Plan Assets	142,465,324	150,743,069	163,924,541	145,657,015
(Surplus) / Deficit	11,998,505	11,939,590	7,128,203	451,664
Experience Adjustment on plan liabilities (gain)/ loss	-	-	4,935,680	3,136,303
Experience Adjustment on plan assets (gain)/ loss	382,101	(252,902)	877,174	(87,960)

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

- vii. General Descriptions of significant Defined Benefit plans:

Gratuity Plan:

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

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

29 Details of Segment Reporting - Consolidated

A.	Information about Business Segment - Primary (See Note below)	2014-15			2013-14		
		COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Sr.No.	Particulars						
1	Segment Revenue						
	Sales	3,862,632,353	546,956,240	4,409,588,593	4,158,792,251	679,277,172	4,838,069,423
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	3,862,632,353	546,956,240	4,409,588,593	4,158,792,251	679,277,172	4,838,069,423
2	Result						
	Segment Result	530,212,583	(66,977,397)	463,235,186	819,347,661	(12,889,732)	806,457,930
	Less: Unallocable Corporate Expenses (Net of Income)			237,733,768			224,479,861
	Operating Profit before Interest			225,501,418			581,978,068
	Less: Interest			188,862			3,483,339
	Profit before Tax			225,312,556			578,494,729
	Share in profit of Associate Company not Included above			12,372,158			13,068,024
3	Other Information						
	Segment Assets	2,468,952,652	593,655,544	3,062,608,196	2,115,584,011	609,246,000	2,724,830,011
	Add: Unallocable common assets			1,958,045,874			2,076,666,937
	Total Assets			5,020,654,070			4,801,496,948
	Segment Liabilities	1,628,886,011	192,470,170	1,821,356,181	1,241,591,393	216,054,208	1,457,645,601
	Add: Unallocable common liabilities			177,240,532			410,666,204
	Total Liabilities			1,998,596,713			1,868,311,805
4	Capital Expenditure During the year	14,232,040	3,453,288	17,685,328	186,356,058	66,391,337	252,747,395
5	Depreciation	109,240,446	61,431,160	170,671,606	78,785,942	44,305,127	123,091,069
	Add: Unallocable Depreciation			18,355,343			9,049,356
				189,026,949			132,140,425
B	Secondary Segment - Geographical by Customers						
1	Segment Revenue						
	In India			4,209,557,833			4,593,185,660
	Outside India			200,030,760			244,883,763
	Total			4,409,588,593			4,838,069,423

C Other Disclosures

- Segments have been identified in line with the Accounting standard, AS-17 "Segment Reporting" (AS -17), taking into account the organisation structure as well as the differing risks and returns.
- Company has disclosed Business Segment as the primary segment.
- Composition of Business Segment
Name of the Segment : Comprises of :
a) Compression Systems Air & Gas Compressors, Airconditioning & Refrigeration Compressors and Systems etc.
b) Transmission Equipments Power Transmission Equipments (Torque Converter), Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.
- The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 50 to the Financial Statement.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

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

(A) Name of the related party and nature of relationship where control exists
Names of Related parties

1) Holding Company	Kirloskar Brothers Investments Ltd.	
2) Fellow Subsidiary	Kirloskar Oil Engines Ltd. Nashik Silk Industries Ltd. (upto 30th March, 2015) Pneumatic Holdings Ltd. (from 31st March, 2015)	
3) Key Management Personnel	Mr Rahul C Kirloskar Mr Aditya Kowshik	Executive Chairman Managing Director
4) Relatives of Key Management Personnel	Mrs Alpana Rahul Kirloskar Smt Suman C Kirloskar Mr Atul C Kirloskar Ms Alika Rahul Kirloskar Mrs Kavita Kowshik	Wife Mother Brother Daughter Wife
5) Enterprise over which key management personnel exercise control/significant influence	Kirloskar Integrated Technologies Pvt. Ltd. Alpak Investment Pvt. Ltd. Snow Leopard Momentum LLP Green Tek Systems (India) Pvt. Ltd.	

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

(B) Related Party Transactions

Amount in Rs.

Nature of Transaction	Year	Holding Company	Fellow Subsidiary Company	Key management Personnel	Relatives of Key Management Personnel	Enterprise over which key management personnel exercise control/significant influence	Total
Purchase of Goods/ Assets	2014-15	-	6,726,054	-	-	426,079	7,152,133
	2013-14	-	10,209,618	-	-	851,199	11,060,817
Sale of Goods / Assets	2014-15	-	-	-	-	-	-
	2013-14	-	-	-	-	-	-
Services Given	2014-15	-	-	-	-	-	-
	2013-14	-	-	-	-	-	-
Services Received	2014-15	-	281,667	26,447,840	-	-	26,729,507
	2013-14	-	298,816	55,143,613	180,000	-	55,622,429
Rent Received	2014-15	-	-	-	-	-	-
	2013-14	-	-	-	-	-	-
Dividend Received	2014-15	-	-	-	-	-	-
	2013-14	-	-	-	-	-	-
Rent Paid	2014-15	971,601	-	-	1,800,000	-	2,771,601
	2013-14	-	-	-	1,800,000	-	1,800,000
Dividend Paid	2014-15	69,941,760	-	1,155,790	2,207,730	500	73,305,780
	2013-14	83,930,112	-	1,386,948	2,503,452	600	87,821,112
Buyback Of Shares by Associate Co.	2014-15	-	-	-	-	-	-
	2013-14	-	-	-	-	-	-
Balance Outstanding							
Receivable	2014-15	-	1,253,302	-	-	-	1,253,302
	2013-14	-	-	-	-	-	-
Payable	2014-15	-	-	-	-	-	-
	2013-14	-	2,770,313	28,000,000	180,000	-	30,950,313
Deposit receivable	2014-15	-	-	-	10,000,000	-	10,000,000
	2013-14	-	-	-	10,000,000	-	10,000,000
Deposit payable	2014-15	-	-	-	-	-	-
	2013-14	-	-	-	-	-	-
Investment	2014-15	-	-	-	-	-	-
	2013-14	-	-	-	-	-	-

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per note no 31 and to Relatives of Key Managerial Personnel.

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

There are no loans and advances given in the nature of loans to aforementioned Related Parties.

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

31 Managerial Remuneration :

Due to inadequacy of profits, remuneration payable to Executive Chairman and Managing Director is restricted to Rs. 16,000,000/- and Rs. 8,000,000/- respectively being the minimum remuneration. In terms of Section IV of Part II of Schedule V to the Companies Act, 2013, contribution to provident fund and superannuation fund to the extent they are not taxable under the Income Tax Act, 1961, and gratuity payable at a rate not exceeding half month salary per completed year of service does not form part of the ceiling of minimum remuneration. While shareholders have passed a special resolution approving the minimum remuneration, remuneration payable to Executive Chairman is subject to approval of Central Government.

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

	2014-15			2013-14		
	Executive Chairman	Managing Director	Total	Executive Chairman	Managing Director	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salary	12,000,000	6,000,000	18,000,000	12,000,000	4,955,000	16,955,000
House Rent Allowance	-	600,000	600,000	-	495,500	495,500
Commission	-	-	-	20,000,000	8,000,000	28,000,000
Contribution to Provident Fund, Superannuation and Gratuity :	2,540,000	1,920,000	4,460,000	2,540,000	1,837,850	4,377,850
Other perquisites	2,849,709	538,131	3,387,840	4,585,686	729,577	5,315,263
Gross Remuneration	17,389,709	9,058,131	26,447,840	39,125,686	16,017,927	55,143,613
Less : Contributions to Provident Fund, Superannuation and Gratuity not forming part of minimum remuneration in terms of Section IV of Part II of Schedule V of the Act.	2,040,000	1,070,000	3,110,000	-	-	-
Remuneration paid	15,349,709	7,988,131	23,337,840	-	-	-
Approved by Shareholders	16,000,000	8,000,000	24,000,000	-	-	-

Note :

- As the employee wise breakup of contribution to gratuity fund is not ascertainable, the same has been included on the basis of entitlement in gross remuneration.
- As the employee wise breakup of liability of leave entitlement, based on actuarial valuation, is not ascertainable, the same has not been included in gross remuneration.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

b) Computation of net profit under Section 197 read with Section 198 of the Companies Act, 2013.

	2014-15	2013-14
	Rs.	Rs.
1 Net Profit as per Profit & Loss Account	284,191,595	614,651,272
2 ADD.		
Directors Remuneration	26,447,840	58,863,613
Loss on sale of Assets	-	-
	<u>310,639,435</u>	<u>673,514,885</u>
3 LESS		
Profit on sale of Assets & Investments	104,642,795	19,121,193
	<u>104,642,795</u>	<u>19,121,193</u>
Net Profit U/S 197	205,996,640	654,393,692
Maximum permissible Remuneration payable to Executive Chairman & Managing Director.	20,599,664	65,439,369
Restricted to	See Note above	55,143,613
Maximum permissible Commission payable to Non Executive Directors	NIL	6,543,937
Restricted to		3,720,000

32 Leases

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

- Payment under Lease / Leave and License for period :
 - Not later than 1 year Rs. 9,010,167/- (Rs. 8,361,680/-)
 - Later than 1 year but not later than 5 years Rs. 9,365,596/- (Rs. 15,589,445/-)
- There are no transaction in the nature of Sub Lease.
- Payments recognised in the Profit and Loss Account for the year ended 31st March, 2015 amounts to Rs. 10,533,341/- (Rs. 10,649,404/-)
- Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

33 Intangible assets

In accordance with the Accounting Standard 26, "Intangible Assets" expenditure on Technical Know-how on Project under implementation is amortized on commencement of commercial production. Software is being amortized on pro rata basis from the month of installation, over a period of one year.

34 Capital and other commitments:

	2014-15	2013-14
	Rs.	Rs.
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	7,595,847	3,033,544
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31st March 2015	1,002,170,826	1,074,283,827

35 Payment to Auditors (Net of Service Tax):

(a) As Auditors	1,920,000	1,500,000
(b) In Other Capacity		
For Tax Audit	300,000	200,000
For Certificates	5,000	39,000
	<u>2,225,000</u>	<u>1,739,000</u>
(c) For Expenses	27,649	33,316
	<u>2,252,649</u>	<u>1,772,316</u>

36 Proposed dividend

Dividend recommended per share	5	10
Dividend %	50	100

37 A. Contingent Liabilities not provided for in respect of :

Claims against the Company not acknowledged as Debts, estimated at	402,618,329	330,385,104
Income Tax Matters	712,247	712,247
Disputed Central Excise Matters	1,844,298	2,400,872
Disputed Customs Matters	1,454,000	1,454,000
Disputed Sales Tax Demands	69,615,414	1,157,000
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	6,407,829	11,947,143

B. Claim for US \$ 10 million has been filed against the Company in the International Court of Arbitration.

The Arbitration proceedings have been stayed by the Honorable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honorable Supreme Court. Further the Honorable High Court of Delhi has transferred the matter to District Courts, Tis Hazari, Delhi on the grounds of pecuniary jurisdiction. Company has obtained an opinion from Senior Counsel stating that claim made by the plaintiff is not tenable and therefore management does not anticipate any financial impact on this account.

38 Foreign Exchange Derivatives & Exposures hedged / not hedged at close of the year

(A) Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31.03.2015	31.03.2014
Forward Contracts	USD	Purchase	79,125	-
	EURO	Purchase	278,428	-

(B) Exposure not hedged

Nature of Instrument	Currency	31.03.2015	31.03.2014
Receivable	GBP	14,220	11,900
	USD	249,221	339,307
	EUR	6,800	30,081
	JPY	-	2,628,800
	SEK	-	850,816
Payable	GBP	67,642	290,791
	USD	350,585	1,171,290
	EUR	66,918	291,225
	SEK	96,000	48,000

(C) Exchange differences on account of settlement / revalorization of foreign currency transactions in current account are included in Miscellaneous Expenses (Rs.2,072,300/- Previous Year Rs.848,235/-) if such differences are in the nature of expenses & in Miscellaneous Receipts (Rs. Nil, Previous Year Rs. Nil) if such differences are in the nature of gain.

39 Miscellaneous expenses includes prior period items of Rs.3,656,754/- (PY Rs.2,911,175/-)

40 The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information there are no Micro, Small and Medium Enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31st March, 2015.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

	2014-15 Rs.	2013-14 Rs.
41 Details of Work-in-Progress		
Compression Systems	68,681,414	82,196,126
Gears	48,960,169	38,002,410
Others	8,608,926	8,477,780
	<u>126,250,509</u>	<u>128,676,316</u>
42 Value of Imports calculated on CIF basis		
Raw Materials	342,762,180	332,193,521
Components & Spares	46,091,321	52,130,125
Capital Goods	1,177,593	147,646,527
	<u>390,031,094</u>	<u>531,970,172</u>
43 Expenditure in Foreign Currencies (accrual basis) :		
(i) Royalty	1,314,919	4,533,020
(ii) Technical Knowhow	-	11,504,971
(iii) Interest	-	2,807,185
(iv) Professional Fees	31,285,890	3,733,852
(v) Other matters	24,634,478	62,449,724
44 Details of raw material consumed		
Steel Bars and Plates	1,817,205	2,282,471
Pipes	9,040,632	9,243,445
Castings	42,578,788	48,184,475
Forgings	185,766,277	206,772,290
Foundry Raw material	23,654,026	27,864,159
Components	1,858,714,864	1,891,421,865
Others	160,115,250	257,608,448
	<u>2,281,687,042</u>	<u>2,443,377,153</u>

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

	2014-15		2013-14	
	Rs.	Percentage	Rs.	Percentage
Raw Material				
Imported	330,329,419	14.48	277,840,145	11.37
Indigenously obtained	1,642,514,499	71.99	1,889,583,977	77.34
	<u>1,972,843,918</u>	<u>86.47</u>	<u>2,167,424,122</u>	<u>88.71</u>
Spares				
Imported	56,393,907	2.47	38,838,195	1.59
Indigenously obtained	252,449,217	11.06	237,114,836	9.70
	<u>308,843,124</u>	<u>13.53</u>	<u>275,953,031</u>	<u>11.29</u>

46 Earnings in Foreign Currencies (accrual basis)

	2014-15 Rs.	2013-14 Rs.
(i) F.O.B. Value of Exports	200,030,760	244,883,763
(ii) Dividend Received	652,189	690,783

47 A. Deferred tax asset / liability

As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs. 13,888,424/- in the Profit and Loss Account, The details of which are as under.

Particulars	Balance as at 1st April 2014	Arising During the Year	Balance as at 31st March 2015
I. Deferred Tax Liabilities			
a. Depreciation	40,733,535	(16,453,823)	24,279,712
II. Deferred Tax Assets Disallowances under section 43b of the Income Tax Act	35,325,911	(2,565,399)	32,760,512
Net Deferred Tax Liability	5,407,624	(13,888,424)	(8,480,800)

B. Current Tax includes credit of Rs. 12,653,469/- (PY debit Rs. 34,210,461/-) in respect of earlier years.

48 Company has incurred an expenditure of Rs. 16,988,775/- on Corporate Social Responsibility activities in terms of Section 135 of the Companies Act, 2013, comprising of an amount of Rs. 15,000,000/- as contribution by way of donation and balance Rs. 1,988,775/- as direct CSR expenditure, included in other expenses covered in Note no. 27.

49 During the year the company has given donation to two political parties viz. Bharatiya Janata Party Rs. 750,000/- and Aam Aadmi Party Rs.750,000/-.

50 Significant accounting policies

A. System of Accounting :

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

B. Tangible assets

- (i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
- (ii) Depreciation on Assets (other than Freehold Land) :
 - (i) With the commencement of the Companies Act, 2013, depreciation is being provided on straight line method according to the useful life prescribed on single shift working basis in Sch II of the Act on the carrying amount of the asset over the remaining useful life of the asset as per the said schedule, except as stated below. Where the asset is used any time during the year for double shift or triple shift depreciation is being calculated on the basis of Note 6 of the said schedule.
 - (ii) Depreciation on Vehicle is being provided over a period of five years, being the estimated useful life of the asset to the company.
 - (iii) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as per Note 2 of Sch II to Companies Act, 2013 in a manner stated above.
 - (iv) Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the preceding month in which such Assets are sold, discarded or demolished.

C. Intangible assets :

Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year. (Also see note no.33)

D. Investments :

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

E. Inventories :

- Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.
- (i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2015 (Contd.)

- (ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
- (iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
- (iv) Jigs & Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
- (v) Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
- (vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
- (vii) Excise / Customs Duty : Excise Duty on Finished Goods and Customs Duty on imported materials are accounted on production of Finished Goods / Receipt of materials in Customs Bonded Warehouse.
- F. Foreign Currency Conversion :
- a. Initial Recognition
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- b. Conversion
Current assets and current liabilities, Secured Loans designated in foreign currencies are revalued at the rate prevailing on the date of Balance Sheet.
- c. Forward Contracts
Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.
In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate prevailing on the date of forward contract (i.e. forward premium / discount) is amortised as income or expense over the life of the contract, except in respect of the liabilities for the acquisition of qualifying assets, where such amortization is adjusted in the cost of the corresponding asset.
- G. Borrowing Cost :
Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.
- H. Sales :
- (i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.
- (ii) Export Sales are accounted for on the basis of dates of Bills of Lading.
- (iii) Construction Contract Sales :
In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.
- I. Income Tax
Tax Expense comprises both current and deferred tax. Provision for current tax is made on the basis of taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.
Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and incase of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.
- J. Employee Benefits
- (A) Short term Employee Benefits :
All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia etc. and are recognised in the period in which the employee renders the related service.
- (B) Post Employment Benefits ;
- (i) Defined Contribution Plans :
The Company's approved superannuation scheme, State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.
- (ii) Defined Benefits Plans :
The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected unit Credit Method, as at the date of the balance Sheet.
- (iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.
- (iv) Termination benefits are recognised as an expense as and when incurred.
- K. Provisions :
Provisions are recognised when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and which can be reliably estimated.

51 Additional Information

Name of the entity	Net Assets i.e total assets minus total liabilities		Share in profit or loss	
	As % of consolidated net assets	Amount (Rs.)	As % of consolidated profit or loss	Amount (Rs.)
1	2	3	4	5
Parent	96.7%	2,930,994,289	94.5%	169,357,585
Indian Subsidiary Kirloskar RoadRailer Limited	-0.09%	(2,740,754)	-1.39%	(2,484,038)
Associate Company Kirloskar Chillers P.Ltd.	3.4%	102,284,622	6.9%	12,372,158

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

As per our attached report of even date
For **M/s P G Bhagwat**
Firm Registration No. 101118W
Chartered Accountants

S S Athavale
Partner
Membership No. 83374
Pune, 7 May, 2015

Aditya Kowshik
Managing Director
DIN - 00228983

Jitendra Shah
Company Secretary

For and on behalf of the Board of Directors
Rahul C Kirloskar
Executive Chairman
DIN - 00007319

Suhas S Kolhatkar
Vice President & Chief Financial Officer

Pune, 7 May, 2015

Statement pursuant to Section 129 (3) of the Companies Act, 2013 containing salient features of the financial statement of subsidiaries / associate companies / joint ventures

Part "A": Subsidiaries		
1	Sl.No.	1
2	Name of the Subsidiary	: Kirloskar RoadRailer Limited
3	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	: Not Applicable
4	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	: Not Applicable
5	Share capital	: Rs. 45,700,000/-
6	Reserves & surplus	: Rs. (2,740,754/-)
7	Total assets	: Rs. 373,134,106/-
8	Total Liabilities	: Rs. 373,134,106/-
9	Investments	: Rs. 61,934/-
10	Turnover	: NIL
11	Profit before taxation	: Rs. (2,529,038/-)
12	Provision for taxation	: NIL
13	Profit after taxation	: Rs. (2,529,038/-)
14	Proposed Dividend	: NIL
15	% of shareholding	: 100%
This company is yet to commence the operations.		

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

Part "B": Associates and Joint Ventures		
Name of Associates		: Kirloskar Chillers Private Limited
1	Latest audited Balance Sheet Date	: 31st March, 2015
2	Shares of Associate held by the company on the year end	:
i	No.	: 390,000
ii	Amount of Investment in Associates	: Rs. 3,900,000/-
iii	Extent of Holding %	: 34.21%
3	Description of how there is significant influence	: Control of at least 20% of total Share Capital
4	Reason why the associate is not consolidated	: Consolidated
5	Networth attributable to Shareholding as per latest audited Balance Sheet	: Rs. 102,284,622/-
6	Profit / Loss for the year	: Rs. 49,997,420/-
i	Considered in Consolidation	: Rs. 36,164,270/-
ii	Not Considered in Consolidation	: Rs. 13,833,150/-

As per our attached report of even date

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

S S Athavale
Partner
Membership No. 83374
Pune, 7 May, 2015

Aditya Kowshik
Managing Director
DIN - 00228983

Jitendra Shah
Company Secretary

For and on behalf of the Board of Directors

Rahul C Kirloskar
Executive Chairman
DIN - 00007319

Suhas S Kolhatkar
Vice President & Chief Financial Officer

Pune, 7 May, 2015



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A Kirloskar Group Company

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