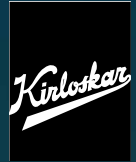


# KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2018-2019



Enriching Lives



BRINK  F NEXT

# KAIR<sup>OS</sup>

(καιρός) 'Circumstances  
that open moments of  
opportunity'

## Foundation for Future

In today's rapidly changing world, a whole new era of possibilities has emerged, and along with it a whole new set of challenges. Today, businesses have to be more agile, innovative and sustainable to transform themselves, and to find ways of reinventing themselves to keep up with a dynamic environment. They need to find their *Kairos* moment – where they are poised for transformation and where the mix of effort, investment, ambition and integrity becomes future-focused and customer-centric.

The story of Kirloskar Pneumatic Company Limited (KPCL) is of stability-driven growth with a top line growth of 17%, entry in new markets, introduction of new products and a best-ever order book.

FY19 saw the growth of both of KPCL's main product lines – compression products and transmission products. In addition, the introduction of the third product line, the innovative RoadRailer opened multiple opportunities for the company.





1

**CNG Systems:** The Company is a market leader in CNG systems for City Gas Distribution companies, with a 60% market share. With more and more Indian cities moving to piped gas distribution, KPCL is poised for a major expansion in this sector. The share of natural gas in the country's fuel mix is planned to be raised from the present 6% to a targeted 15%. KPCL is ideally situated to capitalise on this development with its track record in designing, procuring, building and testing high end systems. The roadmap to this growth started developing in FY19, which saw the highest ever turnover from Oil and Natural Gas compression systems.

2

**Cold Chain Business:** KPCL enjoys a dominant position in industrial refrigeration compressors and packages for cold store units, dairy units and pharmaceutical & process plants. The cold chain sector is slated for exponential growth with a push towards modernising agricultural production and distribution. Being the world's largest manufacturer of Open Type Ammonia Refrigeration Compressors, KPCL has demonstrated its capability to take this business to the next level with planned growth of 10% in the sector.

3

**Industrial Business:** KPCL's expertise in engineering is reflected in its over 65% market share in Oil and Gas Refrigeration Systems. Groundwork done in overseas markets has started giving results with the Company becoming an 'Approved Vendor' in almost all Oil & Gas Companies in the Middle East. With KPCL's in-house capability of designing, manufacturing and servicing air compressors, it is reaping the gains from the government's push for road construction projects, a major customer for diesel portable compressors.

# BOARD OF DIRECTORS



Mr Rahul C Kirloskar  
**Executive Chairman**



Mr Aditya Kowshik  
**Managing Director**



Mr Atul C Kirloskar



Mr Vikram S Kirloskar



Mr G Krishna Rao



Mr Sunil Shah Singh



Dr Ajay Kumar Dua



Mr K Venkataramanan



Mrs Nalini Venkatesh



Mr D R Swar

**CHIEF FINANCIAL  
OFFICER**

Mr Suhas S Kolhatkar

**BANKERS**

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

**AUDITORS**

M/s. P G Bhagwat  
Chartered  
Accountants, Pune

**SECRETARIAL  
AUDITORS**

M/s SVD & Associates  
Company  
Secretaries, Pune

**COMPANY  
SECRETARY**

Mr Jitendra R Shah

**REGISTERED OFFICE**

Hadapsar Industrial Estate, Pune 411 013  
 Ph. No. 020 – 26727000  
 Email : sec@kpcl.net  
 www.kirloskarkpcl.com  
 CIN : L29120PN1974PLC110307

**REGISTRAR AND SHARE  
TRANSFER AGENT**

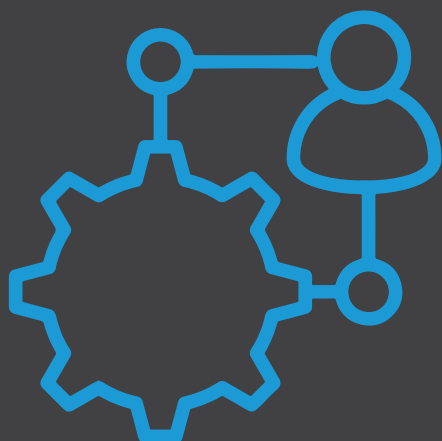
Link Intime India Private Limited  
 Block No. 202, 2<sup>nd</sup> Floor,  
 'Akshay Complex, Near Ganesh Temple,  
 Off Dhole Patil Road, Pune 411001  
 Ph. No. 020 – 26161629 / 26160084

**Information for shareholders****Annual General Meeting**

Day & Date : Saturday, 20<sup>th</sup> July, 2019  
 Time : 11.30 a.m.  
 Venue : S M Joshi Socialist Foundation  
 (S M Joshi Hall)  
 S.No. 191/192, Navi Peth  
 Near Ganjave Chowk  
 Pune 411 030  
 Date of Book : 13<sup>th</sup> July, 2019 to 20<sup>th</sup> July, 2019  
 Closure : (both days inclusive)

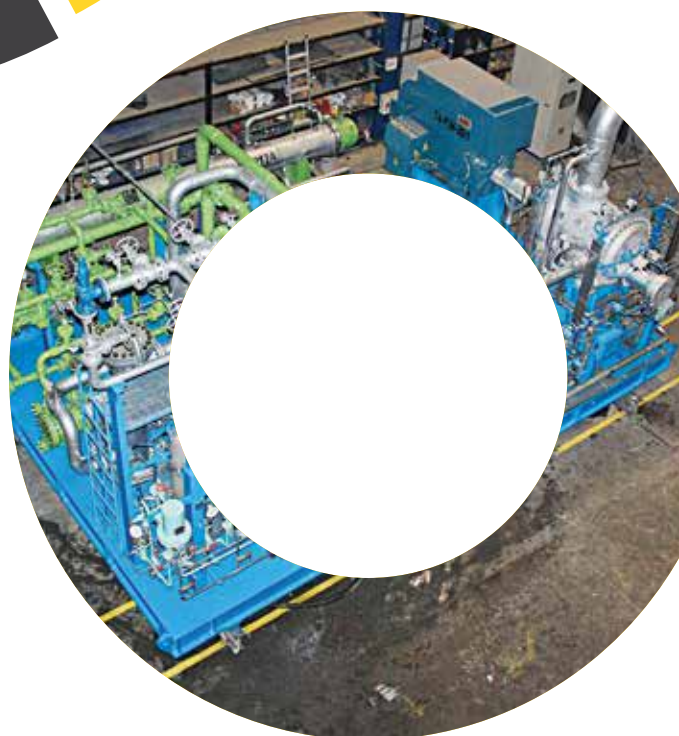
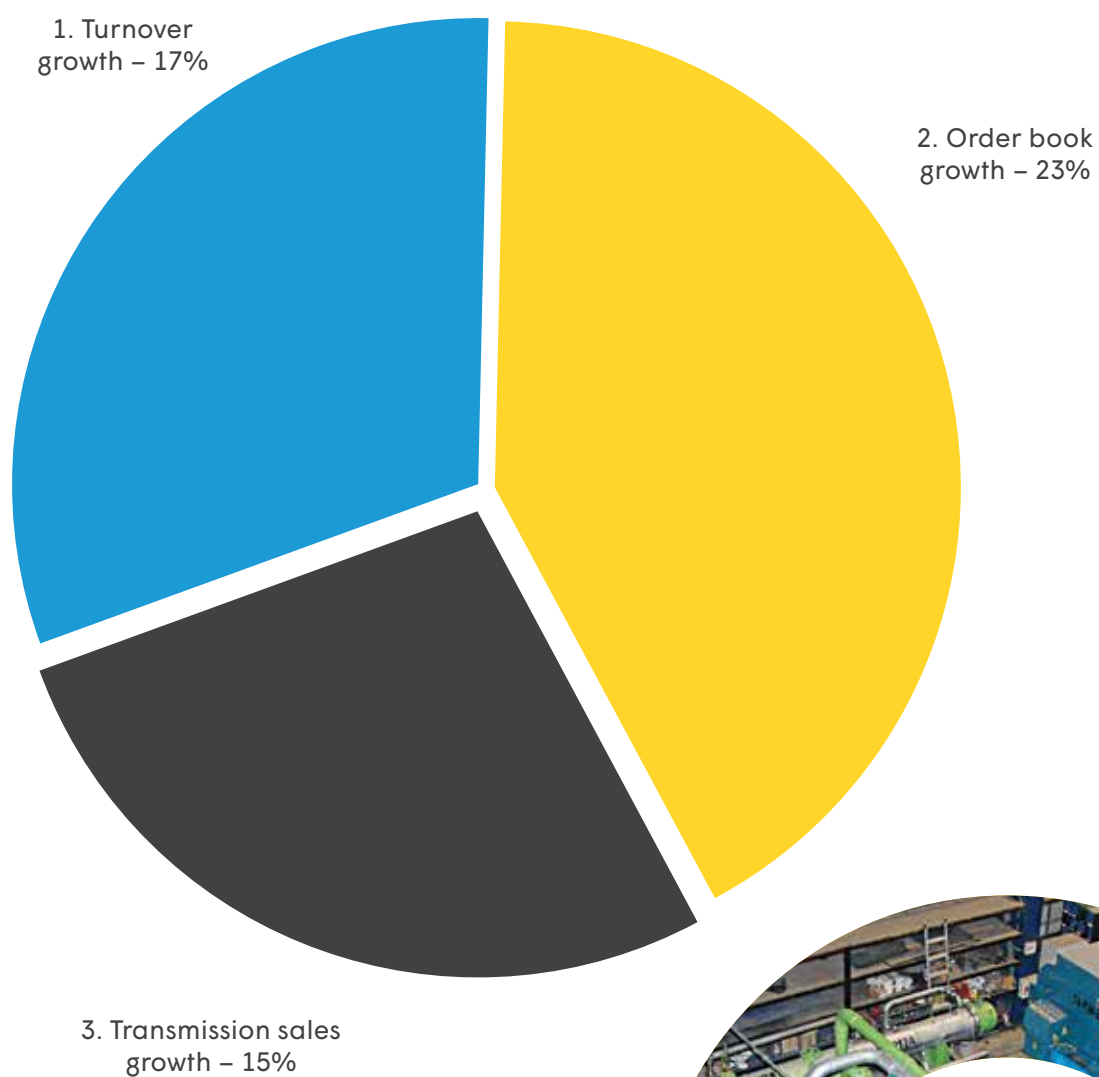
**CONTENTS**

	Pages
Notice.....	15
Directors Report .....	41
Report on Corporate Governance .....	63
Management Discussions & Analysis .....	79
Auditors' Report .....	87
Financial Statements .....	97



# At a Glance





# The Story Behind the Story

**- Neeraj Bhargava,  
VP-ACD**

*"For sustainable growth we are bringing an innovative, energy efficient new electric screw compressor, vib-less reciprocating compressor and a wide range of centrifugal (turbo) compressors that will increase productivity and bring energy savings to customers."*

*"We are proud to provide total solutions in gas compression systems from concept, supply, installation, commissioning to operation & maintenance."*

**- Deepak Lokras,  
VP-PGS**

*"We are arguably the largest provider of refrigeration compressors in India and aspiring to grow globally with our new air cooled compressors. We're also the market leader in India for providing customised industrial refrigeration systems from concept to commissioning."*

**- Mrugendra Behere,  
VP-ACR**

**- Suhas Kolhatkar,  
VP-Finance & CFO**

*"We are an effective zero debt company and our liquidity position is an indicator of the financial solidity which is the result of our conviction in improving profitability and realizing the same."*

*"Our mission is to make our company an employer of choice."*

**- S. Padhee,  
VP-HR & IT**

**-N. Vijaykumar,  
GM-Transmission**

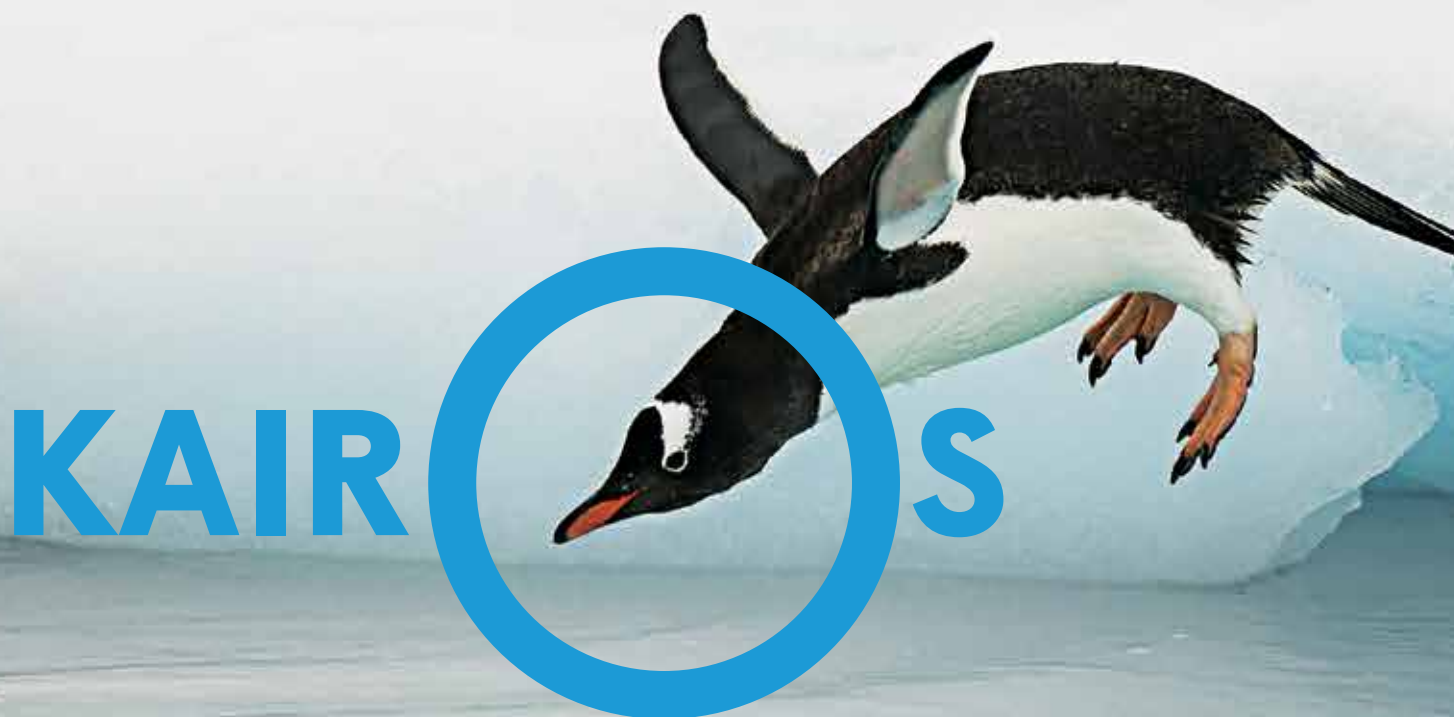
*"High end specialized high speed & planetary gearbox tailormade for special industrial applications, and import substitution manufactured with improved infrastructure will help the transmission segment to turn around."*

# Conclusion

FY19 saw the introduction of new ways of doing business, greener processes and technology, and smarter products. These signal KPCL's future-readiness and a positive outlook in coming years.







# FINANCIAL HIGHLIGHTS

# FINANCIALS AT A GLANCE

Rs in Million

Particulars	Ind AS			Indian GAAP						
	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Sales	7,102.44	6,064.40*	5,533.05*	5,088.78	4,409.59	5,099.27	5,488.09	6,666.14	4,917.32	4,532.80
Profit Before Tax	802.29	726.81	714.40	516.45	284.19	614.65	707.76	884.72	654.23	682.28
Profit After Tax	552.62	499.43	537.80	363.79	225.75	388.30	470.98	619.15	439.13	475.71
Dividend (%)	125.00	120.00	100.00	70.00	50.00	100.00	120.00	120.00	120.00	120.00
Dividend per share (Rs)	2.50	12.00	10.00	7.00	5.00	10.00	12.00	12.00	12.00	12.00
Dividend Amount	160.55	154.13	128.44	89.91	64.22	128.44	154.13	154.13	154.13	154.13
Earning per share (Rs)#	8.60	38.88	41.87	28.32	17.58	30.23	36.67	48.20	34.19	37.29
Book Value Per Share (Rs)#	76.90	359.38	331.48	250.34	230.43	220.03	201.50	178.87	145.40	125.20
Share Capital	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44
Reserves and Surplus	4,809.86	4,487.48	4,129.07	3,086.89	2,831.24	2,697.66	2,459.63	2,168.98	1,739.12	1,479.67
Shareholders' Funds	4,938.30	4,615.92	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07	2,297.42	1,867.56	1,608.11
Loan Funds	5.31	6.88	-	-	-	-	-	62.55	123.25	300.52
Total Capital Employed	4,943.61	4,622.80	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07	2,359.97	1,990.81	1,908.63
Net Block	1,217.81	748.09	793.65	817.42	970.59	1,139.07	1,020.38	905.86	847.82	724.10

**\*Note:**

- The Company transitioned into Ind AS from 1<sup>st</sup> April, 2016.
- Sales include excise duty of Rs. 59 Million collected from Customers upto 30<sup>th</sup> June, 2017 i.e. till the date of implementation of GST. (Previous year Rs. 388 Million for full year.)  
Sales net of excise duty is Rs. 6,005.40 Million. (Previous year Rs. 5,145.05 Million.)  
Dividend for FY 2018-19 is recommended by the Board.
- #The equity shares of the Company were sub-divided from Rs. 10/- per share to Rs. 2/- per share w.e.f. 27<sup>th</sup> September, 2018.

# GREEN INITIATIVE - GO PAPERLESS!!!

Dear Shareholder(s),

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

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

**Note :**

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

KIRLOSKAR PNEUMATIC COMPANY LIMITED  
A Kirloskar Group Company

KAIR  S

# **NOTICE OF 44TH ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 44<sup>th</sup> Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Saturday, the 20<sup>th</sup> day of July, 2019 at 11.30 a.m. at S. M. 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 Audited Financial Statement of the Company for the financial year ended 31<sup>st</sup> March, 2019 together with the Report of the Auditors' and Board of Directors thereon.
2. To declare dividend on equity shares for the financial year ended on 31<sup>st</sup> March, 2019.
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.

#### **SPECIAL BUSINESS**

4. 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. 6 Lakhs (Rupees Six Lakhs only) to Company's Cost Auditor, M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant, for auditing the cost records maintained by the Company for the financial year ending on 31<sup>st</sup> March, 2020."

5. To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that pursuant to the provisions of Sections 149, 152 read with Schedule IV and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR Regulations"), Mr Sunil Shah Singh (holding DIN 00233918), Independent Director of the Company, whose current period of office is expiring on 22<sup>nd</sup> July, 2019 and who has submitted declaration(s) under Section 149 (7) that he meets the criteria for independence as provided in Section 149 (6) of the Companies Act, 2013 and under Regulation 25 (8) that he meets the criteria for independence as provided in Regulation 16 (1) (b) of SEBI LODR Regulations and who is eligible for re-appointment, the approval of the Members of the Company be and is hereby accorded for re-appointment of Mr Sunil Shah Singh as an Independent Director of the Company, to hold office for a second term of 5 consecutive years from 23<sup>rd</sup> July, 2019 to 22<sup>nd</sup> July, 2024.

RESOLVED FURTHER that pursuant to the provisions of Sections 149, 197 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr Sunil Shah Singh be paid such fees and remuneration and profit related commission as the Board / Nomination & Remuneration Committee may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time.

RESOLVED FURTHER that pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, Mr Sunil Shah Singh (DIN 00233918), who will attain the age of 75 years on 10<sup>th</sup> December, 2021, continue to hold his directorship as Non-Executive Independent Director even after he attains the age of 75 years till the expiry of his second term on the same terms and conditions of such

re-appointment even after attaining the age of 75 years, will be considered as requisite approval from shareholders as required in the Amendment Regulations, 2018."

6. To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that pursuant to the provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR Regulations"), Mr G Krishna Rao (holding DIN 00058985), Independent Director of the Company, whose current period of office is expiring on 22<sup>nd</sup> July, 2019 and who has submitted declaration(s) under Section 149 (7) that he meets the criteria for independence as provided in Section 149 (6) of the Companies Act, 2013 and under Regulation 25 (8) that he meets the criteria for independence as provided in Regulation 16 (1) (b) of SEBI LODR Regulations and who is eligible for re-appointment, the approval of the Members of the Company be and is hereby accorded for re-appointment of Mr G Krishna Rao as an Independent Director of the Company, to hold office for a second term of 5 consecutive years from 23<sup>rd</sup> July, 2019 to 22<sup>nd</sup> July, 2024.

RESOLVED FURTHER that pursuant to the provisions of Sections 149, 197 and any other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr G Krishna Rao be paid such fees and remuneration and profit related commission as the Board / Nomination & Remuneration Committee may approve from time to time and subject to such limits, prescribed or as may be prescribed from time to time."

7. To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, Mr Krishnamurthi Venkataramanan (DIN 00001647), who will attain the age of 75 years on 11<sup>th</sup> December, 2019, continue to hold his directorship as Non-Executive Independent Director even after he attains the age of 75 years till the expiry of his current term be and is hereby approved."

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

"RESOLVED that pursuant to provisions of Sections 196, 197, 203 read with Schedule V and any other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such other approvals as may be necessary and as per the recommendation of the Nomination & Remuneration Committee and the Board, the consent of the Members be and is hereby accorded to the re-appointment of Mr Aditya Kowshik (holding DIN 00228983), as Managing Director of the Company for a further period beginning from 24<sup>th</sup> October, 2019 upto 1<sup>st</sup> January, 2021 on the terms and conditions including remuneration as set out in the explanatory statement and contained in the draft agreement to be entered into between the Company and Mr Aditya Kowshik with liberty to the Board of Directors or any committee thereof to alter and vary the said terms of appointment and remuneration but so as not to exceed the limits specified under Section 197 and Schedule V of the Companies Act, 2013 or any amendments thereto, as may be agreed to between the Board of Directors and Mr Aditya Kowshik.

RESOLVED FURTHER that subject to the provisions of the Companies Act, 2013 and in terms of Article 99 of the Articles of Association of the Company, the Managing Director shall not, while he continues to hold

office of the Managing Director, be subject to retirement by rotation of Directors and he shall not be reckoned as a Director for the purpose of determining the rotation of retirement of Directors or in fixing the number of Directors to retire, but he shall ipso facto and immediately cease to be the Managing Director if he ceases to hold the office of Director for any cause."

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

"RESOLVED that pursuant to the provisions of Section 197, read with Schedule V and any other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such other approvals as may be necessary and as per the recommendation of the Nomination and Remuneration Committee and the Board, the consent of the Members be and is hereby accorded for revision in the remuneration payable to Mr Rahul C Kirloskar (DIN 00007319) for his remaining term as Executive Chairman of the Company w.e.f. 1<sup>st</sup> August, 2019 as set out in the explanatory statement and contained in the draft agreement to be entered into between the Company and Mr Rahul C Kirloskar, Executive Chairman.

RESOLVED FURTHER that the Board of Directors of the Company, be and are hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable and expedient for giving effect to this Resolution."

10. To consider and if thought fit, to pass with or without modification(s) the following resolution as a SPECIAL RESOLUTION:

"RESOLVED that pursuant to the provisions of Section 62 (1) (b) and other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or any substitution or re-enactment thereof, for the time being in force) and in accordance with the Memorandum of Association and the Articles of Association of the Company, the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR Regulations"), Regulation 6 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (hereinafter referred as "SEBI SBEB Regulations"), and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include any Committee, including the Nomination and Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), the consent of the Members of the Company be and is hereby accorded to the introduction and implementation of KPCL Employee Stock Option Scheme 2019 (hereinafter referred to as the "KPCL ESOS 2019") authorising the Board of Directors of the Company to create, offer and grant from time to time, in one or more tranches, not exceeding 11,00,000 (Eleven Lakhs) Employee Stock Options, to or for the benefit of such person(s), specified employees, who are in permanent employment of the Company and Director(s), whether whole time or otherwise, (other than Promoters of the Company, Persons belonging to Promoters Group, Independent Directors and Directors holding directly or indirectly more than 10 percent of the outstanding Equity Shares of the Company), as may be decided under KPCL ESOS 2019, exercisable into not more than 11,00,000 (Eleven Lakhs) equity shares of face value of Rs 2/- (Rupees Two) each fully paid-up, on such terms and in such manner as the Board may decide from time to time in accordance with the provisions of the applicable laws and the provisions of KPCL ESOS 2019.

RESOLVED FURTHER that the equity shares so issued and allotted as mentioned hereinbefore shall rank pari passu with the then existing equity shares of the Company.

RESOLVED FURTHER that in case of any corporate action(s) such as rights issues, bonus issues, change in capital structure, merger and sale of division / undertaking, or other reorganisation and others, if any,

additional equity shares are to be issued by the Company to the Shareholders ('Additional Shares'), the ceiling as aforesaid of 11,00,000 (Eleven Lakhs) Options and equity shares respectively to be issued and allotted shall be deemed to increase in proportion of such additional equity shares issued to facilitate making a fair and reasonable adjustment.

RESOLVED FURTHER that in case the equity shares of the Company are either sub-divided or consolidated, then the number of equity shares to be allotted and the exercise price payable by the option grantees under the KPCL ESOS 2019 shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs 2/- (Rupees Two) per equity share bears to the revised face value of the equity shares of the Company after such consolidation or sub-division, without affecting any other rights or obligations of the said grantees.

RESOLVED FURTHER that the Board including designated committee of the Board, if any be and is hereby authorised to take requisite steps for listing of the Equity Shares allotted under KPCL ESOS 2019 on the Stock Exchange(s) where the Equity Shares of the Company are listed.

RESOLVED FURTHER that the Company shall conform to the accounting policies prescribed from time to time under the SEBI SBEB Regulations and any other applicable laws and regulations to the extent relevant and applicable to the KPCL ESOS 2019.

RESOLVED FURTHER that the Board including designated committee of the Board, if any be and is hereby authorized at any time to modify, change, vary, alter, amend, suspend or terminate the KPCL ESOS 2019 subject to the compliance with the applicable laws and regulations and to do all such acts, deeds, matters and things as may at its absolute discretion deems fit, for such purpose and also to settle any issues, questions, difficulties or doubts that may arise in this regard without being required to seek any further consent or approval of the members and further to execute all such documents, writings and to give such directions and / or instructions as may be necessary or expedient to give effect to such modification, change, variation, alteration, amendment, suspension or termination of the KPCL ESOS 2019 and do all other things incidental and ancillary thereof.

RESOLVED FURTHER that the Board, be and is hereby authorized to do all such acts, deeds and things, as may, at its absolute discretion, deems necessary including authorizing or directing to appoint Merchant Bankers, Brokers, Solicitors, Registrars, Compliance Officer and other Advisors, Consultants or Representatives, being incidental to the effective implementation and administration of KPCL ESOS 2019, as also to make applications to the appropriate Authorities, Parties and the Institutions for their requisite approvals as also to initiate all necessary actions for the preparation and issue of public announcement and filing of public announcement, if required, with the SEBI/Stock Exchange(s) and all other documents required to be filed in the above connection and to settle all such questions, difficulties or doubts whatsoever which may arise and take all such steps and decisions in this regard."

## NOTES:

1. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to Special Business to be transacted at the meeting, is annexed hereto.
2. 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.

3. The Register of Members and the Share Transfer Books of the Company will remain closed from Saturday, 13<sup>th</sup> July, 2019 to Saturday, 20<sup>th</sup> July, 2019 (both days inclusive) for the purpose of declaration of dividend and annual closing. The dividend, if declared at the Annual General Meeting will be paid to Members:
  - a). whose names appear as Beneficial Owners as at the end of the business hours on 12<sup>th</sup> July, 2019 in the list of Beneficial Owners to be furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of equity shares held in electronic form; and
  - b). whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers / transmissions in physical form lodged with the Company / its Registrar and Share Transfer Agent on or before 12<sup>th</sup> July, 2019.
4. In order to get their future 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 Members 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, the amount of dividend not encashed or claimed within seven (7) years from the date of its transfer to the unpaid dividend account, will be transferred to the Investor Education and Protection Fund (IEPF) established by the Government. Accordingly, the unclaimed dividend in respect of financial year 2011-12 is due for transfer to the said Fund in August, 2019.
7. Members who have neither received nor encashed their dividend warrant(s) for the financial years 2011-12 to 2018-19, are requested to write to the Company, mentioning the relevant Folio number or DP ID and Client ID along with bank account details and original cancelled cheque for getting the credit of unpaid dividend amount, 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, 2<sup>nd</sup> 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 Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, 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).
  - II. The facility for voting through polling paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through polling paper.
  - III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
  - IV. The remote e-voting period commences on Wednesday, 17<sup>th</sup> July, 2019 (9 a.m.) and ends on Friday, the 19<sup>th</sup> July, 2019 (5 p.m.). During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Friday, 12<sup>th</sup> July, 2019, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
  - V. The process and manner for remote e-voting are as under:

#### **How do I vote electronically using NSDL remote e-Voting system?**

The way to vote electronically on NSDL remote e-Voting system consists of "Two Steps" which are mentioned below:

Step 1 : Log-in to NSDL remote e-Voting system at <https://www.evoting.nsdl.com/>

Step 2 : Cast your vote electronically on NSDL remote e-Voting system.

#### **Details on Step 1 is mentioned below:**

##### **How to Log-in to NSDL remote e-Voting website?**

1. Visit the remote e-Voting website of NSDL. Open web browser by typing the following URL: <https://www.evoting.nsdl.com/>  
either on a Personal Computer or on a mobile.
2. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholders' section.
3. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen.

Alternatively, if you are registered for NSDL eservices i.e. IDEAS, you can log-in at <https://eservices.nsdl.com/> with your existing IDEAS login. Once you log-in to NSDL eservices after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

4. Your User ID details are given below :

Manner of holding shares i.e. Demat (NSDL or CDSL) or Physical	Your User ID is:
a. For Members who hold shares in demat account with NSDL.	8 Character DP ID followed by 8 Digit Client ID For example if your DP ID is IN300*** and Client ID is 12***** then your user ID is IN300***12*****.
b. For Members who hold shares in demat account with CDSL.	16 Digit Beneficiary ID For example if your Beneficiary ID is 12***** then your user ID is 12*****.
c. For Members holding shares in Physical Form.	EVEN Number followed by Folio Number registered with the company. For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***

5. Your User ID details are given below :

- a. If you are already registered for remote e-Voting, then you can use your existing password to login and cast your vote.
  - b. If you are using NSDL remote e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
  - c. How to retrieve your 'initial password'?
    - i. If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a pdf file. Open the pdf file. The password to open the pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The pdf file contains your 'User ID' and your 'initial password'.
    - ii. If your email ID is not registered, your 'initial password' is communicated to you on your postal address.
6. If you are unable to retrieve or have not received the 'Initial password' or have forgotten your password:
- a. Click on "**Forgot User Details/Password?**" (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
  - b. "**Physical User Reset Password?**" (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com)
  - c. If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number / folio number, your PAN, your name and your registered address.
7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
8. Now, you will have to click on "Login" button.
9. After you click on the "Login" button, Home page of e-Voting will open.

**Details on Step 2 is given below:****How to cast your vote electronically on NSDL e-Voting system?**

1. After successful login at Step 1, you will be able to see the Home page of remote e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.
2. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.
3. Select "EVEN" of company for which you wish to cast your vote.
4. Now you are ready for e-Voting as the Voting page opens.
5. Cast your vote by selecting appropriate options i.e. assent or dissent, verify / modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.
6. Upon confirmation, the message "Vote cast successfully" will be displayed.
7. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.
8. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders**

1. 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. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to [deulkarcs@gmail.com](mailto:deulkarcs@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details / Password?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.
3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
- VI. 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).
- VII. 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 Friday, the 12<sup>th</sup> day of July, 2019.
- VIII. 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. 12<sup>th</sup> July, 2019, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [pune@linkintime.co.in](mailto:pune@linkintime.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?" or "Physical User Reset Password?" option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990

- IX. 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.
- X. 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.

- XI. Mr. S V Deulkar of SVD & Associates, Company Secretaries, (Membership No. FCS: 1321) has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
  - XII. 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.
  - XIII. 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.
  - XIV. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com) and on the website of NSDL [www.nsdl.co.in](http://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 BSE Limited, Mumbai.
11. Members are requested to sign at the place provided on the attendance slip and handover the same at the entrance of the Meeting.
  12. 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.
  13. Members are requested to bring their personal copy of the Annual Report to the Meeting.
  14. 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.
  15. The Annual Report 2018-19 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 2018-19 are being sent by the permitted mode.
  16. Re-appointment of Director at the Annual General Meeting:  
  
Mr Atul C Kirloskar (DIN 00007387) aged 63 years, is liable to retire by rotation and being eligible, offers himself for re-appointment. Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, particulars of the aforesaid Director are mentioned below :  
  
Mr Atul C Kirloskar was appointed as a Director on the Board w.e.f. 25<sup>th</sup> April, 2009. Mr Atul C Kirloskar has varied expertise / experience in Strategy, Business Management and Marketing.  
  
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 & Services.  
  
On 1<sup>st</sup> November, 1984, he was appointed as the Executive Vice President of Kirloskar Oil Engines Limited (KOEL). He was co-opted on the Board of KOEL on 6<sup>th</sup> August, 1985 wherein he took over as the Managing Director. In 1988, he was appointed as Vice Chairman. In 1998, he was appointed as Chairman. A member of the World Economic Forum, Mr Atul C Kirloskar has served as President of MCCIA from September 2002 to September 2004, and was also the Chairman of CII National Committee of Defence from 1998 to 2008.  
  
He is a member of Risk Management Committee of the Company.

## The Directorships / Committee Membership in other companies

Name of the Company	Board position held	Committee position held
Kirloskar Ferrous Industries Ltd	Director	Stakeholders Relationship Committee – Chairman
		Nomination & Remuneration Committee – Member
Kirloskar Oil Engines Ltd	Whole-time Director	-
Kirloskar Industries Ltd	Director	Nomination & Remuneration Committee – Member
Kirloskar Proprietary Ltd	Director	Nomination & Remuneration Committee - Member
		Corporate Social Responsibility Committee - Member
Green Tek Systems (India) Pvt Ltd	Director	-
Asara Sales & Investments Pvt Ltd	Director	-
Navsai Investments Pvt Ltd	Director	-
Toyota Kirloskar Motor Pvt Ltd	Director	-
Kirloskar Energen Pvt Ltd	Director	-
Kirloskar Solar Technologies Pvt Ltd	Director	-

The last drawn remuneration of Mr Atul C Kirloskar, Director is given in the Report on Corporate Governance.

Mr Atul C Kirloskar holds 7,459,200 shares in the Company, the said shareholding is considered in the name of the first holder (PAN based) only. Mr Rahul C Kirloskar, Director of the Company, being the brother, is related to each other.

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : 4<sup>th</sup> May, 2019

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



# KAIR S

# **ANNEXURE TO THE NOTICE**

## **The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013.**

### **ITEM NO. 4 OF THE NOTICE**

The Board of Directors at their meeting held on 4<sup>th</sup> May, 2019, based on the recommendation of the Audit Committee, had appointed M/s Sudhir Govind 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 on 31<sup>st</sup> March, 2020 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.

None of the Directors and Key Managerial Personnel or their relatives are concerned or interested, financial or otherwise, in the resolution set out at an Item No.4.

The Board recommends the ordinary resolution as set out at Item No. 4 of the Notice for approval by the Members.

### **ITEM NO. 5 OF THE NOTICE**

Pursuant to the provisions of Sections 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR Regulations") at the 39<sup>th</sup> Annual General Meeting held on 23<sup>rd</sup> July, 2014, Mr Sunil Shah Singh was appointed as an Independent Director of the Company for a period of 5 (five) consecutive years for a term upto 22<sup>nd</sup> July, 2019. Since, Mr Sunil Shah Singh will complete his initial term as an Independent Director of the Company on 22<sup>nd</sup> July, 2019, he is eligible for re-appointment for one more term.

#### **Profile of Director**

Mr Sunil Shah Singh aged 72 years has completed B.Tech from IIT Delhi. Mr Sunil Shah Singh has experience in varied fields such as purchase, materials management, manufacturing, marketing and overall business operations. He has held many key positions like Managing Director of ITD Cementation India Ltd., President of Tetra Pak Processing, Country Head of Energy Work India, Board member of Mather & Platt India Ltd. He was also a member of Construction Federation of India, Construction Industry Development Council, National Institute of Construction Management and Research.

Mr Sunil Shah Singh is a Chairman of the Audit Committee and Member of Stakeholders Relationship Committee, Nomination & Remuneration Committee and Corporate Social Responsibility Committee of the Company.

The Directorships / Committee Membership in other companies.

Name of the Company	Board position held	Committee position held
Kirloskar Industries Ltd	Independent Director	Audit Committee – Chairman
		Corporate Social Responsibility Committee – Member
		Nomination & Remuneration Committee – Member
		Stakeholders Relationship Committee – Member
ITD Cementation (India) Ltd	Independent Director	Audit Committee – Chairman
		Nomination & Remuneration Committee – Member
Kirloskar Oil Engines Ltd	Additional Director	-
Kirloskar Chillers Pvt Ltd	Director	-

Mr Sunil Shah Singh holds 5000 shares in the Company.

In the opinion of the Board, Mr Sunil Shah Singh fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively.

The Nomination and Remuneration Committee on the basis of the report of performance evaluation, has recommended re-appointment of Mr Sunil Shah Singh as Independent Director for a second term of 5 (five) consecutive years on the Board of the Company. The Board, based on the performance evaluation and as per the recommendation of the Nomination and Remuneration Committee, considers that, given his background and experience and contribution made by him during his tenure, the continued association of Mr Sunil Shah Singh would be beneficial to the Company and it is desirable to continue to avail his services as Independent Director. Accordingly, it is proposed to re-appoint Mr Sunil Shah Singh as Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of 5 (five) consecutive years on the Board of the Company upto 22<sup>nd</sup> July, 2024.

The Company has received declaration that Mr Sunil Shah Singh is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013. In terms of Section 160 of the Companies Act, 2013, a notice has been received from a member proposing Mr Sunil Shah Singh as a candidate for the office of Director of the Company.

Copy of the draft letter of re-appointment of Mr Sunil Shah Singh 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.

Under the provisions of Companies Act, 2013, Independent Directors can only receive fees and profit related commission as may be approved by the members. Accordingly, approval of the 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 & Remuneration Committee, from time to time subject to the limit prescribed under the Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time. The last drawn remuneration of Mr Sunil Shah Singh, Independent Director is given in the Report on Corporate Governance.

Securities Exchange Board of India (SEBI) has notified SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 vide Notification No. SEBI/LAD-NRO/GN/2-18/10 on 9<sup>th</sup> May, 2018 (hereinafter referred to as "SEBI LODR Amended Regulations, 2018"). As per Regulation 17 (1A) of SEBI LODR Amended Regulations, 2018 no listed entity shall continue the directorship of any person as a non-executive director who has attained the age of 75 (seventy five) years unless a special resolution is passed to that effect. The Regulation 17 (1A) came into effect with effect from 1<sup>st</sup> April, 2019.

The Board also recommends the resolution in relation to the continuation of directorship of Mr Sunil Shah Singh as Non-Executive Independent Director, even after he attains the age of 75 years, till the expiry of his second term, for your approval.

Except Mr Sunil Shah Singh, being an appointee, none of the Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at an Item No 5. This Explanatory Statement may also be regarded as a disclosure under Regulation 36 of the SEBI LODR Regulations.

The Board recommends the special resolution as set out at Item No. 5 of the Notice for approval by the Members.

## **ITEM NO. 6 OF THE NOTICE**

Pursuant to the provisions of Sections 149, 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder and Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR Regulations") at the 39<sup>th</sup> Annual General Meeting held on 23<sup>rd</sup> July, 2014, Mr G Krishna Rao was appointed as an Independent Director of the Company for a period of 5 (five) consecutive years for a term upto 22<sup>nd</sup> July, 2019. Since, Mr G Krishna Rao will complete his initial term as an Independent Director of the Company on 22<sup>nd</sup> July, 2019, he is eligible for re-appointment for one more term.

### **Profile of Director**

Mr G Krishna Rao aged 69 years has completed B.Com, ACA and AFII. He was in senior level position in General Insurance Corporation of India and National Insurance Company for several years. He has a vast experience in Finance, Insurance and HRD matters.

Mr G Krishna Rao is a Chairman of the Stakeholders Relationship Committee and Member of Audit Committee and Nomination & Remuneration Committee of the Company.

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

In the opinion of the Board, Mr G Krishna Rao fulfills the conditions specified in the Companies Act, 2013 and the rules made thereunder for his appointment as an Independent Director of the Company and is independent of the management and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively.

The Nomination and Remuneration Committee on the basis of the report of performance evaluation, has

recommended re-appointment of Mr G Krishna Rao as Independent Director for a second term of 5 (five) consecutive years on the Board of the Company. The Board, based on the performance evaluation and as per the recommendation of the Nomination and Remuneration Committee, considers that, given his background and experience and contribution made by him during his tenure, the continued association of Mr G Krishna Rao would be beneficial to the Company and it is desirable to continue to avail his services as Independent Director. Accordingly, it is proposed to re-appoint Mr G Krishna Rao as Independent Director of the Company, not liable to retire by rotation and to hold office for a second term of 5 (five) consecutive years on the Board of the Company upto 22<sup>nd</sup> July 2024.

The Company has received declaration that Mr G Krishna Rao is not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013. In terms of Section 160 of the Companies Act, 2013, a notice has been received from a member proposing Mr G Krishna Rao as a candidate for the office of Director of the Company.

Copy of the draft letter of re-appointment of Mr G Krishna Rao 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.

Under the provisions of Companies Act, 2013, Independent Directors can only receive fees and profit related commission as may be approved by the members. Accordingly, approval of the 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 & Remuneration Committee, from time to time subject to the limit prescribed under the Companies Act, 2013 and as may be prescribed under the rules that are passed or may be passed from time to time. The last drawn remuneration of Mr G Krishna Rao, Independent Director is given in the Report on Corporate Governance.

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

Except Mr G Krishna Rao, being an appointee, none of the Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at an Item No 6. This Explanatory Statement may also be regarded as a disclosure under Regulation 36 of the SEBI LODR Regulations.

The Board recommends the special resolution as set out at Item No. 6 of the Notice for approval by the Members.

## **ITEM NO. 7 OF THE NOTICE**

Securities Exchange Board of India (SEBI) has notified SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 vide Notification No. SEBI/LAD-NRO/GN/2-18/10 on 9<sup>th</sup> May, 2018 (hereinafter referred to as "SEBI LODR Amended Regulations, 2018"). As per Regulation 17 (1A) of SEBI LODR Amended Regulations, 2018 no listed entity shall continue the directorship of any person as a non-executive director who has attained the age of 75 (seventy five) years unless a special resolution is passed to that effect. The Regulation 17 (1A) came into effect with effect from 1<sup>st</sup> April, 2019.

Mr Krishnamurthi Venkataramanan (DIN 00001647) will attain the age of 75 years on 11<sup>th</sup> December, 2019.

Mr Krishnamurthi Venkataramanan was appointed as an Independent Non-Executive Director on the Board of the Company with effect from 27<sup>th</sup> July, 2017. He is a graduate in Chemical Engineering from IIT Delhi and a distinguished Alumni Awardee of IIT Delhi. He joined L&T from the campus and was elevated to the Board of Directors of L & T in May, 1999, and was appointed as Chief Executive Officer and Managing Director from 1<sup>st</sup> April, 2012 to 30<sup>th</sup> September, 2015.

He is the first Asian to be appointed Chairman of the Board of Directors of the 'Engineering & Construction Risk Institute, Inc.', USA for a two year term ended in May 2010. He is an Honorary Fellow of the Institute of Chemical Engineers (IChemE), UK – the world's most reputed body in chemical engineering space. He is also a Fellow of the Indian Institute of Chemical Engineers.

He has received recognition at both the national and international level. Accolades include the 'Davidson Frame Award' conferred by IPMA Switzerland, for strengthening the Project Management Profession in India and abroad - 2002. He was honoured with 'Chemtech – Business leader of the Year' Award for plant & machinery - 2005 and the 'Lala Shriram Award for Leadership in Chemical Industry'- 2006. He received the title of IPMA level 'A' Assessor in December 2008 - the second Indian to be so honoured. In May 2011, he was conferred an honorary doctorate in Project Management by the University of Petroleum and Energy Studies (UPES), Dehradun. In recognition of his monumental contributions to the chemical engineering profession, he was conferred with 'Dr Burjor P Godrej Life Time Achievement Award for 2014' in December 2014 by Indian Institute of Chemical Engineers (IICChE).

He was the Chairman of FICCI Capital Goods Committee and has also chaired the CII Manufacturing Council for 2 consecutive years from 2012-2014.

He has wide experience in the international business arena. He has successfully lead the business acquisition and execution of large projects both internationally and domestically. As a result of this, continuation of his appointment will be of immense benefit to the Company.

Mr Krishnamurthi Venkataramanan is Chairman of the Risk Management Committee and Member of Audit Committee of the Company.

The Directorships / Committee Membership in other companies.

Name of the Company	Board position held	Committee Position held
L & T Hydrocarban Engineering Ltd	Chairman	Nomination and Remuneration Committee – Member
Nilkamal Ltd	Director	Stakeholders Relationship Committee - Member
Vendanta Ltd	Director	Corporate Social Responsibility Committee – Member Stakeholders Relationship Committee – Member
L & T Welfare Company Ltd	Director	-
L & T Employees Welfare Foundation Pvt Ltd	Director	-

Mr Krishnamurthi Venkataramanan does not hold any shares in the Company.

The Board recommends the resolution in relation to the continuation of directorship of Mr Krishnamurthi Venkataramanan as Non-Executive Independent Director, even after he attains the age of 75 years, for his remaining term, for your approval.

Except Mr Krishnamurthi Venkataramanan none of the Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financial or otherwise, in the resolution set out at an Item No 7.

The Board recommends the special resolution as set out at Item No. 7 of the Notice for approval by the Members.

## ITEM NO. 8 OF THE NOTICE

The Board of Directors of the Company at their Meeting held on 4<sup>th</sup> May, 2019 re-appointed Mr Aditya Kowshik as Managing Director for a further period beginning from 24<sup>th</sup> October, 2019 upto 1<sup>st</sup> January, 2021 subject to approval of Members and in accordance with the conditions relating to the remuneration as specified in Section 197 read with Schedule V of the Companies Act, 2013 and on the other terms and conditions as set out below and contained in the draft agreement to be entered into between the Company and Mr Aditya Kowshik as approved by the Board of Directors at the said meeting, a copy whereof is open for inspection.

Mr Aditya Kowshik aged 64 years, graduated from Bangalore University in Mechanical Engineering in 1977. He has total experience of over 40 years. He is a member of ISHRAE Pune Chapter, ASHRAE USA and International Institute of Ammonia Refrigeration over 20 years.

Mr Aditya Kowshik has expertise in Sales, Manufacturing and Project Management.

Mr Aditya Kowshik, is a Member of the Corporate Social Responsibility Committee, Risk Management Committee and Share Transfer Committee of the Company.

Mr Aditya Kowshik is also a Director of Kirloskar Chillers Private Limited & SOX Control Solutions Private Limited and he does not hold any shares in these companies.

Mr Aditya Kowshik does not hold any shares in the Company.

As a Managing Director, Mr Aditya Kowshik shall be entrusted with powers of management of the business and affairs of the Company subject to superintendence, direction and control of the Board of Directors.

The last drawn remuneration of Mr Aditya Kowshik, Managing Director is given in the Report on Corporate Governance.

The details of remuneration payable to Mr Aditya Kowshik are as under:

Salary:

Rs 9,00,000/- (Rupees Nine Lakh) per month.

Perquisites and other benefits :

House Rent allowance of Rs 90,000/- per month.

Expenses on Hard and Soft furnishing by way of an allowance upto a limit of Rs. 5,00,000/- per annum.

Reimbursement of all medical expenses incurred for self and family as per Company Rules. In addition, hospitalisation expenses for self and family will be paid on actual basis.

Leave Travel Assistance Rs 2,50,000/- per annum.

Club fees as per Company Rules.

Suitable Personal Accident Insurance premium shall be paid by the Company.

A car with driver.

Telephone, Telefax and other telecommunication facilities at residence.

Contribution to Provident fund and Superannuation fund as per Company Rules.

Gratuity as per Scheme of the Company; and

Privilege Leave as per Company Rules. Leave not availed of may be encashed as per Company Rules.

Employees stock options granted / to be granted to Mr Aditya Kowshik, from time to time as per the Scheme of the Company.

**Commission :**

Commission shall be decided by the Board of Directors based on the net profits of the Company for each year subject to the condition that the aggregate remuneration of a Managing Director shall not exceed the limit laid down under Section 197 and Schedule V of the Companies Act, 2013.

**Sitting Fees :**

The Managing Director shall not be entitled to receive any fees for attending meetings of the Board and / or any Committee thereof.

**Others :**

The Contract may be determined by giving six months' notice in writing in that behalf by either party.

**Minimum Remuneration :**

In case of loss or inadequacy of profits in any financial year of the Company during the tenure of Managing Director, the minimum remuneration payable by way of salary and perquisites would be determined in accordance with Schedule V to the Companies Act, 2013.

The Board considers that the re-appointment of Mr Aditya Kowshik would be of immense benefit to the Company. Accordingly, the Board of Directors recommends his appointment.

The copy of the draft agreement referred to in the resolution 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.

Except Mr Aditya Kowshik, being an appointee, none of the Directors or Key Managerial Personnel of the Company or their relatives is concerned or interested, financial or otherwise, in the resolution set out at an Item No 8. This Explanatory Statement may also be regarded as a disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board recommends the ordinary resolution as set out at Item No. 8 of the Notice for approval by the Members.

## ITEM NO 9 OF THE NOTICE

Mr Rahul C Kirloskar aged 55 years, was appointed as Director on the Board w.e.f. 30<sup>th</sup> September, 1993 and was co-opted as Non-Executive Chairman w.e.f. 9<sup>th</sup> March, 2010. He was appointed as the Whole Time Director designated as the 'Executive Chairman' of the Company, for a period of 5 years from 23<sup>rd</sup> January, 2012 till 22<sup>nd</sup> January, 2017 thereafter he was re-appointed for a further period of 5 years from 23<sup>rd</sup> January, 2017 to 22<sup>nd</sup> January, 2022 and the Members of the Company, in the Annual General Meetings, had approved the appointment and re-appointment respectively.

The approval of the Members is being sought for the following revision in remuneration of Mr Rahul C Kirloskar for his remaining term as Executive Chairman w.e.f. 1<sup>st</sup> August, 2019:

(Amount in Rs)

Particulars	Existing (per month)	Revised (per month)
Salary	10,00,000/-	15,00,000/-

All other terms of remuneration including perquisites payable to Mr Rahul C Kirloskar, Executive Chairman and other terms and conditions, as mentioned in the agreement dated 23<sup>rd</sup> January, 2017 remain unchanged. The last drawn remuneration of Mr Rahul C Kirloskar, Executive Chairman is given in the Report on Corporate Governance. The copy of the draft supplementary agreement referred to in the resolution 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.

## Profile of Director

Mr Rahul C Kirloskar has been associated with the Kirloskar Group of Companies for more than twenty five years at senior levels in different capacities. He started his career in the then Kirloskar Cummins Ltd. and later joined a family owned small-scale unit where he worked for a period of 3 years. In 1989, he joined erstwhile Kirloskar Pneumatic Company Ltd., (KPCL) as Sr. Manager Operations for the Air Compressors Division.

He was promoted as Joint Managing Director of KPCL in July 1991. He was also appointed as a Director on K.G. Khosla Compressors Limited in September 1993 with which KPCL was amalgamated in 2002. He continued to be a Director of the amalgamated Company which was renamed as Kirloskar Pneumatic Company Limited (the Company). In December, 1993 he was appointed as the Managing Director of KPCL and thereafter in September 1998, he took over as the Chairman of the Company. In June 2001 (till January 2012), he was appointed as the Director Exports of the Kirloskar Oil Engines Limited (KOEL).

After gaining expertise by participating in an intensive course for top management professionals on Total Quality Management (TQM) in Japan, he played a pivotal role in reinforcing KPCL's focus on reducing overheads in the Company.

Mr Rahul C Kirloskar took over as Executive Chairman of the Company from 2012. Mr Rahul C Kirloskar has also been Chairman of Confederation of Indian Industry (CII) Pune Council as well as Maharashtra State CII Council.

Mr Rahul C Kirloskar is a Chairman of the Corporate Social Responsibility Committee & Share Transfer Committee and Member of Stakeholders Relationship Committee of the Company.

The Directorships / Committee Membership in other companies.

Name of the Company	Board position held	Committee position held
Kirloskar Oil Engines Limited	Director	Corporate Social Responsibility Committee – Chairman
		Nomination & Remuneration Committee – Member
Kirloskar Ferrous Industries Limited	Director	Corporate Social Responsibility Committee – Member
Kirloskar Proprietary Limited	Director	-
J K Fenner (India) Ltd	Director	Nomination & Remuneration Committee – Member
		Audit Committee - Member
Alpak Investments Pvt Ltd	Director	-
Asara Sales and Investments Pvt Ltd	Director	-
Green Tek Systems (India) Pvt Ltd	Director	-
Kirloskar Energen Pvt Ltd	Director	-
Kirloskar Solar Technologies Pvt Ltd	Director	-

Mr Rahul C Kirloskar holds 74,68,650 shares in the Company, the said shareholding is considered in the name of the first holder (PAN based) only.

Mr Rahul C Kirloskar is interested to the extent of remuneration payable to him. Mr Atul C Kirloskar, Director of the Company being the brother is related to each other and hence may be deemed to be interested in his re-appointment.

None of the Directors or Key Managerial Personnel or their relatives other than Mr Rahul C Kirloskar and Mr Atul C Kirloskar are concerned or interested, financial or otherwise, in the resolution set out at an Item No.9.

The Board recommends the ordinary resolution as set out at Item No. 9 of the Notice for approval by the Members.

**ITEM NO. 10 OF THE NOTICE**

Equity based compensation is considered to be an integral part of employee compensation across sectors which enables alignment of personal goals of the employees with organizational objectives. Your Company believes in rewarding its specified employees and Director(s), whether whole time or otherwise, of the Company for their continuous hard work, dedication and support, which has led the Company on the growth path. The Company intends to implement Employee Stock Option Scheme with a view to attract and retain key talents working with the Company by way of rewarding their performance and motivate them to contribute to the overall corporate growth and profitability.

With this objective in mind, your Company intends to implement KPCL Employee Stock Option Scheme 2019 ("KPCL ESOS 2019") for the specified employees and Director(s), whether whole time or otherwise, of the Company.

The main features of the KPCL ESOS 2019 are as under:

a. Brief description of the scheme:

The Company proposes to introduce the KPCL ESOS 2019 primarily with a view to attract, retain, incentivise and motivate the existing specified employees of the Company, new employees joining the Company and its Director(s), whether whole time or otherwise, that would lead to higher corporate growth. KPCL ESOS 2019 contemplates grant of options to the eligible employees (including Whole time Directors), as may be determined in due compliance of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (hereinafter referred to as "SEBI SBEB Regulations") and provisions of the KPCL ESOS 2019. After vesting of options, the eligible employees earn a right (but not obligation) to exercise the vested options within the exercised period and obtain equity shares of the Company subject to payment of exercise price and satisfaction of any tax obligation arising thereon.

The Nomination and Remuneration Committee ("Committee") of the Company shall administer KPCL ESOS 2019. All questions of interpretation of the KPCL ESOS 2019 shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in KPCL ESOS 2019.

b. Total number of Options to be granted :

The total number of options granted under KPCL ESOS 2019 shall not exceed 11,00,000 number of options convertible into equivalent number of shares of Rs. 2 each fully paid up equity share capital of the Company.

Options lapsed or cancelled due to any reason including the reason of lapse of exercise period or due to resignation of the employees/ Director(s), whether whole time or otherwise, would be available for being re-granted at a future date. The Committee is authorized to re-grant such lapsed / cancelled options as per the KPCL ESOS 2019.

Further, the SEBI SBEB Regulations require that in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. In this regard, the Committee shall adjust the number and price of the options granted in such a manner that the total value of the options granted under KPCL ESOS 2019 remain the same after any such corporate action. Accordingly, if any additional options are issued by the Company to the option grantees for making such fair and reasonable adjustment, the ceiling of 11,00,000 (Eleven Lakhs) shall be deemed to be increased to the extent of such additional options issued.

c. Identification of classes of employees entitled to participate in KPCL ESOS 2019 Following classes of employees are entitled to participate in KPCL ESOS 2019:

- iv). Specified employees, who are in the permanent employment of the Company,
- v). Any Director(s), whether whole time or otherwise, of the Company.

Following persons are not eligible to participate in KPCL ESOS 2019:

- i). an employee who is a Promoter or belongs to the Promoter Group;
  - ii). a Director, who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10 percent of the outstanding Equity Shares of the Company; and
  - iii). an Independent Director within the meaning of the Companies Act, 2013 and Regulation 16(b) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR Regulations").
- d. Requirements of vesting and period of vesting :
- Options granted under this Scheme would vest based on continuation of employment and subject to individual performance parameters or any other criteria as may be decided by the Committee and specified in the Grant Letter.
- Options granted on any date shall vest not earlier than 1 (one) year and not later than a maximum of 4 (four) years from the date of grant of options as may be determined by the Committee.
- e. Maximum period within which the options shall be vested:
- Options granted on any date shall vest not later than a maximum of 4 (four) years from the date of grant of options as may be determined by the Committee.
- f. Exercise price or pricing formula:
- The exercise price shall be upto 40% discount to closing market price on the stock exchange(s) on the previous trading day of the date of grant of Options, as decided by the Nomination and Remuneration Committee.
- g. Exercise period and the process of Exercise:
- The Exercise period would commence from the date of vesting and will expire on completion of 3 (three) years from the date of respective vesting or such other shorter period as may be decided by the Committee from time to time and as set out in the Grant Letter.
- The vested options shall be exercisable by the employees by a written application to the Company expressing their desire to exercise such Options in such manner and in such format and in such numbers as may be prescribed by the Committee from time to time. The Options shall lapse, if not exercised within the specified exercise period.
- h. Appraisal process for determining the eligibility of employees under KPCL ESOS 2019:
- The appraisal process for determining the eligibility shall be decided from time to time by the Committee. The broad criteria for appraisal and selection may include parameters like tenure of association with the Company, performance during the previous years, contribution towards strategic growth, contribution to team building and succession, cross-functional relationship, corporate governance and such other parameters as may be decided by the Committee from time to time.
- i. Maximum number of Options to be issued per employee and in aggregate:
- The number of options that may be granted to any specific employee of the Company under the KPCL ESOS 2019, in any financial year and in aggregate under the KPCL ESOS 2019 shall not exceed 3,00,000 Employee Stock Options.
- j. Maximum quantum of benefits to be provided per employee under the KPCL ESOS 2019:
- The maximum quantum of benefits underlying the options issued to an eligible employee shall depend upon the market price of the shares as on the date of exercise of options.

k. Implementation or administration of the KPCL ESOS 2019:

The KPCL ESOS 2019 shall be implemented and administered directly by the Company without forming or involving any trust.

l. Source of acquisition of shares under the KPCL ESOS 2019:

The Scheme involves issue of new shares against exercise of options. There is no involvement of trust and therefore, there will not be any secondary acquisition.

m. Amount of loan to be provided for implementation of the scheme(s) by the company to the trust, its tenure, utilization, repayment terms, etc:

The KPCL ESOS 2019 is to be implemented and administered directly by the Company without forming or involving any Trust. Therefore, provision of any loan to a Trust under the Scheme does not arise.

n. Maximum percentage of secondary acquisition:

The KPCL ESOS 2019 is to be implemented and administered directly by the Company without forming or involving any Trust. Therefore, the scheme does not envisage any secondary acquisition.

o. Accounting and Disclosure Policies:

The Company shall follow the IND AS/Guidance Note on Accounting for Employee Share-based Payments and/or any relevant Accounting Standards as may be prescribed by the competent authorities from time to time, including the disclosure requirements prescribed therein.

p. Method of option valuation:

The Company shall adopt 'fair value method' for valuation of Options as prescribed under IND AS/Guidance Note or under any relevant accounting standard notified by appropriate authorities from time to time.

None of the Directors, Key Managerial Personnel of the Company including their relatives are interested or concerned in the resolution, except to the extent of their entitlements, if any, under the KPCL ESOS 2019.

As the KPCL ESOS 2019 provides issue of equity shares to be offered to specified employees and Director(s), whether whole time or otherwise, of the Company, the consent of the Members is sought pursuant to Section 62(1)(b) and all other applicable provisions, if any, of the Act and as per Regulation 6 of SEBI SBEB Regulations.

The Board recommends the special resolution as set out at Item No. 10 of the Notice for approval by the Members.

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : 4<sup>th</sup> May, 2019

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



**KAIR**  **S**

# **DIRECTORS' REPORT TO THE MEMBERS**

Your Directors have pleasure in presenting this Report with Audited Annual Accounts of the Company for the year ended 31<sup>st</sup> March, 2019.

## 1. COMPANY SPECIFIC INFORMATION

### 1.1. Financial Summary & Highlights

The financial results for the year ended 31<sup>st</sup> March, 2019 are summarized below:

	<b>Amount in Million</b>	
	<b>2018-19</b>	<b>2017-18</b>
Total Income	7,247.50	6,227.75
Profit before tax	802.29	726.81
Tax Expense (Current & Deferred tax)	249.67	227.38
Profit after tax	552.62	499.43
Other Comprehensive Income / (Loss)	33.00	38.27
Total Comprehensive Income for the year, net of tax	585.62	537.70
Transferred to General Reserve	300.00	324.71

Your Company achieved total revenue of Rs 7,247.50 Million for the financial year 2018-19, against last year's Rs 6,227.75 Million an increase of 16%. Your company earned a net profit of Rs 552.62 Million, against last year's Rs 499.43 Million an increase of 11%.

### 1.2. Reserves

During the reporting year, Rs 300 Million has been transferred to the General Reserves of the Company.

### 1.3. Dividend

During the reporting year, the Board of Directors has declared an interim dividend of Re. 1 (50%) per equity share of Rs 2/- each and has paid Rs 13.20 Million dividend distribution tax thereon.

The Board of Directors has recommended a final dividend of Rs 1.50 (75%) per equity share of Rs 2/- each and which will be paid subject to approval of Shareholders in the ensuing Annual General Meeting. The Dividend Distribution Tax payable on the final dividend would be Rs 19.80 Million.

The Company has paid / recommended total dividend of Rs 2.50 (125%) per equity share of Rs 2/- each for the year 2018-19.

### 1.4. Major events that occurred during the year

#### Segment-wise position of business and its operations

Your Company achieved revenue for the Compression Product Segment of Rs 6,614 Million for the financial year 2018-19, against last year's Rs 5,639 Million an increase of 17% and revenue for the Transmission Product Segment of Rs 473 Million for the financial year 2018-19, against last year's Rs 413 Million an increase of around 15%.

#### Commencement of commercial operations of RoadRailer Train

During the reporting year, your Company successfully commenced operations by undertaking commercial

runs of RoadRailer train from both Chennai and Delhi Divisions of Indian Railways, covering a distance of over 2,150 kilometers each time the RoadRailer train traveled from Melpakkam, Tamil Nadu to Palwal, Haryana and back.

#### Joint Venture

During the reporting year, your company subscribed to 1,60,000 equity shares of Rs. 10/- each of Kirloskar AECOM Private Limited (hereinafter referred to as 'KAPL'), a Joint Venture Company, formed for carrying out business of Air Quality Control Systems (AQCS).

Subsequently, AECOM India Private Limited informed the Company about its decision to exit from KAPL and accordingly, sold its entire shareholding of 1,60,000 equity shares of Rs 10/- each in the Joint Venture Company in December, 2018.

Consequently, the name of the KAPL has been changed from 'Kirloskar AECOM Private Limited' to 'SOX Control Solutions Private Limited' as on 24<sup>th</sup> December, 2018. Your Company also sold its entire shareholding of 1,60,000 equity shares of Rs 10/- each in the SOX Control Solutions Private Limited on 22<sup>nd</sup> January, 2019.

As a result of this, SOX Control Solutions Private Limited (Formerly Kirloskar AECOM Private Limited) has ceased to be Joint Venture Company. No commercial operations were carried out during the year.

## **2. CAPITAL STRUCTURE**

#### Sub-division of Shares

Your Company had sub-divided one equity share of face value of Rs 10/- per share, fully paid up, into five equity shares of face value of Rs 2/- per share, fully paid-up with effect from 27<sup>th</sup> September, 2018. Upon the sub-division of equity shares, your Company had credited corresponding new equity shares of Rs 2/- each in lieu of original equity shares of Rs 10/- each into the demat account of the respective shareholders who hold shares in electronic form and sent share certificates to those shareholders who hold shares in physical mode. Consequently, though there is no change in the amount of share capital of the company, the number of equity shares has been increased in proportion from Rs 10/- each to Rs 2/- each.

## **3. AWARDS**

During the reporting year, your Company has received:

Awards in the 32<sup>nd</sup> National Convention on Quality Concepts NCQC – 2018 organized by QCFI

- 2 "Excellence Award Trophy"

Awards in the 33<sup>rd</sup> Annual Chapter Convention on Quality Concepts CCQC – 2018 organized by QCFI

- 2 "Gold Trophy"
- 1 "Silver Trophy"

Awards in the 14<sup>th</sup> Kaizen Competition- Maharashtra State Level 2018 organised by CII

- 1 "Third Prize"

## **4. PARTICULARS OF LOANS GUARANTEES AND INVESTMENTS**

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

During the reporting year, the Company has not made any investment except investment in Mutual Funds and investment in KAPL as mentioned above.

## 5. INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

Details of the transfer/s to the IEPF made during the year are as mentioned below:

During the reporting year, your Company transferred following amounts to the Investor Education and Protection Fund:

Particulars	Amount of unclaimed dividend / unpaid dividend (Rs)	Corresponding shares of Rs 2/- each
Final Dividend for the year 2010-11	1,390,116	579,215

Year wise amount of unpaid/unclaimed dividend lying in the unpaid account up to the Year and the corresponding shares, which are liable to be transferred to the IEPF and the due dates for such transfer:

Sr. No.	Year	Amount to be Transferred as on 31 <sup>st</sup> March, 2019	Corresponding Number of Equity Shares of the Company	Date of Transfer
1	Final Dividend 2011-12	2,548,692	212,391	21 <sup>st</sup> August, 2019
2	Final Dividend 2012-13	2,556,972	213,081	27 <sup>th</sup> August, 2020
3	Final Dividend 2013-14	2,188,010	218,801	27 <sup>th</sup> August, 2021
4	Final Dividend 2014-15	1,236,765	247,353	3 <sup>rd</sup> September, 2022
5	Dividend 2015-16 (Interim)	1,660,855	237,265	19 <sup>th</sup> April, 2023
6	Final Dividend 2016-17	4,430,970	443,097	1 <sup>st</sup> September, 2024
7	Final Dividend 2017-18	4,019,568	334,964	29 <sup>th</sup> August, 2025
8	Dividend 2018-19 (Interim)	1,718,230	1,718,230	28 <sup>th</sup> February, 2026

## 6. DIRECTORS

### i. Changes in Composition of the Board of Directors

During the reporting year,

- Mrs Nalini Venkatesh was appointed as an Additional and Independent Director of the Company with effect from 25<sup>th</sup> July, 2018 subject to approval of Members. The Members of the Company have appointed her as an Independent Director with effect from 25<sup>th</sup> July, 2018 by way of postal ballot.
- Dr Aditi Pant ceased to be an Independent Director of the Company with effect from 29<sup>th</sup> July, 2018 on account of retirement.
- The Members of the Company have approved the continuation of appointment of Mr D R Swar as Non-Executive Director even after he attains the age of 75 years till the expiry of his current term by way of postal ballot.

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

Mr Sunil Shah Singh and Mr G Krishna Rao have been appointed as Independent Directors on the Board for five consecutive years for a term upto 22<sup>nd</sup> July, 2019. The Company has received notices in writing proposing their candidature for the office of Director. Details of the proposal including rationale for appointment of Mr Sunil Shah Singh and Mr G Krishna Rao as Independent Directors are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 44<sup>th</sup> Annual General Meeting.

Mr Aditya Kowshik, Managing Director has been appointed as Managing Director upto 23<sup>rd</sup> October, 2019. He is further appointed as Managing Director from 24<sup>th</sup> October, 2019 upto 1<sup>st</sup> January, 2021 subject to approval of Members in the ensuing Annual General Meeting. The Company has received notice in writing proposing his candidature for the office of Director. Details of proposal for appointment of Mr Aditya Kowshik are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 44<sup>th</sup> Annual General Meeting.

The necessary resolutions for appointment of Mr Atul C Kirloskar, Mr Sunil Shah Singh, Mr G Krishna Rao and Mr Aditya Kowshik are being placed before you.

## **ii. Changes in KMP**

During the year under review, there was no change in the Key Managerial Personnel.

## **iii. Declaration from Independent Directors and Statement on Compliance of Code of Conduct**

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 Regulation 16 (1) (b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Independent Directors have complied with the code for Independent Directors prescribed in Schedule IV to the Companies Act, 2013.

The Directors and senior management personnel have complied with the Code of Conduct for Directors and Senior Management.

## **iv. Directors Appointment and Remuneration Policy**

The Board has on the recommendation of the Nomination and Remuneration Committee adopted a policy for selection and appointment of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel and their remuneration. This Policy consists of the guidelines for appointment of Directors, KMP and Senior Management Personnel, guidelines for determining the remuneration of Executive Directors, Non-Executive Directors, KMP and Senior Management and Directors and Officers Liability Insurance.

The Remuneration Policy is available on the website of the Company, viz. [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

## **v. Board Evaluation**

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

- a) Attendance in the meetings, participation and independence during the meetings.
- b) Interaction with Management.
- c) Role and accountability of the Board.
- d) Knowledge and proficiency.
- e) 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.

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17 (10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board has carried out performance evaluation of its own performance and that of its committees and individual Directors.

#### **vi. Number of Meetings of the Board**

A calendar of meetings is prepared and circulated in advance to the Directors. During the year, five Board Meetings were convened and held, the details of which are given in the Report on Corporate Governance. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **vii. Composition of Committee Meetings**

The composition of the Audit Committee, Nomination and Remuneration Committee & Stakeholders Relationship Committee constituted by the Board under the Companies Act and Listing Regulations as well as changes in the composition, if any and no. of meetings held during the year forms part of the Report on Corporate Governance.

#### **viii. 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 Indian Accounting Standards (IND AS) have been followed and there have been no material departures;
- b) Accounting policies as mentioned in 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<sup>st</sup> March, 2019 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.

### **6. 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 have been 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.

The disclosures as per Indian Accounting Standards (IND AS) for transactions with related parties are provided in the Financial Statement of the Company.

## **7. RISK MANAGEMENT**

The provisions related to the Risk Management Committee of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are not applicable to the Company.

During the reporting year, the Company has constituted board level Risk Management Committee.

Thus, the Company has a Risk Management Committee of Board, Corporate Risk Management Committee and Segment Level Risk Committees.

The Company has a Risk Management framework to identify, evaluate business risks and opportunities. To strengthen the risk management framework, Company has Segment Level Risk Committees, Corporate Risk Management Committee and Board Level Risk Management Committee. This framework seeks to minimize adverse impact on the business objectives and enhance the Company's competitive advantage.

## **8. 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 on periodic basis.

During the reporting year, Internal Financial Controls laid down by the Board were tested for adequacy & effectiveness and no reportable material weakness in the design or operations were observed. The Company has policies and procedures in place for ensuring proper and efficient conduct of its business, safeguarding of assets, prevention and detection of frauds and errors, accuracy and completeness of accounting records and timely preparation of reliable financial information. Statutory Auditors have also certified adequacy of internal financial controls system over financial reporting.

## **9. AUDITORS**

### **a. Statutory Auditors**

The Auditors of the Company, M/s P G Bhagwat, Firm Registration No. 101118W, Chartered Accountants, Pune, were appointed for a period of five years in 41<sup>st</sup> Annual General Meeting.

There are no qualifications, reservations or adverse remarks or disclaimer made by the Statutory Auditors in their Audit Report for the year ended 31<sup>st</sup> March, 2019.

## **b. Cost Auditors**

The Board of Directors had, on the recommendation of the Audit Committee, appointed M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant to audit the cost accounts of the Company for the financial year 2019-20 on a remuneration of Rs 0.6 Million.

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 Sudhir Govind Jog, a proprietary firm of Cost Accountant for the year ended on 31<sup>st</sup> March, 2020 is included at Item No. 4 of the Notice convening the 44<sup>th</sup> 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, 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 "1".

There are no qualifications, reservations or adverse remarks or disclaimer made by the Secretarial Auditors in their Secretarial Audit Report for the year ended 31<sup>st</sup> March, 2019.

M/s SVD & Associates, a partnership firm of Company Secretaries has also submitted Annual Secretarial Compliance Report as laid down in SEBI Circular CIR/CFD/CMD1/27/2019 dated 8<sup>th</sup> February, 2019 and has also confirmed that the Company has complied with all applicable SEBI Regulations and circulars / guidelines issued thereunder, for the Financial Year 2018-19.

## **10. SECRETARIAL STANDARDS**

The Institute of Company Secretaries of India had revised the Secretarial Standards on Meetings of the Board of Directors (SS-1) and Secretarial Standards on General Meetings (SS-2) with effect from 1<sup>st</sup> October, 2017. The Company is in compliance with the revised Secretarial Standards.

## **11. REPORTING OF FRAUDS BY AUDITORS**

During the reporting year, neither the statutory auditors nor the secretarial auditor has reported to the audit committee, under Section 143 (12) of the Companies Act, 2013, any instances of fraud committed against the Company by its officers or employees, the details of which would need to be mentioned in the Board's report.

## **12. CORPORATE GOVERNANCE**

The Company endeavors to maximize the wealth of the shareholders by managing the affairs of the Company with 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 Regulation 34 (3) read with Part E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 along with Management Discussion and Analysis is annexed and forms part of the Annual Report. Discussion on state of Company's affairs has been covered in the Management Discussion and Analysis Report.

## **13. EXTRACT OF ANNUAL RETURN**

The extract of Annual Return as provided under Sub-section (3) of Section 92 of the Companies Act, 2013 is available on the website of the Company namely [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

## 14. CORPORATE SOCIAL INITIATIVES

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

Your Company has contributed an amount of Rs 6 Million by way of donation to the Corpus Fund of Kirloskar Institute of Advanced Management and Studies for promoting education.

Sanitation, which is a national agenda, your Company has taken the initiative to create awareness about WaSH (water, sanitation and hygiene) among 27,500 + students from schools in the vicinity of Hadapsar, Saswad and Nasik Plant by deploying 140 + employee volunteers and training these volunteers to implement various WaSH modules throughout the academic year.

Kirloskar Vasundhara Film Festivals on the theme of "NO to Plastic, YES to Earth" were organized by your Company through 'Kirloskar Vasundhara Club' of employee volunteers in schools and colleges in the vicinity of Hadapsar and Saswad Plant during this year, creating awareness about plastic pollution for 12,500 + students.

To create awareness about HIV AIDS amongst different sections of the society your Company's DISHA project reached out to 49,750 + members of the general community including secondary school and junior college students.

Your Company has carried out preventive health checkup of 17,500 + school students from schools and colleges in the vicinity of Hadapsar and Saswad Plant.

200 socio-economically challenged students, majority being girls from schools in the vicinity of Hadapsar and Saswad Plant are supported and developed from 5<sup>th</sup> to 10<sup>th</sup> Std. through Bharari initiative. After 10<sup>th</sup> Std. these students are supported for continued education by way of Swabhimani Scholarship.

Your Company is supporting Education of 30 girls by supporting daughters of workmen of Cold Storage Units from UP, Gujarat, Rajasthan and MP. This unique CSR Initiative, named KaShi, is implemented by employee Volunteers from its North and West Regional Offices in collaboration with respective State Cold Storage Associations.

### 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 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 "2".

## 15. 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 "3".

## **16. MATERIAL CHANGES AND COMMITMENTS, BETWEEN THE DATE OF BALANCE SHEET AND THE DATE OF REPORT:**

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.

## **17. MAINTENANCE OF COST RECORDS**

Your Company confirms that the maintenance of cost records as specified by the Central Government under Sub-section (1) of Section 148 of the Companies Act, 2013, is required by the Company and accordingly such accounts and records are made and maintained.

## **18. 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.

## **19. 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 Report on Corporate Governance.

## **20. FIXED DEPOSIT**

Your Company has discontinued accepting fixed deposits since 2001-02. As such, as of 31<sup>st</sup> March, 2019 there are no fixed deposits outstanding.

## **21. PARTICULARS OF EMPLOYEES**

Disclosures with respect to the remuneration of Directors and Employees as required under Section 197 (12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 have been annexed as Annexure "4" to this Report.

In accordance with the provisions of Section 197 (12) of the Companies Act, 2013 and Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the names and other particulars of Employees are available at the Registered Office of the Company during working hours for a period of 21 days before the Annual General Meeting and shall be made available to any shareholder on request.

## **22. DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

Your Company has formulated 'Prevention of Sexual Harassment of Women at Workplace Policy' and the highlights are communicated to all Employees and also displayed across all its locations as well as on its intranet and the website.

Your Company has complied with provisions relating to constitution of Internal Committee (IC) under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. IC meets every quarter and submits the minutes of meeting to the employer i.e. Managing Director. During the reporting year, four such meetings were conducted and no complaint has been received.

During the reporting year, to create ongoing awareness, your Company has :

- Continued with a PoSH Awareness Module in its employee induction program.
- Seven workshops conducted in 2018-19 for 210 participants.

## 23. EMPLOYEES

Your Company has taken several initiatives for Human Resource Development and manpower retention. Manpower is classified under Frontend, Internal and Support functions for better Customer Reach and Support. Assessment of Values & Leadership Competencies, identifying training needs through the 70-20-10 format, 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. The Company has a benchmark score on 17 of the 24 engagement drivers as per the last Employee Engagement Survey conducted by an external Independent Agency.

Your Company has 650 permanent employees on its rolls as on 31<sup>st</sup> March, 2019.

## 24. CAUTIONARY STATEMENT

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

## 25. 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 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  
DIN00007319

Place : Pune

Date : 4<sup>th</sup> May, 2019



# KAIR S

# **ANNEXURE TO THE DIRECTOR'S REPORT**

**ANNEXURE '1' TO THE BOARD'S REPORT**

**Form No. MR-3**

**SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> March, 2019

[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

and

Pursuant to Regulation 24A of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015]

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<sup>st</sup> March, 2019** 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 31<sup>st</sup> March, 2019 according to the provisions of:

- (i) The Companies Act, 2013, as amended from time to time (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (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, wherever applicable;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations 2009 (as applicable till 8<sup>th</sup> November 2018) and The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 effective from 09<sup>th</sup> November, 2018 **(not applicable to the Company during the Audit Period)**;
  - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 **(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) (Amendment) Regulations, 2016 **(not applicable to the Company during the Audit Period);** and
- (h) The Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 1998 as applicable till 10<sup>th</sup> September, 2018 and The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 effective from 11<sup>th</sup> September, 2018 **(not applicable to the Company during the Audit Period);**
- (vi) We further report that having regards to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof, no other law was applicable specifically to the Company.

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreement entered into by the Company with Stock Exchange pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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 generally 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.

**We further report that** during the audit period:

- (i). Members of the Company passed the following resolutions by way of Postal Ballot on 10th September, 2018:
  1. Ordinary resolution for sub-division of Equity Shares of the Company from the Face Value of Rs. 10/- (Rupees Ten) per share to Rs. 2/- (Rupees Two) per share.
  2. Ordinary resolution for alteration of the Capital Clause in the Memorandum of Association, subsequent to Sub-Division of Shares.
  3. Special Resolution for alteration of the Capital Clause in the Articles of Association, subsequent to Sub-Division of Shares.
  4. Ordinary resolution for appointment of Independent Director of the Company And
  5. Special Resolution for continuation of Non- Executive Director of the Company as Director on attaining age of 75 years.

(ii). The Board of Directors of the Company approved the following specific events and passed resolutions for-

3. Sale of entire Shareholding in a Joint Venture Company in the Meeting of Board of Directors dated 2<sup>nd</sup> November, 2018 and
4. Listing of the shares of the Company on National Stock Exchange Limited (NSE) in the Meeting of Board of Directors dated 23<sup>rd</sup> January, 2019.

Place: Pune

Date: 4<sup>th</sup> May, 2019

For **SVD & Associates**

Company Secretaries

Sd/-

S. V. Deulkar

Partner

FCS No: 1321

C P No: 965

Note: This report is to be read with letter of even date by the Secretarial Auditors, which is annexed as Annexure A and forms an integral part of this report.

#### **'ANNEXURE A'**

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

Our Secretarial Audit Report of even date is to be read along with this letter.

#### **Management's Responsibility**

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

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

2. Our responsibility is to express an opinion on these secretarial records, standards and procedures followed by the Company with respect to secretarial compliances.
3. We believe that audit evidence and information obtained from the Company's management is adequate and appropriate for us to provide a basis for our opinion.
4. Wherever required, we have obtained the management's representation about the compliance of laws, rules and regulations and happening of events, etc.

#### **Disclaimer**

5. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Pune

Date: 4<sup>th</sup> May, 2019

For **SVD & Associates**

Company Secretaries

Sd/-

**S. V. Deulkar**

Partner

FCS No: 1321

C P No: 965

**ANNEXURE '2' TO THE BOARD'S REPORT****ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITY**

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 :
  1. Mr Rahul C Kirloskar (Chairman)
  2. Mr Aditya Kowshik
  3. Mr Sunil Shah Singh (w.e.f. 10<sup>th</sup> April, 2018)
  4. Dr Aditi Pant (upto 28<sup>th</sup> July, 2018)
  5. Mrs Nalini Venkatesh (w.e.f. 2<sup>nd</sup> November, 2018)
3. Average net profit of the Company for last three financial years : Rs 592.42 Million.
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): The Company is required to spend Rs 11.85 Million towards CSR.
5. Details of CSR spent during the financial year
  - a. Total amount spent for the financial year: Rs 12.02 Million
  - b. Amount unspent, if any: NIL
  - c. Manner in which the amount was spent during the financial year is detailed below

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)	6.00	6.00	6.00	6.00
2	CSR activities under Education & Environment • KaShi (Kanya Shiksha) • Bharari • Kirloskar Vasundhara	Promoting Education and creating Environment awareness	Pune (Maharashtra) Uttar Pradesh, Gujarat, Rajasthan and Madhya Pradesh	2.40	2.40	2.40	2.40
3	CSR activities under Health & Hygiene • School Health Initiative • HIV AIDS Community Awareness • Kirloskar Wash Initiative	Health Care	Pune (Maharashtra)	3.60	3.60	3.60	3.60
	<b>Total</b>			<b>12.00</b>	<b>12.00</b>	<b>12.00</b>	<b>12.00</b>

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.

For Kirloskar Pneumatic Company Limited

Place : Pune

Date : 4<sup>th</sup> May, 2019

Sd/-  
Aditya Kowshik  
Managing Director  
DIN 00228983

Sd/-  
Rahul C. Kirloskar  
Executive Chairman &  
Chairman of CSR Committee  
DIN 00007319

**ANNEXURE "3" 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 to all of us. Your 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 27 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**

- Isolation of 1500 kVA transformer from HT and LT side.
- Use of energy efficient split (3 star labeled and inverter based) air conditioners.
- Maintain Unity Power Factor and avail 3.5% incentive MSEDCL on Electricity Consumption.
- Use of dry type paint booth to eliminate water consumption for painting operation.
- Use of air cooled chiller to eliminate water consumption for cooling system.
- Use of energy efficient LED lights, energy efficient motors at shop floor and office area, street light in all divisions.
- Timer based operation of domestic water circulation pump at Hadapsar Plant.
- Saving in water consumption by maintaining water filtration plant at Saswad plant.
- TOD Tariff benefit by scheduling activities at Heat Treatment Shop.
- Switch 'OFF' Power Transformer at no load condition and save no load losses.
- 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 Compressed Air Grid with an intent to eliminate Air Leakage.
- Saving in oil consumption by recycling it at Hadapsar and Saswad Plant.

**b. Process improvement projects**

- Cost saving due to improved & modified packing of Air compressor in ACD.
- Automatic Blower ON/OFF of Phosphating Plant as per requirement.
- Reduction in surface temperature loss while pouring of molten metal in foundry.
- Proper utilization of stress relieving furnaces by improving net weight loading percentage and TOD tariff.
- Process improvement in cycle time reduction by 1.5 hrs at heat treatment carburizing furnaces.
- Reduction in energy consumption by modification in drive set of reciprocating compressor for central air conditioning plant for precision Gear grinding at TRM.
- Use of face driver attachment for all type of between centre shaft for turning operation.

- Reduction in energy consumption by elimination of 1500 kVA (3.3 kV / 415 V) transformer switching ON continuously for BOP testing.
- Improvement in net weight loading percentage of heat treatment furnace by fixture modification.
- Eliminated diesel engine based testing by electric motor based testing in Transmission Division.
- Process modification for HP cylinder and gear housing machining operation at Air compressor division.
- Elimination of job reject problem by modifying the pouring process in foundry operation.

#### **c. New Technology**

- Installation of Energy Monitoring System (EMS) system for Hadapsar Plant.
- Use of 22 kV VCB (01 no.) in foundry.
- Replacement of less efficient High Bay conventional T5 light Fixtures (216 Watt) by energy efficient High Bay LED light fixtures (160 Watt) in ACD and TRM gear Shop -updated.
- Use of thyrister control PID base control panel for heat treatment furnace.
- Introduction of "Nail less" packing at our Saswad Plant. This eliminates the hazards of nailing.

#### **d. Waste elimination**

- Use of Compressor testing air for utility purpose in Hadapsar Plant.
- Use of scrap casting burr for making new casting at foundry.
- Conversion of Aluminum turning burr for production of Pistons in Non-Ferrous Foundry.
- Coolant emulsion system implemented to save cutting oil at Saswad.
- Provision of Electrical actuator to shut off compressed air line to non-working machines.
- Change in pump operating system to avoid unnecessary pump operation at central pump house.
- Reduction of fresh oil consumption at Transmission and Air Compressor & Refrigeration Division with help of oil filtration plant.

As a result of steps taken, your Company avoided 524.056 Tons of CO<sub>2</sub> emissions & reduced natural resources consumption like water, oil, aluminum and casting significantly. Use of inverter based / 3 star rated air conditioners, High Bay LED based lighting systems at Hadapsar Plant and LED lighting systems at office area and street lights created positive impact on employees and elicited a good response.

#### **ii. Steps taken by the company for utilizing alternate sources of energy:**

During the year under review, your Company used 2kWp capacity off-grid solar power plant at Hadapsar Plant. This has fulfilled 66% energy requirement of lighting load installed at OHC, E&E office and employees credit society.

#### **iii. The capital investment on energy conservation equipments:**

Company has made capital investment of Rs 5.2 Million on energy conservation equipments and technology adoption for the energy efficiency improvement projects.

### **B. TECHNOLOGY ABSORPTION -**

#### **iii. Efforts made towards technology absorption:**

- New product development for efficient oil injected electric screw compressors.
- Existing product upgrade for oil injected diesel as well as electric screw compressors.
- Developed New NS series in screw electrical portfolio with higher flow as compared to current series.

- Developed optimized package for new screw compressors and designed non standard skid mounted Screw compressor package for oil and gas sector.
- Developed zero couple version for RM series & 2HA2QT-ZC recip compressor.
- Developed air cooled recip compressor package with acoustic canopy.
- Enhanced capability to design, manufacture and test High speed gearboxes up to 34 MW power.
- Started design and analysis of fixed profile sliding bearings for high speed gearboxes.

**ii. Benefits derived like product improvement, cost reduction, product development or import substitution:**

- New product development will enable us to manufacture our own compressors with reduced cost as compared to imported compressors. It will also provide improved performance and substitutions to imported compressors.
- Existing product development will enhance product performance and market share.
- Design upgraded in Electric screw compressor for cost and design optimization.
- Standardization with design optimization of water cooled recip compressors for cost reduction.
- Having in house ability to offer Indigenous gearboxes for powers up to 34 MW power will make KPCL a recognized player in niche High speed, High power transmission segment. This will result in more contribution levels.
- Having in house design and analysis ability of sliding bearings will facilitate fast deliveries of gearboxes and flexibility to select the vendors of bearings. More optimization for reduced power losses can be done so that the gearboxes become more efficient.

**iii. Imported technology (imported during the last three years reckoned from the beginning of the financial year): NIL**

**iv. Expenditure incurred on Research and Development : Rs 79.29 Million.**

**C. FOREIGN EXCHANGE EARNINGS AND OUTGO –**

Foreign Exchange Earning earned during the year : Rs 255.21 Million.

Foreign Exchange Outgo during the year : Rs 847.61 Million.

## ANNEXURE "4" TO THE BOARD'S REPORT

### DISCLOSURE PURSUANT 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 2018-19	Ratio of remuneration of each Director/ to median remuneration of employees
1	Mr Rahul C Kirloskar Executive Chairman	15.09%	61.91
2	Mr Aditya Kowshik Managing Director	16.80%	48.12
3	Mr Atul C Kirloskar Non-Executive Director	29%	1.27
4	Mr Vikram S Kirloskar Non-Executive Director	Nil	0.49
5	Mr G Krishna Rao Independent Director	Nil	3.12
6	Mr D R Swar Non-Executive Director	Nil	2.96
7	Mr Sunil Shah Singh Independent Director	1%	3.12
8	Dr Ajay Dua Independent Director	29%	2.96
9	Mr Krishnamurthi Venkataramanan Independent Director	163%	2.59
10	Mrs Nalini Venkatesh Independent Director	NA *	NA *
11	Dr Aditi Pant Independent Director	NA **	NA **
12	Mr Suhas S Kolhatkar Vice President and Chief Financial Officer	5.10%	NA
13	Mr Jitendra Shah Company Secretary & Head Legal	Nil	NA

Notes :

- 1 Liability for gratuity and leave encashment is provided on actuarial basis for the company as a whole hence the amount pertaining to Key Managerial Personnel can be ascertained separately and hence is not included above.
- 2\* Details not given as Mrs Nalini Venkatesh is Director only for part of the financial year 2018-19 i.e. w.e.f. 25<sup>th</sup> July, 2018.
- 3\*\* Details not given as Dr Aditi Pant is Director only for part of the financial year 2018-19 i.e. upto 28<sup>th</sup> July, 2018.
- iii In the financial year, there was an increase of 14.18% in the median remuneration of employees.
- iv There were 650 permanent employees on the rolls of Company as on 31<sup>st</sup> March, 2019.
- v Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2018-19 was 11.05% whereas average percentage increase in the managerial remuneration was 15.79%. Increase in remuneration is in line with industry trend, economic situation and company performance etc. There are no exceptional circumstances for increase in the managerial remuneration.
- vi The Board affirms that the remuneration is as per the remuneration policy of the Company.

# 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 2018-19.

## 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. Overall, there are Ten Directors including Five (50%) Non Executive & Independent Directors including a Woman Director in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'LODR Regulations, 2015'), Three (30%) Non-Executive Directors and Two (20%) Executive Directors. As on 31<sup>st</sup> March, 2019, the composition of the Board of Directors of the Company meets the stipulated requirements of Regulation 17 of the LODR Regulations, 2015.

Mr. D. R. Swar, who has attained the age of 75 years on 30th January, 2019, continues to hold the directorship as Non-Executive Director of the Company after the receipt of approval of the Members of the Company by special resolution passed on 10th September, 2018 by way of Postal Ballot.

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 LODR Regulations, 2015, Mrs Nalini Venkatesh has been appointed as an Independent Director for a period of 2 consecutive years upto 24<sup>th</sup> July, 2020.

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](http://www.kirloskarkpcl.com)

### ii. Board Training and Induction:

The Company had arranged familiarization programs for all the Directors during the year. The programs were aimed at acclimatizing the Directors with the processes, business and actual functioning of the Company so as to enable them to carry out their role effectively. The details of familiarization and training programs have been posted on Company's website.

Weblink: <http://www.kirloskarkpcl.com/Pdf/company-policies/Training%20Program%20-%202019.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<sup>st</sup> March, 2019, five Board Meetings were held on :

- 26<sup>th</sup> April, 2018
- 24<sup>th</sup> July, 2018
- 2<sup>nd</sup> November, 2018
- 23<sup>rd</sup> January, 2019
- 6<sup>th</sup> March, 2019.

The Annual General Meeting of the Company was held on 24<sup>th</sup> July, 2018.

### 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)*	Name of Other Directorships in Listed Companies as on 31 <sup>st</sup> March, 2019		Committee Position # (including KPCL) as on 31 <sup>st</sup> March, 2019	
			Name of the Company	Category of Directorship	Member	Chairman
Non - Executive Directors						
\$ @Mr Atul C Kirloskar (DIN 00007387)	5	5	Kirloskar Oil Engines Ltd	Executive Director	1	1
			Kirloskar Ferrous Industries Ltd	Non-Executive - Non Independent Director		
			Kirloskar Industries Ltd			
\$ Mr Vikram S Kirloskar (DIN 00007907)	2	4	-	-	1	-
Mr D R Swar (DIN 00007495)	5	1	-	-	1	-
Non - Executive - Independent Directors						
Mr G Krishna Rao (DIN 00058985)	5	1	-	-	2	1
Mr Sunil Shah Singh (DIN 00233918)	5	4	ITD Cementation India Ltd	Non-Executive - Independent Director	5	3
			Kirloskar Industries Ltd			
			Kirloskar Oil Engines Ltd			
Dr Ajay Dua (DIN 02318948)	5	3	Dabur India Ltd	Non-Executive - Independent Director	3	-
Mr Krishnamurthi Venkataramanan (DIN 00001647)	5	5	Nilkamal Ltd Vedanta Ltd	Non-Executive - Independent Director	2	-
Mrs Nalini Venkatesh (DIN 06891397) (wef 25 <sup>th</sup> July, 2018)	3	2	Kirloskar Ferrous Industries Ltd	Non-Executive - Independent Director	1	-
Dr Aditi Pant (DIN 06930011) (upto 28 <sup>th</sup> July, 2018) Executive Directors	Nil	-	NA	NA	-	-
\$ @Mr Rahul C Kirloskar Chairman (DIN 00007319)	5	5	Kirloskar Oil Engines Ltd Kirloskar Ferrous Industries Ltd	Non-Executive - Non Independent Director	2	-
Mr Aditya Kowshik Managing Director (DIN 00228983)	5	1	-	-	-	-

Notes: KPCL means Kirloskar Pneumatic Company Ltd.

\* 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.

\$ Promoter Directors.

@ Mr Rahul C Kirloskar, Executive Chairman and Mr Atul C Kirloskar, Director are brothers and related to each other.

All Directors except Mr Vikram S Kirloskar and Dr Aditi Pant attended the Annual General Meeting held on 24<sup>th</sup> July, 2018.

**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.

**vi. Core skills / expertise / competencies**

The table below summarizes core skills / expertise / competencies identified by the Board of Directors as required and available with the Board in the context of business of the Company for its effective functioning is as follows:

Strategy and Strategic planning	Governance
Policy development	Infrastructure Planning and Development
Technical Know-how and innovation	Quality Management
Industry Experience – Manufacturing, design and operations	Corporate Communications
Marketing	Community and stakeholder engagement
Financial performance	Legal
Risk and compliance oversight	Geographic, Gender and cultural diversity

**vii. Confirmation on declarations given by Independent Directors / Directors:**

The Board of Directors confirms that, in the opinion of the Board, Independent Directors fulfill the conditions specified in the LODR Regulations, 2015 and they are independent of the management.

The Board of Directors have noted and taken on record, the voluntary disclosures made by Mr Atul Kirloskar and Mr Rahul Kirloskar of the inadvertent and erroneous mention of their educational qualification on the Company's website and other documents and records. After having considered the nature of the business carried on by the Company and in view of the fact that the Company is professionally managed and operated, the Board of Directors is of the view that the educational qualification of Mr Atul Kirloskar and Mr Rahul Kirloskar would not have any material impact on the business or operations of the Company. The Board of Directors also felt that there is no pre-requisite qualification for being a promoter director.

**viii. Code of Conduct:**

The Board has prescribed the Code of Conduct for all its Board Members and Senior Management. During the year, the Board has amended the Code of Conduct for all its Board Members and Senior Management pursuant to the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. The Code of Conduct has been posted on Company's Website at

<http://www.kirloskarkpcl.com/Pdf/company-policies/CODE%20FOR%20THE%20BOARD%20OF%20DIRECTORS%20AND%20SENIOR%20MANAGEMENT%20OF%20KIRLOSKAR%20PNEUMATIC%20COMPANY%20LIMITED.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<sup>st</sup> March, 2019. A declaration to this effect signed by the Managing Director has been incorporated in the Annual Report.

### 3. AUDIT COMMITTEE

#### i. Composition:

The Audit Committee before reconstitution comprised 3 Independent Directors namely Mr Sunil Shah Singh, Mr G Krishna Rao and Dr Ajay Dua and a Non – Executive Director namely Mr D R Swar.

The Audit Committee was reconstituted on 26<sup>th</sup> April, 2018. After reconstitution the Audit Committee comprises 4 Independent Directors namely Mr Sunil Shah Singh, Mr G Krishna Rao, Dr Ajay Dua and Mr K Venkataramanan and a Non – Executive Director namely Mr D R Swar.

Mr Sunil Shah Singh is the Chairman of the Audit Committee. The Chairman and Members of the Audit Committee are well-versed with the financial matters and are finance literate.

Executive Chairman, Managing Director, Vice President & Chief Financial Officer attend the Audit Committee Meetings. The representatives of the Statutory Auditors, Internal Auditors are also 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 cover the areas as contemplated under Regulation 18 read with Part C of Schedule II of the LODR Regulations, 2015 and Section 177 of the Companies Act, 2013 read with relevant rules issued thereunder 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 of internal financial controls and 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. Reviewing the utilization of loans and/or advances from / investment by the holding company in the subsidiary exceeding Rs 100 Crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans/ advances / investments; and
17. Carrying out any other function as mentioned in the terms of reference of the Audit Committee.

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

The Audit Committee met five times during the year i.e. on 26<sup>th</sup> April, 2018, 23<sup>rd</sup> July, 2018, 1<sup>st</sup> November, 2018, 23<sup>rd</sup> January, 2019 and 6<sup>th</sup> March, 2019. These were attended by the members as per the following details:

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Mr Sunil Shah Singh	5	5
Mr G Krishna Rao	5	5
Dr Ajay Dua	5	5
Mr D R Swar	5	5
Mr K Venkataramanan	4	4

Note:

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

## 4. NOMINATION AND REMUNERATION COMMITTEE:

### I. Composition:

The Nomination & Remuneration Committee comprises of 3 Independent Directors namely Dr Ajay Dua, Mr G Krishna Rao and Mr Sunil Shah Singh. Dr Ajay Dua is the Chairman of the Committee. 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:

1. Formulation of the criteria for determining the qualifications, positive attributes and independence of Director;
2. Devising a policy on Board diversity;
3. Formulation of Remuneration policy;
4. Review the structure, size and composition of the Board;
5. Identifying and selection of candidates for appointment as Directors;
6. Identifying potential individuals for appointment as Key Managerial Personnel and Senior Management;
7. Formulation of criteria for evaluation of Independent Directors and the Board, and
8. Recommend to the Board all remuneration, in whatever form, payable to senior management.

### III. Meetings & attendance of the Nomination & Remuneration Committee:

During the year, two Meetings were held on 25<sup>th</sup> April, 2018 and 23<sup>rd</sup> July, 2018 which were attended by the members as per the following details:

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Dr Ajay Dua	2	2
Mr G Krishna Rao	2	2
Mr Sunil Shah Singh	2	2

## Notes:

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

**IV. Criteria for performance evaluation:**

The annual evaluation of Directors is made on the following criteria:

- attendance for the meetings, participation and independence during the meetings;
- interaction with Management;
- role and accountability of the Board;
- knowledge and proficiency; and
- Strategic perspectives or inputs

**5. 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.

Commission payable to Non-Executive Directors is limited to a fixed amount per year as determined and approved by the Board on their attendance and contribution at the Board and Committee Meetings based on recommendations of the Nomination and Remuneration Committee. The total amount of commission to Non-Executive Directors is within the limit of 1% of the net profits of the Company for the year, calculated as per the provisions of the Companies Act, 2013 subject to necessary approvals, as applicable, if any.

Details of remuneration paid / payable to Directors during the year 2018-19 :

**A. Non Executive Directors**

Name of Director	Sitting Fees	Commission on Net Profit *	Salary & Perquisites	Total	No. of shares held **
	(Amount in Million)				
Mr Atul C Kirloskar	0.275	0.50	-	0.775	7,459,200
Mr Vikram S Kirloskar	0.10	0.20	-	0.30	31,010
Mr G Krishna Rao	0.65	1.25	-	1.90	-
Mr D R Swar	0.55	1.25	-	1.80	-
Mr Sunil Shah Singh	0.65	1.25	-	1.90	5,000
Dr Ajay Dua	0.575	1.25	-	1.825	-
Mr Krishnamurthi Venkataramanan	0.475	1.10	-	1.575	-
Mrs Nalini Venkatesh	0.15	0.30	-	0.45	95

Notes:

- 1.\* Payable only on adoption of accounts in the ensuing Annual General Meeting.
- 2.\*\* The above shareholding is considered in the name of first holder (PAN based) only.
3. There are no other pecuniary relationships or transactions of Non-Executive Directors vis-a-vis the Company.
4. Pursuant to limits approved by the Board, all Non-Executive Directors are paid sitting fees of Rs. 0.05 Million for attending each meeting of the Board and Audit Committee and Rs 0.025 Million for attending each meeting of the other Committees of the Board.

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

(Amount in Million)

Particulars	Mr Rahul C Kirloskar	Mr Aditya Kowshik
	From 1 <sup>st</sup> April, 2018 to 31 <sup>st</sup> March, 2019	From 1 <sup>st</sup> April, 2018 to 31 <sup>st</sup> March, 2019
Salary	12.00	7.80
House Rent Allowance	-	0.78
Contribution to Funds	4.24	2.76
Other perquisites	4.20	0.74
* Commission	20.00	19.00
TOTAL	40.44	31.08
**No. of shares held	7,468,650	NIL

Notes:

- \* Payable only on adoption of accounts in the ensuing Annual General Meeting.
- \*\* The above shareholding is considered in the name of first holder (PAN based) only.

**6. STAKEHOLDERS' RELATIONSHIP COMMITTEE**

The Committee functions under the Chairmanship of Mr G Krishna Rao, an Independent Director. Mr Sunil Shah Singh, an Independent Director and Mr Rahul C Kirloskar, Executive Director act as its members. Mr Jitendra Shah, Company Secretary is the Compliance Officer.

During the year, four Stakeholders' Relationship Committee meetings were held on 25<sup>th</sup> April, 2018, 23<sup>rd</sup> July, 2018, 1<sup>st</sup> November, 2018 and 23<sup>rd</sup> January, 2019 and the same 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	4	4
Mr Rahul C Kirloskar	4	4
Mr Sunil Shah Singh	4	4

The Company has received 7 complaints during the year and the same were resolved. There was no complaint pending as on 31<sup>st</sup> March, 2019.

## 7. GENERAL BODY MEETINGS

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

Date	Time	Location
24 <sup>th</sup> July, 2018	3.00 pm	S.M. Joshi Socialist Foundation (S.M. Joshi Hall) S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune- 411 030
27 <sup>th</sup> July, 2017	3.00 pm	
22 <sup>nd</sup> July, 2016	2.30 pm	

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

No special resolution was passed during last three Annual General Meetings.

### iii. Postal Ballot:

The Members of the Company have passed the following special resolution by way of Postal Ballot on 10<sup>th</sup> September, 2018.

Sr. No.	Resolution	Votes in favour of the Resolution		Votes against the Resolution	
		No. of Votes	% to total votes	No. of Votes	% to total votes
1	To alter the Capital Clause of the Articles of Association	8,058,338	99.99	969	0.01
2	To continue appointment of Mr D R Swar (DIN 00007495) as Non-Executive Director of the Company	8,064,898	99.99	969	0.01

The Notice dated 24<sup>th</sup> July, 2018 was sent to the Members and the last date of receipt of postal ballot forms was 6<sup>th</sup> September, 2018. Mr S V Deulkar, Partner of M/s S V D & Associates, Practicing Company Secretaries was appointed as Scrutinizer for the process of postal ballot exercise. According to the Scrutinizer's report, the resolution was passed by the requisite majority. The result of the postal ballot was declared on 10<sup>th</sup> September 2018 at the registered office of the Company and informed to BSE Limited, where the shares of the Company are listed for the information of the members.

## 8. 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 LODR Regulations, 2015.

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 newspaper namely Business Standard and Marathi newspaper namely Loksatta.

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

During the year, the Company has participated in the Investor Conference on 20<sup>th</sup> August, 2018 and the presentation of the same was made available on the BSE and Company's website.

The Company also informs by way of intimation to BSE Limited and placing on its website 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](http://www.kirloskarkpcl.com)

## 9. GENERAL SHAREHOLDER INFORMATION:

### i. Annual General Meeting:

Day & Date	:	Saturday, 20 <sup>th</sup> July, 2019
Time	:	11.30 am
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 <sup>st</sup> April to 31 <sup>st</sup> March
iii. Book Closure	:	13 <sup>th</sup> July, 2019 to 20 <sup>th</sup> July, 2019 (both days inclusive)
iv. Dividend Payment Date	:	On or after 20 <sup>th</sup> July, 2019
v. Listing on	:	BSE Ltd Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001 Annual Listing Fees for the year 2019-20 has been paid to BSE Ltd
vi. Stock Code	:	505283
vii. Depositories	:	National Securities Depository Ltd (NSDL) Central Depository Services (I) Ltd (CDSL)
viii. ISIN No.	:	Before sub-division - INE811A01012 After sub-division - INE811A01020

### ix. Market Price Data:

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

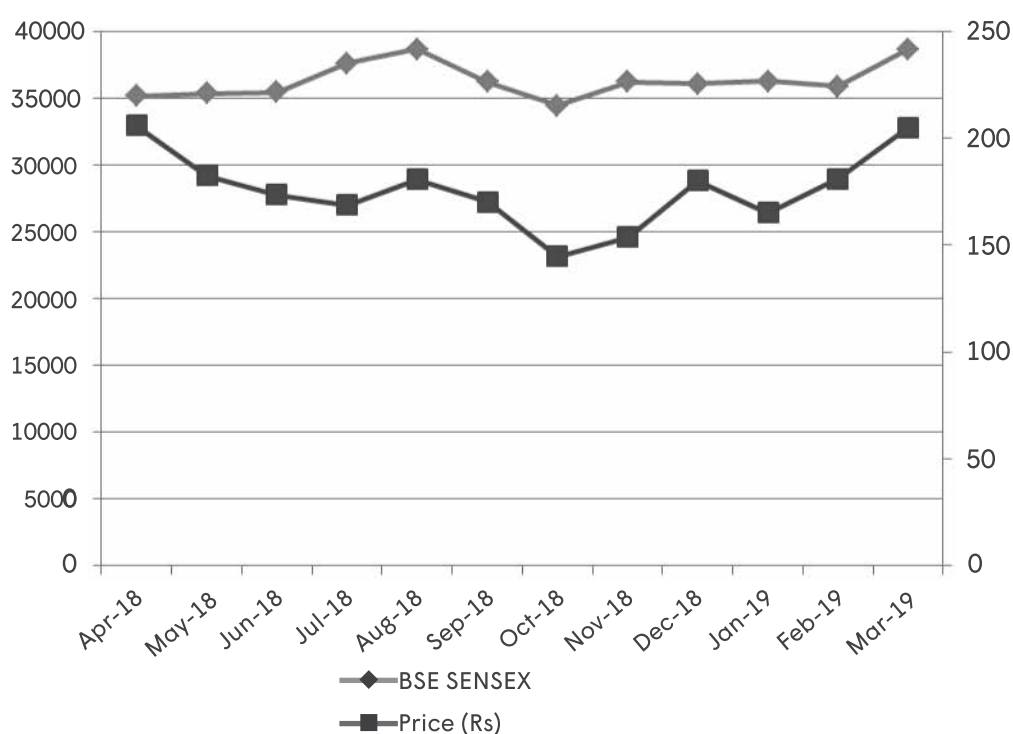
Year	High (Rs)	Low (Rs)	Close (Rs)
April 2018	*226.00	*156.00	*206.95
May 2018	*215.10	*172.45	*182.40
June 2018	*185.55	*164.40	*173.30
July 2018	*200.00	*160.05	*168.65
August 2018	*185.80	*160.00	*180.70
September 2018	*187.95	167.00	170.15
October 2018	173.00	137.50	144.65

Year	High (Rs)	Low (Rs)	Close (Rs)
November 2018	182.65	145.00	153.60
December 2018	184.00	139.00	180.05
January 2019	203.60	159.00	165.10
February 2019	193.80	159.00	180.90
March 2019	206.65	180.00	205.00

Note:

\*The face value of the equity shares of the Company has been sub-divided from Rs 10/- per share to Rs 2/- per share effective from 27<sup>th</sup> September, 2018. In view of this, the High, Low and Closing Market Price have been proportionately reduced for easy comparison with the Market Price for the remaining months.

**x. Stock Performance in comparison to BSE SENSEX:**



**xi. 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.

**xii. 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.

**xiii. Distribution of Shareholding as on 31<sup>st</sup> March, 2019:**

Holding		No. of Members	%	No. of Shares of Rs. 2/- each	% to Capital
UPTO	500	21,089	84.99	2,148,305	3.35
501	1,000	1,837	7.40	1,334,788	2.08
1,001	2,000	939	3.79	1,347,141	2.10
2,001	3,000	341	1.37	859,919	1.34
3,001	4,000	152	0.61	532,521	0.83
4,001	5,000	121	0.49	572,213	0.89
5,001	10,000	159	0.64	1,133,785	1.76
10,001	AND ABOVE	175	0.71	56,293,018	87.65
<b>Total</b>			<b>100.00</b>	<b>64,221,690</b>	<b>100.00</b>

**xiv. Dematerialisation of Shares & Liquidity:**

The name of the Company appears in the Compulsory Trading List and 95.71% of Share Capital is in Electronic Form as on 31<sup>st</sup> March, 2019.

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

**xvi.** Details of foreign exchange risk and hedging activities are provided in the notes annexed to and forming part of the financial statements.

**xvii.** CRISIL has reaffirmed AA-/Stable and A1+ rating for Company's long term bank facility and short term bank facility, respectively.

**xviii.** Plant Locations:

Pune	Saswad	Nashik
Hadapsar Industrial Estate, Pune 411 013	Saswad, Tal.: Purandar, Dist. Pune	Thermal Power Station Road, Nashik Road, Nashik

**xix. 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

Registrar & Transfer Agent:  
 Link Intime India Private Limited  
**Pune Office:**  
 Akshay Complex, No. 202,  
 2<sup>nd</sup> Floor, Near Ganesh Temple,  
 Off Dhole Patil Road, Pune 411 001  
 Phone Nos.: 020-26160084 /1629  
 Fax No. 020 - 26163503  
 Email : pune@linkintime.co.in

**Mumbai Office:**  
 C 101, 247 Park,  
 L. B. S. Marg, Vikhroli (West),  
 Mumbai - 400083  
 Phone No.: 022-4918 6000  
 Fax No. 022-4918 6060  
 Email : mumbai@linkintime.co.in

**10. OTHER DISCLOSURES:****i. Related Party Transactions:**

There are no materially significant related party transactions during the year 2018-19 that have potential conflict of interest with the interest of Company at large.

As required under LODR Regulations, 2015, the Company has formulated a policy on materiality of Related Party Transactions and dealing with Related Party Transactions and placed on website at <http://www.kirloskarkpcl.com/Pdf/company-policies/policy-on-materiality-of-related-party-transactions.pdf>

**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**

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/Pdf/company-policies/whistle-blower-policy.pdf>

**iv. The Company has complied with all mandatory requirements as specified in LODR Regulations, 2015.**

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

- a. Audit qualification: Company's financial statements are unqualified.
- b. The positions of the Chairman and CEO are separate.
- c. The Internal Auditor reports to the Audit Committee

**vi. Subsidiary Company**

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

Company does not have any Subsidiary Company.

**vii. Commodity price risk or foreign exchange risk and hedging activities**

Commodity price risk hedging is not applicable to the company. The Company has adopted a policy for hedging of Foreign Exchange Risk and accordingly company hedges its foreign exchange risk from time to time.

**viii. Company has received a certificate from M/s. SVD & Associates, Practicing Company Secretaries that none of the Directors of the Company have been debarred or disqualified from being appointed or continuing as directors of the company by SEBI / Ministry of Corporate Affairs or any such statutory authority.**

**ix. Company has complied with corporate governance requirements as specified in Regulation 17 to 27 and clause (b) to (i) of Regulation 46(2) of LODR Regulations, 2015.**

**x. Total fees for all services paid to the Statutory Auditor**

During the year, total fees for all services paid to the Statutory Auditor is Rs 3.05 Million.

**xi. 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.

**xii. Disclosure in relation to Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013:**

During the financial year, no complaint has been received / filed, disposed off and pending as at the end of the year.

**xiii. The Company has obtained AA - / Stable and A1+ rating issued by CRISIL for its long term bank facility and short term bank facility, respectively.**

#### **11. RISK MANAGEMENT:**

The provisions of Regulation 21 of LODR Regulations, 2015 are not applicable to the Company, however the detailed framework relating to the Risk Management has been provided under the Section of Directors' Report in the Annual Report.

#### **12. 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 4<sup>th</sup> May, 2019.

For Kirloskar Pneumatic Company Limited  
sd/-

**Aditya Kowshik**  
Managing Director  
DIN 00228983

Date: 4<sup>th</sup> May, 2019

Place: Pune

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

I, hereby declare that all the Directors & Senior Management personnel have confirmed compliance with the Code of Conduct as adopted by the Company.

sd/-

**Aditya Kowshik**  
Managing Director  
DIN 00228983

Date : 4<sup>th</sup> May, 2019

Place : Pune

## 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<sup>st</sup> March, 2019, as stipulated in Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, pursuant to the Listing Agreement with the Stock Exchange.

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 Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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/-

Sanjay Athavale

Partner. Membership Number 83374

Pune: Date: May 4, 2019

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

Kirloskar Pneumatic Company Limited ("KPCL") is a diversified product company serving key sectors viz. Industrial, Oil & Gas, Infrastructure & Food Processing markets. The Company's broad in-house resources provide the capability to engineer, design, manufacture, construct, commission and service products and systems.

Your Company's manufacturing facilities at Hadapsar, Saswad and Nasik are modern and investments have been planned to ensure that State of Art manufacturing technologies will always be in place. Your Company has highly qualified and trained Service Personnel across India with Sales & Service networks in place at strategic locations in India.

Your Company is a dominant market leader in some of the areas of its business and is now looking at exports to the Middle East, South East Asia, Indo China, South and West Africa. Your Company has also decided to strengthen the Sales & Service network in countries targeted for exports. This growth in export revenue will be achieved with a combination of Products & Projects.

Your Company has two business segments – Compression Products / Systems and Transmission Products, having a wide range of products and solutions.

## Indian Economy :

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. The Indian economy is estimated to be the fastest growing major economy in 2018-19 and 2019-20. In 2018-19 fiscal, ending March 2019, the Indian economy is estimated to have grown 7%, lower than 7.2% in 2017-18.

Index of Industrial Production (IIP) grew by 6.9% in February 2019, according to data released by CSO. During April-February 2018-19, industrial output grew at 4% as against 4.3% in the same period of the previous fiscal.

## Economic Prospects:

The IMF's latest World Economic Outlook (WEO) report expects India to grow at 7.3% in 2019 and 7.5% in 2020, supported by the continued recovery of investment and robust consumption amid a more expansionary stance of monetary policy and some expected impetus from fiscal policy. The World Economic Outlook believes that in India, continued implementation of structural and financial sector reforms in addition to efforts to reduce public debt remain essential to secure the economy's growth prospects.

Growth in India is projected to increase, lifted by strong private consumption as well as fading transitory effects of the currency exchange initiative and implementation of the GST. Over the medium term, growth is expected to gradually rise with continued implementation of reforms and increased private investment. Private investment, financing of stalled projects and a continued push for the Government's Make in India initiative is expected to contribute to this growth.

## Segment Analysis :

### 1. Compression Products :

Your Company's product portfolio includes Air, Gas and Refrigeration Compressors, Packages and Systems. These products primarily serve Oil and Gas, Cold Chain, Industrial markets and Defence needs of compression systems. The Company's in-house resources provide the capability to engineer, design, manufacture, construct, commission, and service systems.

- a. Oil & Gas Business:** Your Company offers refrigeration and gas compression systems for refineries and petrochemical plants. Your Company also offers CNG systems to City Gas Distribution companies. Your Company has proven to key customers, in Oil & Gas business and CGD companies, its capabilities of designing, procuring, building & testing high end systems. Customers have time and again reposed confidence in this capability and have helped us retain market leadership in the segment. Your Company also undertakes O&M contracts all over India to ensure 98% availability of these systems.

Government has put a thrust on promoting usage of environment friendly clean fuel i.e. natural gas as a fuel / feedstock across the country. Thus the Government is moving towards gas-based economy. Presently the share of gas in the country's energy mix is just over 6% and the aim is to reach the 15%, while the world average is 24%. The Government of India has accorded top priority to PNG for domestic gas distribution in the City Gas Distribution segment which has led to an investment in CNG systems for promoting CNG vehicles.

India is the world's 3<sup>rd</sup> largest energy consumer. Oil consumption is expected to grow 129% during 2016-2040. The country is the 4th largest importer of LNG. In the next 5 to 7 years Indian Oil & Gas Companies plan to make an investment in excess of \$ 7 billion for expanding its existing brownfield refineries. Plans are in place to lay the nation's longest LPG pipeline of over 2000 km, from Gujarat to Uttar Pradesh, to cater to growing demand for cooking gas in the country. India targets US\$ 107 billion worth of investments in gas infrastructure by 2029, including an addition of another 220 cities to the city gas distribution (CGD) network. This will include setting up of RLNG terminals, pipeline projects, completion of the gas grid and setting up of CGD network in more cities. Till September 2018, 96 cities / districts in different parts of the country were covered for development of CGD networks and in the 10th CGD bidding round 124 cities / districts were covered for development of CGD networks. Your Company is constantly in touch with Refineries and Consultants for these investment programs and expects this business to grow significantly in the next few years. Your Company is also working on export opportunities in specific countries and this is going to add to our current business in Oil & Gas business.

- b. Cold Chain Business :** Your Company supplies industrial refrigeration compressors and packages for cold store units, dairy units and pharmaceutical & process plants. Your Company has a wide network of dealers and service dealers. Your Company is closely associated with various state level Cold Store Associations, Government nodal agencies and technical committees. KPCL has a dominant market share in this segment.

India, with a large and diverse agriculture sector, is among the world's leading producers of cereals, milk, sugar, fruits and vegetables, spices, eggs and seafood products. Indian agriculture continues to be the backbone of our society and it provides livelihood to nearly 50% of our population. India is supporting 17.84% of world's population, 15% of livestock population with merely 2.4% of the world's land and 4% of its water resources.

With about 140 million tons, India is the second largest producer of fruits and vegetable in the world. India is the largest producer of milk in the world with 100 million ton production. However, an estimated 40% of vegetable produce and 15% of milk is wasted due to improper storage and transportation. Presence of robust infrastructure is a critical component of a strong agricultural value chain. Integrated Cold Chains are the fundamentals on which India can increase its agricultural exports. The Government of India, therefore, is aggressively pushing for the infrastructure development for cold chain distribution. The Government has also announced incentives in this sector. Demand for compressors for cold stores, is therefore, expected to grow in the next few years.

Your Company has developed the air cooled compressor which is one of its kind in India. No water is required for this compressor, which leads to conserving precious water and this also improves the efficiency and running cost. These compressors are manufactured using world class processes and

state of the art machines. The obvious advantages of quality and savings have resulted in customer acceptance and appreciation.

It is a matter of great pride that your Company is arguably the world's largest manufacturer of Open Type Ammonia Refrigeration Compressors.

- c. **Industrial Business :** Your Company offers air compressors and packages to industrial markets like cement, steel, power and general engineering. Your Company has in-house capability of designing, manufacturing and servicing air compressors.

With the Government push for the road construction projects, demand for diesel portable compressors has increased.

Your Company has focused its efforts in developing international business in South East Asia, Middle East and North and South Africa region. KPCL products have been accepted well in this market and KPCL has started supplying into these markets.

Your Company has developed its own Centrifugal Compressor range. Your Company also developed new models of water well compressors to cater to high pressure water well drilling operations. These technological innovations will take your Company to the next level of growth in the coming years.

- d. **Ground Support Business :** KPCL is in the business of products like HVAC systems for the Indian Navy and Ground Support Units for defense installations. Your Company has developed capability of conceptualizing, designing, manufacturing, testing and commissioning of products to meet the customer expectations.

The Government of India's thrust on "Make in India" in the defense sector is an opportunity for your Company in the coming years. Your Company also takes up Annual Maintenance Contract of the equipment in remote areas to assist our Armed Forces.

The defense business has grown due to orders from Ordnance Factories and HAL.

**Performance :** During the year revenue for the Compression Product segment was Rs 6,614 Million (Previous year Rs 5,639 Million).

**Opportunities, Threats and Concerns:** Your Company believes that investment push into Oil & Gas sector will accelerate demand for its products. Your Company has considerable order board of over Rs 6,474 Million which is a historical high and is actively working on more opportunities. As such your Company will continue to closely monitor developments in the sector. To de-risk dependence on domestic market, your Company is working on opportunities in the export market.

Over the last few years your Company has been aggressively working on achieving "Approved Vendor" status in many Oil & Gas Companies in the Middle East, Africa and South East Asia. Your Company is now an "Approved Vendor" in almost all Oil & Gas Companies in the Middle East. Your Company has also been approved by major EPC Contractors and Project Management Consultants. For the first time our Export Business Enquiry level is more than Rs 11,860 million. After achieving Approved Vendor status, we've been regularly receiving enquiries from these targeted countries and this will pave the way for bagging orders in the near future.

Cold chain market is expected to grow by 10% annually. Your Company is confident of growth in this business.

Your Company has a very dominant market share for supply of Open Type Ammonia Refrigeration Capital for the Cold Store Market in India and is recognised as a world class compressor by all Cold Store Associations across India.

With the government's push for Make in India, we expect Industrial markets to see upturn in next two to three years.

Your Company is working in a few recognised Research Organisation in Europe to develop cutting edge technology in Compression System and this project is progressing at an accelerated pace. The IP rights will remain with your Company and this will bolster our competitiveness in the market.

## 2. Transmission Products:

Your Company offers a wide range of products that includes – Traction Gears, Customised Gearboxes and Specialized Products. These products primarily serve Indian Railways and other industrial markets.

**a. Railway Business:** Your Company is a strong player in this market. Over the years your company has developed the capability of manufacturing the entire range of Gear Pinion requirement of Indian Railways. It has been approved as a supplier for the new generation High Speed Locomotives.

Demand for Railway Gears and Pinions remained stagnant during the year 2018-19 and is not expected to grow much in the coming years.

Your Company is actively working to supply equipment to the Metro Rail network.

**b. Industrial Gearbox Business:** With a fluctuating demand in Wind Turbine Gear box market, your Company strategically decided to offer customized Gearboxes in the Industrial markets. Your Company has developed competency and capability in designing, manufacturing, testing and servicing of Gearbox.

Your Company has secured requisite registrations with consultants. Your Company has successfully executed some of the complex Gearbox orders for various applications in steel, sugar and power plants.

Your Company has developed and installed High Speed Gearboxes for Steam Turbine driven Power Plants. The present manufacturing capability caters up to 20 MW Steam Turbines and larger Gear Boxes are manufactured with some strategic component sub-contracting. Your Company has also developed a range of speed increasing Gearboxes for various types of Hydro Turbines upto 5 MW. The first order for indigenous supply of 34 MW Gear Box for Steam Turbine Application has been received.

To gain market acceptability on the Industrial Gearbox Business your Company strategically ventured into 'refurbishment' of old gearboxes. Refurbishment is considered a bigger challenge than supply of new gearboxes and we are happy to inform you that we have successfully refurbished many old gearboxes to the complete satisfaction of our customers.

Consequent to the demonstrated success in refurbishing Gearboxes your Company has now been accepted by many customers for supply of new Gearboxes.

**Performance :** With muted demand in railway business and sub-megawatt wind turbine business, during the year, revenue for the Transmission Product segment was Rs. 473 Million (Previous year Rs. 413 Million).

**Opportunities, Threats and Concerns :** Demand for Traction Gears may see marginal growth over the next three years. However, international majors are entering locomotive manufacturing in India and this could offer growth opportunities for your company.

With the wind turbine market shifting to megawatt class gearbox, your Company will continue to explore new opportunities in future.

With successful entry into Industrial Gearbox market, your Company expects to open opportunities for growth. Your Company is working on augmenting infrastructure and enhancing engineering capabilities.

This business starts the new fiscal with an order board of Rs 329 million; of this gear boxes on account for about Rs 200 million.

### 3. Other:

Your Company has developed the innovative RoadRailer for the logistics sector. This technology has been developed with the support of Wabash Inc, USA. It offers quicker, safer and economical transportation of cargo.

During the reporting year, your Company successfully commenced the RoadRailer operations by undertaking commercial runs of RoadRailer train in both Chennai and Delhi Divisions of Indian Railways, covering a distance of over 2,150 kilometers. In each trip the RoadRailer train traveled from Melpakkam, Tamil Nadu to Palwal, Haryana and back. The service attracted a new stream of traffic to Railways comprising of auto components, FMCG goods, and electronic items, etc. Logistics companies have shown interest in availing RoadRailer service which is expected to get stabilized during the current year.

#### **Internal Control Systems and their Adequacy:**

Your Company has covered this in the Directors' Report.

Your Company is very conscious of the risks involved in supply of products and execution of projects and a very elaborate Risk Management Process is in place for the Company and the Company wide Risk Management Matrix is derived from Divisional Risk Management Process. There is a continuous monitoring on receivables and generations of free cash.

#### **Operating Performance :**

During the year under review, revenue from operations (net of excise) registered a growth of over 18%, mainly due to higher market share. Operating profits also increased by over 13% compared to the previous year on account of the growth in Compression segment, both in terms of Revenue and Results. With a strong order board at the start of the year, your company expects to achieve better results in the coming year.

During the year, there were no significant variations in the key financial ratios such as Debtors Turnover, Inventory Turnover, Interest Coverage Ratio, Current Ratio, Debt Equity Ratio, Operating Profit Margin and Net Profit Margin as compared to previous financial year and these ratios are in line with those of previous financial year.

As on 31st March, 2019 your company's return on net worth is 11.2% as compared to 10.8% in the previous financial year. The return on Net Worth has increased due to increase in profit.

**Safety, Health and Environment:**

Your Company is one of the few IMS (Integrated Management System - ISO 9001, ISO 14001 and OHSAS 18001) Certified Companies. During the year, at the time of recertification, your Company received a certificate certifying that the Company has established and applies an Integrated Management System - ISO 9001, ISO 14001 and OHSAS 18001, which is valid upto 27<sup>th</sup> August, 2021. Your Company is committed to comply with all statutory and regulatory requirements. Your Company has been making efforts in building awareness among employees, suppliers and service providers. Your Company has given 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 are available 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 about 100,000 + community members, the majority of them being school children, with the help of employee iVolunteers, social field workers, school teachers and health care personnel. Cumulatively we have touched 330,000 + community members during the last five years. Significant CSR initiatives include Kirloskar WaSH (Water, Sanitation and Hygiene), Kirloskar Vasundhara, DISHA (HIV AIDS Awareness), School Health Check, Bharari and KaShi (Kanya Shiksha).

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:**

The Human Resources (HR) department at KPCL is driven by the mission 'To be an employer of choice'. We look at the employee's entire work life cycle, to ensure timely interventions that help build a long-lasting and fruitful career.

**Recruitment & Staffing:** With the growth of business, we continued to focus on having the most befitting managers with the most relevant job-experience to fill in the vacancies. As such we do have a robust recruitment and Human Resources Management Process. Changes are made in the process based on employee feedback. Selection of new employees is done through a rigorous process to ensure the right candidate is selected. The nature of your Company has resulted in white collar employees constituting 87% of the workforce. This also is an indication of modern manufacturing technologies poised to moved ahead with smarter manufacturing. With the projected growth of the business, more number of engineers are getting trained to manage higher level of manufacturing efficiencies.

The relations with the employees at all levels continue to be cordial. One exception was that some of our Junior Engineers / Engineers had formed a Union and subsequently, they went to the industrial court, Pune and finally to the Hon. Supreme Court of India challenging the disciplinary actions initiated by the Company against them for their misconduct of remaining absent for a continuous period of 62 days. Hon.

Court squashed their case. After that, having followed all possible legal recourses, they were terminated from employment, because of their serious misconduct and grave indiscipline.

On a standalone basis, the annualized attrition rate for fiscal 2019 stands at 8.3%, as compared to Industrial Average of around 9.0%. We continue to work on simplifying internal processes. HR process owners collaborate with various teams in the Organisation to ensure that employees are able to work at their productive best.

**Career Planning:** Aspiring managers do need a career path to contribute better. Accordingly, the Key Role Holders are identified as part of the succession process. As in past years, this year too, we partnered with some of the renowned L&D firms to impart in-house training programs; as well as KIAMS for leadership development programs. These programs covered important topics like Conflict Management, Personal Effectiveness, Effective Negotiations, Managing Teams, Finance for Non-Finance etc.

**Learning & Development:** L&D are at the foundation of KPCL. Competency development continues to be a key area of strategic focus for us. During fiscal 2019, the total training provided for employees was over 4.4 days per employee. Some of our employees are internal trainers and shared their domain knowledge in the company. Such an intervention not only fosters a climate of mutual learning, but also encourages others to be a part of the larger community of internal-trainers at KPCL. We recognize their contribution through rewards. Higher education assistance scheme offers opportunities to enhance aspirations of employees. Many of the employees who qualified for the higher education assistance have joined post graduate programs.

**Rewards & Recognition :** It is understood that employee-motivation is key to many success stories. Acknowledging one's value-addition and recognising them play a very key role. Recognition schemes are monetary as well as non-monetary. Achievers are recognized every quarter for outstanding achievements with team awards by senior management. As always, we have continued to focus on the much needed performance differentiation to ensure that our high-potential (HiPo), high-performing employees are driven towards higher purpose and goals. They are being groomed as our Talent-Pipeline to succeed to key roles in future.

Apart from the above, we do measure our performance, with an intent to raise the bar of better performance; also to scale up the deliverables from HR team.

In addition to the above, we have mechanisms in place to foster a positive workplace environment, free from harassment of any nature. We have institutionalized the Prevention of Sexual Harassment Initiative (PoSH) framework, through which we address complaints of sexual harassment at the workplace. Our policy assures discretion and guarantees non-retaliation to complainants.

**Communication:** An attempt to encourage company-wide employee-communication is one of our pursuits. Dialogue is maintained with employees throughout the year through quarterly performance sessions, in-house magazine (Susamwad) and intranet (Shashwat). The employees are aware of various developments in the Company.

Your Company has been selected by CII time and again to showcase Business Excellence, HR, Safety & EHS Policies and their implementation. Many companies regularly visit your Company to get a first-hand impression of these processes.

The relations with the employees at all levels continue to be cordial.

For and on behalf of the  
Board of Directors  
sd/-  
**Aditya Kowshik**  
Managing Director  
DIN 00228983

Place : Pune  
Date : 4<sup>th</sup> May, 2019

# INDEPENDENT AUDITOR'S REPORT

To the Members of Kirloskar Pneumatic Company Limited

## **Report on the Audit of the Standalone Indian Accounting Standards (Ind AS) Financial Statements**

### **Opinion**

We have audited the standalone Ind AS financial statements of Kirloskar Pneumatic Company Limited ("the Company"), which comprise the balance sheet as at 31<sup>st</sup> March, 2019, and the statement of Profit and Loss (including Other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, hereinafter referred to as 'the standalone Ind AS financial statements'.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the standalone state of affairs of the Company as at 31<sup>st</sup> March, 2019, and its standalone profit (including Other Comprehensive Income), standalone changes in equity and its standalone cash flows for the year ended on that date.

### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Standalone Ind AS financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the Standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key Audit Matter :** The company has trade receivables of Rs. 1835.24 millions as at 31<sup>st</sup> March, 2019. Refer Note No. 4 in the Financial Statements. The company has sent letters seeking balance confirmation certificates from most material trade receivables during the financial year. Since most of the company's principal customers are government entities & public sector undertakings, written balance confirmations are not received. We had informed the management that the identification of doubtfulness, if any, in Trade Receivables is subjective and therefore the period of 'Good receivables' in some cases extends to one or two years. The management needs to put more objective criteria & tighter norms for the determination of the recoverability. We draw the attention to Note 51(4.7)(v) second para, regarding the company's Accounting Policy on impairment of trade receivables.

**Response to Key Audit Matter :** Audit procedures carried out by auditors : We checked all significant trade receivable accounts for their past history of payments & obtain reasons for the pending cases. We also verified on test basis, the evidence of receipt of material or services by the customers.

Although the company's management & officers are making reasonable efforts to obtain information, given the nature of the customers, their practices & the manner in which they release payments, the delay in settlement of trade receivables in few cases is inevitable. Further, retention of receivables in certain cases

on some pretext is fairly common. We consider that insisting on the company to make a provision for bad / doubtful debts just because of this delay would tantamount to profit shifting from one year to another. Hence, we consider that the time period of up to two years from bill date to finally determine recoverability is fair & reasonable.

The above mentioned factors have been appropriately considered by us and based on the work performed and the evidence obtained we consider the accounting treatment is appropriate.

### **Other Information**

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors Report to the members & Annexures thereto, Report on Corporate Governance, Management Discussion & Analysis, but does not include the standalone Ind AS financial statements and our auditor's report thereon. Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Standalone Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the standalone Ind AS financial position, standalone Ind AS financial performance, standalone Ind AS changes in equity and standalone Ind AS cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent, and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors is also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including significant deficiencies, if any, in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

- 1 As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- 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 (including Other Comprehensive Income), 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 Ind AS 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) On the basis of the written representations received from the directors as on 31<sup>st</sup> March, 2019 taken

on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

- (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 40 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 No. 101118W  
 sd/-  
 Sanjay Athavale  
 Partner  
 Membership No. 83374  
 Pune : 4<sup>th</sup> May, 2019

## ANNEXURE A TO THE AUDITORS' REPORT

(Referred to in our above report of even date)

- i. (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The fixed assets have been physically verified by the Management during the year according to a programme designed to cover all the items once in a period of three years 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;
- (c) The title deeds of immovable properties, as disclosed in Note 1 to the financial statements, are held in the name of the company;
- ii. The physical verification of inventory, excluding stocks with third parties, have been conducted at reasonable intervals by the Management during the year. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not material;
- iii. The company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- iv. In our opinion and according to the information & explanations given to us, in respect of loans, investments, guarantees, and security, the provisions of section 185 and 186 of the Companies Act, 2013 have been complied with.
- v. In our opinion and according to the information & explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. The Company has made & 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.
- vii. (a) According to the information & explanations given to us & according to the records of the company, the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, GST cess and any other statutory dues to the appropriate authorities and there were no arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable ;
- (b) According to the information & explanations given to us & according to the records of the company, there are no dues of income tax, sales tax, service tax, duty of customs, excise duty, value added tax or GST which have not been deposited on account of any dispute except :

Name of the Statute	Nature of dues	Amount (Rs. millions)	Period to which amount relates	Forum
Excise Duty	Demand of penalty on reversal of Cenvat Credit not made	0.2	FY 1997-98 to 2001-02 upto Feb-2002	CESTAT, Delhi
Service Tax	Wrong availment of CENVAT	1.28	FY 2013-14	Commissioner Appeals, Excise & Customs, Nashik
Customs Duty	Non compliance of conditions for availing concessional rate of customs duty	1.45	FY 1997-98	Asst. Commissioner (Customs) Mumbai
	Non compliance of conditions for availing concessional rate of customs duty	15.79 15.52	FY 2011-12 FY 2012-13	Supreme Court DGFT, Pune & Delhi
Sales Tax	Non- production of C Forms	0.10 0.74 0.92 57.97 56.17	FY 1992-93 FY 2011-12 FY 2012-13 FY 2013-14 FY 2014-15	Asst. Commissioner Appeals, Jt. Commissioner Appeals
Sales Tax	Demand under Work Contract Tax	0.47	FY 1985-86 to 1987-88	Asst. Commissioner Appeals
Income Tax	Provision for Pension Scheme Assessment effects	6.97 5.79	FY 1996-97 FY 2015-16	High Court CIT Appeals 7, Pune

- viii. 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 loans or borrowing to any financial institutions, banks, Government or dues to debenture holders.
- ix. The company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) or any term loan during the year;
- x. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year;
- xi. Managerial remuneration for the year has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
- xii. The company is not a Nidhi Company;
- xiii. Based upon the audit procedures performed and information and explanations given by the management, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the IND AS financial Statements etc., as required by the applicable accounting standards;
- xiv. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review;
- xv. Based upon the audit procedures performed and information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him within the meaning of the provisions of section 192 of Companies Act, 2013;
- xvi. The company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For M/S P G BHAGWAT  
Chartered Accountants  
Firm's Registration Number 101118W  
sd/-  
Sanjay Athavale  
Partner. Membership Number 83374  
Pune: Date: May 4, 2019

## **Annexure B to the Independent Auditors' Report**

Referred to in paragraph 2 (f) under the heading, "Report on Other legal and Regulatory Requirements" of our report on even date:

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

We have audited the internal financial controls with reference to financial statements of Kirloskar Pneumatic Company Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone IND AS financial statements of the Company for the year ended on that date.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

### **Meaning of Internal Financial Controls with reference to financial statements**

A company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of IND AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of IND AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use,

or disposition of the company's assets that could have a material effect on the IND AS financial statements.

#### **Inherent Limitations of Internal Financial Controls with reference to financial statements**

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

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at 31 March 2019, based on the internal controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For M/S P G BHAGWAT

Chartered Accountants

Firm's Registration Number 101118W

sd/-

Sanjay Athavale

Partner. Membership Number 83374

Pune: Date: 4<sup>th</sup> May, 2019



# KAIR O S

# FINANCIAL STATEMENTS

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2019**

			₹ in Million
	Note No.	As at 31 <sup>st</sup> March, 2019	As at 31 <sup>st</sup> March, 2018
<b>ASSETS</b>			
(1) <b>NON-CURRENT ASSETS</b>			
(a) Property, Plant and Equipment	1	1,196.25	700.03
(b) Capital work-in-progress	1	594.28	647.20
(c) Other Intangible Assets	2	21.56	48.06
(d) Intangible Assets Under Development	2	46.90	28.21
(e) Financial Assets			
(i) Investments	3	497.45	457.24
(ii) Trade receivables	4	-	6.10
(iii) Loans	5	27.32	28.55
(f) Deferred Tax Assets (Net)	7	16.03	54.70
(g) Other Non-Current Assets	8	89.37	26.90
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,489.16</b>	<b>1,996.99</b>
(2) <b>CURRENT ASSETS</b>			
(a) Inventories	9	963.37	894.19
(b) Financial Assets			
(i) Investments	3	1,461.55	1,530.16
(ii) Trade Receivables	4	1,835.24	2,086.88
(iii) Cash and Cash Equivalents	10	293.73	590.96
(iv) Bank Balance other than (iii) above	10	25.45	21.98
(v) Loans	5	6.57	13.00
(vi) Others	6	-	1.24
(c) Current Tax Assets (Net)	11	16.94	-
(d) Other Current Assets	8	389.26	220.75
<b>TOTAL CURRENT ASSETS</b>		<b>4,992.11</b>	<b>5,359.15</b>
<b>TOTAL ASSETS</b>		<b>7,481.27</b>	<b>7,356.15</b>
<b>EQUITY AND LIABILITIES</b>			
(1) <b>EQUITY</b>			
(a) Equity Share Capital	12	128.44	128.44
(b) Other Equity	13	4,809.86	4,487.48
<b>TOTAL EQUITY</b>		<b>4,938.30</b>	<b>4,615.92</b>
(2) <b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
(a) Financial Liabilities			
(i) Borrowings	14	5.31	6.88
(ii) Other Financial Liabilities	16	0.87	1.59
(b) Provisions	17	46.38	47.72
(c) Other Non-Current Liabilities	18	1.59	2.48
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>54.15</b>	<b>58.67</b>
<b>CURRENT LIABILITIES</b>			
(a) Financial Liabilities			
(i) Trade Payables	15		
Due to Micro, Small and Medium Enterprises		68.45	2.54
Other Trade Payables		1,262.84	1,625.67
(ii) Other Financial Liabilities	16	528.70	529.09
(b) Other Current Liabilities	18	583.67	482.58
(c) Provisions	17	45.16	33.94
(d) Current Tax Liabilities (Net)	11	-	7.74
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,488.82</b>	<b>2,681.56</b>
<b>TOTAL LIABILITIES</b>		<b>2,542.97</b>	<b>2,740.23</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,481.27</b>	<b>7,356.15</b>
Notes forming part of the Financial Statements			
1 - 51			

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, 4<sup>th</sup> May, 2019

For and on behalf of The Board of Directors

**Aditya Kowshik**  
Managing Director  
DIN - 00228983

**Jitendra Shah**  
Company Secretary

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**Suhas S. Kolhatkar**  
Vice President &  
Chief Financial Officer  
Pune, 4<sup>th</sup> May, 2019

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019**

			₹ in Million	
	Note No.	2018-19	2017-18	

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, 4<sup>th</sup> May, 2019

For and on behalf of The Board of Directors  
**Aditya Kowshik**  
Managing Director  
DIN - 00228983

**Jitendra Shah**  
Company Secretary

**Rahul C. Kirloskar**  
Executive Chairman  
DIN - 00007319

**Suhas S. Kolhatkar**  
Vice President &  
Chief Financial Officer  
Pune, 4<sup>th</sup> May, 2019

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019**

	₹ in Million	
	2018-2019	2017-2018
<b>A) Cash Flow From Operating Activities</b>		
Profit Before Tax	802.29	726.81
<b>Adjustments for :</b>		
Depreciation and amortisation expense	218.52	172.55
Interest income	(3.59)	(6.15)
Unwinding of Interest on Security Deposits	(1.10)	(1.03)
Amortisation of prepaid rent	1.18	1.23
Dividend income	(49.83)	(64.74)
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit or Loss	(38.04)	(16.32)
Loss/(gain) on Sale of Investments	1.43	(12.20)
Loss/(gain) on disposal of property, plant and equipment	(4.49)	(2.69)
Finance costs	1.47	2.27
Bad Debts	17.97	9.16
<b>Operating profit before working capital adjustments</b>	<b>945.81</b>	<b>808.89</b>
<b>Working capital adjustments</b>		
(Increase)/decrease in trade receivables	239.77	(788.47)
(Increase)/decrease in inventories	(69.18)	(156.41)
(Increase)/decrease in other financial assets	6.54	(7.73)
(Increase)/decrease in other non-financial assets	(162.59)	(30.13)
Increase/(decrease) in trade payables	(296.92)	680.83
Increase/(decrease) in financial liabilities	(4.69)	36.18
Increase/(decrease) in non-financial liabilities	100.19	325.49
Increase/(decrease) in provisions	(1.22)	(7.92)
<b>Cash generated from operations</b>	<b>757.71</b>	<b>860.78</b>
Income taxes paid	(231.82)	(233.37)
<b>Net cash inflow from operating activities</b>	<b>525.89</b>	<b>627.41</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019 (Contd.)**

	₹ in Million	
	2018-2019	2017-2018
<b>B) Cash flow from investing activities</b>		
Payments for property, plant and equipment, intangible assets	(725.77)	(443.47)
Proceeds from sale of property, plant and equipment, intangible assets	6.67	3.83
Sale / Redemption of Investments	644.39	1,324.91
Purchase of Investments	(539.16)	(1,068.37)
Interest income	3.59	6.15
Dividend income	49.83	64.74
Expenses of Business combination	-	(36.12)
<b>Net cash outflow from investing activities</b>	<b>(560.45)</b>	<b>(148.33)</b>
<b>C) Cash flow from financing activities</b>		
Repayment of borrowings	(1.43)	(0.99)
Proceeds from borrowings	-	9.30
Finance costs	(1.47)	(2.27)
Sale proceeds of shares on consolidation of fractional entitlement	-	5.96
Payment of fractional entitlement to eligible shareholders	(0.26)	(3.36)
Dividends paid (including dividend distribution tax)	(259.51)	(153.41)
<b>Net cash outflow from financing activities</b>	<b>(262.67)</b>	<b>(144.77)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(297.23)</b>	<b>334.31</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>590.96</b>	<b>256.65</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>293.73</b>	<b>590.96</b>

The above cash flow statement has been prepared under the indirect method as set out in Ind AS 7 - Statement of Cash Flows

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, 4<sup>th</sup> May, 2019

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President &  
Chief Financial Officer  
Pune, 4<sup>th</sup> May, 2019

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019**

**A : EQUITY SHARE CAPITAL**

₹ in Million

Balance As at 1 <sup>st</sup> April, 2018	Changes in Equity Share Capital during the year (Net)	Balance As at 31 <sup>st</sup> March, 2019
128.44	-	128.44

**B : OTHER EQUITY**

₹ in Million

	Reserves and Surplus			Equity Instruments through Other Comprehensive Income	Total
	Securities Premium	General reserve	Retained Earnings		
<b>Balance as on 1 April 2017</b>	<b>51.82</b>	<b>2,900.00</b>	<b>784.61</b>	<b>392.64</b>	<b>4,129.07</b>
Profit for the year	-	-	499.43	-	499.43
Other Comprehensive Income for the year - Fair Valuation	-	-	-	31.74	31.74
Other Comprehensive Income for the year - Actuarial Gain/(Loss) - Net of Tax	-	-	6.53	-	6.53
Dividend Paid	-	-	(128.44)	-	(128.44)
Tax on Dividend	-	-	(26.15)	-	(26.15)
Expenses of Business Combination Net of Tax	-	(24.71)	-	-	(24.71)
Transfer from retained earnings	-	324.71	(324.71)	-	-
<b>Balance as on 31 March 2018</b>	<b>51.82</b>	<b>3,200.00</b>	<b>811.27</b>	<b>424.38</b>	<b>4,487.48</b>
<b>Balance as on 1 April 2018</b>	<b>51.82</b>	<b>3,200.00</b>	<b>811.27</b>	<b>424.38</b>	<b>4,487.48</b>
Profit for the year	-	-	552.62	-	552.62
Other Comprehensive Income for the year - Fair Valuation	-	-	-	40.21	40.21
Other Comprehensive Income for the year - Actuarial Gain/(Loss) - Net of Tax	-	-	(7.21)	-	(7.21)
Dividend Paid	-	-	(154.13)	-	(154.13)
Tax on Dividend	-	-	(31.68)	-	(31.68)
Interim Dividend	-	-	(64.22)	-	(64.22)
Tax on Interim Dividend	-	-	(13.20)	-	(13.20)
Transfer from retained earnings	-	300.00	(300.00)	-	-
<b>Balance as on 31 March 2019</b>	<b>51.82</b>	<b>3,500.00</b>	<b>793.45</b>	<b>464.59</b>	<b>4,809.86</b>

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, 4<sup>th</sup> May, 2019

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President &  
Chief Financial Officer  
Pune, 4<sup>th</sup> May, 2019

## NOTE 1 : PROPERTY, PLANT AND EQUIPMENT

₹ in Million

PARTICULARS	PROPERTY, PLANT AND EQUIPMENT									
	FREE HOLD LAND	BUILDINGS	PLANT & MACHINERY	ELECTRICAL INSTALLATION	OFFICE EQUIPMENTS	FURNITURE & FIXTURE	VEHICLE	LEASE ASSET VEHICLE	TOTAL	CAPITAL WORK IN PROGRESS
<b>Gross Carrying Amount As at 01/04/2017</b>	2.16	277.43	426.97	22.58	12.76	18.37	71.45	73.76	<b>905.48</b>	<b>362.40</b>
Additions	-	4.99	72.63	4.15	1.69	1.58	33.99	-	<b>119.03</b>	403.83
Deductions and adjustments	-	-	0.07	-	-	0.38	1.19	-	<b>1.64</b>	119.03
<b>Gross Carrying Amount As at 31/03/2018</b>	2.16	282.42	499.53	26.73	14.45	19.57	104.25	73.76	<b>1,022.87</b>	<b>647.20</b>
Accumulated Depreciation As at 01/04/2017	-	16.17	85.88	3.90	4.31	3.56	24.43	46.38	<b>184.63</b>	-
Depreciation for the year	-	16.52	84.05	4.01	3.56	2.84	19.41	8.32	<b>138.72</b>	-
Deductions and Adjustments	-	-	-	-	-	0.01	0.49	-	<b>0.51</b>	-
<b>Accumulated Depreciation up to 31/03/2018</b>	-	32.69	169.93	7.91	7.87	6.39	43.35	54.70	<b>322.84</b>	-
<b>Net Carrying Amount as at 31/03/2018</b>	2.16	249.73	329.60	18.82	6.58	13.18	60.90	19.06	<b>700.03</b>	<b>647.20</b>
<b>Gross Carrying Amount As at 01/04/2018</b>	2.16	282.42	499.53	26.73	14.45	19.57	104.25	73.76	<b>1,022.87</b>	<b>647.20</b>
Additions	-	12.27	64.01	12.71	4.34	4.00	592.00	-	<b>689.33</b>	636.41
Deductions and adjustments	-	-	0.83	-	0.15	0.16	10.54	-	<b>11.68</b>	689.33
<b>Gross Carrying Amount As at 31/03/2019</b>	<b>2.16</b>	<b>294.69</b>	<b>562.71</b>	<b>39.44</b>	<b>18.64</b>	<b>23.41</b>	<b>685.71</b>	<b>73.76</b>	<b>1,700.52</b>	<b>594.28</b>
<b>Accumulated Depreciation As at 01/04/2018</b>	-	32.69	169.93	7.91	7.87	6.39	43.35	54.70	<b>322.84</b>	-
For the year	-	18.43	85.04	4.30	3.04	4.63	68.74	5.95	<b>190.13</b>	-
Impairment during the year	-	-	0.80	-	-	-	-	-	<b>0.80</b>	-
Deductions and Adjustments	-	-	0.59	-	0.14	0.16	8.61	-	<b>9.50</b>	-
<b>Accumulated Depreciation up to 31/03/2019</b>	-	<b>51.12</b>	<b>255.18</b>	<b>12.21</b>	<b>10.77</b>	<b>10.86</b>	<b>103.48</b>	<b>60.65</b>	<b>504.27</b>	-
<b>Net Carrying Amount As at 31/03/2019</b>	<b>2.16</b>	<b>243.57</b>	<b>307.53</b>	<b>27.23</b>	<b>7.87</b>	<b>12.55</b>	<b>582.23</b>	<b>13.11</b>	<b>1,196.25</b>	<b>594.28</b>
Net Carrying Amount As at 31/03/2018	2.16	249.73	329.60	18.82	6.58	13.18	60.90	19.06	700.03	647.20

Property, Plant and Equipment is provided as security by way of a mortgage for availing credit facilities from the consortium banks.

**NOTE 2 : OTHER INTANGIBLE ASSETS**

₹ in Million

PARTICULARS	OTHER INTANGIBLE ASSETS			
	SOFTWARES	TECHNICAL KNOW HOW	TOTAL	INTANGIBLE ASSETS UNDER DEVELOPMENT
<b>Gross Carrying Amount As at 01/04/2017</b>	5.75	96.58	<b>102.33</b>	<b>9.50</b>
Additions	9.10	-	<b>9.10</b>	27.87
Deductions and adjustments	0.01	-	<b>0.01</b>	9.16
<b>Gross Carrying Amount As at 31/03/2018</b>	14.84	96.58	<b>111.42</b>	<b>28.21</b>
Accumulated Depreciation As at 01/04/2017	2.48	27.05	<b>29.53</b>	-
For the year	6.78	27.05	<b>33.83</b>	-
Deductions and Adjustments	-	-	-	-
<b>Accumulated Depreciation up to 31/03/2018</b>	9.26	54.10	<b>63.36</b>	-
Net Carrying Amount as at 31/03/2018	5.58	42.48	<b>48.06</b>	<b>28.21</b>
<b>Gross Carrying Amount As at 01/04/2018</b>	14.84	96.58	<b>111.42</b>	<b>28.21</b>
Additions	1.09	-	<b>1.09</b>	18.69
Deductions and adjustments	-	-	-	-
<b>Gross Carrying Amount As at 31/03/2019</b>	<b>15.93</b>	<b>96.58</b>	<b>112.51</b>	46.90
Accumulated Depreciation As at 01/04/2018	9.26	54.10	<b>63.36</b>	-
For the year	6.35	21.24	<b>27.59</b>	-
Deductions and Adjustments	-	-	-	-
<b>Accumulated Depreciation up to 31/03/2019</b>	<b>15.61</b>	<b>75.34</b>	<b>90.95</b>	-
<b>Net Carrying Amount As at 31/03/2019</b>	<b>0.32</b>	<b>21.24</b>	<b>21.56</b>	<b>46.90</b>
Net Carrying Amount As at 31/03/2018	5.58	42.48	48.06	28.21

**NOTE 3 : INVESTMENTS ( NON CURRENT ) :**

	Face Value	As at 31 <sup>st</sup> March, 2019		As at 31 <sup>st</sup> March, 2018	
	Rs.	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
<b>At Fair Value through Profit or Loss ( FVTPL )</b>					
Government and Trust Securities					
Quoted :					
Unit Trust of India :					
UTI Hybrid Equity Fund Regular Growth Plan	10	201.988	0.03	201.988	0.03
UTI Hybrid Equity Fund Regular Dividend Plan Reinvestment	10	8,327.670	0.23	7,718.537	0.22
UTI Mastershare Unit Scheme- Regular Dividend Payout	10	3,300	0.10	3,300	0.10
			0.36		0.35
In Debentures and Bonds :					
Quoted :					
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	100	25,000	0.00 *	25,000	0.00*
<b>Total Fair Value through Profit or Loss ( FVTPL )</b>			<b>0.36</b>		0.35
<b>At Fair Value through Other Comprehensive Income ( FVTOCI )</b>					
Equity Shares :					
Unquoted :					
Fully Paid Shares					
Kirloskar Proprietary Ltd.	100	1	0.08	1	0.08
S L Kirloskar CSR Foundation	10	9,800	0.10	9,800	0.10
Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.	-	56,250	1.12	56,250	1.12
The Nasik Merchants' Co-operative Bank Ltd.	100	1	0.00*	1	0.00*
The Cosmos Co-operative Bank Ltd.	20	62,500	1.25	62,500	1.25
Kirloskar Chillers Pvt.Ltd.	10	225,000	177.97	225,000	178.43
			180.52		180.98
* Value less than Rs.Ten Thousand					
Carried Over Rs.			180.88		181.33

**NOTE 3 : INVESTMENTS ( NON CURRENT ) : (Contd.)**

	Face Value Rs.	As at 31 <sup>st</sup> March, 2019		As at 31 <sup>st</sup> March, 2018	
		Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
Brought Over Rs.			<b>180.88</b>		181.33
Other, Quoted :					
The Mysore Kirloskar Ltd.	10	<b>100,000</b>	<b>0.00*</b>	100,000	0.00 *
Kirloskar Industries Ltd.	10	<b>200</b>	<b>0.15</b>	200	0.24
Housing Development Finance Corporation Ltd.	2	<b>46,990</b>	<b>92.49</b>	46,990	85.78
Kirloskar Investment and Finance Ltd.	10	<b>375,000</b>	<b>0.00*</b>	375,000	0.00*
ICICI Bank Limited	2	<b>55,324</b>	<b>22.16</b>	55,324	15.40
Kirloskar Ferrous Industries Ltd.	5	<b>2,000,000</b>	<b>195.30</b>	2,000,000	169.10
HDFC Bank Ltd.	2	<b>2,500</b>	<b>5.80</b>	2,500	4.72
Punjab National Bank	2	<b>7,000</b>	<b>0.67</b>	7,000	0.67
			<b>316.57</b>		275.91
<b>Total Fair Value through Other Comprehensive Income ( FVTOCI )</b>			<b>497.10</b>		456.89
	<b>Total</b>		<b>497.45</b>		457.24

\* Value less than Rs.Ten Thousand

Aggregate Cost of acquisition of Quoted Investments	<b>27.97</b>	27.95
Aggregate Market Value of Quoted Investments	<b>316.93</b>	276.26
Aggregate Cost of acquisition of Un-Quoted Investments	<b>4.72</b>	4.72
Aggregate Fair Value of Un-Quoted Investments	<b>180.52</b>	180.98
Aggregate Amount of Impairment in the Value of Investments	<b>7.40</b>	7.40

**NOTE 3 : INVESTMENTS ( CURRENT ) :**

	As at 31 <sup>st</sup> March, 2019		As at 31 <sup>st</sup> March, 2018	
	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
<b>At Fair Value through Profit or Loss ( FVTPL )</b>				
Quoted:				
DSP BlackRock Low Duration Fund Direct Plan Weekly Div.	-	-	7,931,323.825	80.03
L & T Short Term Opportunities Fund Direct Plan Monthly Div	-	-	5,629,172.652	62.30
Reliance Medium Term Fund Daily Direct Dividend Plan	-	-	7,534,230.510	128.88
SBI Short Term Debt Fund Direct Weekly Div.	-	-	3,221,723.627	34.10
SBI Treasury Advantage Fund Direct Daily Div.	-	-	33,346.136	33.76
Reliance Yearly Interval Fund Series 1 Direct Plan - Dividend	-	-	3,997,761.254	40.46
Axis Short Term Fund Direct Plan Growth	-	-	3,303,964.758	64.90
Reliance Floating Rate Fund Short Term Plan - Direct - Growth	-	-	2,109,283.917	59.29
Reliance Liquid Fund Treasury Plan Daily Dividend	-	-	13,333.400	20.39
L & T Liquid Fund Regular Daily Dividend Reinvestment	-	-	59,324.547	60.06
DSP BlackRock Liquidity Fund - Regular Plan-Daily Dividend	-	-	60,002.344	60.06
SBI Magnum Low Duration Fund Direct Daily Dividend	<b>74,861.676</b>	<b>75.65</b>	71,248.257	71.82
ICICI Prudential Savings Fund Direct Plan Daily Dividend	<b>704,536.029</b>	<b>74.53</b>	670,103.309	70.85
UTI Ultra Short Term Fund - Direct Daily Div. Plan Reinvestment	<b>68,099.487</b>	<b>73.33</b>	64,762.885	69.74
IDFC Low Duration Fund Daily Dividend Direct Plan	<b>5,518,662.827</b>	<b>55.82</b>	5,246,875.963	53.08
Invesco India Corporate Bond Fund Direct Plan Growth (AI-D1)	<b>26,078.873</b>	<b>57.09</b>	26,078.873	53.07
		<b>336.42</b>		<b>962.78</b>
Carried Over Rs.		<b>336.42</b>		<b>962.78</b>

**NOTE 3 : INVESTMENTS ( CURRENT ) : (contd.)**

	As at 31 <sup>st</sup> March, 2019		As at 31 <sup>st</sup> March, 2018	
	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
Brought Over Rs.		<b>336.42</b>		962.78
Quoted :				
ICICI Prudential Fixed Maturity Plan Series 82- Plan F Direct Cumulative	<b>25,000,000.000</b>	<b>268.86</b>	25,000,000.000	254.23
Reliance Fixed Horizon Fund XXXVI Series 2 Direct Growth Plan	<b>0,000,000.000</b>	<b>215.11</b>	20,000,000.000	202.95
ICICI Prudential Liquid Fund Daily Dividend	<b>210,114.076</b>	<b>21.05</b>	200,288.559	20.06
Axis Liquid Fund Daily Dividend Reinvestment (CF-DD)	<b>94,493.941</b>	<b>94.63</b>	90,034.902	90.13
IDFC Cash Fund Daily Dividend Regular Plan	<b>11,743.600</b>	<b>11.75</b>	-	-
HDFC FMP Direct Growth Series 42	<b>10,000,000.000</b>	<b>104.90</b>	-	-
HDFC Liquid Fund Regular Plan Dividend Daily Reinvest	<b>100,056.284</b>	<b>102.04</b>	-	-
UTI Liquid Cash Plan Regular Daily Dividend Plan Reinvestment	<b>50,060.396</b>	<b>51.03</b>	-	-
Axis Banking & PSU Debt Fund Growth	<b>18,185.959</b>	<b>31.78</b>	-	-
HSBC Cash Fund Daily Dividend Direct Plan	<b>60,925.627</b>	<b>60.98</b>	-	-
SBI Magnum Low Duration Fund Regular Growth	<b>17,771.905</b>	<b>42.97</b>	-	-
DSP Low Duration Fund - Regular Plan- Daily Dividend	<b>1,903,597.965</b>	<b>120.03</b>	-	-
Total		<b>1,461.55</b>		1,530.16
Aggregate Cost of acquisition of Quoted Investments		<b>1,415.20</b>		1,509.72
Aggregate Market Value of Quoted Investments		<b>1,461.55</b>		1,530.16
Aggregate Cost of acquisition of Un-Quoted Investments		-		-
Aggregate Amount of Impairment in the Value of Investments		-		-

	As at 31 <sup>st</sup> March, 2019	₹ in Million As at 31 <sup>st</sup> March, 2018
<b>NOTE 4 : TRADE RECEIVABLES :</b>		
Unsecured Considered Good	1,835.24	2,092.98
Having significant increase in Credit Risk	-	-
<b>Total</b>	<b>1,835.24</b>	<b>2,092.98</b>
Non Current	-	6.10
Current	1,835.24	2,086.88
Debts due from Private Companies in which Director is a Director or a Member	-	0.19

<b>NOTE 5 : LOANS :</b>		
Unsecured Considered Good		
Security Deposits ( Non Current )	27.22	28.08
Loan To Employees ( Non Current )	0.10	0.47
Security Deposits ( Current )	6.57	13.00
Having significant increase in Credit Risk	-	-
<b>Total</b>	<b>33.89</b>	<b>41.55</b>
Non Current	27.32	28.55
Current	6.57	13.00
Includes amount due from Officer and Related party	16.41	15.57

<b>NOTE 6 : OTHER FINANCIAL ASSETS :</b>		
Unsecured Considered Good		
Other Assets	-	1.24
<b>Total</b>	<b>-</b>	<b>1.24</b>
Current	-	1.24

<b>NOTE 7 : DEFERRED TAX ASSETS :</b>		
Deferred Tax Assets	46.70	61.85
Deferred Tax Liabilities ( Refer Note no. 45 )	30.67	7.15
<b>Total</b>	<b>16.03</b>	<b>54.70</b>

	As at 31 <sup>st</sup> March, 2019	₹ in Million As at 31 <sup>st</sup> March, 2018
<b>NOTE 8 : OTHER ASSETS :</b>		
Unsecured Considered Good		
Advances to Supplier of Capital Goods ( Non Current )	85.41	15.83
Other Assets ( Non Current )	3.96	11.07
Balances with Central Excise ( Current )	-	0.12
Other Assets ( Current )	389.26	220.63
<b>Total</b>	<b>478.63</b>	<b>247.65</b>
Non Current	89.37	26.90
Current	389.26	220.75
Other Non Current Assets includes amount due from Related party	2.15	3.33
Other Current Assets includes amount due from Related party	1.18	1.24
<b>NOTE 9 : INVENTORIES</b>		
Raw Materials	649.03	642.31
[ Includes Rs. Nil ( 31st March 2018 - Nil ) in transit ]		
Work-in-progress	255.73	201.76
Finished Goods, at cost or net realisable value whichever is lower	33.90	25.35
Stores & Spares	24.71	24.77
<b>Total</b>	<b>963.37</b>	<b>894.19</b>
<b>NOTE 10 : CASH AND CASH EQUIVALENTS :</b>		
<b>a) CASH AND CASH EQUIVALENTS :</b>		
Cash on hand	0.13	0.09
Balances with Banks :		
In Current Accounts	293.50	590.87
In Fixed Deposits	0.10	-
	<b>293.73</b>	<b>590.96</b>
<b>b) OTHER BANK BALANCES :</b>		
Earmarked Balances with Banks		
For Unclaimed Dividend	23.11	19.38
For Fractional Entitlement	2.34	2.60
	<b>25.45</b>	<b>21.98</b>
<b>Total</b>	<b>319.18</b>	<b>612.94</b>
<b>NOTE 11 : CURRENT TAX ASSET / ( LIABILITY ) - NET :</b>		
Advance Tax Paid	241.31	229.09
Less : Provision for Tax	224.37	236.83
<b>Total</b>	<b>16.94</b>	<b>(7.74)</b>

	As at 31 <sup>st</sup> March, 2019	₹ in Million As at 31 <sup>st</sup> March, 2018
<b>NOTE 12 : EQUITY SHARE CAPITAL :</b>		
<b>AUTHORISED :</b>		
Opening Balance :		
187.50 Million Equity Shares of Rs.2/- each	375.00	375.00
( 37.50 Million Equity Shares of Rs.10/- each )		
Changes during the Year	-	-
<b>Closing Balance :</b>	<b>375.00</b>	<b>375.00</b>
<b>ISSUED AND SUBSCRIBED :</b>		
Opening Balance :		
64.22 Million Equity Shares of Rs. 2/- each	128.44	128.44
(12.84 Million Equity Shares of Rs. 10/- each )		
Changes during the Year	-	-
<b>Closing Balance :</b>	<b>128.44</b>	<b>128.44</b>
<b>PAID UP :</b>		
Opening Balance :		
64.22 Million Equity Shares of Rs. 2/- each	128.44	128.44
(12.84 Million Equity Shares of Rs. 10/- each )		
Changes during the Year	-	-
<b>Total</b>	<b>128.44</b>	<b>128.44</b>

**Rights attached to Equity Shares :**

The Company has only one class of share capital, namely, equity shares. During the year the Company sub-divided 1 Equity Share of face value of Rs. 10/- per share, fully paid-up into 5 Equity Shares of face value of Rs 2/- per share, fully paid up with effect from 27th September, 2018.

Each holder of equity share is entitled to one vote per share.

Shareholder holding more than 5%	Nos.	In Million
	Face Value of Rs.2/-	Nos. Face Value of Rs.10/-
a) Mr Rahul C Kirloskar	7.47	1.49
	11.63%	11.63%
b) Mr Atul C Kirloskar	7.46	1.49
	11.61%	11.61%
c) Kirloskar Industries Ltd.	6.42	1.28
	10.00%	10.00%
d) HDFC Trustee Co. Ltd.	5.78	1.16
	9.00%	9.00%
e) Reliance Capital Trustee Co. Ltd.	5.74	1.18
	8.94%	9.19%
f) Ms Jyotsna Gautam Kulkarni	4.66	1.87
	7.26%	14.52%

	As at 31 <sup>st</sup> March, 2019	₹ in Million As at 31 <sup>st</sup> March, 2018
<b>NOTE 13 : OTHER EQUITY :</b>		
<b>Securities Premium (Share Premium) Account:</b>		
As per last Account	51.82	51.82
<b>General Reserve :</b>		
Opening Balance / As per last Account	3,200.00	2,900.00
Less : Expenses of Business Combination - Net of Tax	-	24.71
Add: Set aside this year	300.00	324.71
<b>Closing Balance</b>	<b>3,500.00</b>	<b>3,200.00</b>
<b>Retained Earnings :</b>		
Opening Balance / As per last Account	811.27	784.61
Add : Transferred from Statement of Profit and Loss	552.62	499.43
Add : Transferred from Other Comprehensive Income - Net of Tax	(7.21)	6.53
	<b>1,356.68</b>	<b>1,290.57</b>
Less :		
Transfer to General Reserve	300.00	324.71
Dividend Paid	154.13	128.44
Tax on Dividend	31.68	26.15
Interim Dividend	64.22	-
Tax on Interim Dividend	13.20	-
	<b>563.23</b>	<b>479.30</b>
<b>Closing Balance</b>	<b>793.45</b>	<b>811.27</b>
<b>Equity Instruments Through Other Comprehensive Income</b>		
Opening Balance / As per last Account	424.38	392.64
Add / (Less) FVTOCI Equity Investments - Change in Fair Value	40.21	31.74
<b>Closing Balance</b>	<b>464.59</b>	<b>424.38</b>
<b>Total</b>	<b>4,809.86</b>	<b>4,487.48</b>

1. Securities Premium is a premium on issue of shares. The reserve is utilised in accordance with the provisions of the Companies Act, 2013.
2. General Reserve is created by setting aside amount from the Retained Earnings and is freely available for distribution.
3. FVTOCI Equity Investments - The Company has elected to recognise changes in the fair value of certain investments in equity in Other Comprehensive Income. These changes are accumulated in Equity Instruments Through Other Comprehensive Income Reserve within equity. The Company transfers amounts from this reserve to Retained Earnings when the relevant equity investments are derecognised.

	As at 31 <sup>st</sup> March, 2019	₹ in Million As at 31 <sup>st</sup> March, 2018
<b>NOTE 14 : BORROWINGS :</b>		
Borrowings - Other Secured ( Refer Note No. 35 for Net Debt position )	5.31	6.88
<b>Total</b>	<b>5.31</b>	<b>6.88</b>
Non Current Maturity Date - 16th June 2020, Terms of Repayment - 36 Months, Interest Rate - 9.25%, Security - Vehicle	5.31	6.88
<b>NOTE 15 : TRADE PAYABLES</b>		
Due to Micro, Small and Medium Enterprises	68.45	2.54
Other Trade Payables	1,262.84	1,625.67
<b>Total</b>	<b>1,331.29</b>	<b>1,628.21</b>
<b>NOTE 16 : OTHER FINANCIAL LIABILITIES :</b>		
Deposit Received ( Non Current )	0.87	1.59
Unpaid Dividends ( Current )	23.11	19.38
Fractional Entitlement ( Current )	2.34	2.60
Current Maturities of Long-Term Debt	1.57	1.43
Other Liabilities ( Current )	501.68	505.68
<b>Total</b>	<b>529.57</b>	<b>530.68</b>
Non Current	0.87	1.59
Current	528.70	529.09
<b>NOTE 17 : PROVISIONS :</b>		
Provision for Employee Benefits		
Provision for Leave Encashment ( Non Current )	46.38	47.72
Provision for Leave Encashment ( Current )	29.95	29.27
Provision for Gratuity ( Current )	15.21	4.67
<b>Total</b>	<b>91.54</b>	<b>81.66</b>
Non Current	46.38	47.72
Current	45.16	33.94
<b>NOTE 18 : OTHER LIABILITIES :</b>		
Other Liabilities ( Non Current )	1.59	2.48
Advance from Customer ( Current )	455.91	306.15
Other Liabilities ( Current )	127.76	176.43
<b>Total</b>	<b>585.26</b>	<b>485.06</b>
Non Current	1.59	2.48
Current	583.67	482.58

₹ in Million

2018-19

2017-18

**NOTE 19 : REVENUE FROM OPERATIONS :**

Sale of Products ( including excise duty )	<b>6,281.12</b>	5,365.93
Works Contract Sale	<b>653.59</b>	561.69
Sale of Services	<b>156.09</b>	124.48
Lease Income	<b>11.64</b>	12.30
<b>Total</b>	<b>7,102.44</b>	6,064.40

Sale of Products includes excise duty of Rs.Nil collected from customers. ( Previous Year - Rs.59 Million up to 30<sup>th</sup> June 2017 i.e. Till the date of implementation of GST )

**NOTE 20 : OTHER INCOME :**

Dividend Income from Equity Investments designated at Fair Value through Other Comprehensive Income	<b>13.47</b>	11.19
Dividend Income from Mutual Fund Investments designated at Fair Value through Profit and Loss	<b>36.36</b>	53.55
Interest Received	<b>3.59</b>	6.15
Unwinding of Interest on Security Deposits	<b>1.10</b>	1.03
Insurance Claim Received	<b>3.17</b>	0.92
Miscellaneous Receipts	<b>43.64</b>	38.53
Surplus on Sale of Assets	<b>4.65</b>	2.69
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit and Loss	<b>38.04</b>	16.32
Gain on Sale of Investments	<b>0.71</b>	12.20
Bad Debts / Liquidated Damages Recovered	<b>0.33</b>	20.77
<b>Total</b>	<b>145.06</b>	163.35

₹ in Million

2018-192017-18**NOTE 21 : COST OF MATERIALS CONSUMED :**

Raw Materials (including components) consumed :

Stocks at commencement	<b>642.31</b>	428.04
Add : Purchases	<b>3,806.56</b>	3,269.49
	<b>4,448.87</b>	3,697.54
Less : Stocks at close	<b>649.03</b>	642.31
<b>Total</b>	<b>3,799.84</b>	3,055.22

**NOTE 22 : CHANGES IN INVENTORIES :**

(Increase) / Decrease in Stocks :

Finished Goods		
Stocks at close	<b>33.90</b>	25.35
Stocks at commencement	<b>25.35</b>	40.29
	<b>(8.55)</b>	14.94
Work-in-Progress		
Stocks at close	<b>255.73</b>	201.76
Stocks at commencement	<b>201.76</b>	247.85
	<b>(53.97)</b>	46.09
<b>Total</b>	<b>(62.52)</b>	61.03

₹ in Million

	2018-19	2017-18
<b>NOTE 23 : EMPLOYEE BENEFITS EXPENSES :</b>		
Salaries, Wages, Bonus, etc.	<b>836.19</b>	728.34
Incentive	<b>20.33</b>	17.26
Contribution to Provident and Other Funds, etc.	<b>61.59</b>	58.86
Welfare Expenses	<b>93.49</b>	87.35
<b>Total</b>	<b><u>1,011.60</u></b>	<b><u>891.81</u></b>

**NOTE 24 : FINANCE COSTS :**

**Interest :**

On Borrowings	<b>0.70</b>	0.61
Other than on Borrowings	<b>0.77</b>	1.66
<b>Total</b>	<b><u>1.47</u></b>	<b><u>2.27</u></b>

**NOTE 25 : DEPRECIATION AND AMORTISATION EXPENSE :**

Depreciation	<b>190.93</b>	138.72
Amortisation of intangible assets	<b>27.59</b>	33.83
<b>Total</b>	<b><u>218.52</u></b>	<b><u>172.55</u></b>

₹ in Million

	2018-19	2017-18
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**NOTE 26 : OTHER EXPENSES :**

Stores and Spares Consumed	114.63	118.52
Manufacturing Expenses	460.71	334.29
Power, Fuel and Water	100.18	83.28
Building Repairs	29.90	42.22
Machinery Repairs	56.89	54.27
Sundry Repairs	38.75	17.41
Rent	14.15	13.73
Rates and Taxes	15.43	8.88
Insurance	12.90	10.52
Commission and Discount	22.46	25.60
Royalty	18.72	19.40
Travelling Expenses	115.39	101.27
Postage, Telephones, Telex Expenses	23.65	19.94
Bank Charges	17.24	10.90
Freight Outward	88.07	44.69
Vehicle Expenses	23.46	20.33
Printing and Stationery	5.09	6.17
Legal and Professional Charges	87.88	87.96
Advertisement and Publicity Expenses	20.51	15.32
Donations	2.75	3.25
Auditors' Remuneration	3.05	3.04
Directors' Fees and Travelling Expenses	11.19	9.91
Director's Remuneration : Salary	59.58	50.08
Loss on Assets Sold	0.16	-
Bad Debts	17.97	9.16
Liquidated Damages	-	22.38
Loss on Sale of Investments	2.14	-
CSR Expenditure	12.02	8.54
Miscellaneous Expenses	101.43	117.57

Total	1,476.30	1,258.63
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**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019 (Contd.)**

**27: Employee benefits**

**I. Defined Contribution Plans:**

Amount of Rs. 47.48 Million (Previous Year Rs. 44.21 Million) is recognised as an expense and included in "Employees benefits expense" in Note 23 in the statement of Profit and Loss

**II. Defined Benefit Plans - Gratuity :**

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.

**a) The amounts recognised in balance sheet are as follows:**

	<b>31<sup>st</sup> March, 2019</b>	<b>₹ in Million</b> 31 <sup>st</sup> March, 2018
	<b>Gratuity Plan</b>	<b>Gratuity Plan</b>
	<b>(Funded)</b>	<b>(Funded)</b>
A. Amount to be recognised in balance sheet		
Present value of defined benefit obligation	<b>186.52</b>	173.11
Less: Fair value of plan assets	<b>171.31</b>	168.45
Amount to be recognised as liability or (asset)	<b>15.21</b>	4.67
B. Amounts reflected in the balance sheet		
Liabilities	<b>15.21</b>	4.67
Assets	-	-
Net liability/(assets)	<b>15.21</b>	4.67

**b) The amounts recognised in the statement of profit and loss are as follows:**

	<b>31<sup>st</sup> March, 2019</b>	<b>31<sup>st</sup> March, 2018</b>
	<b>Gratuity Plan</b>	<b>Gratuity Plan</b>
	<b>(Funded)</b>	<b>(Funded)</b>
<b>Employee benefit expenses</b>		
Current service cost	<b>13.15</b>	13.97
Past service cost	<b>1.18</b>	-
<b>Finance cost</b>		
Net interest (income)/expenses	<b>(0.22)</b>	0.69
Net periodic benefit cost recognised in the statement of profit and loss-	<b>14.11</b>	14.66

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019 (Contd.)****c) The amounts recognised in the statement of other comprehensive income (OCI)**

	<b>31<sup>st</sup> March, 2019</b>	<b>₹ in Million</b> 31 <sup>st</sup> March, 2018
	<b>Gratuity Plan</b> <b>(Funded)</b>	<b>Gratuity Plan</b> <b>(Funded)</b>
1 Opening amount recognised in OCI outside profit and loss account	<b>(2.27)</b>	7.72
2 Remeasurements for the year - obligation (gain)/loss	<b>8.91</b>	(10.46)
3 Remeasurements for the year - plan assets (gain) / loss	<b>2.18</b>	0.47
4 Total remeasurements cost / (credit) for the year recognised in OCI	<b>11.09</b>	(9.99)
5 Less: Accumulated balances transferred to retained earnings	<b>11.09</b>	(9.99)
Closing balances (remeasurements (gain)/loss recognised OCI)	<b>8.82</b>	(2.27)

**d) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:**

	<b>31<sup>st</sup> March, 2019</b>	<b>₹ in Million</b> 31 <sup>st</sup> March, 2018
	<b>Gratuity Plan</b> <b>(Funded)</b>	<b>Gratuity Plan</b> <b>(Funded)</b>
1 Present value of obligation as at the beginning of the period	<b>173.11</b>	173.16
2 Acquisition adjustment	-	-
3 Transfer in/ (out)	-	-
4 Interest expenses	<b>12.94</b>	11.27
5 Past service cost	<b>1.18</b>	-
6 Current service cost	<b>13.15</b>	13.97
7 Curtailment cost / (credit)	-	-
8 Settlement cost/ (credit)	-	-
9 Benefits paid	<b>(22.77)</b>	(14.82)
10 Remeasurements on obligation - (gain) / loss	<b>8.91</b>	(10.46)
Present value of obligation as at the end of the period	<b>186.52</b>	173.11

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019 (Contd.)**

**e) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:**

	<b>₹ in Million</b>
	<b>31<sup>st</sup> March, 2019</b>
	<b>Gratuity Plan</b>
	<b>(Funded)</b>
1 Fair value of the plan assets as at beginning of the period	168.45
2 Acquisition adjustment	-
3 Transfer in/(out)	-
4 Interest income	13.16
5 Contributions	14.83
6 Mortality Charges and Taxes	(0.17)
7 Benefits paid	(22.77)
8 Amount paid on settlement	-
9 Return on plan assets, excluding amount recognized in Interest Income - gain / (loss)	(2.18)
10 Fair value of plan assets as at the end of the period	171.31
11 Actual return on plan assets	10.98

100% of total plan assets are managed by the insurer - Life Insurance Corporation of India.

**f) Net interest (income) /expenses**

	<b>31<sup>st</sup> March, 2019</b>	<b>31<sup>st</sup> March, 2018</b>
	<b>Gratuity Plan</b>	<b>Gratuity Plan</b>
	<b>(Funded)</b>	<b>(Funded)</b>
1 Interest ( income) / expense – obligation	12.94	11.27
2 Interest (income) / expense – plan assets	(13.16)	(10.58)
3 Net interest (income) / expense for the year	(0.22)	0.69

**Basis used to determine the overall expected return:**

The net interest approach effectively assumes an expected rate of return on plan assets equal to the beginning of the year discount rate. As such expected return of 8% has been used for the valuation purpose.

**g) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)**

<b>Gratuity:</b>	<b>31<sup>st</sup> March, 2019</b>	<b>31<sup>st</sup> March, 2018</b>
Discount rate	7.60%	8.00%
Expected return on plan assets	8.00%	6.80%
Salary growth rate*	5.00%	5.00%
Attrition rate	7.50%	7.50%

\* The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019 (Contd.)****h) General descriptions of defined benefit plans:**

The Company expects to fund approximately Rs.34 Million towards its gratuity plan in the year 2019-20.

**Sensitivity analysis**

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation(PVO). Sensitivity analysis is done by varying (increasing/decreasing) one parameter by 100 basis points (1%)

		₹ in Million	
Change in assumptions		31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018
		PVO of Gratuity	
<b>1</b>	<b>Discount rate</b>		
	Increase by 1%	<b>178.68</b>	166.22
	Decrease by 1%	<b>193.40</b>	180.70
<b>2</b>	<b>Salary increase rate</b>		
	Increase by 1%	<b>192.00</b>	179.40
	Decrease by 1%	<b>179.85</b>	167.30
<b>3</b>	<b>Withdrawal rate</b>		
	Increase by 1%	<b>185.65</b>	173.20
	Decrease by 1%	<b>185.71</b>	173.04

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)**

**27: Employee benefits**

**iii Defined Benefit Plan - Compensated Absences:**

The company has valued the compensated absences, as specified in Ind AS 19 on actuarial basis. There is no requirement for funding this liability and as such entire liability continues to remain unfunded.

a) **The amounts recognised in balance sheet are as follows:**

**₹ in Million**

	<b>31<sup>st</sup> March, 2019</b>	<b>31<sup>st</sup> March, 2018</b>
A. Amount to be recognised in balance sheet		
Present value of defined benefit obligation	<b>76.33</b>	76.98
Less: Fair value of plan assets	-	-
Amount to be recognised as liability or (asset)	<b>76.33</b>	76.98
B. Amounts reflected in the balance sheet		
Current Liabilities	<b>29.95</b>	29.27
Non Current Liabilities	<b>46.38</b>	47.72
Total Liability	<b>76.33</b>	76.98

b) **The amounts recognised in the statement of profit and loss are as follows:**

	<b>31<sup>st</sup> March, 2019</b>	<b>31<sup>st</sup> March, 2018</b>
<b>Employee benefit expenses</b>		
Current service cost	<b>10.03</b>	10.25
<b>Finance cost</b>		
Net interest (income)/expenses	<b>5.82</b>	5.21
Remeasurements for the year - obligation (gain)/loss	<b>(8.09)</b>	(12.55)
Net cost recognised in the statement of profit and loss	<b>7.76</b>	2.91

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)****c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:**

		₹ in Million	
		31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018
1	Present value of obligation as at the beginning of the period	76.98	79.17
2	Acquisition adjustment	-	-
3	Transfer in/ (out)	-	-
4	Interest expenses	5.82	5.21
5	Past service cost	-	-
6	Current service cost	10.03	10.25
7	Curtailment cost / (credit)	-	-
8	Settlement cost/ (credit)	-	-
9	Benefits paid	(8.42)	(5.10)
10	Remeasurements on obligation - (gain) / loss	(8.09)	(12.55)
Present value of obligation as at the end of the period		76.33	76.98

**d) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)**

Defined Benefit Plan - Compensated Absences:	31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018
Discount rate	7.60%	8.00%
Expected average remaining working lives	8.31%	8.63%
Salary growth rate*	5.00%	5.00%
Attrition rate	7.50%	7.50%

\* The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors.

**e) Sensitivity analysis**

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation(PVO). Sensitivity analysis is done by varying (increasing/decreasing) one parameter by 100 basis points (1%)

		₹ in Million	
Change in assumptions		31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018
		PVO of Compensated Absences	
1	<b>Discount rate</b>		
	Increase by 1%	74.26	74.82
	Decrease by 1%	78.52	79.28
2	<b>Salary increase rate</b>		
	Increase by 1%	77.89	78.64
	Decrease by 1%	74.83	75.40
3	<b>Withdrawal rate</b>		
	Increase by 1%	77.54	78.26
	Decrease by 1%	75.04	75.63

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)

28 Details of Operating Segment - Ind AS 108

₹ in Million

			2018-19		2017-18		
A.	Information about Operating Segment (See Note below)	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
	<b>Sr.No. Particulars</b>						
	1 <b>Segment Revenue</b>						
	Sales	6,614.43	473.35	7,087.78	5,639.29	412.81	6,052.10
	Other	-	-	14.66	-	-	12.30
	Less: Inter Segment Revenue	-	-	-	-	-	-
	<b>Net Revenue from Operations</b>	<b>6,614.43</b>	<b>473.35</b>	<b>7,102.44</b>	<b>5,639.29</b>	<b>412.81</b>	<b>6,064.40</b>
	2 <b>Result</b>						
	Segment Result	1,340.75	(99.39)	1,241.36	1,171.22	(125.75)	1,045.47
	Less: Unallocable Corporate Expenses (Net of Income)			437.60			316.39
	Operating Profit before Interest			803.76			729.08
	Less: Finance Cost			1.47			2.27
	<b>Profit before Tax</b>			<b>802.29</b>			<b>726.81</b>
	3 <b>Other Information</b>						
	Segment Assets	3,960.87	364.61	4,325.48	3,505.92	350.61	3,856.53
	Add: Unallocable common assets			3,155.79			3,499.62
	<b>Total Assets</b>			<b>7,481.27</b>			<b>7,356.15</b>
	Segment Liabilities	2,249.40	209.36	2,458.76	2,532.43	131.26	2,663.69
	Add: Unallocable common liabilities			84.22			76.54
	<b>Total Liabilities</b>			<b>2,542.97</b>			<b>2,740.23</b>
	4 <b>Capital Expenditure During the year</b>	85.11	0.81	85.92	71.89	3.08	74.97
	5 <b>Depreciation and Impairment</b>	93.16	37.15	130.31	86.55	41.94	128.49
	Add: Unallocable Depreciation			88.21			44.06
				218.52			172.55
B	<b>Revenue by location</b>						
	1 In India			6,849.80			5,797.58
	2 Outside India			252.64			266.82
	Total			7,102.44			6,064.40
	All Assets of the Company are located within India						

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)****C Other Disclosures**

- 1 Operating segments are reported in a manner consistent with the internal reporting to Chief Operating Decision Maker ( CODM ).

The Board of Directors of the Company assess the financial performance and position of the Company and make strategic decisions. The Board of Directors, has identified Executive Committee comprising of Executive Chairman and Managing Director as CODM.

- 2 Composition of Operating Segment

Name of the Segment :	Comprises of :
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a) Compression Systems	Air & Gas Compressors, Airconditioning & Refrigeration Compressors and Systems etc.
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b) Transmission Equipments	Power Transmission Equipments ( Torque Converter ) , Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.
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- 3 The Segment Revenue, Results , Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.

- 4 During the year there is no single customer ( PY Rs 819.61 Million ) who has contributed more than 10% of Revenue of the Company in any of the Segments whether in India or outside.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)**

**Note 29. Disclosure of Transactions with Related Parties as required by the Ind AS -24**

(A) Names of the related parties

1) Joint Venture Company (Refer Note 47)	SOX Control Solutions Pvt. Ltd. ( Formerly Kirloskar AECOM Pvt. Ltd. ) upto 22 <sup>nd</sup> January, 2019	
2) Key Management Personnel	Mr Rahul C Kirloskar	Executive Chairman
	Mr Aditya Kowshik	Managing Director
3) Relatives of Key Management Personnel	Mrs Alpana Rahul Kirloskar	Wife
	Ms Suman C Kirloskar	Mother
	Mr Atul C Kirloskar	Brother
	Ms Alika Rahul Kirloskar	Daughter
	Mr Aman Rahul Kirloskar	Son
	Mrs Kavita A Kowshik	Wife
	Mr Karn A Kowshik	Son
	Mrs Meera Jamnagarwala	Daughter
	Ms Laxmi Chalapati	Mother
4) Entity controlled by a person or his close relatives where that person is either i) key management personnel of the Company or ii) has a control or joint control over the Company or iii) has significant influence over the Company	Alpak Investments Pvt Ltd Kirloskar Energen Pvt Ltd Kirloskar Solar Technologies Pvt Ltd Navsai Investments Pvt Ltd Lakeland Universal Ltd. BVI Alpana Kirloskar Design Studio ( upto 30 <sup>th</sup> September, 2018 ) Kiara Lifespaces 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 31<sup>ST</sup> MARCH 2019 (Contd.)****(B) Related Party Transactions**

₹ in Million

Nature of Transaction	Year	Joint Venture Company	Key Management Personnel		Relatives of Key Management Personnel		Total
			Promoter Holding more than 10%	Other	Promoter/ Entity Holding more than 10%	Other	
Services Given	<b>2018-19</b>	<b>2.92</b>	-	-	-	-	<b>2.92</b>
	2017-18	0.06	-	-	-	-	0.06
Services Received	<b>2018-19</b>	-	<b>40.44</b>	<b>31.08</b>	<b>0.50</b>	-	<b>72.02</b>
	2017-18	-	35.50	26.87	0.40	-	62.77
Short Term Employee Benefits	Refer Note No 31						
Post Employment Benefits	Refer Note No 31						
Rent Paid	<b>2018-19</b>	-	-	-	-	<b>2.40</b>	<b>2.40</b>
	2017-18	-	-	-	-	2.40	2.40
Dividend Paid	<b>2018-19</b>	-	<b>25.39</b>	-	<b>25.36</b>	<b>6.97</b>	<b>57.72</b>
	2017-18	-	14.94	-	14.92	4.10	33.96
Balance Outstanding							
Receivable	<b>2018-19</b>	-	-	-	-	-	-
	2017-18	0.06	-	-	-	-	0.06
Payable	<b>2018-19</b>	-	<b>20.00</b>	<b>19.00</b>	<b>0.50</b>	-	<b>39.50</b>
	2017-18	-	15.00	14.50	0.40	-	29.90
Deposit receivable	<b>2018-19</b>	-	-	-	-	<b>20.00</b>	<b>20.00</b>
	2017-18	-	-	-	-	20.00	20.00

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

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

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

**Note 30. Disclosure of Transactions with Promoters and Promoter group holding 10% or more in shareholding**

₹ in Million

Nature of Transaction	Year	Promoters			Promoter Group
		Mr Rahul C Kirloskar	Mr Atul C Kirloskar	Ms Jyotsna G Kulkarni ( holding upto 20 <sup>th</sup> February, 2019 )	Kirloskar Industries Limited
Dividend Paid	<b>2018-19</b>	Refer Note No 29			<b>31.71</b>
	2017-18	Refer Note No 29			3.49
					<b>21.84</b>
					11.87

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)**

**31 Managerial Remuneration :**

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

	2018-19			2017-18		
	Executive Chairman	Managing Director	Total	Executive Chairman	Managing Director	Total
Salary *	12.00	7.80	19.80	12.00	7.80	19.80
House Rent Allowance *	-	0.78	0.78	-	0.78	0.78
Commission *	20.00	19.00	39.00	15.00	14.50	29.50
Contribution to Provident Fund, Superannuation and Gratuity : #	4.24	2.76	7.00	4.24	2.76	7.00
Other perquisites *	4.20	0.74	4.94	4.26	1.03	5.29
<b>Gross Remuneration</b>	<b>40.44</b>	<b>31.08</b>	<b>71.52</b>	<b>35.50</b>	<b>26.87</b>	<b>62.37</b>

\* Represents Short Term Employee Benefits

# Represents Post Employment Benefits

Note :

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

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

	2018-19	2017-18
1 Net Profit as per Profit & Loss Account	802.29	726.81
2 <b>ADD.</b>		
Directors Remuneration	78.62	68.52
Loss on sale of Investments	2.14	-
Loss on sale of Assets	0.16	-
	<b>883.22</b>	<b>795.33</b>
3 <b>LESS</b>		
Profit on sale of Investments	0.71	12.20
Net Gain on Financial Instruments Measured at FVTPL	38.04	16.32
Unrealised Gain on foreign exchange	2.70	-
	<b>41.45</b>	<b>28.52</b>
Net Profit U/S 197	<b>841.76</b>	<b>766.81</b>
Maximum permissible Remuneration payable to Executive Chairman & Managing Director Restricted to	<b>84.18</b>	<b>76.68</b>
Executive Chairman	<b>40.44</b>	<b>35.50</b>
Managing Director	<b>31.08</b>	<b>26.87</b>
Maximum permissible Commission payable to Non Executive Directors Restricted to	<b>8.42</b>	<b>7.67</b>
	<b>7.10</b>	<b>6.15</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)****32 Financial instruments - fair values:****(a) Accounting classifications and fair values**

The following table shows the carrying amounts of financial assets and financial liabilities which are stated at fair value/ amortised cost as applicable

		₹ in Million	
		Carrying value (stated at Fair value / Amortised cost)	
		31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018
<b>A</b>	<b>Financial assets</b>		
<b>a)</b>	<b>Fair value through other comprehensive income (FVTOCI)</b>		
	Equity investments	497.10	456.89
<b>b)</b>	<b>Fair value through profit and loss (FVTPL)</b>		
	Mutual Fund investments	1,461.91	1,530.51
<b>c)</b>	<b>Amortised cost</b>		
	Trade receivables	1,835.24	2,092.98
	Loans- security deposits	33.79	41.08
	Loans- employees	0.10	0.47
	Other financial assets	-	1.24
	Cash and cash equivalents	293.73	590.96
	Other bank balances	25.45	21.98
		<b>4,147.32</b>	<b>4,736.11</b>
<b>B</b>	<b>Financial liabilities</b>		
	<b>Amortised cost</b>		
	Non-current borrowings	5.31	6.88
	Trade payables	1,331.29	1,628.21
	Other financial liabilities	529.57	530.68
		<b>1,866.17</b>	<b>2,165.77</b>

**The following methods and assumptions were used to estimate the fair values / amortised cost as applicable:**

The fair values of the investments in unquoted equity shares have been estimated using valuation technique unless they approximate to carrying value. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, discount rate, credit risk and volatility. The fair values of the remaining FVTOCI & FVTPL financial assets are derived from quoted market prices in active markets.

Carrying values of trade payables, trade receivables, employee loans, cash and cash equivalents, other bank balances, other financial assets & other financial liabilities which are stated at Amortised Cost reasonably approximate their fair value due to the short-term maturities of these instruments.

Loans in the nature of security deposits wherever significant have been stated at amortised cost using market rate of interest.

Long-term fixed-rate and variable-rate receivables are evaluated by the company based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected credit losses of these receivables wherever applicable. As of reporting date, the fair value of such receivables, net of allowances, if any, are not materially different from their carrying values.

Borrowings are obtained at market rates of interest available for debt on similar terms, credit risk and remaining maturities. As of reporting date the fair value of borrowings measured at amortised cost does not vary significantly from its carrying value.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)**

**32 Financial instruments - fair values:**

**(b) Fair value hierarchy and valuation techniques used**

The following table provides the fair value measurement hierarchy of company's assets and liabilities grouped into Level 1 to Level 3 as described in notes to accounts. Further table describes the valuation techniques used, key inputs to valuations and quantitative information about significant unobservable inputs for fair value measurements.

**As at 31<sup>st</sup> March 2019**

**a) Financial assets measured at fair value**

	₹ in Million				
	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
<b>Financial assets</b>					
FVTOCI investments - quoted	316.57	-	-	Quoted market price	
FVTOCI investments - unquoted	-	-	180.52	Discounted cash flow / carrying value	EBIDTA, Free cash flow, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,461.91	-	-	Quoted market price	
	<b>1,778.48</b>	<b>-</b>	<b>180.52</b>		

**b) Financial assets measured at amortised cost for which fair value is disclosed**

Loans- security deposits	-	33.79	-	Net Present Value	Maturity and prevailing interest rate
Loans- employees	-	0.10	-	Net Present Value	-
Other financial assets	-	-	-	Net Present Value	-
	<b>-</b>	<b>33.89</b>	<b>-</b>		

**c) Financial liabilities measured at amortised cost**

Non-current borrowings	-	5.31	-	Net Present Value	Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	529.57	-	Net Present Value	Maturity period
		<b>534.88</b>	<b>-</b>		

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)****As at 31<sup>st</sup> March 2018****a) Financial assets measured at fair value**

	₹ in Million				
	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
<b>Financial assets</b>					
FVTOCI Investments - Quoted	275.91	-	-	Quoted market price	
FVTOCI Investments - Unquoted	-	-	180.98	Discounted cash flow / carrying value	EBIDTA, Free cash flow, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,530.51	-	-	Quoted market price	
	1,806.42	-	180.98		

**b) Financial assets measured at amortised cost for which fair value is disclosed**

<b>Financial assets measured at amortised cost</b>					
Loans- security deposits	-	41.08	-	Net Present Value	Maturity and prevailing interest rate
Loans- employees		0.47		Net Present Value	-
Other financial assets	-	1.24	-	Net Present Value	-
	-	42.79	-		

**c) Financial liabilities measured at amortised cost**

Non-current borrowings	-	6.88	-	Net Present Value	Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	530.68	-	Net Present Value	Maturity period
	-	537.56	-		

During the year ended 31<sup>st</sup> March, 2019, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurement.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019 (Contd.)

### 33 Financial risk management:

#### Financial risk management policy and objectives

The Company's principal financial liabilities comprise of borrowings and trade & other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, Cash and Cash equivalents which are derived directly from its operations.

Company is exposed to market risk and credit risk.

#### 1) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk namely foreign currency risk, interest rate risk, and other price risk such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits, FVTOCI investments.

##### a) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. Company transacts business in local currency INR and in different foreign currencies. Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated. Company's forex exposure is partly covered by natural hedge and partly by forward contracts. For unhedged exposure refer note 34 - foreign currency sensitivity analysis.

##### b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While Company has insignificant exposure to the borrowing as on 31<sup>st</sup> March, 2019 impacting its interest cost, the yield on its current investments is exposed to the fluctuations in the market rate.

To minimise this exposure Company spreads its investment portfolio into short term and medium term maturities.

##### c) Price risk

##### Equity price risk

The Company's investment in quoted and unquoted equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to quoted equity securities at fair value is Rs 316.57 Million. A decrease/increase of 5% in the active market could have an impact of approximately Rs 15.83 Million on the OCI or equity attributable to the Company. These changes would not have an effect on profit and loss.

#### 2) Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)****33 Financial risk management:****2) Credit Risk - contd.****a) Trade receivables**

The management has established a credit policy under which each new customer is analysed individually for creditworthiness, before offering the payment and delivery terms and conditions.

- Company has different types of credit terms depending upon the type and credit worthiness of the customer. They are either on open terms or backed by Letter of Credit / Bank Guarantees.
- Based on analysis of individual cases, the management considers the impairment of receivables, if any.

The table summarises aging for trade receivable:

	Non Current Receivables	Current Receivables				₹ in Million
		Less than 90 days	90 to 180 days	above 180 days	Total	Total Receivables
<b>31<sup>st</sup> March, 2019</b>	-	<b>1,493.17</b>	<b>132.74</b>	<b>209.33</b>	<b>1,835.24</b>	<b>1,835.24</b>
31 <sup>st</sup> March, 2018	6.10	1,809.61	123.54	153.73	2,086.88	2,092.98

**b) Cash and cash equivalents and bank and other deposits**

The cash and cash equivalents are held with Banks with an external short term rating of "A1+". Thus, the Company considers that its cash and cash equivalents have low credit risks.

**c) Liquidity risk**

The table summarises the maturity profile of company's financial liabilities based on contractual undiscounted payments

₹ in Million						
31 <sup>st</sup> March 2019						
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	Total
Interest bearing borrowings	5.31	-	-	-	5.31	<b>5.31</b>
Other financial liabilities	529.57	25.45	502.47	0.78	0.87	<b>529.57</b>
Trade payables	1,331.29	-	1,331.29	-	-	<b>1,331.29</b>
31 <sup>st</sup> March 2018						
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	Total
Interest bearing borrowings	6.88	-	-	-	6.88	<b>6.88</b>
Other financial liabilities	530.68	21.99	506.39	0.71	1.59	<b>530.68</b>
Trade payables	1,628.21	-	1,628.21	-	-	<b>1,628.21</b>

**34 Foreign currency sensitivity analysis**

(A) Exposure Hedged - Foreign Exchange Derivatives

In Million				
Nature of Instrument	Currency	Sale / Purchase	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2018
Forward Contracts	GBP	Purchase	-	2.36
	EURO	Purchase	-	0.05
	USD	Purchase	<b>0.03</b>	0.42

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)**

**(B) Exposure Unhedged - Net**

Currency	Net exposure in foreign currency in Million		Net exposure in Rs. Million	
	31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018	31 <sup>st</sup> March, 2019	31 <sup>st</sup> March, 2018
USD	(0.13)	(0.39)	(8.76)	(25.38)
EUR	0.11	0.11	8.53	9.12
GBP	0.21	0.02	19.55	1.99
SEK	-	0.71	-	5.68
JPY	9.25	-	5.84	-
AED	0.09	-	1.71	-

₹ in Million

Currency	Sensitivity %	Impact on profit (strengthen)*		Impact on profit (weakening)*	
		31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2018
USD	1.46%	0.13	0.33	(0.13)	(0.33)
EUR	1.04%	(0.09)	(0.54)	0.09	0.54
GBP	-1.75%	0.34	-	(0.34)	-
SEK	-2.88%	-	(0.17)	-	0.17
JPY	1.52%	(0.09)	-	0.09	-
AED	1.47%	(0.03)	-	0.03	-
<b>Total INR</b>		<b>0.27</b>	<b>(0.37)</b>	<b>(0.27)</b>	<b>0.37</b>

(\* Strengthening/ weakening of foreign currency)

**35 Capital management**

The Company's capital includes issued equity capital, share premium and free reserves.

The Company's policy is to meet the financial covenants attached to the interest-bearing borrowings by maintaining a strong capital base. The company aims to sustain investor, creditor and market confidence so as to be able to leverage such confidence for future capital/debt requirements.

Management monitors the return on capital, the capital/debt requirements for various business plans under consideration and determines the level of dividends to equity shareholders.

No changes were made in the objectives, policies or processes for managing capital during the financial years ended on 31<sup>st</sup> March, 2019 and 31<sup>st</sup> March, 2018.

**Net debt position**

	₹ in Million	
	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2018
Borrowings (including current maturities)	6.88	8.31
Less: Cash and cash equivalents & current investments	1,755.28	2,121.13
<b>Net debt</b>	<b>-1,748.40</b>	<b>-2,112.81</b>
<b>Total Equity</b>	<b>4,938.30</b>	<b>4,615.92</b>

**Net debt to equity ratio**

Not applicable as the net debt position is negative

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019 (Contd.)****36 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 Ind AS 17 with regard to the above is as under.

a. Payment under Lease / Leave and License for period :

- 1) Not later than 1 year Rs 10.42 Million ( Rs 9.72 Million )
- 2) Later than 1 year but not later than 5 years Rs 10.37 Million ( Rs 10.87 Million )

b. There are no transaction in the nature of Sub Lease.

c. Payments recognised as Rent in the Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2019 amounts to Rs 12.97 Million ( Rs 12.55 Million )

d. Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

**37 Capital and other commitments:**

₹ in Million

	2018-19	2017-18
	Rs.	Rs.
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	<b>218.15</b>	121.70
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 31 <sup>st</sup> March, 2019	<b>1,650.42</b>	955.29

**38 Payment to Auditors :**

(a) As Auditors	<b>2.60</b>	2.60
(b) In Other Capacity		
For Tax Audit	<b>0.40</b>	0.40
For Certificates	-	-
	<b>3.00</b>	3.00
(c) For Expenses	<b>0.05</b>	0.04
	<b>3.05</b>	3.04

**39 Dividend:**

Interim Dividend paid per share - Rs	<b>1.00</b>	-
Dividend %	<b>50</b>	-
Proposed Dividend per share - Rs	<b>1.50</b>	2.40
Dividend %	<b>75</b>	120

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2019 (Contd.)**

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

	<b>2018-19</b>	<b>₹ in Million 2017-18</b>
Claims against the Company not acknowledged as Debts, estimated at	<b>208.30</b>	208.95
Income Tax Matters	<b>6.97</b>	6.97
Disputed Central Excise Matters	<b>1.49</b>	1.48
Disputed Customs Matters	<b>32.76</b>	17.24
Disputed Sales Tax Demands	<b>128.49</b>	165.96
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	<b>6.53</b>	8.41

- 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 Honourable High Court of Delhi. The Special Leave Petition filed by the plaintiff against the Order of High Court has been dismissed by the Honourable Supreme Court. Further the Honourable 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.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)**

	<b>₹ in Million</b>	
	<b>2018-19</b>	<b>2017-18</b>
<b>41 Expenditure in Foreign Currencies ( accrual basis ) :</b>		
<b>CIF Value of Imports</b>		
Raw Materials & Components	<b>795.36</b>	730.54
Capital Goods	<b>18.69</b>	18.72
<b>Other Expenses</b>	<b>33.56</b>	37.68
<b>Total</b>	<b>847.61</b>	786.94
<b>42 Earnings in Foreign Currencies ( accrual basis ) :</b>		
<b>F.O.B. Value of Exports</b>	<b>252.64</b>	264.26
<b>Other Income</b>	<b>2.57</b>	1.07
<b>Total</b>	<b>255.21</b>	265.33

**43 Earnings per share:**

The calculations of profit attributable to equity shareholders and weighted average number of equity shares outstanding for purpose of basic and diluted earnings per share calculation are as follows:

Profit attributable to equity shareholders (Rs in Million)	<b>552.62</b>	499.43
Weighted average number of equity shares used as denominator	<b>64,221,690</b>	64,221,690
Basic and diluted earnings per share of nominal value of Rs 2/- each	<b>8.60</b>	7.78

**44** 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 disclosure, total outstanding of Micro, Small and Medium Enterprises to whom the company owes money is as under :

	<b>₹ in Million</b>	
<b>Particulars</b>	<b>31<sup>st</sup> March 2019</b>	<b>31<sup>st</sup> March 2018</b>
Total outstanding to MSME suppliers	<b>10.06</b>	2.54
Principal Amount	<b>10.02</b>	2.54
Interest Amount on above	<b>0.04</b>	-
Payment made to suppliers along with interest beyond the appointed day, during the year	<b>10.46</b>	4.48
Interest due and payable to suppliers under MSMED Act, for the payments already made	<b>0.22</b>	Nil
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	<b>0.26</b>	0.13
Interest remaining due & payable to suppliers under MSMED Act	<b>0.26</b>	0.13

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2019 (Contd.)**

**45 Taxation**

₹ in Million

Deferred Tax relates to following DTA / (DTL)	As at 31 <sup>st</sup> March, 2019	As at 31 <sup>st</sup> March, 2018
Property, Plant & Equipments and Intangible Assets	(14.47)	12.03
Disallowance U/S 43B	36.62	35.10
Fair Value of Current Investment	(16.20)	(7.15)
Expenses of Business Combination	10.08	14.72
<b>Deferred Tax Asset / (Liability)</b>	<b>16.03</b>	<b>54.70</b>

₹ in Million

Movement in Temporary Differences	1 <sup>st</sup> April, 2018	Recognised in Profit & Loss in 2018-19	31 <sup>st</sup> March, 2019
Property, Plant & Equipments and Intangible Assets	12.03	(26.50)	(14.47)
Disallowance U/S 43 B	35.10	1.52	36.62
Expenses of Business Combination recognised in General Reserve			
Expenses of Business Combination during 2018-19	14.72	(4.64)	10.08
<b>Total Expenses of Business Combination</b>	<b>14.72</b>	<b>(4.64)</b>	<b>10.08</b>
Fair Value of Current Investment	(7.15)	(9.05)	(16.20)
<b>Net Deferred Tax Asset / (Liability)</b>	<b>54.70</b>	<b>(38.67)</b>	<b>16.03</b>

There are no items in OCI, movement of which will require recognition of Deferred Tax Asset/Liability on account of temporary differences.

**Reconciliation of tax expense and tax calculated at prevailing income tax rate on the accounting profit for the year ending March 2019 & March 2018 is as under**

Particulars	As at 31 <sup>st</sup> March, 2019	₹ in Million As at 31 <sup>st</sup> March, 2018
<b>Accounting Profit Before Tax</b>	<b>802.29</b>	726.81
Tax on above at current rate of Income Tax	<b>280.35</b>	251.53
<b>Tax Expense</b>		
Current	<b>211.00</b>	235.50
Deferred	<b>38.67</b>	(8.12)
<b>Total Tax Expense</b>	<b>249.67</b>	227.38
<b>Difference</b>	<b>30.68</b>	24.16
<b>Tax Reconciliation</b>		
Amounts not deductible/Taxable (Net permanent differences)	<b>13.44</b>	26.29
Taxation in respect of earlier years	<b>17.24</b>	(2.13)
<b>Total</b>	<b>30.68</b>	24.16

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019 (Contd.)****46 Gross amount required to be spent by the Company on Corporate Social Responsibility during the year was Rs 11.85 Million ( PY Rs 8.54 Million ).**

Amount spent during the year

₹ in Million

	In Cash	Yet to be paid in cash	Total
Construction / acquisition of any asset	Nil	Nil	Nil
On purpose other than (1) above			
<b>Direct Expenditure</b>	<b>6.02</b>	<b>0.00</b>	<b>6.02</b>
(Previous Year)	(3.54)	0.00	(3.54)
<b>Contribution by way of Donation</b>	<b>6.00</b>	<b>0.00</b>	<b>6.00</b>
(Previous Year)	(5.00)	0.00	(5.00)
<b>Total</b>	<b>12.02</b>	<b>0.00</b>	<b>12.02</b>
(Previous Year)	(8.54)	0.00	(8.54)

**47 Joint Venture :**

During the year the Company subscribed Rs. 1.6 Million to the share capital of ' Kirloskar AECOM Pvt Ltd.', a 50:50 Joint Venture Company with AECOM India Pvt. Ltd., ( JV Partner ) a group company of AECOM USA, pursuant to a Joint Venture Agreement to undertake business of Air Quality Control System ( AQCS ). As JV Partner decided to exit from AQCS business worldwide, sold its share holding in the JV company terminating the JV agreement. As a result Company also sold its entire share holding in the JV company. Therefore as on the date of the Balance Sheet, Company does not have any Joint Venture.

**48 Property, Plant and Equipment, other tangible assets and book debts have been charged to consortium of banks for availing fund based & non fund based credit facilities. A vehicle hypothecated as a security for outstanding borrowings.****49 Previous Years figures have been regrouped, rearranged or reclassified wherever necessary to correspond to Current Year's figures.****50 These financial statements were authorised for issue by the Board of Directors on 4<sup>th</sup> May, 2019.**

**Note 51 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2019.**

**1. Corporate Information**

The Company is a public limited company domiciled in India and is incorporated under the provisions of the Companies Act, 1956. The registered office of the Company is located at 1, Hadapsar Industrial Estate, Pune 411 013. The equity shares of the Company are listed on Bombay Stock Exchange Limited (BSE Limited).

The Company is engaged in the business of Compression & Transmission segments, primarily serving sectors of oil & gas, engineering, steel, cement, food & beverage by offering engineered products and solutions. The Compression segment is engaged in design, manufacture, supply, and erection / commissioning of wide range of air, gas and refrigeration compressors, packages & systems. The Transmission segment is engaged in design, manufacture and supply of railway traction gears and customized gearboxes for windmill, industrial and marine applications. The Company has also started RoadRailer operations providing logistic services using rail network of Indian Railways with first and last mile operations carried on road.

**2. Basis of preparation of Financial Statements**

The financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") as issued under the Companies (Indian Accounting Standards) Rules, 2015.

These financial statements have been prepared to comply in all material respects with Accounting Standards specified under Section 133 of the Act, read with Rules of the Companies (Accounts) Rules, 2014 and the relevant provisions of the said Act.

The financial statements have been prepared on a historical cost basis, except for the financial instruments wherever significant which are stated at amortised cost and investments which have been measured at fair value and stated as fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVTOCI).

**3. Significant account judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

**3.1. Judgement**

In the process of applying the Company's accounting policies, the management has made the following judgements, which have the most significant effects on the amounts recognised in the financial statements:

**Operating lease**

The Company, for its vehicle leases, has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the vehicle and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these vehicles and accounts for the contracts as operating leases.

**3.2. Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts

of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

### **Defined benefit plans**

The cost of the defined benefit plans and other post employment benefits and the present value of the obligations are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and expected rate of return on plan assets. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, actuary considers the interest rates of government bonds and extrapolates as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based as per the policy of the Company.

Further details about defined benefit obligations are provided in Note 27.

### **Deferred Tax**

Deferred tax assets are recognised for all deductible temporary differences including the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

## **3.3 Functional and presentation currency**

These financial statements are presented in Indian Rupees, which is the company's functional currency. All amounts disclosed in the financial statements and notes have been rounded off to nearest millions as per the requirements of Schedule III, unless otherwise stated.

## **4. Significant Accounting Policies**

### **4.1 Current Vs Non Current Classification**

The company presents assets and liabilities in the Balance Sheet based on current/non-current classification

#### **An asset is current when it is :**

- a. Expected to be realised or intended to be sold or consumed in normal operating cycle
- b. Held primarily for the purpose of trading
- c. Expected to be realised within twelve months after the reporting period or

- d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non – current.

**A liability is current when it is :**

- a. Expected to be settled in normal operating cycle
- b. Held primarily for the purpose of trading
- c. Due to be settled within twelve months after the reporting period or
- d. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

All other liabilities are treated as non – current.

Deferred tax assets and liabilities are classified as non - current assets and liabilities.

## **4.2 Fair value measurement**

The Company measures financial instruments such as Investments etc. at fair value at each Balance Sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. The Company's management determines the policies and procedure for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value.

External valuation experts are involved for valuation of significant unquoted financial assets and liabilities.

### 4.3 Property, Plant and Equipment

- a. The Company has elected to continue with the carrying value of all of its Property, plant and equipment measured as per the Indian GAAP as at 31<sup>st</sup> March, 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1<sup>st</sup> April, 2016.

Property, plant and equipment; and capital work in progress are stated at cost of acquisition or construction net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Property, Plant and Equipment if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.

- b. Capital work-in-progress comprises of cost of Property, plant and equipment that are not yet installed and ready for their intended use at the Balance Sheet date.
- c. Own manufactured assets are capitalised at cost including an appropriate directly allocable expenses.

#### Depreciation

- 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 in double or triple shift, depreciation is being calculated on the basis of Note 6 of the said schedule.
- Depreciation on Vehicle other than leased vehicles is being provided over a period of five years, being the estimated useful life of the asset to the company.
- Depreciation on Additions to Property, plant and equipment 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.

- Depreciation on Leased Vehicles is being provided over their useful lives as prescribed by Sch II to Companies Act, 2013 on written down value method.
- 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.
- Technical assessment of assets is carried out annually to identify cost of part of asset which is significant to total cost of asset and where useful life of that part of asset is significantly different than useful life of remaining part of asset. Parts are depreciated as per useful life so determined.
- Foreign exchange fluctuation gain/loss on imported plant and equipment was capitalized in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### 4.4 Intangible Assets

The Company has elected to continue with the carrying value of all of its Intangible Assets measured as per the Indian GAAP as at 31<sup>st</sup> March, 2016 and use those values as deemed cost as at the date of transition to Ind AS being 1<sup>st</sup> April, 2016.

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the asset can be measured reliably.

Expenditure on acquiring Technical Know-how (intangible asset) is 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 provided on pro-rata basis from the month of installation, over a period of one year.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Intangible assets are recorded at the consideration paid for acquisition.

#### 4.5 Borrowing Cost

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

#### 4.6 Impairment of Assets

The Company assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount (economic value in use) of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment

loss and is recognised in the Profit and Loss account. If at any subsequent Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the Profit and Loss account.

#### **4.7 Financial Instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **a) Financial assets**

###### **i. Initial recognition and measurement of financial assets**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

###### **ii. Subsequent measurement of financial assets**

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at Fair value through profit and loss (FVTPL)
- Financial assets at amortised cost :

A financial asset is measured at amortised cost if:

- The financial assets is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset if applicable. The EIR amortisation is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

- Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in Other Comprehensive Income except for interest income, impairment gains or losses for foreign exchange gains and losses which are recognised in the Statement of Profit and Loss.

- Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income.

In addition, the Company may elect to classify a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit and loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch')

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the statement of profit and loss.

#### (iii) De-recognition of financial assets

A financial asset is derecognised when:

- The contractual rights to the cash flows from the financial asset expire,  
Or
- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### (iv) Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made from financial assets which are equity instruments and financial liabilities. For financial assets a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

#### (v) Impairment of financial assets

The company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

## **b. Financial Liabilities**

### **(i). Initial recognition and measurement of financial liabilities**

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

### **(ii). Subsequent measurement of financial liabilities**

For purposes of subsequent measurement, financial liabilities are classified and measured as follows:

- Financial liabilities at fair value through profit and loss
- Amortised Cost -
- Loans and Borrowings at amortised Cost

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

### **(iii). De-recognition of financial liabilities**

A financial liability (or a part of a financial liability) is derecognised from Balance Sheet when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

## **4.8 Derivatives**

Company uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk to the Company. Derivative contracts are not used for trading or speculation purposes.

All derivatives are measured at fair value through the Profit and Loss. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. Hedging activities are explicitly identified and documented by the Company.

#### 4.9 Foreign Currency Transactions

##### a. Initial Recognition

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

##### b. Conversion

Current assets and current liabilities, secured loans, being monetary items, designated in foreign currencies are revalored at the rate prevailing on the date of Balance Sheet.

##### c. Exchange Differences

Exchange difference arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of corresponding asset up to the date of transition to Ind AS. Further, exchange difference on foreign currency loans utilized for acquisition of assets, is adjusted in the cost of the asset up to transition date of Ind AS only.

#### 4.10 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered prior to 1<sup>st</sup> April 2016, the company has determined whether the arrangement contains lease based on facts and circumstances existing on the date of transition.

##### • Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date at fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases or another systematic basis is available.

##### • Company as lessor

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the company's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Leases in which the company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases or another systematic basis is available. Initial direct costs incurred in negotiating and arranging an

operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

#### 4.11 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.
- 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.

#### 4.12 Cash and cash equivalents

Cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

#### 4.13 Taxes

##### Current income tax

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively, and not in the statement of profit and loss.

##### Deferred tax

Deferred tax is provided using the Balance Sheet method on temporary difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences including, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and

the carry forward of unused tax credits and unused tax losses can be utilised, except:

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit and loss, is recognised outside the statement of profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **4.14 Employee Benefits**

##### **(a) Short Term Employee Benefits**

The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and are recognised in the period in which the employee renders the related service.

##### **(b) Post-Employment Benefits**

###### **(i) Defined contribution plan**

The Company makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the statement of profit and loss during the period in which the employee renders the related service. The Company has no further obligations under these schemes beyond its periodic contributions.

###### **(ii) Defined benefit plan**

The employee's gratuity fund scheme is Company's defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on the net basis.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding

amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the profit and loss in subsequent periods.

Past service costs are recognised in the statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income.

(c) Other long term employment benefits:

The employee's long term compensated absences are Company's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet.

In regard to other long term employment benefits, the Company recognises the net total of service cost; net interest on the net defined benefit liability (asset); and re-measurements of the net defined benefit liability (asset) in the statement of profit and loss.

Termination Benefits :

Termination Benefits are recognised in the statement of profit and loss in the year in which termination benefits become payable or when the Company determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

#### 4.15 Provisions and Contingencies

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

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

#### 4.16 Revenue Recognition

- (a) Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are passed on to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably. Sales are stated net of discounts, rebates and returns.

- (b) Revenue from contracts is recognised based on identification of contract, identification of performance obligation, determination of transaction price, allocation of transaction price to performance obligation and revenue associated with the fulfilment of performance obligation.
- (c) Government grant in the nature of export incentives under various schemes notified by government are accounted for in the year of exports as grant related to income and is recognized as other operating income in the statement of profit and loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.
- (d) Export Sales are accounted for on the basis of date of Bill of Lading.
- (e) Income from dividend on investments is accrued in the year in which it is authorized, whereby right to receive is established
- (f) Profit / Loss on sale of investments is recognized on the contract date.
- (g) Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms except the cases where incremental lease reflects the inflationary effect and rental income is accounted in such case by actual rent for the period.

#### 4.17 Cash dividend

The Company recognises a liability to make cash distributions to the equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the provisions of Companies Act, 2013, a distribution is authorised when it is approved by the shareholders except in case of interim dividend which is approved by the Board. A corresponding amount is recognised directly in equity.

#### 4.18 Earnings Per Share

Earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year

#### 4.19 Cash Flow Statement

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

#### 5 Standards issued but not yet effective

Ind AS 116 is effective for annual periods beginning on or after 1 April 2019. Company will need to re-look at their accounting policy of recognising lease expense on transition to Ind AS 116 and it may not have significant impact on financial statements. The Company is currently evaluating the requirements of Ind AS 116.

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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, 4<sup>th</sup> May, 2019

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President &  
Chief Financial Officer  
Pune, 4<sup>th</sup> May, 2019

**KIRLOSKAR PNEUMATIC CO. LTD.**

A Kirloskar Group Company

Hadapsar Industrial Estate, Pune 411 013

Email : [sec@kpcl.net](mailto:sec@kpcl.net); Website : [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

CIN: L29120PN1974PLC110307

44<sup>TH</sup> ANNUAL GENERAL MEETING 20<sup>TH</sup> JULY, 2019**PROXY FORM**

Name of Member(s): .....

Registered address: .....

E-mail ID: .....

DP ID-Client ID / Folio No : .....

I / We, being the member (s) of .....shares of the above named company, hereby appoint

1. Name: ..... Address: .....

E-mail Id: ..... Signature: ....., or failing him / her

2. Name: ..... Address: .....

E-mail Id: ..... Signature: ....., or failing him / her

3. Name: ..... Address: .....

E-mail Id: ..... Signature: .....

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 44<sup>th</sup> Annual General Meeting of the Company, to be held on Saturday, 20<sup>th</sup> July, 2019 at 11.30 a.m. at S. M. Joshi Socialist Foundation, (S. M. Joshi Hall), S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune - 411 030 and at any adjournment thereof in respect of such resolutions as are indicated below:

Reso- lution No.	Resolution	Vote (Optional* see note 3)	
		For	Against
	<b>ORDINARY BUSINESS</b>		
1	Adoption of audited Financial Statement of the Company for the Financial Year ended 31 <sup>st</sup> March, 2019 and Report of Board of Directors and Auditors thereon.		
2	Declaration of Dividend for the Financial Year ended 31 <sup>st</sup> March, 2019.		
3	Re-appointment of Mr Atul C Kirloskar (DIN 00007387), Director, who retires by rotation.		
	<b>SPECIAL BUSINESS</b>		
4	Ratification of Remuneration of M/s Sudhir Govind Jog, Cost Accountant as Cost Auditor.		
5	Re-appointment of Mr Sunil Shah Singh (DIN 00233918) as Independent Director.		
6	Re-appointment of Mr G Krishna Rao (DIN 00058985) as Independent Director.		
7	Continuation of Appointment of Mr Krishnamurthi Venkataramanan (DIN 00001647) as Non-Executive and Independent Director of the Company.		
8	Re-appointment and remuneration payable to Mr Aditya Kowshik, Managing Director (DIN 00228983).		
9	Revision in remuneration payable to Mr Rahul C Kirloskar, Executive Chairman (DIN 00007319) of the Company.		
10	Approval of KPCL Employee Stock Option Scheme 2019("KPCL ESOS 2019").		

Signed this..... day of..... 2019

Signature of Member .....

Signature of Proxy holder .....

Affix Revenue  
Stamp Re. 1

## Notes

1. This form of proxy in order to be effective should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Annual General Meeting.
- 3\*. It is optional to put a '✓' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he / she thinks appropriate.
4. Please complete all details including details of member(s) in above box before submission.

## NOTES

[illegible]

## NOTES

[illegible]





Enriching Lives

## KIRLOSKAR PNEUMATIC COMPANY LIMITED

A Kirloskar Group Company

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

Email: [sec@kpcl.net](mailto:sec@kpcl.net) Website: [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

CIN - L29120PN1974PLC110307