



KIRLOSKAR PNEUMATIC CO. LTD.

A Kirloskar Group Company

42nd ANNUAL REPORT 2016 - 2017

Enriching Lives

We're all ears.



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

Your company is harnessing smart technology by:

- Gathering, monitoring & analysing real time equipment performance data.
- Using high-end software to optimise designs for weight, footprint and improving product efficiency.
- Using customised software for Project Management.

**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 D R Swar	
Mr Sunil Shah Singh	
Dr Aditi Pant	
Dr Ajay Dua	
Mr K Venkataramanan	Appointed w.e.f. 23 rd July, 2016
Mr A C Mukherji	Retired w.e.f. 23 rd July, 2016
Mr P S Jawadekar	Retired w.e.f. 23 rd July, 2016

CHIEF FINANCIAL OFFICER

Mr Suhas S Kolhatkar

COMPANY SECRETARY

Mr Jitendra Shah

AUDITORS

M/s P G Bhagwat
Chartered Accountants, Pune

SECRETARIAL AUDITORS

M/s SVD & Associates
Company Secretaries, Pune

BANKERS

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

REGISTERED OFFICE

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

Information for shareholders**Annual General Meeting**

Day & Date	: Thursday, 27 th July, 2017
Time	: 03.00 p.m.
Venue	: S.M. Joshi Socialist Foundation (S. M. Joshi Hall) S.No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune 411 030
Date of Book Closure	: 21 st July, 2017 to 27 th July, 2017 (both days inclusive)

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NOTICE OF 42ND ANNUAL GENERAL MEETING

NOTICE is hereby given that the 42nd Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Thursday, the 27th day of July, 2017 at 3.00 p.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 Financial Statements of the Company for the financial year ended 31st March, 2017 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 31st March, 2017.
3. To appoint a Director in place of Mr Vikram S Kirloskar (holding DIN 00007907), who retires by rotation and being eligible, offers himself for re-appointment.
4. To ratify appointment of M/s P G Bhagwat (Firm Registration No.101118W) Chartered Accountants, as Statutory Auditors.

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Section 148 and any other applicable provisions of the Companies Act, 2013 and Rule 14 of the Companies (Audit and Auditors) Rules, 2014, (including any statutory modification(s) or re-enactment thereof for the time being in force) consent of the Company be and is hereby accorded for the payment of remuneration of Rs. 5 Lakhs (Rupees Five 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 31st March, 2018."

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

"RESOLVED that pursuant to the provisions of Sections 149, 152 and any other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr Krishnamurthi Venkataramanan (holding DIN 00001647), Director of the Company who was appointed as an additional director, in terms of Section 161 of the Companies Act, 2013, and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of 3 consecutive years upto 26th July, 2020.

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

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013

Date : 9th May, 2017

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

**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 Friday, the 21st July, 2017 to Thursday, the 27th July, 2017 (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 those members :
 - a) whose names appear as Beneficial Owners as at the end of the business hours on 20th July, 2017 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 20th July, 2017.
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 established by the Government. Accordingly, the unclaimed dividend in respect of financial year 2009-10 is due for transfer to the said Fund in August, 2017. In terms of provisions of Section 124 of the Companies Act, 2013, no claim shall lie against the Company or the said Fund after the said transfer.
7. Members who have neither received nor encashed their dividend warrant(s) for the financial years 2009-10 to 2016-17, are requested to write to the Company, mentioning the relevant Folio number or DP ID and Client ID, for issuance of duplicate/revalidated dividend warrant(s) before the amount becomes due for transfer.
8. Members holding shares in physical form are requested to promptly notify in writing any changes in their address/bank account details to the Secretarial Department of the Company at Hadapsar Industrial Estate, Pune 411013 or its registrar M/s Link Intime India Pvt Ltd (LIPL) at their address, Akshay Complex, No. 202, 2nd floor, near Ganesh Temple, Off Dhole Patil Road, Pune 411001. Members holding shares in electronic form are requested to notify the changes in the above particulars, if any, directly to their Depository Participants (DP).
9. Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantage of scripless trading, members are encouraged to consider dematerialization of their shareholding so as to avoid inconvenience in future.

10. Voting through electronic means for Annual General Meeting

- I. Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and the Companies (Management and Administration) Amendment Rules, 2015 and modifications and amendments thereof, and Regulation 44 of the 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 Monday, the 24th July, 2017 (9 a.m.) and ends on Wednesday, the 26th July, 2017 (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 Thursday, the 20th July, 2017 may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- V. The process and manner for remote e-voting are as under:-
 - A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company / Depository Participant(s) / Registrar & Transfer Agent] :
 - (i) Open email and open PDF file viz; "remote e-voting.pdf" with your Client ID or Folio No. as password. The said PDF file contains your user ID and password / PIN for remote e-voting. Please note that the password is an initial password.
NOTE: Shareholders already registered with NSDL for e-voting will not receive the PDF file "remote e-voting.pdf".
 - (ii) Launch internet browser by typing the following URL: <https://www.evoting.nsdl.com/>
 - (iii) Click on Shareholder - Login
 - (iv) Put user ID and password (the initial password mentioned in the e-mail sent by NSDL to shareholders whose email addresses are registered with the company/depository participant(s) and verification code as displayed). Click Login.
 - (v) Password change menu appears. Change the password / PIN with new password of your choice with minimum 8 digits/characters or combination thereof. Note new password. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (vi) Home page of remote e-voting opens. Click on remote e-voting: Active Voting Cycles.
 - (vii) Select "EVEN" of "KIRLOSKAR PNEUMATIC COMPANY LIMITED".
 - (viii) Now you are ready for remote e-voting as Cast Vote page opens.
 - (ix) Cast your vote by selecting appropriate option and click on "Submit" and also "Confirm" when prompted.
 - (x) Upon confirmation, the message "Vote cast successfully" will be displayed.
 - (xi) Once you have voted on the resolution, you will not be allowed to modify your vote.
 - (xii) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF / JPG Format) of the relevant Board Resolution / Authority Letter etc. together with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail to deulkarcs@gmail.com with a copy marked to evoting@nsdl.co.in



- CIN - L29120PN1974PLC110307

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 2016-17 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 2016-17 are being sent by the permitted mode.

16. Re-appointment of Director at the Annual General Meeting :

Mr Vikram S Kirloskar 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, the particulars of the aforesaid Director are mentioned below:

Mr Vikram S Kirloskar (DIN: 00007907) was appointed as a Director on the Board w.e.f. 28th June, 2002. He graduated from Massachusetts Institute of Technology, USA, with a Bachelor degree in Mechanical Engineering. Mr Vikram Kirloskar has been trained at various organizations in India and abroad in different capacities. In this capacity, he was instrumental in setting up successful joint ventures for companies such as Kirloskar Toyota Textile Machinery Private Limited, Toyota Kirloskar Motor Private Limited and Toyota Kirloskar Auto Parts Private Limited. He is also on the Board of several Companies. The Directorship in other companies is as follows:

Name of the Company	Board position held	Committee position held
Kirloskar Proprietary Limited	Director	-
Kirloskar Systems Limited	Chairman and Managing Director	Audit Committee - Member
Quadrant Communications Limited	Director	-
Kirloskar Toyota Textile Machinery Private Limited	Director	-
Toyota Material Handling India Private Limited	Director	-
Kirloskar Technologies Private Limited	Chairman	-
Toyota Kirloskar Motor Private Limited	Vice- Chairman	-
Denso Kirloskar Industries Private Limited	Director	-
Toyota Kirloskar Auto Parts Private Limited	Vice- Chairman	-
VSK Holdings Private Limited	Director	-
Asara Sales and Investments Private Limited	Director	-
VikramGeet Investments and Holdings Private Limited	Director	-
Toyota Industries Engine India Private Limited	Director	-

Mr Vikram S Kirloskar does not hold any shares in the Company as on 31st March, 2017. None of the Directors or Key Managerial Personnel or their relatives other than Mr Vikram S. Kirloskar are concerned or interested, financial or otherwise, in the resolution set out at an Item No. 3.

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013
Date : 9th May, 2017

By Order of the Board of Directors

sd/-
Jitendra Shah
Company Secretary



ANNEXURE TO THE NOTICE

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

ITEM NO. 5 OF THE NOTICE

The Board of Directors at their meeting held on 9th May, 2017, 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 31st March, 2018 and also fixed their remuneration for the said purpose.

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

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

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

ITEM NO. 6 OF THE NOTICE

Mr Krishnamurthi Venkataramanan (DIN 00001647) is an Additional Director (Independent Director for the purpose of Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015) with effect from 23rd July, 2016 till the ensuing Annual General Meeting.

Profile of the Director

Mr Krishnamurthi Venkataramanan 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 the Company in May, 1999, and was appointed as Chief Executive Officer and Managing Director from April 1, 2012 to September 30, 2015.

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.

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.

Currently, he is on the board of following companies:

Name of the Company	Board position held	Committee Position held
L & T Hydrocarbon Engineering Limited	Chairman	Nomination and Remuneration Committee - Member
Nilkamal Limited	Director	-
Vendanta Limited	Director	Corporate Social Responsibility Committee - Member Stakeholders Relationship Committee - Member

Mr Krishnamurthi Venkataramanan ceases to be an Additional Director at the ensuing Annual General Meeting in terms of Section 161 and any other applicable provisions of the Companies Act, 2013, being eligible offers himself for appointment, is proposed to be appointed as an Independent Director for a term of 3 consecutive years upto 26th July, 2020. A notice has been received from a Member proposing Mr Krishnamurthi Venkataramanan as a candidate for the office of the Director of the Company.

In the opinion of the Board, Mr Krishnamurthi Venkataramanan 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 possesses appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively. Copy of the draft letter of appointment of Mr Krishnamurthi Venkataramanan as an Independent Director setting out the terms and conditions would be available for inspection by the Members at the Registered Office of the Company during normal business hours on any working day excluding Saturday.

The Board considers that his continued association would be an immense benefit to the Company and it is desirable to continue to avail services of Mr Krishnamurthi Venkataramanan as an Independent Director. The Board recommends the resolution in relation to the appointment of Mr Krishnamurthi Venkataramanan as an Independent Director, for the approval of the Members of the Company.

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

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

Mr Krishnamurthi Venkataramanan is not related to any other director on the Board of the Company.

None of the Directors or Key Managerial Personnel or their relatives other than Mr Krishnamurthi Venkataramanan 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 disclosure under Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Registered Office :
Hadapsar Industrial Estate,
Pune 411 013
Date : 9th May, 2017

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



DIRECTORS' REPORT TO THE MEMBERS

Your Directors have pleasure in presenting this Report with Audited Annual Accounts of the Company for the year ended 31st March, 2017.

FINANCIAL RESULTS

The financial results for the year ended 31st March, 2017 are summarized below:

	(Figures in Rs.)	
	2016-17	2015-16
Gross Profit	870,540,208	707,344,638
Less:		
Depreciation and Amortization	172,972,364	190,896,678
Provision for Taxation	170,589,423	152,659,839
Profit after tax	526,978,421	363,788,121
Surplus from previous year	185,046,058	199,396,763
Surplus from previous year of Pneumatic Holdings Ltd.	615,788,588	-
Surplus from previous year of Kirloskar RoadRailer Ltd.	(4,395,846)	-
Add / (Less)		
Transferred to General Reserve	510,806,946	270,000,000
Interim Dividend Paid by the Company	-	89,910,366
Interim Dividend Paid to the Shareholders of Pneumatic Holdings Ltd.	39,665,385	-
Proposed Dividend	128,443,380	-
Tax on Proposed Dividend	8,074,939	18,228,460
Retained Earnings	764,869,951	185,046,058

FINANCIAL PERFORMANCE

Your Company achieved total revenue of Rs. 5,562.91 million for the financial year 2016-17, against last year's Rs. 5,299.78 million an increase of 5%. Your company also earned a net profit of Rs. 526.98 million for the financial year 2016-17, against last year's Rs. 363.79 million an increase of 45%. This is a result of improved sales, improved inventory turns, reduction in debtors and overall improvement in operating efficiency.

SCHEME OF ARRANGEMENT AND AMALGAMATION

The Board of Directors of your Company in its meeting held on 20th October, 2016 approved the Scheme of Arrangement and Amalgamation between Kirloskar RoadRailer Limited (the "Transferor Company I"), Pneumatic Holdings Limited (the "Transferor Company II"), Kirloskar Pneumatic Company Limited (the "Transferee Company") and their respective shareholders (the "Scheme").

The Company had filed an application with the Hon'ble National Company Law Tribunal – Mumbai Bench (the "NCLT") on 4th January, 2017. NCLT directed the Company to hold a meeting of the Shareholders to approve the Scheme by its Order dated 18th January, 2017.

The Shareholders of your Company in their meeting held on 7th March, 2017 had approved the Scheme under Sections 230 to 232 of the Companies Act, 2013 and the rules issued thereunder and relevant sections of the Companies Act, 1956 to the extent applicable.

The Scheme was sanctioned by NCLT on 19th April, 2017. The Transferor Companies and the Transferee Company have filed the certified true copy of the NCLT Order dated 19th April, 2017 with the Registrar of Companies on 28th April, 2017. Consequent upon the Scheme became effective from 28th April, 2017 with effect from 1st April, 2016, being the Appointed Date of the Scheme.

Upon the Scheme becoming effective, the investment of the Company held in Transferor Company I shall get cancelled. Accordingly, Kirloskar RoadRailer Limited stands dissolved without winding-up on the effective date and therefore it ceases to be Wholly Owned Subsidiary of your Company.

Upon the Scheme becoming effective, 70,07,551 equity shares held by Pneumatic Holdings Limited in the Company shall get cancelled on account of cross holdings and same number of equity shares will be allotted to the shareholders of Pneumatic Holdings Limited on the record date. There will be no change in total paid-up share capital of the Company pre and post Amalgamation after the allotment of said 70,07,551 equity shares.

Accordingly, Pneumatic Holdings Limited stands dissolved without winding-up on the effective date and therefore ceases to be Holding Company of your Company.

Your Company has given effect to the Scheme in the Accounts and accordingly the Assets and the Liabilities of Kirloskar RoadRailer Limited and Pneumatic Holdings Limited are transferred to and vested in the Company with

effect from 1st April, 2016, being the Appointed Date of the Scheme.

Income accruing and expenses incurred by Kirloskar RoadRailer Limited and Pneumatic Holdings Limited, during the period from 1st April, 2016 to 31st March, 2017, have been incorporated in the Financial Statements after eliminating inter-company transactions. The effects of these transactions are reflected in the Financial Statements.

DIVIDEND

The Board of Directors have recommended a dividend of Rs. 10/- (100%) per equity share of Rs. 10/- each for the year ended 31st March, 2017.

Pursuant to the Scheme referred above, the dividend at the above rate shall also be payable on 7,007,551 shares to be allotted to the Shareholders of Pneumatic Holdings Limited, as on the date to be fixed for the payment of dividend.

FIXED DEPOSIT

Your Company had discontinued accepting fixed deposits since 2001-02. As such as of 31st March, 2017 there are no fixed deposits outstanding.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

No Loans, Guarantees covered under the provisions of Section 186 of the Companies Act, 2013 are given / provided / made during the reporting year except an Inter Corporate Deposit of Rs. 15 million to Kirloskar RoadRailer Limited, Wholly Owned Subsidiary Company.

During the year under review, your Company had made an investment of Rs. 0.1 million by subscribing to 10,000 equity shares of Rs. 10/- each in S. L. Kirloskar CSR Foundation, a Section 8 company. Your Company has thereafter sold 200 equity shares. As on 31st March, 2017, your Company holds 9,800 equity shares of S. L. Kirloskar CSR Foundation.

During the year under review, your Company had made an investment of Rs. 29.8 million in Kirloskar RoadRailer Limited, Wholly Owned Subsidiary Company by making payment of 1st call of 14.9 million equity shares of Rs. 10/- each partly paid-up of Rs. 5/- per equity share.

During the year under review, your Company has sold 1,65,000 (14.47%) equity shares of Kirloskar Chillers Private Limited. As a result of this, Kirloskar Chillers Private Limited ceases to be an associate company w.e.f. 29th December, 2016.

COMMENTS ON AUDITORS' REPORT

There are no qualifications, reservations or adverse remarks or disclaimers made by M/s P G Bhagwat & Co., Statutory Auditors in their Audit Report.

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

ENERGY CONSERVATION

Every year your Company adopts the best available technology and enhances energy efficiency of its operations to reduce energy consumption. Your Company is continually improving its operations to become more energy efficient. It also works on minimizing waste generated and adopting 5R (Reduce, Reuse, Recycle, Refuse & Recover) practices to reduce the impact on environment.

Your Company celebrates Energy Conservation Week and Environment Day every year. Your Company also organises various programmes on global warming, green house gas emissions (GHG emission), compressed air leakage, water conservation, e-waste recycling to create awareness amongst employees and society.

AWARDS

During the year under review, your Company has been appreciated for ENCON efforts by:

- Best ENCON project – Induction furnace utilization at Foundry.
- 3rd prize to Saswad Plant in energy efficient unit – small plant category.
- 3rd prize to Hadapsar Plant in energy efficient unit – large plant category.

During the year under review, your Company has also received:

- Gold Award Trophy in Quality Improvement Success Stories Competition organized by Quality Circle Forum India.
- Awards in the 30th National Convention on Quality Concepts – NCQC 2016 organised by QCFl.



- ❖ 4 Nos. "Par Excellence Award Trophy".
- ❖ 3 Nos. "Excellence Award Trophy".
- Awards in the 31st National Convention on Quality Concepts – CCQC 2016 organised by QCFI:
 - ❖ Best of Best- Bajaj Rolling Trophy" for Kaizen Presentation.
 - ❖ 6 Nos. "Gold Trophy" in various categories of Kaizen Presentations.
 - ❖ 1 No. "Gold Trophy" to Quality Circle team.

Further your Company is proud of the following awards:

- Mr Sadashib Padhee, Vice President – HR was awarded as the 'Most Influential HR Leader' in India by World HRD Congress.
- Mr Arun Adivarekar, General Manager – Quality Assurance was also awarded as the '50 Most Impactful Quality Professionals' in India by World Quality Congress.

DIRECTORS

Mr A C Mukherji, Independent Director of the Company retired w.e.f. 23rd July, 2016. He has had a long association with your Company since 1981. His valuable guidance on business matters has enriched the Company enormously. The Board places on record his sincere appreciation and gratitude for enormous contributions made by him.

Mr P S Jawadekar, Independent Director of the Company retired w.e.f. 23rd July, 2016. He has been on your Company's Board since 2002. His guidance on operations has helped the Company to a great extent. The Board places on record his sincere appreciation and gratitude for enormous contribution made by him.

Dr Ajay Dua was appointed as an Independent Director on the Board in the last Annual General Meeting held on 22nd July, 2016.

Mr Aditya Kowshik was re-appointed as the Managing Director of the Company for a further period of 3 years with effect from 24th October, 2016.

Mr Rahul C Kirloskar was re-appointed as the Executive Chairman of the Company for a further period of 5 years with effect from 23rd January, 2017.

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

The Board of Directors have co-opted Mr Krishnamurthi Venkataramanan as an Additional Director on the Board with effect from 23rd July, 2016. He ceases to be a Director at the ensuing Annual General Meeting and being eligible offers himself for appointment as an Independent Director for a period of 3 years. Details of the proposal for appointment of Mr Krishnamurthi Venkataramanan are mentioned in the Explanatory Statement under Section 102 of the Companies Act, 2013 of the Notice of the 42nd Annual General Meeting.

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

Your Company has received necessary declarations from all its Independent Directors stating that they meet the criteria of independence as provided in Sub-section (6) of Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Board Evaluation

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

- a) Attendance for the meetings, participation and independence during the meetings.
- b) Interaction with Management.
- c) 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.

Directors Appointment and Remuneration Policy

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

Number of Meetings of the Board

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

Directors' Responsibility Statement

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

- (a) In the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- (b) Accounting policies as mentioned in note 52 to the financial statements have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31st March, 2017 and of the profit of the company for the year ended on that date;
- (c) Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for prevention and detection of fraud and other irregularities;
- (d) The annual accounts have been prepared on a going concern basis;
- (e) Proper internal financial controls have been laid down for the company and that such internal financial controls are adequate and are operating effectively; and
- (f) Proper systems to ensure compliance with the provisions of all applicable laws are in place and that such systems are adequate and operating effectively.

AUDITORS

a. Statutory Auditors

The Auditors of the Company, M/s P G Bhagwat, Firm Registration No. 101118W, Chartered Accountants, Pune, were appointed for a period of five years in the last Annual General Meeting subject to ratification at the ensuing Annual General Meeting. The requisite certificate pursuant to Section 139(1) of the Companies Act, 2013 has been received by the Company from M/s P G Bhagwat, Chartered Accountants. Resolution seeking Members ratification for the appointment of M/s P G Bhagwat, Chartered Accountants, is included at Item No. 4 of the Notice convening the 42nd Annual General Meeting.

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 2017-18 on a remuneration of Rs. 5 Lakhs.

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 31st March, 2018 is included at Item No. 5 of the Notice convening the 42nd 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 "2".

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 alongwith Management Discussion and Analysis is annexed and forms part of the Annual Report.

EXTRACT OF ANNUAL RETURN

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

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

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

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

All Related Party Transactions 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 AS 18 for transactions with related parties are provided in the Financial Statements of the Company.

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 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.

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. However, the Company has a 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 and Corporate Risk Management Committee. This framework seeks to minimize adverse impact on the business objectives and enhance the Company's competitive advantage.

CORPORATE SOCIAL INITIATIVES

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





Sanitation, being a national agenda, your Company has taken initiative to create awareness about WaSH (water, sanitation and hygiene) among 18,629 school students from 27 nearby schools by deploying 143 employee volunteers and training these volunteers to implement various WaSH modules throughout the academic year.

Your Company has provided preventive health care to 15,576 school students from nearby 15 schools in the vicinity of Hadapsar Plant and Saswad Plant.

To create awareness about HIV AIDS amongst different sections of the society reaching 37,425 members of the general community including secondary school and junior college students.

Your Company has contributed an amount of Rs. 5.50 million by way of donation to the Corpus Fund of Kirloskar Institute of Advanced Management and Studies for promoting education.



CSR Policy in brief:

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

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

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

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

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

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

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

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

**SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS**

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

VIGIL MECHANISM / WHISTLE BLOWER POLICY

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

PARTICULARS OF EMPLOYEES

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 "6" 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.

DISCLOSURE UNDER THE 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.

The ICC is formed as per the requirement of the law. ICC 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.

To create ongoing awareness, your Company has included a PoSH Awareness Module in its employee induction program. Four such programs were conducted in 2016-17, making all newly inducted employees aware about PoSH Policy and ICC of the Company. An Undertaking has been taken from all these employees stating that they have understood the PoSH Policy of the Company and that they will comply with it.

On International Women's Day (8th March) an awareness session about PoSH Policy and ICC was organized for all women employees of your Company. The program also included an interactive session with ICC and a learning session on Self Defence.

EMPLOYEES

Your Company has taken several initiatives for Human Resource development and retention. Manpower is classified 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 counselling and Management Development Programs are some of the initiatives adopted by your Company. Training programmes 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 11 out of the 21 engagement drivers.

Your Company has 787 permanent employees on its rolls as on 31st March, 2017.

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

DIN 00007319

Place : Pune

Date : 9th May, 2017

Annexure “1” to the Board's Report**REMUNERATION POLICY****PHILOSOPHY:**

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

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

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

OBJECTIVE:

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

COVERAGE:**A. Guidelines for Appointment:**

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

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

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

B. Guidelines of determining remuneration of:

- I. Directors
- II. Key Managerial Personnel (excluding Directors) and Senior Management Personnel

I. DIRECTORS**i. Executive Directors:**

The Board of Directors of the Company shall decide the remuneration of Executive Directors on the basis of recommendation from Nomination & Remuneration Committee (N&RC) subject to the overall limits provided under the Companies Act, 2013 and rules made thereunder, including any amendments, modifications and re-enactments thereto ('the Act') and compliance of related provisions provided therein.

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

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

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

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



The remuneration components shall include:

- a. **Fixed salary:**
Each Executive Director shall be paid fixed salary consisting of basic salary and such allowances and perquisites as may be decided by Board.
OPTION 1: The revision in the salary may be annually done and shall be determined by the Board as per the appraisal of the performance of each Executive Director by the Board, subject to overall limit approved by the shareholders.
OPTION 2: The salary shall remain fixed for the term of the Executive Director.
- b. **Commission:**
The Board may approve payment of commission subject to the provisions of the Act. The amount of commission to be paid to Executive Director(s) shall be recommended by the N&RC on the basis of the performance evaluation carried out in respect of such Executive Director(s).
- c. **Perquisites / Other Benefits:**
The Executive Director(s) may be entitled to club membership, company vehicle with driver, petrol reimbursement, vehicle maintenance, telephone, fax, internet at residence, reimbursement of mobile phone bill, fully furnished accommodation (in case of use of own residential property for accommodation, house rent allowance shall be paid), furnishings, reimbursement of house maintenance expenditure, reimbursement of gas, electricity bill, water & other utilities and repairs at residence, reimbursement of medical expenditure for self and family and leave travel assistance.
Executive Director(s) may also be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance etc. as per Company policy.
- d. **Stock options:**
Executive Director(s) except promoter directors may be granted stock options as may be approved by the Board, if they are eligible as per any scheme of stock options declared by the Company in the future.
- e. **Compensation for loss of office** may be paid as may be approved by the Board subject to the provisions of Section 202 of the Act.
- f. **Separation / Retirement benefits:**
Executive Director(s) shall be eligible to the retirement benefits like Contribution to provident fund as per Company Rules, Superannuation Fund as per Company Policy and Gratuity one month each completed year of service and encashment of leave at the end of tenure.
Executive Director(s) shall be eligible to the following perquisites which shall not be included in the computation of the ceiling on remuneration provided in the Act in the event of inadequacy of profits in terms of Section IV of Part II of Schedule V of the Act:
 - (a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961 or any amendment thereof.
 - (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
 - (c) Encashment of leave at the end of the tenure.

ii. Non Executive Directors:

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

- a. **Sitting fees :**
Sitting fees shall be paid for Board Meetings and/or any Committee Meetings attended by the Director. Different amount of sitting fees may be paid for different types of meetings.
Sitting fees shall be over and above the limits prescribed in the Act for payment of remuneration but shall not exceed the amount as may be prescribed in the Rules for payment of sitting fees.
The disclosure of the total payment of sitting fees for all types of meetings shall be made in the Annual Report of the Company.
Committee shall include Audit Committee, Nomination & Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee or such Committees as may be constituted by the Board from time to time.

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

EXCESS REMUNERATION:

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

WAIVING OF EXCESS REMUNERATION:

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

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

II. KEY MANAGERIAL PERSONNEL (EXCLUDING DIRECTORS) & SENIOR MANAGEMENT

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

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

The remuneration components may be:

- a. Fixed salary:
Each KMP and SMP shall be paid fixed salary consisting of basic salary and such allowances and perquisites as per service rules of the Company. The band of the salary shall be determined according to the industry standards, market conditions, scale of Company's business relating to the position, educational qualification parameters and personal experience in the industry as detailed in the service rules of the Company and such other factors as may be prescribed therein.
The same shall be reviewed annually based on the Company's annual appraisal policy.
- b. Variable pay:
Variable pay to every KMP and SMP shall be as per the Performance Linked Pay Scheme / Incentive Scheme of the Company, which is designed to bring about increase in overall organizational effectiveness through alignment of Company, Unit and Individual objectives.
Every KMP and SMP shall be entitled for variable compensation, based on responsibility of the position and performance of the organization as detailed in the Performance Linked Pay Scheme / Incentive Scheme.
The variable pay shall be payable at the end of every quarter based on absolute & relative performance of the Company and Business Units. The performance will be measured on the basis of contribution made by the respective Business Unit to the Sales of the Company and Contribution earned by the respective Business Unit while arriving at bottom line of Company.
The performance parameters & its evaluation:
 - i. Company Level parameters:
Company level targets shall be in line with their approved Annual Operating Plan to be approved by the Executive Directors.



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

DIRECTORS' & OFFICERS LIABILITY INSURANCE:

The Company may take Directors & Officers liability insurance or such insurance of like nature for indemnifying any of the Directors or its KMP against any liability in respect of any negligence, default, misfeasance, breach of duty or trust for which they may be guilty in relation to the Company, the premium paid on such insurance shall not be treated as part of remuneration payable to such personnel. Provided that if such person is proved to be guilty, the premium paid shall be treated as part of remuneration.

CONSULTANTS & ADVISORS:

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

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

Annexure “2” to the Board's Report

SVD & ASSOCIATES COMPANY SECRETARIES

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

Form No. MR-3 SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule no.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

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

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

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

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

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder (**in so far as they are made applicable**);
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent 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 (effective from 15th May, 2015);
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (**not applicable to the Company during the Audit Period**);
 - (d) The Securities and Exchange Board of India (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) Regulations, 2009 (**not applicable to the company during the Audit Period**); and
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (**not applicable to the company during the Audit Period**);
- (vi) No law is specifically applicable 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 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:

1. The Company has passed a special resolution by way of postal ballot on 9th June, 2016 for waiver of recovery of excess remuneration aggregating to Rs. 200.39 Lacs paid to Mr. Rahul C Kirloskar, Executive Chairman for the financial years 2012-13, 2013-14 & 2014-15 for which an application was made to Central Government dated 7th April, 2016. Government of India, Ministry of Corporate Affairs has accorded its approval for waiver of recovery of Rs. 154.56 Lacs. The Company has recovered the balance excess remuneration. The said approval was accorded by the Government of India, Ministry of Corporate Affairs vide its Order Nos. SRN G00065383/2015- CL.VII dated 4th October, 2016 and SRN G00065383/2015- CL.VII dated 8th December, 2016.
2. The Company has in its Board Meeting held on 20th October, 2016 approved a scheme of arrangement and amalgamation between Kirloskar RoadRailer Limited (KRL or the Transferor Company I) and Pneumatic Holdings Ltd (PHL or Transferor company II), Kirloskar Pneumatic Company Limited (KPCL or Transferee company) and their respective shareholders subject to all relevant approvals. The appointed date of draft scheme of amalgamation was fixed at 1st April, 2016. The Company has filed the draft scheme of arrangement with the stock exchange under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The draft scheme of arrangement is filed with the National Company Law Tribunal at Mumbai Bench dated 4th January, 2017. Vide order dated the 18th day of January 2017 by the Mumbai Bench of the National Company Law Tribunal, the Company had convened a Court Convened Meeting and Postal ballot on 7th March, 2017.
3. Kirloskar Chillers Private Limited ceased to be an Associate Company of the Company consequent to transfer of 165,000 shares on December 29, 2016.

For **SVD & Associates**

Company Secretaries

sd/-

S. V. Deulkar

Partner

FCS 1321

CP No.: 965

Place : Pune

Date : 9th May, 2017

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 : 9th May, 2017

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



Annexure “3” to the Board's Report

EXTRACT OF ANNUAL RETURN

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

I. REGISTRATION AND OTHER DETAILS

i	CIN	L29120PN1974PLC110307
ii	Registration Date	8 th November, 1974
iii	Name of the Company	Kirloskar Pneumatic Company Limited
iv	Category / Sub-Category of the Company	Public Company / Limited by shares
v	Address of the Registered Office and contact details	Hadapsar Industrial Estate, Pune 411 013 Tel: +91(0) 20 - 26727000 Fax: +91(0) 20 - 26870297 Email: sec@kpcl.net Website: www.kirloskarkpcl.com
vi	Whether listed company	Yes
vii	Name, address and contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited “Akshay” Complex, Block No. 202, 2nd Floor, Near Ganesh Temple, Off. Dhole Patil Road, Pune 411 001 Tel: +91(0) 20 - 26161629/26160084 Fax: +91(0) 20 - 26163503 Email: pune@linkintime.co.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

Sr. No.	Name and description of main products / services	* NIC code of the product / service	% to total turnover of the Company
1.	Compression Segment Compressors	28132	91.08
2.	Transmission Segment Gears and Gear boxes	28140	08.92

*As per NIC 2008 Group code

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1.	Pneumatic Holdings Ltd. # Survey No. 13, 156 Kothrud, Pune 411 038	L65993PN2014PLC152566	Holding	54.56%	2(46)
2.	Kirloskar RoadRailer Ltd. # Hadapsar Industrial Estate, Pune 411013	U35990PN2008PLC132445	Subsidiary	100.00%	2(87)

Note :

The Scheme of Arrangement and Amalgamation between Kirloskar RoadRailer Limited, (the “Transferor Company I”), Pneumatic Holdings Limited (the “Transferor Company II”), Kirloskar Pneumatic Company Limited (the “Transferee Company”) and their respective shareholders (the “Scheme”) has been duly sanctioned by National Company Law Tribunal, Mumbai Bench (“NCLT”) vide Order dated 19th April, 2017. Upon the Scheme becoming effective on 28th April, 2017, Kirloskar RoadRailer Limited and Pneumatic Holdings Limited stand dissolved without winding up.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)**i) Category-wise Share Holding**

Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters*									
(1) Indian									
a) Individual / Hindu Undivided Family	537,157	Nil	537,157	4.18	537,157	Nil	537,157	4.18	0.00
b) Central Government	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) State Government (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Bodies Corporate	8,182,542	Nil	8,182,542	63.71	8,195,917	Nil	8,195,917	63.81	0.10
e) Banks / Financial Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (A) (1) :-	8,719,699	Nil	8,719,699	67.89	8,733,074	Nil	8,733,074	67.99	0.10
(2) Foreign									
a) Non Resident Indians – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Other – Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Bodies Corporate	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Banks / Financial Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (A) (2):-	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total Shareholding of Promoter (A) = (A)(1) + (A)(2)	8,719,699	Nil	8,719,699	67.89	8,733,074	Nil	8,733,074	67.99	0.10
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	2,314,965	7,375	2,322,340	18.08	2,317,294	7,375	2,324,669	18.10	0.02
b) Banks / Financial Institutions	335	611	946	0.01	443	503	946	0.01	0.00
c) Central Government	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) State Government (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Insurance Companies	28,851	5,450	34,301	0.27	20,162	5,450	25,612	0.20	(0.07)
g) Foreign Institutional Investors	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil



Category of Shareholders	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h) Foreign Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Others (Specify) Foreign Portfolio Investors	Nil	Nil	Nil	Nil	10,000	Nil	10,000	0.08	0.08
Sub-total (B)(1)	2,344,151	13,436	2,357,587	18.36	2,347,899	13,328	2,361,227	18.38	0.03
2. Non-Institutions									
a) Bodies Corporate	364,333	13,228	377,561	2.94	376,755	13,228	389,983	3.04	0.10
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital up to Rs. 1 Lac	953,637	142,241	1,095,878	8.53	716,748	384,830	1,101,578	8.58	0.05
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lac	254,561	Nil	254,561	1.98	213,524	Nil	213,524	1.66	(0.32)
c) Others (Specify)									
a. NRI	28,832	265	29,097	0.23	40,229	265	40,494	0.32	0.09
b. Clearing members	9,954	Nil	9,954	0.08	4,457	Nil	4,457	0.03	(0.05)
c. Trusts	1	Nil	1	0.00	1	Nil	1	0.00	0.00
Sub-total (B)(2) :-	1,611,318	155,734	1,767,052	13.76	1,351,714	398,323	1,750,037	13.62	(0.14)
Total Public Shareholding (B) = (B)(1) + (B)(2)	3,955,469	169,170	4,124,639	32.11	3,699,613	411,651	4,111,264	32.01	(0.10)
C. Shares held by custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	12,675,168	169,170	12,844,338	100.00	12,432,687	411,651	12,844,338	100.00	0.00

*The Promoter and Promoter Group.

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares	
1	Pneumatic Holdings Ltd ³	6,994,176	54.45	0.00	7,007,551	54.56	0.00	0.11
2	Kirloskar Industries Ltd	1,186,866	9.24	0.00	1,186,866	9.24	0.00	0.00
3	Mr Gautam Achyut Kulkarni J/w Mrs Jyotsna Gautam Kulkarni	135,522	1.06	0.00	135,522	1.06	0.00	0.00
4	Mr Rahul C Kirloskar J/w Mrs Alpana Rahul Kirloskar	115,309	0.90	0.00	115,309	0.90	0.00	0.00
5	Mr Atul C Kirloskar J/w Mrs Arti Atul Kirloskar	114,330	0.89	0.00	114,330	0.89	0.00	0.00
6	Mrs Alpana Rahul Kirloskar J/w Mr Rahul C Kirloskar	93,754	0.73	0.00	93,754	0.73	0.00	0.00
7	Mrs Arti Atul Kirloskar J/w Mr Atul C Kirloskar	40,000	0.31	0.00	40,000	0.31	0.00	0.00
8	Mrs Jyotsna Gautam Kulkarni J/w Mr Gautam Achyut Kulkarni	25,125	0.20	0.00	25,125	0.20	0.00	0.00
9	Miss Arika Rahul Kirloskar J/w Mr Rahul C Kirloskar	12,152	0.09	0.00	12,152	0.09	0.00	0.00
10	Cees Investments & Consultants Private Limited	1,350	0.01	0.00	1,350	0.01	0.00	0.00
11	Mrs Alpana Rahul Kirloskar J/w Master Aman Rahul Kirloskar U/G Mr Rahul C Kirloskar	537	0.00	0.00	537	0.00	0.00	0.00
12	Mr Rahul C Kirloskar J/w Master Aman Rahul Kirloskar U/G Mr Rahul C Kirloskar	270	0.00	0.00	270	0.00	0.00	0.00
13	Miss Rama Sanjay Kirloskar J/w Mr Sanjay C Kirloskar	125	0.00	0.00	125	0.00	0.00	0.00
14	Alpak Investments Pvt Ltd	50	0.00	0.00	50	0.00	0.00	0.00
15	Navsai Investments Pvt Ltd	50	0.00	0.00	50	0.00	0.00	0.00
16	Achyut and Neeta Holdings and Finance Pvt Ltd	50	0.00	0.00	50	0.00	0.00	0.00
17	Miss Gauri Atul Kirloskar J/w Mr Atul C Kirloskar	33	0.00	0.00	33	0.00	0.00	0.00
	Total	8,719,699	67.89	0.00	8,733,074	67.99	0.00	0.10

- Notes -
1. The above list does not include the name of the Promoter and Promoter Group who are not holding any shares of the Company.
 2. The above list is based on folio wise.
 3. Pursuant to the Scheme referred above, equity shares held by Pneumatic Holdings Limited in the Company shall get cancelled on effective date i.e. 28th April, 2017 on account of cross holdings and the same number of equity shares will be allotted to the shareholders of Pneumatic Holdings Limited on the record date.



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

Sl. No.	Particular	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	8,719,699	67.89	8,719,699	67.89
	Increase on 26/10/2016 pursuant to the Scheme	13,375	0.10	8,733,074	67.99
	At the end of the year	8,733,074	67.99	8,733,074	67.99

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

Sl. No	For Each of the Top 10 Shareholders	Reason	Shareholding		Cumulative Shareholding during the year	
			No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
1	Reliance Capital Trustee Co. Limited A/c Reliance Diversified Power Sector Fund					
	At the beginning of the year [01/04/2016]		810,456	6.31	810,456	6.31
	Decrease as on 28/10/2016	Transfer	12,773	0.10	797,683	6.21
	Increase as on 18/11/2016	Transfer	400	0.00	798,083	6.21
	At the end of the year [31/03/2017]		798,083	6.21	798,083	6.21
2	HDFC Trustee Company Limited - HDFC Tax Saver Fund					
	At the beginning of the year [01/04/2016]		500,000	3.89	500,000	3.89
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2017]		500,000	3.89	500,000	3.89
3	IDFC Premier Equity Fund					
	At the beginning of the year [01/04/2016]		414,367	3.23	414,367	3.23
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2017]		414,367	3.23	414,367	3.23
4	HDFC Trustee Company Limited- HDFC Prudence Fund					
	At the beginning of the year [01/04/2016]		290,190	2.26	290,190	2.26
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2017]		290,190	2.26	290,190	2.26

Sl. No	For Each of the Top 10 Shareholders	Reason	Shareholding		Cumulative Shareholding during the year	
			No. of shares	% of total Shares of the Company	No. of shares	% of total Shares of the Company
5	Reliance Capital Trustee Co. Limited A/c Reliance Small Cap Fund					
	At the beginning of the year [01/04/2016]		275,224	2.14	275,224	2.14
	Increase as on 20/05/2016	Transfer	12,623	0.10	287,847	2.24
	Increase as on 18/11/2016	Transfer	1,135	0.01	288,982	2.25
	Increase as on 25/11/2016	Transfer	448	0.00	289,430	2.25
	Increase as on 17/03/2017	Transfer	718	0.01	290,148	2.26
	At the end of the year [31/03/2017]		290,148	2.26	290,148	2.26
6	Amrit Petroleums Private Limited					
	At the beginning of the year [01/04/2016]		129,967	1.01	129,967	1.01
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2017]		129,967	1.01	129,967	1.01
7	Arun Nahar					
	At the beginning of the year [01/04/2016]		56,300	0.44	56,300	0.44
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2017]		56,300	0.44	56,300	0.44
8	Mukesh Babu Financial Services Limited					
	At the beginning of the year [01/04/2016]		50,000	0.39	50,000	0.39
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2017]		50,000	0.39	50,000	0.39
9	Brijkishor Trading Private Limited					
	At the beginning of the year [01/04/2016]		Nil	Nil	Nil	Nil
	Increase as on 16/12/2016		42,813	0.33	42,813	0.33
	At the end of the year [31/03/2017]		42,813	0.33	42,813	0.33
10	Hina J Parekh					
	At the beginning of the year [01/04/2016]		40,000	0.31	40,000	0.31
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2017]		40,000	0.31	40,000	0.31

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


(v) Shareholding of Directors and Key Managerial Personnel:

SI No	Particulars	Mr Rahul C Kirloskar Executive Chairman				Mr Atul C Kirloskar Non-Executive Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	115,579	0.90	115,579	0.90	114,330	0.89	114,330	0.89
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	115,579	0.90	115,579	0.90	114,330	0.89	114,330	0.89

Note :

- The above shareholding is considered in the name of first holder only.

SI No	Particulars	Mr Vikram S Kirloskar Non-Executive Director				Mr D R Swar Non-Executive Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

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

Note : 1. The above shareholding is considered in the name of first holder only.

SI No	Particulars	Dr Aditi Pant Non-Executive & Independent Director				Dr Ajay Dua Non-Executive & Independent Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil



SI No	Particulars	Mr Krishnamurthi Venkataramanan Additional Director (wef July 23, 2016)				Mr Aditya Kowshik Managing Director			
		Shareholding at the beginning of the year		Cumulative Shareholding during the year		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	NA	NA	Nil	Nil	Nil	Nil	Nil	Nil
	Date wise Increase / Decrease in Share Holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.)	No change during the year							
	At the end of the year	NA	NA	Nil	Nil	Nil	Nil	Nil	Nil

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

Note : 1. The above shareholding is considered in the name of first holder only.

V. INDEBTEDNESS

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

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

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Amount in Rs.)

Sl. No.	Particulars of Remuneration	Name of Managing Director / Whole Time Director / Manager		Total Amount
		Mr Rahul C Kirloskar Executive Chairman	Mr Aditya Kowshik Managing Director	
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	12,000,000	8,415,000	20,415,000
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	3,485,591	1,830,547	5,316,138
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others : Commission *	12,000,000	11,500,000	23,500,000
5.	Others, please specify Contribution to Funds	2,856,712	2,715,500	5,572,212
	Total (A)	30,342,303	24,461,047	54,803,350
	Ceiling as per the Act	Being 10% of the Net Profit of the Company as per Section 198 of the Companies Act, 2013		65,423,830

* Payable only on adoption of accounts in the ensuing Annual General Meeting.


B. Remuneration to other Directors:

(Amount in Rs.)

Sl. No.	Particulars of Remuneration	Name of Directors							
1.	Independent Directors	Mr G K Rao	Mr Sunil Shah Singh	Dr Aditi Pant	Dr Ajay Dua	Mr Krishnamurthi Venkataramanan	Mr A C Mukherji	Mr P S Jawadekar	Total Amount
	Fee for attending board / committee meetings	675,000	450,000	300,000	425,000	150,000	200,000	275,000	2,475,000
	*Commission	1,125,000	600,000	375,000	825,000	225,000	450,000	450,000	4,050,000
	Others, please specify	-	-	-	-	-	-	-	-
	Total (1)	1,800,000	10,50,000	675,000	1,250,000	375,000	650,000	725,000	6,525,000
2.	Other Non-Executive Directors	Mr Atul Kirloskar	Mr Vikram Kirloskar	Mr D R Swar					
	Fee for attending board / committee meetings	200,000	50,000	475,000					725,000
	*Commission	300,000	75,000	825,000					1,200,000
	Others, please specify	-	-	-					-
	Total (2)	500,000	125,000	1,300,000					1,925,000
	Total (B) = (1+2)								8,450,000
	Overall Ceiling as per the Act	Being 1% of the Net Profit of the Company as per Section 198 of the Companies Act, 2013 excluding the sitting fees paid to the Non-Executive Directors							6,542,383

* Payable only on adoption of accounts in the ensuing Annual General Meeting.

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole Time Director

(Amount in Rs.)

Sl. No.	Particulars of Remuneration	Key Managerial personnel		
		Mr Suhas S Kolhatkar Vice President & Chief Financial Officer	Mr Jitendra Shah Company Secretary & Head Legal	Total
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	6,271,474	1,824,219	8,095,693
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	119,276	-	119,276
	(c) Profits in lieu of salary under Section 17(3) of the Income Tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others, specify	-	-	-
5.	Others, please specify Contribution to Statutory Funds	506,553	187,017	693,570
	Total	6,897,303	2,011,236	8,908,539

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give details)
A. COMPANY					
Penalty	NIL				
Punishment					
Compounding					
B. DIRECTORS					
Penalty	NIL				
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL				
Punishment					
Compounding					



Annexure “4” to the Board's Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

1. A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and Projects or Programs - The CSR Policy is stated herein below:
Weblink <http://www.kirloskarkpcl.com/Pdf/company-policies/corporate-social-responsibility-policy.pdf>
2. The Composition of the CSR Committee -
The CSR Committee consists of :
Mr Rahul C Kirloskar (Chairman)
Mr Aditya Kowshik
Dr Aditi Pant
Mr P S Jawadekar (upto 22nd July, 2016)
3. Average net profit of the Company for last three financial years : Rs. 419.96 million.
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): The Company is required to spend Rs. 8.40 million towards CSR.
5. Details of CSR spent during the financial year :
 - a. Total amount spent for the financial year: Rs. 8.54 million
 - b. Amount unspent, if any: NIL
 - c. Manner in which the amount spent during the financial year is detailed below :

(Rs. in million)

(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)	5.50	5.50	5.50	5.50
2	Promoting preventive health care of 15,576 students from 15 schools located in Hadapsar and Saswad from where the Company operates.	Promoting Preventive Health Care	Pune (Maharashtra)	1.80	1.84	1.84	1.84

(Rs. in million)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
S. No.	CSR Project or activity identified	Sector in which the Project is covered	Projects or Programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs	Cumulative expenditure upto the reporting period	Amount spent: Direct or through implementing agency
3	Creating awareness for HIV AIDS amongst different sections of the society reaching ~ 37,425 members of the general community including secondary school and Junior College Students.	Health Care	Pune (Maharashtra)	0.80	0.80	0.80	0.80
4	Water, Sanitation & Hygiene awareness created by 143 Company employees among 18,629 school students from 27 schools located in the vicinity of Hadapsar, Saswad and Nashik from where the company operates.	Sanitation	Pune & Nashik (Maharashtra)	0.40	0.40	0.40	0.40
	TOTAL			8.50	8.54	8.54	8.54

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 Co. Ltd.
Sd/-
Aditya Kowshik
Managing Director
DIN 00228983

For Kirloskar Pneumatic Co. Ltd.
Sd/-
Rahul C Kirloskar
Executive Chairman &
Chairman of CSR Committee
DIN 00007319

Place : Pune
Date : 9th May, 2017



Annexure “5” to the Board's Report

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

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

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

(A) Conservation of Energy -

- i. **The steps taken or impact on conservation of Energy:** Total 53 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

- 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.
- Maintain Unity Power Factor and avail 7% incentive benefit from MSEDCL on Electricity Consumption.
- Maximum demand control through remote control operation.
- Transformer of 1 MW gear testing to be put off during no load and on holidays to avoid no load power consumption.
- Rigorous Planned Maintenance of Compressed Air Grid and Reduced Air Leakage.
- Saving in oil consumption by recycling it at Hadapsar and Saswad Plant.

b. Process improvement projects

- 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 HB connecting rod machining operation.
- Process modification for high speed gear box labyrinth ring finish grooving and turning operation.
- Elimination of job reject problem by modifying the pouring process in foundry operation.
- Process modification for spot face operation of KGC Frame.
- Fixing the loading of SR furnace for better utilization.

c. New Technology

- Use of energy efficient aluminum piping for compressed air network at Saswad Plant.
- Use of energy efficient light emitting plasma light system for open area at Hadapsar Plant.
- Use of dry type paint booth to eliminate water consumption for Air Compressor Package painting.
- Use of energy efficient LED lights at office area, street light and shop floor area in all divisions.
- Use of energy efficient split (5 star labeled and inverter based) air conditioners.
- Use of energy efficient nozzles to reduce compressed air consumption.

d. Waste elimination

- Provision of Electrical actuator to shut off compressed air line to non-working machines.
- Change in pump operating system to avoid un-necessary pump operation at central pump house.
- Reuse of aluminum burr at Air Compressor Division foundry.
- 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 754 Tons of CO₂ emissions & reduced natural resources consumption like water, oil & aluminum significantly. Use of inverter based/5-star rated air conditioners, LED based lighting systems at office area, street light and for shop floor created positive impact on working staff and resulted responsive nature.

- ii. **The steps taken by the company for utilizing alternate sources of energy:** During the year under review, your Company has installed 2kWp capacity off-grid solar power plant at Hadapsar Plant. It has

fulfilled 67% energy requirement of lighting load installed at OHC, E&E office and employees credit society.

Your Company has also planned to install 20kWp capacity on-grid capacity solar power plant at Hadapsar Plant.

- iii. **The capital investment on energy conservation equipments:** Company has made capital investment of Rs. 11.65 million on energy conservation equipments and technology adoption for the energy efficiency improvement projects.

(B) Technology absorption-

(i) the efforts made towards technology absorption:

- In house development of Refrigeration Package for Dew point reduction of hydrocarbon gases by integrating standard chilled brine packages with specially designed gas heat exchanger.
- Development of high pressure Screw Compressor (K-330 Model) with FD fan for water well application.
- Development of energy efficient Electric Screw Compressors.
- Successful completion of 11350+ hours of trouble free operation of A-3500 at customers end – the first Centrifugal Compressor designed and developed by KPCL.
- Development of On-Board Nitrogen Plant for Warships application.
- Indigenous design and testing of planetary gearboxes for high speed reduction and high torque.
- In-house test facility for no-load trials of P2H2-600, P2H2-305, P2HB-275 planetary gearbox.
- Development of methodology for reverse engineering of multi stage planetary gearbox for sugar mill drives.
- Assembly of planetary stages involves shrinking of planet pins using liquid Nitrogen and expanding the planet carrier bores by heating.
- Indigenous design of Fabricated Housing for VRMs'.
- Devising methodology for assembly of Table with the Drive power train, using SKF Hydraulic locknuts for VRMs'.
- Indigenous design and testing of Hydro turbine gearbox.

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

- In house design capability for Centrifugal Compressors which is utilized to design extension of range with two models viz. A-7000 and A-2100.
- Completed in house testing of A-7000 Centrifugal Compressor and it is ready for field release.
- Strengthen water well market presence.
- Strengthen railway compressor business with additional products.
- Offer innovative solutions to the market with energy efficient and cost effective electric screw compressors.
- Entry in Planetary gearbox for mill drives market.
- In house design capability for Planetary gearbox components.
- Strengthen business in Sugar market

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

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

(iv) the expenditure incurred on Research and Development – Rs. 61.63 million.

(c) Foreign exchange earnings and outgo-

Foreign Exchange earned during the year: Rs 177.64 million.

Foreign Exchange outgo during the year: Rs 546.66 million.



Annexure “6” 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 2016-17	Ratio of remuneration of each Director/ to median remuneration of employees
1	Mr Rahul C Kirloskar Executive Chairman	16%	51.26
2	Mr Aditya Kowshik Managing Director	40%	40.56
3	Mr Atul C Kirloskar Non Executive Director	Nil	0.93
4	Mr Vikram S Kirloskar Non Executive Director	14%	0.23
5	Mr G Krishna Rao Independent Director	16%	3.36
6	Mr D R Swar Non-Executive Director	58%	2.42
7	Mr Sunil Shah Singh Independent Director	56%	1.96
8	Dr Aditi Pant Independent Director	13%	1.26
9	Dr Ajay Dua Independent Director	NA *	2.33
10	Mr Krishnamurthi Venkataramanan Additional Director	NA *	NA *
11	Mr A C Mukherji Independent Director	NA *	NA *
12	Mr P S Jawadekar Independent Director	NA *	NA *
13	Mr Suhas S Kolhatkar Vice President and Chief Financial Officer	Nil	NA
14	Mr Jitendra Shah Company Secretary & Head Legal	12.9%	NA

Notes :

- 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.
- * Details not given as Dr Ajay Dua was Director only for part of the previous financial year 2015-16 i.e. w.e.f. 14th March, 2016.
Details not given as Mr A C Mukherji and Mr P S Jawadekar were Directors only for part of the financial year 2016-17 i.e. upto 22nd July, 2016.
Details not given as Mr Krishnamurthi Venkataramanan is Director only for part of the financial year 2016-17 i.e. w.e.f. 23rd July, 2016.

- iii) In the financial year, there was an increase of 10.48% in the median remuneration of employees
- iv) There were 787 permanent employees on the rolls of Company as on 31st March, 2017.
- v) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2016-17 was 2.58% whereas average percentage increase in the managerial remuneration is 23.36%. This remuneration increases due to 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 2016-17.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS

i. Composition and Category of Directors:

The Board of Directors of the Company represents an optimum mix of professionalism, gender, knowledge and experience, comprising of Executive, Non-Executive and Independent Directors. The Chairman is an Executive Director. In all, there are Ten Directors including Five (50%) Non Executive & Independent Directors including a Woman Director 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 31st March, 2017, the composition of the Board of Directors of the Company meets the stipulated requirements of Regulation 17 of the LODR Regulations, 2015.

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, Dr Ajay Dua has been appointed as an Independent Director for a period of 5 consecutive years upto 21st July, 2021. Mr A C Mukherji and Mr P S Jawadekar, Independent Directors ceased to be Directors of the Company with effect from 23rd July, 2016 on account of their retirement.

The Board of Directors of the Company has also appointed Mr Krishnamurthi Venkataramanan as an Additional Director with effect from 23rd July, 2016 in the category of an Independent Director in compliance with LODR Regulations, 2015.

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

ii. Board Training and Induction:

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

Weblink: <http://www.kirloskarkpcl.com/Pdf/company-policies/Familiarization%20Program%20for%20Independent%20Directors%202017.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 31st March, 2017, five Board Meetings were held on 27th April, 2016, 22nd July, 2016, 20th October, 2016, 19th January, 2017 and 13th March, 2017. The Annual General Meeting of the Company was held on 22nd July, 2016.

iv. Director's attendance record and directorships held:

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

Name of the Director & Position	No. of Board Meetings attended	Directorship held in Indian Public Limited Companies (Including KPCL)*	Committee Position # (including KPCL)	
			Member	Chairman
Non - Executive Directors				
^{\$} @Mr Atul C Kirloskar (DIN 00007387)	4	6	1	1
^{\$} Mr Vikram S Kirloskar (DIN 00007907)	1	4	1	-
Mr D R Swar (DIN 00007495)	5	1	1	-
Independent & Non - Executive Directors				
Mr G Krishna Rao (DIN 00058985)	5	2	3	2
Mr Sunil Shah Singh (DIN 00233918)	4	3	4	1
Dr Aditi Pant (DIN 06930011)	5	1	-	-
Dr Ajay Dua (DIN 02318948)	5	3	4	-
Mr Krishnamurthi Venkataramanan (DIN 00001647) (Appointed with effect from 23 rd July 2016)	3	3	-	-
Mr A C Mukherji (DIN 00063975) (Ceased to be Director w.e.f 23 rd July, 2016)	2	NA	NA	NA
Mr P S Jawadekar (DIN 00155177) (Ceased to be Director w.e.f 23 rd July, 2016)	2	NA	NA	NA
Executive Directors				
^{\$} @Mr Rahul C Kirloskar Chairman (DIN 00007319)	5	5	3	-
Mr Aditya Kowshik Managing Director (DIN 00228983)	5	1	-	-

Notes:

* Excluding Private, Foreign and Section 8 Companies.

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

\$ Promoter Directors

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

All Directors as on that date except Mr Vikram S Kirloskar attended the Annual General Meeting held on 22nd July, 2016.



v. Meeting of Independent Directors:

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

vi. Code of Conduct:

The Board has prescribed the Code of Conduct for all its Board Members and Senior Management. The Code of Conduct has been posted on Company's Website at <http://www.kirloskarkpcl.com/Pdf/company-policies/code-for-the-board-of-directors-and-senior-management-of-kpcl.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 31st March, 2017. A declaration to this effect signed by Managing Director has been incorporated in the Annual Report.

3. AUDIT COMMITTEE

i. Composition:

The Audit Committee before reconstitution, consisted of 3 Independent Directors namely Mr A C Mukherji, Mr G Krishna Rao and Mr P S Jawadekar.

The Audit Committee was reconstituted on 22nd July, 2016. After reconstitution the Committee consists of total 4 Directors of which, 3 Directors are Independent Directors namely Mr Sunil Shah Singh, Mr G Krishna Rao & Dr Ajay Dua 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.

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 covers 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. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

iii. Meetings & attendance of the Audit Committee:

The Audit Committee met five times during the year i.e. on 27th April, 2016, 22nd July, 2016, 20th October, 2016, 19th January, 2017 and 13th March, 2017 which was attended by the members as per the following details:-

Name of Committee Member	No. of Meetings attended
Mr A C Mukherji	2
Mr P S Jawadekar	2
Mr G Krishna Rao	5
Mr Sunil Shah Singh	2
Dr Ajay Dua	3
Mr D R Swar	3

4. NOMINATION AND REMUNERATION COMMITTEE:

i. Composition:

The Nomination and Remuneration Committee, before reconstitution, comprised of 3 Independent Directors consisting of Mr P S Jawadekar, Mr G Krishna Rao and Mr Sunil Shah Singh.

The Nomination and Remuneration Committee was reconstituted on 22nd July, 2016 and after reconstitution the Committee comprises of Dr Ajay Dua who is the Chairman of the Committee, Mr G Krishna Rao and Mr Sunil Shah Singh. Company Secretary acts as Secretary to the Committee.

ii. Terms of Reference:

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

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.

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

During the year, three Meetings were held on 27th April, 2016, 21st July, 2016 and 13th March, 2017 which were attended by the members as per the following details :-

Name of Committee Member	No. of Meetings attended
Mr P S Jawadekar	2
Mr G Krishna Rao	3
Mr Sunil Shah Singh	3
Dr Ajay Dua	1



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.

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

Details of remuneration paid / payable to Directors during the year 2016-17:

A. Non Executive Directors:

Name of Director	Sitting Fees (Rs)	Commission on Net Profit * (Rs)	Salary & Perquisites (Rs)	Total (Rs)	No. of shares held **
Mr Atul C Kirloskar	200,000	300,000	-	500,000	114,330
Mr Vikram S Kirloskar	50,000	75,000	-	125,000	-
Mr G Krishna Rao	675,000	1,125,000	-	1,800,000	-
Mr D R Swar	475,000	825,000	-	1,300,000	-
Mr Sunil Shah Singh	450,000	600,000	-	1,050,000	1,000
Dr Aditi Pant	300,000	375,000	-	675,000	-
Dr Ajay Dua	425,000	825,000	-	1,250,000	-
Mr Krishnamurthi Venkataramanan	150,000	225,000	-	375,000	-
Mr A C Mukherji	200,000	450,000	-	650,000	-
Mr P S Jawadekar	275,000	450,000	-	725,000	-

Notes:

- * Payable only on adoption of accounts in the ensuing Annual General Meeting.
- ** The above shareholding is considered in the name of first holder only.
- There are no other pecuniary relationships or transactions of Non-Executive Directors vis-a-vis the Company.
- Pursuant to limits approved by the Board, all Non-Executive Directors are paid sitting fees of Rs. 50,000/- for attending each meeting of the Board and Audit Committee and Rs. 25,000/- for attending each meeting of the other Committees of the Board.

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

(Amount in Rupees)

Particulars	Mr Rahul C Kirloskar From 1 st April, 2016 to 31 st March, 2017	Mr Aditya Kowshik From 1 st April, 2016 to 31 st March, 2017
Salary	12,000,000	7,650,000
House Rent Allowance	-	765,000
Contribution to Funds	2,856,712	2,715,500
Other perquisites	3,485,591	1,830,547
*Commission	12,000,000	11,500,000
TOTAL	30,342,303	24,461,047
**No. of shares held	115,579	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 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 27th April, 2016, 21st July, 2016, 20th October, 2016 and 19th January, 2017 and the same were attended by members as per the following details:-

Name of Committee Member	No. of Meetings attended
Mr G Krishna Rao	4
Mr Rahul C Kirloskar	4
Mr Sunil Shah Singh	3

The Company has received 1 complaint during the year and the same was resolved. There was no complaint pending as on 31st March, 2017.

7. GENERAL BODY MEETINGS

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

Date	Time	Location
22 nd July, 2016	2.30 pm	S.M. Joshi Socialist Foundation (S.M. Joshi Hall) S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune – 411 030
29 th July, 2015	2.30 pm	
23 rd July, 2014	2.30 pm	Mahratta Chamber of Commerce, Industries and Agriculture, Tilak Road, Pune - 411 002

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

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

Sr. No.	Resolution
1	Alteration of Articles of Association

iii. Postal Ballot:

The Members of the Company have passed following special resolution by way of Postal Ballot on 9th June, 2016.

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	Waiver of recovery of excess remuneration paid to Mr Rahul C Kirloskar, Executive Chairman for the financial years 2012-13, 2013-14 and 2014-15	10,766,028	99.94	6,396	0.06

The Notice dated 27th April, 2016 was sent to the Members and the last date for receipt of postal ballot forms was 7th June, 2016. 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 9th June, 2016 at the registered office of the Company and informed to the 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.

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

9. GENERAL SHAREHOLDER INFORMATION

i. Annual General Meeting :

Date	:	27 th July, 2017
Day	:	Thursday
Time	:	3.00 pm
Venue	:	S M Joshi Socialist Foundation (SM Joshi Hall) S.No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune 411030

ii. Financial Year :

iii. Book Closure :

iv. Dividend Payment Date :

v. Listing on :

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001
Annual Listing Fees for the year 2017-18 has been paid to BSE Ltd

vi. Stock Code :

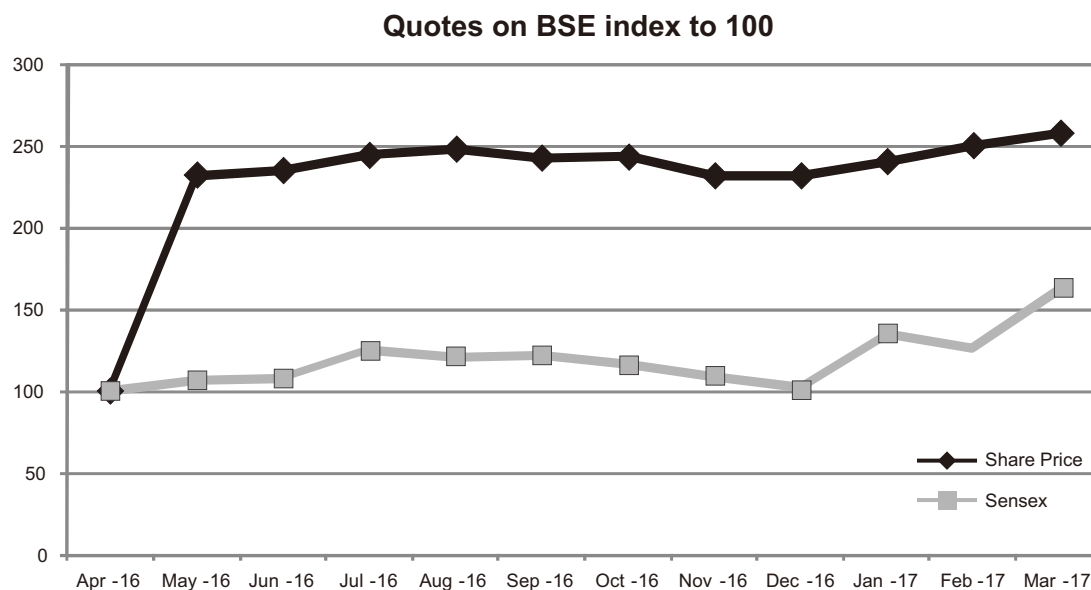
vii. Depositories :

National Securities Depository Ltd.
Central Depository Services (I) Ltd.
ISIN No. - INE811A01012

viii. Market Price Data :

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

Year	High (Rs)	Low (Rs)	Close (Rs)
April 2016	760.00	670.00	754.00
May 2016	809.90	741.00	784.35
June 2016	819.00	738.00	779.90
July 2016	949.95	764.35	893.80
August 2016	920.00	827.00	856.40
September 2016	928.00	820.00	826.45
October 2016	880.00	790.00	825.15
November 2016	829.90	681.00	770.00
December 2016	780.00	695.05	705.45
January 2017	1,028.00	700.00	909.30
February 2017	955.00	840.00	875.00
March 2017	1,230.90	861.15	1,176.35

ix. Stock Performance in comparison to BSE Sensex:**x. Registrar & Transfer Agent:**

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

xi. Share Transfer System:

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

xii. Distribution of Shareholding as on 31st March, 2017:

Holding		No. of Members	%	No. of Shares of Rs. 10/- each	% to Capital
UPTO	500	16,855	97.57	650,575	5.06
501	1000	229	1.33	184,961	1.44
1001	2000	86	0.50	131,860	1.03
2001	3000	30	0.17	73,019	0.57
3001	4000	15	0.09	52,979	0.41
4001	5000	14	0.08	63,131	0.49
5001	10000	10	0.06	70,669	0.55
10001	AND ABOVE	35	0.20	11,617,144	90.45
Total		17,274	100.00	12,844,338	100.00

xiii. Dematerialisation of Shares & Liquidity:

The name of the Company appears in the compulsory Trading List and 96.80% of Share Capital is in Electronic Form as on 31st March, 2017.

xiv. Company has not issued GDRs / ADRs / Warrants or any convertible instruments.**xv. Details of foreign exchange risk and hedging activities are provided in the notes annexed to and forming part of the financial statements.**

**xvi. Plant Locations:**

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

xvii. Address for Correspondence:**Registered Office of the Company**

Kirloskar Pneumatic Co. Ltd.
Hadapsar Industrial Estate, Pune 411013
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, 2nd Floor,
Near Ganesh Temple,
Off Dhole Patil Road, Pune 411001
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 2016-17 that has 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:**

- The positions of the Chairman and CEO are separate.
- The Internal Auditor reports to the Audit Committee.

vi. Subsidiary Company:

The Company does not have any material subsidiary whose income or net worth exceeds 20% of the consolidated income or net worth of the Company and its subsidiary in the immediately preceding financial year.

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

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

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

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

However, pursuant to the Scheme of Arrangement and Amalgamation between Kirloskar RoadRailer Limited (Transferor Company I), Pneumatic Holdings Limited (Transferor Company II) and the Company (Transferee Company) ["Scheme"], Kirloskar RoadRailer Limited stands dissolved without winding up w.e.f. April 28, 2017 and thereby ceases to be subsidiary company.

vii. 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 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.

ix. **Prohibition of Insider Trading:**

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

11. 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 9th May, 2017.

For Kirloskar Pneumatic Company Limited

sd/-

Aditya Kowshik

Managing Director

DIN 00228983

Date : 9th May, 2017

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 31st March, 2017, as stipulated in Chapter IV 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 Chapter IV of the abovementioned Listing Regulations.



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

For M/S P G BHAGWAT

Chartered Accountants

Firm's Registration Number : 101118W

sd/-

S S Athavale

Partner

Membership Number 83374

Place : Pune

Date : 9th May, 2017

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

Place : Pune

Date : 9th May, 2017

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. KPCL's business is dependent, to a large extent, upon the Government policies and investments. With wide variety of products and solutions, your Company has two business segments – Compression Products / Systems and Transmission Products.

Indian Economy :

India has emerged as the fastest growing major economy in the world as per the International Monetary Fund (IMF). The Government of India expects the Indian economy to grow by 7.1 per cent in FY 2016-17.

Three major highlights of the sectoral growth outcome of FY 2016-17 were:

- Moderation in industrial and service sectors;
- The Modest pick-up in agricultural growth on the back of improved monsoon; and
- strong growth in government spending including defense services.

The Index of Industrial Production (IIP) rose very marginally by 0.4% in 2016-17. However, cumulative growth of eight Core industries which comprise nearly 38 % of IIP grew by 4.5%. The negative growth of 15.5% in exports in FY'16 was reversed with a 0.7% in exports in FY'17

Economic prospects :

While public investment was the major driver of growth in FY'17, a revival of private investment and rural consumption is critical if growth is to remain strong in FY'18 and FY'19. Growth is projected between the ranges of 6.75% to 7.5% in FY'18. Growth is expected to pick up a bit to 7.8% in FY'19. Private investment, financing of stalled projects and continued government's push for Make in India is expected to contribute to this growth.

Segment Analysis :

1. Compression Products :

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

- Oil & Gas Business :** Your Company offers refrigeration and gas compression systems for refineries, petrochemical plants, CNG stations to City Gas Distribution companies etc. 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 posed confidence on this capability and have helped us retain market leadership in the segment.

The Government of India accorded top priority of PNG for domestic gas distribution in the City Gas Distribution segment. This led to an investment in CNG systems for promoting CNG vehicles. Your Company is the market leader in this segment and expects good business of CNG systems in this financial year and we expect this demand to sustain for many years wherein the Government plans to add another 150 towns and cities in CGD network. Your Company also undertakes O&M contracts all over India to ensure 98% availability of these systems.





The requirement of Process refrigeration in refineries and petrochemicals was subdued in this financial year due to low investment. However your Company continues to maintain market leadership in this segment. The decrease in crude oil price in the international market and adoption of Bharat VI norms is expected to encourage fresh investment in expansion of oil refining capacities, construction of new refineries, petrochemical complexes, debottlenecking and MSQ projects. All oil companies will be investing in upgrading refining processes in the forthcoming two fiscal years. Your Company is constantly in touch with refineries and consultants for these systems and expects this business to grow 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 ammonia based refrigeration compressors and packages for the 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.

With about 140 million ton of fruits and vegetable production, India is second largest producer 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. The Government of India, therefore, is aggressively pushing for the infrastructure development for cold chain. The Government has also announced incentives for infrastructure development in cold chain. Demand for compressors for cold stores, is therefore, expected to grow in the next few years.

Your company has developed air cooled compressors 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.

- c. **Industrial Business :** Your Company offers air compressors and packages to industrial markets like cement, steel, power and engineering. Your Company has in-house capability of designing, manufacturing and servicing air compressors. With slow private investment, the year 2016-17, was subdued for this business. With the Government push for the road construction projects, demand for diesel portable compressors has increased.

Your Company focused efforts in developing international business in South East Asia, Middle East and North 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 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 at remote areas to assist our Armed Forces.

Performance : During the year revenue for the Compression Product segment was Rs. 4795.95 Million (Previous year Rs. 4524.58 Million).

Opportunities, Threats and Concerns : Your Company believes that this year may be year of a transition for Oil Gas sector. 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. Your Company has been approved by major consultants and contractors in Middle East and South East Asia. It has developed a focused roadmap for strategic markets.

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

With the government's push for Make in India, we expect Industrial markets to see upturn in next two to three years. Company has invested into developing new technology with IP rights. This will offer a competitive edge and will enable business growth.

2. Transmission Products :

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

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

Demand for railways gears and pinions remained stagnant during the year 2016-17.

- b. **Wind Turbine Gearbox Business :** Your Company is a market leader in the sub-megawatt class gear box for wind turbines. With lower demand for sub-megawatt class gearbox, year 2016-17 has been challenging year for this business. With market moving to megawatt class, your Company has developed capability of designing and manufacturing megawatt class gearbox.

- c. **Industrial Gearbox Business :** With a fluctuating demand in wind turbine gearbox 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.



To establish in the industrial market, your Company has also entered into refurbishment business for gearboxes. During the year your Company successfully executed refurbishment orders. Market has accepted KPCL's capabilities for new and refurbished 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. 469.62 Million (Previous year Rs. 564.20 Million).

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

With 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 it to open opportunities for growth. Your Company is working on augmenting infrastructure and enhancing engineering capabilities.



3. Other :

Your Company has developed 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. RoadRailer rake manufactured by your Company has successfully completed the EBD (Emergency Brake Distance) test. Your company is now awaiting few clearances for commencing the operations.

Internal Control Systems and their Adequacy :

Your Company has covered this in the Directors' Report.

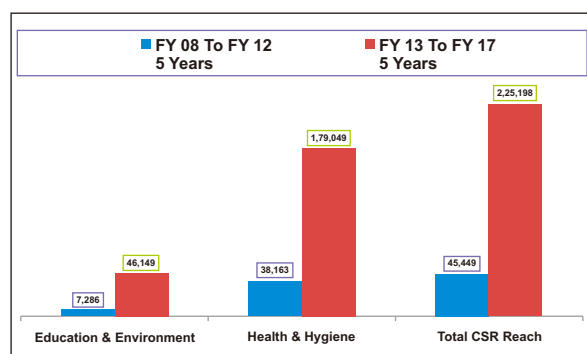
Safety, Health and Environment :

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

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

Corporate Social Responsibility (CSR) :

Inspired by our founder Late Shri S L Kirloskar all our CSR initiatives are focused in the areas of Education, Environment and Health. CSR initiatives in your Company are planned, budgeted, implemented and reviewed regularly. CSR provides a volunteering platform to the employees and about 20% of employees volunteer to actively contribute for a social cause every year.



During this year, your Company has reached out to 35 schools and 75,000 community members with the help of 160 employee volunteers who put in over 8000 man hours of volunteering. Cumulatively we have touched 2,25,000 community members during last five years. Significant CSR initiatives include supports WaSH (Water, Sanitation and Hygiene) initiative, School Health Check Program, HIV AIDS workplace and community intervention.

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

Human Resources and Industrial Relations :

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

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

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

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

Career Planning : Key Role Holders are identified as part of the succession process. They go through Development centers to assess their potential and they attend Management Development Program at KIAMS to develop their skills and competencies.



Learning & Development : Based on the gaps identified, employees attend knowledge, skill, behavior development programs. This helps them fulfill their potential. 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. Some are even pursuing their doctorate.

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



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

Your Company has 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.

Your Company has a total strength of 787 employees as on 31st March, 2017. The relations with the employees at all levels continue to be cordial.



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

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Kirloskar Pneumatic Company Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
 - (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) In our opinion there are no financial transactions or matters which have any adverse effect on the functioning of the company.
 - (f) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;
 - (g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B;
 - (h) 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 38 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.
 - iv. The company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and these are in accordance with the books of accounts maintained by the company.

For M/S P G BHAGWAT
Chartered Accountants
Firm's Registration Number : 101118W
sd/-
S S Athavale
Partner
Membership Number 83374

Place : Pune
Date : 9th May, 2017



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) As explained to us, considering the nature of the Fixed Assets, the same have been physically verified by the management at reasonable intervals during the year as per the verification plan adopted by the company, which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. According to the information and explanations given to us and the records produced to us for our verification, the discrepancies noticed during such physical verification were not material and the same have been properly dealt with in the books of account;
- (c) The title deeds of immovable properties are held in the name of the company;
- (ii) The physical verification of inventory has been conducted at reasonable intervals by the management and no material discrepancies were noticed during such verification;
- (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 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.
- (vi) The Company is maintaining cost records as prescribed under Section 148 (1) of the Companies Act, 2013. However, we have not verified the same for completeness or accuracy.
- (vii) (a) 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, 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 records of the company, there are no dues of income tax or sales tax or service tax or duty of customs or excise duty or value added tax which have not been deposited on account of any dispute except:

Name of the Statute	Nature of dues	Amount (Rs)	Period to which amount relates	Forum
Excise Duty	Demand of penalty on reversal of Cenvat Credit not made	18,44,000	FY 1997-98 to 2001-02 upto Feb-2002	CESTAT, Delhi
Service Tax	Wrong availment of CENVAT	12,79,793	FY 2013-14	Asst. Commissioner Central Excise & Customs
Customs Duty	Non compliance of conditions for availing concessional rate of customs duty	14,54,000	FY 1997-98	Asst. Commissioner (Customs) Mumbai
Sales Tax	Non- production of C Forms	102,000 56,831,414 12,206,864 21,794,210 130,180,480	FY 1992-93 FY 2009-10 FY 2010-11 FY 2011-12 FY 2012-13	Asst. Commissioner Appeals Jt. Commissioner Appeals
Sales Tax	Demand under Work Contract Tax	475,000	FY 1985-86 to 1987-88	Asst. Commissioner Appeals

- (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 a financial institution, bank, 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) and term loans 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 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/-
S S Athavale
Partner
Membership Number 83374

Place : Pune
Date : 9th May, 2017

Annexure - B to the Auditors' Report

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 over financial reporting of Kirloskar Pneumatic Company Limited ("the Company") as of 31st March 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, 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 over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

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

For M/S P G BHAGWAT

Chartered Accountants

Firm's Registration Number : 101118W

sd/-

S S Athavale

Partner

Membership Number 83374

Place : Pune

Date : 9th May, 2017

BALANCE SHEET AS AT 31ST MARCH, 2017

	Note No.	Rs.	As at 31 st March, 2017 Rs.	As at 31 st March, 2016 Rs.
I. EQUITY AND LIABILITIES				
(1) SHAREHOLDERS' FUNDS :				
(a) Share Capital	1	128,443,380		128,443,380
(b) Reserves & Surplus	2	3,716,687,874		3,086,891,946
			3,845,131,254	3,215,335,326
(2) SHARE APPLICATION MONEY PENDING ALLOTMENT :				
			-	-
(3) NON CURRENT LIABILITIES :				
(a) Long Term Borrowings		-		-
(b) Deferred Tax Liability (Net)		-		-
(c) Other Long Term Liabilities	3	4,684,697		6,301,968
(d) Long Term Provisions	4	53,052,097		45,375,461
			57,736,794	51,677,429
(4) CURRENT LIABILITIES :				
(a) Short Term Borrowings		-		-
(b) Trade Payables	5			
(i) Due to Micro, Small and Medium Enterprises		4,484,101		-
(ii) Other Trade Payables		942,899,464		935,491,723
(c) Other Current Liabilities	6	664,557,443		642,550,914
(d) Short Term Provisions	7	218,527,816		181,361,335
			1,830,468,824	1,759,403,972
Total			5,733,336,872	5,026,416,727
II. ASSETS				
(1) NON CURRENT ASSETS :				
(a) Fixed Assets				
(i) Tangible Assets	8	720,848,306		719,486,868
(ii) Intangible Assets	9	82,298,697		97,929,207
(iii) Capital work in progress		362,398,181		6,887,553
(b) Non Current Investments	10	25,308,032		73,310,256
(c) Deferred Tax Assets (Net)	11	38,427,002		12,820,961
(d) Long Term Loans and Advances	12	50,147,149		38,243,123
(e) Other Non Current Assets	13	6,127,650		5,314,174
			1,285,555,017	953,992,142
(2) CURRENT ASSETS :				
(a) Current Investments	14	1,742,679,901		1,471,862,377
(b) Inventories	15	737,781,283		573,843,669
(c) Trade Receivables	16	1,307,548,076		1,515,514,128
(d) Cash and Bank Balances	17	271,062,118		234,949,344
(e) Short Term Loans and Advances	18	117,712,251		113,832,892
(f) Other Current Assets	19	270,998,226		162,422,175
			4,447,781,855	4,072,424,585
Total			5,733,336,872	5,026,416,727
Notes forming part of the Financial Statements	1 - 53			

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, May 9, 2017

Jitendra Shah
Company Secretary

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, May 9, 2017

**STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2017**

	Note No.	Rs.	Current Year Rs.	Previous Year Rs.
I Net Revenue from Operations	20		5,290,094,126	5,088,778,590
II Other Income	21		272,818,908	211,001,882
III Total Revenue (I + II)			5,562,913,034	5,299,780,472
IV EXPENSES :				
Cost of Materials Consumed	22	2,723,445,392		2,720,567,674
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	23	(75,767,216)		(29,413,782)
Employee Benefits Expenses	24	876,645,475		819,584,265
Finance Costs	25	359,432		156,554
Depreciation and Amortization Expense	26	172,972,364		190,896,678
Other Expenses	27	1,167,689,743		1,081,541,123
Total Expenses			4,865,345,190	4,783,332,512
V Profit before Exceptional and Extraordinary Items and Tax (III - IV)			697,567,844	516,447,960
VI Exceptional Items			-	-
VII Profit before Extraordinary Items and Tax (V-VI)			697,567,844	516,447,960
VIII Extraordinary Items			-	-
IX Profit before Tax (VII-VIII)			697,567,844	516,447,960
X Taxation :	48			
Current Tax (Net)		184,000,000		157,000,000
Deferred Tax		(13,410,577)		(4,340,161)
			170,589,423	152,659,839
Profit (Loss) for the Period			526,978,421	363,788,121
Earning per Share :				
(1) Basic			41.03	28.32
(2) Diluted			41.03	28.32

Notes forming part of the Financial Statements 1- 53

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, May 9, 2017

Jitendra Shah
Company Secretary

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, May 9, 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

PARTICULARS		2016-2017	2015-2016
	Rs.	Rs.	Rs.
(I) OPERATING ACTIVITIES			
(A) PROFIT BEFORE TAXATION		697,567,844	516,447,960
(B) ADJUSTMENTS :			
Add :			
(i) Depreciation and Amortisation	172,972,364		190,896,678
(ii) Provision for Diminution in value of Investment	2,046,000		1,944,000
(iii) Bad Debts	14,259,093		20,176,669
(iv) Loss on Assets sold	656,415		2,389,198
(v) Interest on Secured / Unsecured Loans	359,432		156,554
		190,293,304	215,563,099
		887,861,148	732,011,059
Less :			
(i) Investment Income included above :			
(a) Dividend	82,201,552		92,886,287
(b) Interest Received	16,911,888		2,329,490
	99,113,440		95,215,777
(ii) Surplus on Sale of Assets	2,424,536		31,345,348
(iii) Profit on Sale of Investment	104,035,221		9,358,064
(iv) Income Tax paid	189,092,821		131,515,723
		394,666,018	267,434,912
CASH FROM OPERATIONS		493,195,130	464,576,147
(C) (INCREASE) / DECREASE IN CURRENT ASSETS			
(i) Inventories	(163,937,614)		4,546,236
(ii) Sundry Debtors	192,893,483		231,511,254
(iii) Other Current Assets, Loans & Advances	(49,421,299)		18,756,797
		(20,465,430)	254,814,287
(D) INCREASE / (DECREASE) IN CURRENT LIABILITIES			
(i) Liabilities		(304,421,553)	(191,215,483)
		(324,886,983)	63,598,804
NET CASH FROM OPERATIONS		168,308,147	528,174,951

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017 (Contd.)

PARTICULARS	2016-2017	2015-2016
Rs.	Rs.	Rs.
(II) INVESTMENT ACTIVITIES		
(i) Investments, net.	(178,133,899)	(383,530,992)
(ii) Cash & Cash equivalents received on Amalgamation- Net of Amalgamation expenses	136,436,860	-
(iii) Capital Expenditure -Tangible Assets	(128,220,150)	(43,365,656)
(iv) Capital Expenditure -Intangible Assets	(13,851,769)	(7,766,799)
(v) Sale proceeds of Assets	2,801,769	36,257,207
	(180,967,189)	(398,406,240)
(vi) Investment Income :		
(a) Dividend	82,201,552	92,886,287
(b) Interest Received	16,911,888	2,329,490
	99,113,440	95,215,777
NET CASH FROM INVESTING ACTIVITIES	(81,853,749)	(303,190,463)
(III) FINANCING ACTIVITIES		
(i) Increase / (Decrease) in Secured Loans	-	-
(ii) Interest other than Borrowings	(359,432)	(156,554)
(iii) Dividend & Dividend Tax paid	(49,982,192)	(182,713,295)
NET CASH FROM FINANCING ACTIVITY	(50,341,624)	(182,869,849)
NET CHANGE IN CASH + CASH EQUIVALENTS (I + II + III)	36,112,774	42,114,639
Cash & Cash Equivalents as at 1-4-2016 (Opening Balance)	234,949,344	192,834,705
Cash & Cash Equivalents as at 31-3-2017 (Closing Balance)	271,062,118	234,949,344

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, May 9, 2017

Jitendra Shah
Company Secretary

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, May 9, 2017

NOTES

Note Nos. 1 - 53 annexed to and forming part of the Financial Statements for the year ended 31st March, 2017

	Rs.	As at 31 st March, 2017 Rs.	As at 31 st March, 2016 Rs.
NOTE 1 : SHARE CAPITAL :			
EQUITY SHARES :			
AUTHORISED :			
15,000,000 Equity Shares of Rs.10/- each		150,000,000	150,000,000
Add :			
15,000,000 Equity Shares of Rs.10/- each of Kirloskar RoadRailer Limited on Amalgamation		150,000,000	-
7,500,000 Equity Shares of Rs.10/- each of Pneumatic Holdings Limited on Amalgamation		75,000,000	-
		<u>375,000,000</u>	<u>150,000,000</u>
ISSUED AND SUBSCRIBED :			
12,844,338 Equity Shares of Rs. 10/- each		128,443,380	128,443,380
		<u>128,443,380</u>	<u>128,443,380</u>
PAID UP :			
12,844,338 Equity Shares of Rs.10/- each fully paid	128,443,380		128,443,380
Less : Cancelled on Amalgamation 7,007,551 Equity Shares of Rs. 10/- each fully paid	<u>70,075,510</u>	<u>58,367,870</u>	<u>-</u>
			128,443,380
Add: Share Capital Suspense Account 7,007,551 Equity Shares of Rs.10/- each fully paid issued and pending for allotment to Equity Shareholders of Pneumatic Holdings Limited pursuant to the Scheme of Arrangement & Amalgamation sanctioned by Honourable National Company Law Tribunal, Mumbai Bench on 19 th April, 2017.		70,075,510	-
Total		<u>128,443,380</u>	<u>128,443,380</u>

Rights attached to Equity Shares :

The Company has only one class of share capital, i.e. equity shares having face value of Rs.10/- per share.

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

Share Holding Details : Before cancellation and pending allotment of shares to shareholders of Pneumatic Holdings Limited

	Nos.	Nos.
Shareholder holding more than 5%		
a) Pneumatic Holdings Ltd	7,007,551 54.56%	6,994,176 54.45%
b) Kirloskar Industries Ltd.	1,186,866 9.24%	1,186,866 9.24%
*c) Reliance Capital Trustee Co. Ltd.	1,088,231 8.47%	1,098,303 8.55%
*d) HDFC Trustee Co. Ltd.	814,603 6.34%	802,202 6.25%
* Consolidated holding of all schemes		



		As at 31 st March, 2017 Rs.	As at 31 st March, 2016 Rs.
NOTE 2 :RESERVES AND SURPLUS :			
Capital Reserve :			
As per last Account	27,965		27,965
Add : On account of Amalgamation	702,011,135		-
Less : Adjustment on Amalgamation	702,039,100		-
		-	27,965
Securities Premium (Share Premium) Account :			
As per last Account		51,817,923	51,817,923
General Reserve :			
As per last Account	2,850,000,000		2,580,000,000
Less : Adjustment on Amalgamation	454,568,728		-
Less : Expenses of Amalgamation	6,238,218		-
Add : Set aside this year	510,806,946		270,000,000
		2,900,000,000	2,850,000,000
Surplus :			
As per last Account	185,046,058		199,396,763
Add : On account of Amalgamation - Pneumatic Holdings Limited	615,788,588		-
Add : On account of Amalgamation - Kirloskar RoadRailer Limited	(4,395,846)		-
Add : Transferred from Statement of Profit & Loss Account	526,978,421		363,788,121
	1,323,417,221		563,184,884
Less :			
Transfer to General Reserve	510,806,946		270,000,000
Interim Dividend to the shareholders of Pneumatic Holdings Limited	39,665,385		89,910,366
Proposed Dividend	-		-
Tax on Dividend	8,074,939		18,228,460
	558,547,270		378,138,826
		764,869,951	185,046,058
Total		3,716,687,874	3,086,891,946

NOTE 3 : OTHER LONG TERM LIABILITIES :

Deposits Received	4,684,697	6,301,968
Other Liabilities	-	-
Total	4,684,697	6,301,968

NOTE 4 : LONG TERM PROVISIONS :

Provision for Employee Benefits	53,052,097	45,375,461
Total	53,052,097	45,375,461

	Rs.	As at 31 st March, 2017 Rs.	As at 31 st March, 2016 Rs.
NOTE 5 : TRADE PAYABLES :			
(i) Due to Micro, Small and Medium Enterprises (see Note 41)	4,484,101		-
(ii) Other Trade Payables	942,899,464		935,491,723
		947,383,565	935,491,723
Total		947,383,565	935,491,723

NOTE 6 : OTHER CURRENT LIABILITIES :

Unpaid Dividends	18,199,104	17,725,095
Advances Received	117,146,274	148,666,144
Other Payables	529,212,065	476,159,675
Total	664,557,443	642,550,914

NOTE 7 : SHORT TERM PROVISIONS :

Provision for Employee Benefits	26,119,353	25,081,695
Provision for Income Tax	192,408,463	156,279,640
Proposed Dividend	-	-
Tax on Dividend	-	-
Total	218,527,816	181,361,335

NOTE 8 : TANGIBLE ASSETS :

PARTICULARS	TANGIBLE ASSETS								TOTAL	
	FREE HOLD LAND RS.	BUILDINGS RS.	PLANT & MACHINERY RS.	ELECTRICAL INSTALLATION RS.	OFFICE EQUIPMENTS RS.	FURNITURE & FIXTURE RS.	VEHICLE RS.	LEASE ASSET Vehicle RS.	AS AT 31/03/2017 RS.	AS AT 31/03/2016 RS.
GROSS BLOCK AT COST :										
As at 01/04/2016	2,164,553	389,861,686	1,308,359,681	44,455,616	42,348,906	51,046,770	91,202,007	-	1,929,439,219	1,941,368,193
Additions on account of Amalgamation	-	-	612,915	-	136,056	544,992	17,158,412	70,245,558	88,697,933	-
Additions	-	2,023,876	61,555,146	2,294,548	3,352,968	1,655,916	24,320,268	3,512,599	98,715,321	37,252,520
Deductions and adjustments	-	-	1,587,031	-	-	-	13,859,434	-	15,446,465	49,181,494
Cost As at 31/03/2017	2,164,553	391,885,562	1,368,940,711	46,750,164	45,837,930	53,247,678	118,821,253	73,758,157	2,101,406,008	1,929,439,219
DEPRECIATION :										
Up to 31/03/2016	-	114,454,490	942,739,535	24,169,934	33,077,964	34,876,714	60,633,714	-	1,209,952,351	1,098,648,405
Additions on account of Amalgamation	-	-	530,258	-	85,320	70,926	6,392,033	34,479,034	41,557,571	-
For the year	-	16,168,908	85,457,920	3,903,911	4,217,697	3,487,575	18,322,427	11,902,159	143,460,597	138,162,750
Impairment during the year	-	-	-	-	-	-	-	-	-	15,021,633
Deductions and Adjustments	-	-	876,616	-	-	-	13,536,201	-	14,412,817	41,880,437
Total up to 31/03/2016	-	130,623,398	1,027,851,097	28,073,845	37,380,981	38,435,215	71,811,973	46,381,193	1,380,557,702	1,209,952,351
NET BLOCK										
As at 31/03/2017	2,164,553	261,262,164	341,089,613	18,676,319	8,456,950	14,812,463	47,009,280	27,376,964	720,848,306	719,486,868
As at 31/03/2016	2,164,553	275,407,196	365,620,146	20,285,682	9,270,942	16,170,056	30,568,293	70,245,558	808,184,801	

a) Includes premises on Ownership basis in Co-operative Societies Rs. 844,900/- (Previous year Rs. 844,900/-)
For information on measurement basis, depreciation method used and useful lives (refer Note No. 52B)

**NOTE 9 : INTANGIBLE ASSETS :**

PARTICULARS	INTANGIBLE ASSETS		TOTAL	
	SOFTWARES	TECHNICAL KNOW HOW	AS AT 31/03/2017	AS AT 31/03/2016
	RS.	RS.	RS.	RS.
GROSS BLOCK AT COST :				
As at 01/04/2016	61,601,105	147,740,847	209,341,952	201,575,153
Additions on account of Amalgamation	52,000	-	52,000	-
Additions	4,348,331	9,503,438	13,851,769	7,766,799
Cost As at 31/03/2017	66,001,436	157,244,285	223,245,721	209,341,952
DEPRECIATION :				
Up to 31/03/2016	60,248,608	51,164,137	111,412,745	73,700,450
Additions on account of Amalgamation	22,512	-	22,512	-
For the year	2,463,597	27,048,170	29,511,767	37,712,295
Total up to 31/03/2017	62,734,717	78,212,307	140,947,024	111,412,745
NET BLOCK :				
As at 31/03/2017	3,266,719	79,031,978	82,298,697	97,929,207
As at 31/03/2016	1,352,497	96,576,710	97,929,207	

NOTE 10 : NON CURRENT INVESTMENTS (LONG TERM) :

			As at 31 st March, 2017	As at 31 st March, 2016
	Rs.	Rs.	Rs.	Rs.
INVESTMENTS AT COST :				
Government and Trust Securities				
Quoted :				
Unit Trust of India :				
201.988 units of Rs.10/- each in UTI Balanced fund (Growth)		8,063		8,063
6,861.125 (6,307.552) units of Rs.10/- each in UTI Balanced fund (Dividend Plan- Re-investment)		<u>132,813</u>		<u>116,854</u>
		140,876		124,917
3300 Master Shares of Rs.10/- each		<u>8,244</u>		<u>8,244</u>
			149,120	133,161
Equity Shares :				
Trade, Unquoted :				
Fully Paid Shares				
2 (1) Share of Rs. 100/- each in Kirloskar Proprietary Ltd.	62,034			100
9800 (-) Shares of Rs.10/- each in S L Kirloskar CSR Foundation	98,000			-
Carried Over Rs.	160,034		149,120	133,261

NOTE 10 : NON CURRENT INVESTMENTS (LONG TERM) : (Contd.)

	Rs.	Rs.	As at 31 st March, 2017 Rs.	As at 31 st March, 2016 Rs.
Brought Over Rs.	160,034		149,120	133,261
In Subsidiary Company:				
Kirloskar RoadRailer Limited				
Fully Paid Shares				
(-) 100,000 Equity Shares of Rs.10/- each	-			1,000,000
Partly paid Shares :				
(-) 14,900,000 Equity Shares of Rs.10/- each (Previous Year Rs. 3 paid)	-			44,700,000
			160,034	45,700,100
Other, Quoted :				
100,000 Shares of Rs.10/- each in The Mysore Kirloskar Ltd.	2,400,000			2,400,000
Less: Provision for diminution in value	(2,399,999)			(2,399,999)
		1		1
200 (-) Shares of Rs.10/- each in Kirloskar Industries Ltd.		5,867		-
46,990 Shares of Rs.2/- each in Housing Development Finance Corporation Ltd.		117,475		117,475
375,000 Shares of Rs.10/- each in Kirloskar Investment and Finance Ltd.	5,000,000			5,000,000
Less: Provision for diminution in value	(4,999,999)			(4,999,999)
		1		1
50,295 shares of Rs. 2/- each in ICICI Bank Ltd.		206,101		206,101
2,000,000 Shares of Rs.5/- each in Kirloskar Ferrous Industries Ltd.		20,000,000		20,000,000
2,500 Shares of Rs. 2/- each in HDFC Bank Ltd.		5,000		5,000
7,000 shares of Rs. 2/- each in Punjab National Bank		43,400		43,400
			20,377,845	20,371,978
Unquoted :				
- (1,272) Shares of Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.		-		833,984
56,250 Shares of Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.		1,120,932		1,120,932
1 Share of Rs. 100/- fully paid in The Nasik Merchants' Co-operative Bank Ltd.		100		100
62,500 Shares of Rs. 20/- each fully paid in The Cosmos Co-operative Bank Ltd.		1,250,000		1,250,000
Associate Company (Ceases to be an Associate Company wef 29 th Dec. 2016)				
225,000 (390,000) Equity Shares of Rs. 10/- each fully paid in Kirloskar Chillers Pvt.Ltd.		2,250,000		3,900,000
			4,621,032	7,105,016
In Debentures and Bonds :				
Quoted :				
\$ 25,000 12.5% Secured Redeemable Partly Convertible Debentures of Rs. 100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs. 44/- per Debenture - matured on 01.06.1998 awaiting realisation		1,100,000		1,100,000
Less: Provision for diminution in value		(1,099,999)		(1,099,999)
			1	1
		Total	25,308,032	73,310,256

**NOTE 10 : NON CURRENT INVESTMENTS (LONG TERM) : (Contd.)**

	Book Value as at		Market Value as at	
	31 st March, 2017	31 st March, 2016	31 st March, 2017	31 st March, 2016
	Rs.	Rs.	Rs.	Rs.
Quoted	20,526,966	20,505,140	282,107,804	157,409,107
Unquoted	4,781,066	52,805,116		
Total Rs.	<u>25,308,032</u>	<u>73,310,256</u>		
Aggregate provision for diminution in value	(8,499,997)	(8,499,997)		

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

	As at 31 st March, 2017	As at 31 st March, 2016
	Rs.	Rs.
Deferred Tax Assets	41,957,077	32,353,787
Deferred Tax Liabilities	3,530,075	19,532,826
(Refer Note no.48 A)		
Total	<u>38,427,002</u>	<u>12,820,961</u>

NOTE 12 : LONG TERM LOANS AND ADVANCES :**UNSECURED, GOOD :**

(Unless otherwise stated)

Advances to Suppliers of Capital Goods	4,003,747	5,620,800
Deposits	32,675,016	22,548,152
Other Loans and Advances	13,468,386	10,074,171
Total	<u>50,147,149</u>	<u>38,243,123</u>

NOTE 13 : OTHER NON CURRENT ASSETS :

Long Term Trade Receivables - Unsecured	6,127,650	5,314,174
Total	<u>6,127,650</u>	<u>5,314,174</u>

	As at 31 st March, 2017 Rs.	As at 31 st March, 2016 Rs.
NOTE 14 : CURRENT INVESTMENTS AT COST :		
Quoted :		
- (345,886.569) units of ICICI Prudential Liquid - Direct Plan Daily Div.	-	34,607,494
- (55,250.959) units of Reliance Money Manager Fund - Direct - Daily Div.	-	55,369,344
- (31,759.410) units of IDFC Cash Fund - Direct Daily Div.	-	31,776,766
- (73,947.212) units of DSP BlackRock Liquidity Fund Direct Daily Div.	-	73,971,691
- (51,198.055) units of Axis Liquid Fund Direct Daily Div.	-	51,214,605
- (2,995,865.705) units of Reliance Quarterly Interval Fund Series II Direct - Dividend	-	30,000,000
-(80,005.868) units of HSBC Cash Fund Direct Daily Div.	-	80,050,672
4,345,143.433 (4,345,143.433) units of Birla Dynamic Bond Fund Retail Qtr. Dividend	50,000,000	50,000,000
63,089.327 (128,133.606) units of SBI Premier Liquid Fund Direct Plan Daily Div.	63,294,361	128,550,040
590,663.352 (563,193.628) units of ICICI Prudential Money Market Fund Direct Daily Div.	59,151,096	56,400,181
7,591,777.253 (7,016,535.433) units of DSP BlackRock Ultra Short Term Direct Weekly Div.	76,129,720	72,233,089
5,389,980.754 (5,190,174.055) units of L & T Short Term Opportunities Fund Direct Monthly Div.	57,792,369	55,601,120
68,241.607 (64,826.682) units of SBI Ultra Short Term Debt Fund Direct Daily Div.	68,468,547	65,027,566
23,479.108 (22,197.389) units of UTI-Treasury Advantage Fund IP Direct Daily Div.	23,534,524	22,249,641
56,866.479 (54,245.861) units of UTI-Liquid Fund Cash Plan IP Direct Daily Div.	57,972,289	55,300,709
3,078,191.165 (2,911,574.325) units of Reliance Short Term Fund Direct Monthly Div.	33,859,469	31,996,189
9,900,944.76 (9,273,620.37) units of DSP BlackRock Banking & PSU Debt Fund Direct Weekly Div.	101,061,525	94,570,217
7,192,585.990 (6,776,526.192) units of Reliance Medium Term Fund Direct Daily Div.	122,963,731	115,850,814
639,875.897 (604,340.284) units of ICICI Prudential Flexible Income Direct Daily Div.	67,657,790	63,900,404
11,597,534.767 (6,078,345.841) units of ICICI Prudential Ultra Short Term Direct Daily Div.	117,290,698	61,430,194
	899,176,119	1,230,100,737
Carried Over Rs.	899,176,119	1,230,100,737


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

	As at 31 st March, 2017 Rs.	As at 31 st March, 2016 Rs.
Brought Over Rs.	899,176,119	1,230,100,737
7,562,928.360 (4,178,873.363) units of Reliance Banking & PSU Debt Fund Direct Weekly Div.	76,049,499	41,806,621
61,858.322 (58,358.291) units of UTI-Floating Rate Fund - STP Direct Daily Div.	66,613,853	62,844,742
3,089,464.421 (2,901,773.958) units of SBI Short Term Debt Fund Direct Weekly Div.	32,597,248	30,616,907
31,884.700 (30,244.124) units of SBI Treasury Advantage Fund Direct Daily Div.	32,083,327	30,425,185
3,997,761.254 (3,997,761.254) units of Reliance Yearly Interval Fund Series 1 Direct - Dividend	40,000,000	40,000,000
41,374.261 (39,304.177) units of HDFC Liquid Fund Direct Plan Daily Div.	42,194,308	40,083,186
5,013,403.666 (-) units of IDFC Ultra Short Term Fund Daily Dividend Direct Plan	50,691,026	-
5,109,505.199 (-) units of Axis Short Term Fund Direct Weekly Div.	52,373,198	-
3,303,964.758 (-) units of Axis Short Term Fund Direct Plan Growth	60,000,000	-
2,109,283.917 (-) units of Reliance Floating Rate Fund Short Term Plan - Direct - Growth	55,000,000	-
1,598,358.166 (-) units of Reliance Short Term Fund Direct Growth Plan	50,000,000	-
2,927,297.636 (-) units of HDFC Short Term Opportunities Fund Direct Plan Growth	50,000,000	-
7,117,772.868 (-) units of DSP BlackRock Short Term Fund - Direct Monthly Div.	81,364,931	-
1,635,831.248 (-) units of ICICI Prudential Banking & PSU Debt Fund - Direct Plan Growth	30,000,000	-
49,655.647 (-) units of Invesco India Ultra Short Term Fund Direct Plan Daily Dividend	50,597,392	-
3,042,415.069 (-) units of HSBC Income Fund Short Term Plan Growth Direct Plan	80,000,000	-
Less: Aggregate provision for diminution in value	(6,061,000)	(4,015,000)
Total	1,742,679,901	1,471,862,377

	Book Value as at 31 st March, 2017 Rs.	31 st March, 2016 Rs.	Market Value as at 31 st March, 2017 Rs.	31 st March, 2016 Rs.
Quoted	1,742,679,901	1,471,862,377	1,758,160,830	1,475,649,305
Unquoted	-	-		
Total Rs.	<u>1,742,679,901</u>	<u>1,471,862,377</u>		

	Rs.	As at 31 st March, 2017 Rs.	As at 31 st March, 2016 Rs.
NOTE 15 : INVENTORIES			
Raw Materials :		428,043,612	340,533,295
(Includes Rs. 1,204,149/- (Rs.1,665,159/-) in transit)			
Work-in-progress :		247,845,890	168,564,998
Finished Goods, at cost or net realisable value whichever is lower		40,292,803	43,806,478
Stores & Spares :		21,598,978	20,938,898
Total		737,781,283	573,843,669

NOTE 16 : TRADE RECEIVABLES : UNSECURED

Trade Receivables - Unsecured Considered Good

(a) Outstanding over six months	273,037,168	145,730,350
(b) Others	1,034,510,908	1,369,783,778
	1,307,548,076	1,515,514,128
Total	1,307,548,076	1,515,514,128

NOTE 17 : CASH AND BANK BALANCES :

Cash & Cash Equivalent :		
Cash on hand	544,338	308,980
Balances with Banks :		
In Current Accounts	184,328,367	216,915,269
In Fixed Deposits	67,990,309	-
	252,863,014	217,224,249
Earmarked Balances with Banks (for Unclaimed Dividend)	18,199,104	17,725,095
Total	271,062,118	234,949,344

NOTE 18 : SHORT TERM LOANS AND ADVANCES :

UNSECURED, GOOD :	117,712,251	113,832,892
(Unless otherwise stated)		
Total	117,712,251	113,832,892

NOTE 19 : OTHER CURRENT ASSETS :

Sundry Deposits	8,648,302	7,317,055
Balances with Central Excise	72,094,950	6,709,562
Taxes paid in Advance	190,254,974	148,395,558
Total	270,998,226	162,422,175



	Rs.	Current Year Rs.	Previous Year Rs.
NOTE 20 : REVENUE FROM OPERATIONS :			
Sale of Products		5,170,103,404	5,051,688,895
Works Contract Sale		70,085,387	70,450,230
Sale of Services		477,631,507	416,044,501
Lease Income		24,525,265	-
		<u>5,742,345,563</u>	<u>5,538,183,626</u>
Less : Excise Duty & Service Tax		452,251,437	449,405,036
Total		<u>5,290,094,126</u>	<u>5,088,778,590</u>

NOTE 21 : OTHER INCOME :

Dividend on Long Term Investments (Includes foreign dividend Rs.Nil /- Previous Year Rs. 816,975/-, Withholding tax Rs.Nil /- Previous Year Rs. 81,691/-)		1,340,984	24,418,760
Dividend on Current Investments		80,860,569	68,467,527
Interest Received (Gross) (Tax deducted Rs. 913,370/-, Previous Year Rs. 64,647/-)		16,911,888	2,329,490
Insurance Claim Received		117,923	390,444
Miscellaneous Receipts		31,453,030	44,880,926
Profit on Sale of Investments		104,035,221	9,358,064
Surplus on Sale of Assets		2,424,536	31,345,348
Bad Debts / Liquidated Damages Recovered		35,674,757	29,811,323
Total		<u>272,818,908</u>	<u>211,001,882</u>

NOTE 22 : COST OF MATERIALS CONSUMED :

Raw Materials (including components) consumed :			
Stocks at commencement	340,533,295		375,378,553
Add :Purchases	2,810,955,709		2,685,722,416
	<u>3,151,489,004</u>		<u>3,061,100,969</u>
Less :Stocks at close	428,043,612		340,533,295
		<u>2,723,445,392</u>	<u>2,720,567,674</u>
Total		<u>2,723,445,392</u>	<u>2,720,567,674</u>

	Rs.	Current Year Rs.	Previous Year Rs.
NOTE 23 : CHANGES IN INVENTORIES :			
(Increase) / Decrease in Stocks :			
Finished Goods			
Stocks at close	40,292,803		43,806,478
Stocks at commencement	43,806,479		56,707,185
		3,513,676	12,900,707
Work-in-Progress			
Stocks at close	247,845,890		168,564,998
Stocks at commencement	168,564,998		126,250,509
		(79,280,892)	(42,314,489)
Total		(75,767,216)	(29,413,782)

NOTE 24 : EMPLOYEE BENEFITS EXPENSES :

Salaries, Wages, Bonus, etc.	701,964,457	664,648,956
Incentive	18,834,878	21,567,961
Contribution to Provident and Other Funds, etc.	64,736,680	52,192,168
Welfare Expenses	91,109,460	81,175,180
Total	876,645,475	819,584,265

NOTE 25 : FINANCE COSTS :**Interest :**

Other than on Borrowings	359,432	156,554
Total	359,432	156,554

NOTE 26 : DEPRECIATION AND AMORTISATION EXPENSE :

Depreciation and impairment of tangible assets	143,460,597	153,184,383
Amortisation of intangible assets	29,511,767	37,712,295
Total	172,972,364	190,896,678



	Current Year Rs.	Previous Year Rs.
NOTE 27 : OTHER EXPENSES :		
Stores and Spares Consumed	104,086,777	99,972,752
Manufacturing Expenses	258,927,652	247,220,318
Power, Fuel and Water	81,978,353	83,610,966
Building Repairs	18,333,054	14,621,153
Machinery Repairs	42,747,977	36,572,335
Sundry Repairs	16,540,766	15,107,571
Rent	10,979,382	9,636,670
Rates and Taxes	8,001,170	7,767,227
Insurance	9,322,002	7,457,629
Commission and Discount	141,378,645	113,420,918
Royalty	15,966,621	15,123,900
Travelling Expenses	94,180,292	79,576,990
Excise Duty, net	13,337,049	10,854,689
Sales Tax	2,022,131	577,141
Postage, Telephones, Telex Expenses	21,176,297	19,248,192
Bank Charges	10,669,523	11,575,233
Freight Outward	33,206,288	29,081,692
Vehicle Expenses	16,125,855	21,566,649
Printing and Stationery	7,575,904	7,086,652
Legal and Professional Charges	59,001,648	45,030,918
Advertisement and Publicity Expenses	12,897,961	9,021,063
Donations	750,000	2,500,000
Auditors' Remuneration	2,402,695	2,279,727
Directors' Fees and Travelling Expenses	9,444,327	8,039,271
Director's Remuneration :		
Salary	43,915,000	35,100,000
Loss on Assets sold	656,415	2,389,198
Bad Debts and Sundry Debit Balances written off	14,259,093	20,176,669
Liquidated Damages	16,613,792	32,891,767
Adjustments to carrying amount of Investments	2,046,000	1,944,000
CSR Expenditure	8,539,354	10,018,519
Miscellaneous Expenses	90,607,720	82,071,314
Total	1,167,689,743	1,081,541,123

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017**28 Amalgamation of Kirloskar RoadRailer Limited and Pneumatic Holdings Limited with the Company.**

Pursuant to the Scheme of Arrangement and Amalgamation of the Kirloskar RoadRailer Limited (KRL), Pneumatic Holdings Limited (PHL), the Company (Kirloskar Pneumatic Company Limited - KPCL) and their respective Shareholders, sanctioned by the Honourable National Company Law Tribunal, Mumbai Bench on 19th April 2017, the Assets and the Liabilities of KRL and PHL are transferred to and vested in the Company with effect from 1st April, 2016, being the Appointed Date of the Scheme. The Scheme has accordingly been given effect to in these Accounts.

(a) Names and general nature of business of the Amalgamating Companies:

Kirloskar RoadRailer Limited, (CIN: U35990PN2008PLC132445), a Wholly Owned subsidiary of KPCL, incorporated under the Companies Act, 1956 having its registered office at Hadapsar Industrial Estate, Pune 411013, is in the process of setting up business of carrying on multimodal transport business using RoadRailer technology of the Company.

Pneumatic Holdings Limited, (CIN: L65993PN2014PLC152566), a Holding Company of KPCL, incorporated under the Companies Act, 2013 having its registered office at Survey No 13, 156 Kothrud, Pune 411038. The main operations of the Company are that of Investment and leasing. The source of revenue of PHL therefore, is in the form of dividends and lease rentals. The shares of PHL are listed on BSE Limited and National Stock Exchange of India Limited.

(b) Sailable features of the scheme :

Appointed date of Amalgamation of the scheme is 1st April, 2016.

Effective date of the Scheme is 28th April, 2017 being the date on which certified copy of the order of Honourable National Company Law Tribunal is filed with the Registrar of Companies by KRL, PHL & the Company. This date shall be a date of the Scheme becoming effective.

The entire Share Capital of KRL is held by KPCL, and hence pursuant to the Amalgamation, no shares of KPCL shall be allotted in respect of its holding in KRL. Upon the Scheme becoming effective, the entire Share Capital of KRL shall be cancelled.

Upon the Scheme becoming effective, the Equity Shares held by PHL in the Company shall stand cancelled as an integral part of the Scheme.

Upon the Scheme becoming effective, in respect of the amalgamation of PHL, the Company shall without any further application or deed, issue and allot shares, credited as fully paid-up, to the extent indicated below, to the shareholders of PHL, whose names appear in the Register of Members of PHL, on the Record Date to be fixed by the Board of Directors of the Company in the following proportion:

53 (Fifty Three) Equity Shares of Rs. 10 each fully paid up of KPCL for every 40 (Forty) Equity Shares of Rs. 10 each fully paid-up of PHL.

No fractional certificates shall be issued by the Company in respect of fractional entitlements, if any, to which the Equity Shareholders of PHL may be entitled. Instead the Board of Directors of the Company shall consolidate such fractions and issue consolidated Equity Shares to separate Trustees nominated by the Company in that behalf, who shall sell such shares in the market at such price and at such time, as the Trustees may deem fit, and distribute the net sale proceeds (after deduction of the expenses incurred) to shareholders of PHL, in proportion to their respective fractional entitlements.

The Scheme, upon becoming effective and w.e.f. the Appointed Date provides for the transfer to KPCL from KRL & PHL of the following :

Entire Undertaking(s).

All assets & properties.

Contracts, deeds, bonds, agreements, arrangements, assurances and other instruments of whatsoever nature.

All debts, liabilities, duties, obligations and encumbrances.

All legal proceedings whether by or against.

The Authorised Capital.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)**

The Scheme also provides for debiting all costs, charges and expenses of Amalgamation to General Reserve.

(c) Accounting treatment :

The amalgamation has been accounted for under the "Pooling of Interests" method as per Accounting Standard (AS-14) on "Accounting for Amalgamation" issued by the Institute of Chartered Accountants of India. Accordingly, the Accounting treatment has been given as under :

- (i) The Assets and Liabilities as at 1st April, 2016, have been incorporated in the Accounts of the Company at Book Value.
- (ii) The difference between the value of New Equity Shares to be issued by KPCL to the members of PHL and the value of Share Capital of PHL before the scheme coming into effect is debited to Capital Reserve Account. (Refer Note 2)
- (iii) The difference in the book value of investments of PHL held in KPCL and the face value of shares cancelled pursuant to Amalgamation is adjusted against Capital Reserve to the extent available and balance against General Reserve. (Refer Note 2)
- (iv) Income accruing and expenses incurred by KRL and PHL, during the period from 1st April, 2016 to 31st March, 2017, have been incorporated in these Accounts. All inter Company transactions and balances eliminated / extinguished. During this period, KRL and PHL carried on their existing businesses in trust for and on behalf of the Company.
- (v) Pursuant to the Scheme referred above, 7,007,551 Equity Shares of Rs. 10/- each fully paid of KPCL held by PHL get cancelled and reduced from Share Capital of the Company. (Refer Note 1)
- (vi) Pursuant to the Scheme referred above, 7,007,551 Equity Shares of Rs. 10/- each fully paid are to be allotted to the shareholders of PHL. The amount has been included in the "Share Capital Suspense" in Note 1.
- (vii) Pursuant to the Scheme referred above, Investment of the Company in Share Capital of KRL stands cancelled being wholly owned subsidiary.

29 Disclosure pursuant to Accounting Standard - 15 (Revised) " Employee Benefits" :**a. Defined Contribution Plans:**

Amount of Rs. 44,718,809 /- (Previous Year Rs. 39,554,538/-) is recognised as expense and included in "Employee Benefits Expenses" in Note 24 in the Profit and Loss Account.

b. Defined Benefit Plans:**i Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation :**

	2016-17 Rs.	2015-16 Rs.
	Gratuity	
a. Present value of Defined Benefit Obligation at the beginning of the year	160,648,010	154,463,829
b. Interest cost	11,997,385	11,361,962
c. Past service cost	-	2,136,430
d. Current service cost	11,774,987	12,808,940
e. Actuarial Losses / (Gains)	6,337,340	(3,710,688)
f. Benefits paid	17,594,679	17,595,293
g. Present value of Defined Benefit Obligation at the close of the year	173,163,043	159,465,180

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

	2016-17	2015-16
	Rs.	Rs.
ii	Changes in the fair value of Plan Assets and the reconciliation thereof:	

	Gratuity	
a. Fair value of Plan Assets at the beginning of the year	147,785,049	142,465,324
b. Add : Expected return on Plan Assets	11,621,527	12,245,544
c. Add / (Less) : Actuarial (Losses) / Gains	(1,529,157)	(2,286,530)
d. Mortality charges & Taxes	(82,895)	-
e. Add : Contributions	12,562,744	12,562,792
f. Less : Benefits Paid	17,594,679	17,595,293
g. Fair value of Plan Assets at the close of the year (includes Rs. 1.14 Lacs with trust, previous year Rs. 28.95 Lacs)	152,762,589	147,391,837

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

	Gratuity	
a. Present value of Defined Benefit obligation	173,163,043	159,465,180
b. Less : Fair value of Plan Assets - with LIC	152,648,738	144,496,788
c. Less : Fair value of Plan Assets - with Trust	113,851	2,895,049
d. Total Fair Value of Plan Assets	152,762,589	147,391,837
e. Net Liability / (Asset) recognised in the Balance Sheet	20,400,454	12,073,343

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

	Gratuity	
a. Current Service Cost	11,774,987	12,808,940
b. Past Service Cost	-	2,136,430
c. Interest Cost	11,997,385	11,361,962
d. Expected return on Plan Assets	11,621,527	12,245,544
e. Actuarial Losses / (Gains)	7,866,497	(1,424,158)
f. Effect of curtailment / settlement	-	-
g. Recognised in the Profit and Loss Account	20,017,342	12,637,630

- v Broad Categories of plan assets as at 31.03.17

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)2016-17
Rs.2015-16
Rs.

vi Actuarial Assumptions at the Balance Sheet date:

	Gratuity	
a. Discount Rate	6.80%	7.90%
b. Expected rate of return on Plan Assets	8.00%	8.75%
c. Salary Escalation rate	5.00%	5.00%

Particulars	For the year ended March 31, 2017 Rs.	For the year ended March 31, 2016 Rs.	For the year ended March 31, 2015 Rs.	For the year ended March 31, 2014 Rs.
Defined Benefit Obligation	173,163,043	159,465,180	154,463,829	162,682,659
Plan Assets	152,762,589	147,391,837	142,465,324	150,743,069
(Surplus) / Deficit	20,400,454	12,073,343	11,998,505	11,939,590
Experience Adjustment on plan liabilities (gain)/ loss	(898,510)	(4,613,682)	(2,672,445)	3,488,751
Experience Adjustment on plan assets (gain)/ loss	440,730	2,286,530	382,101	(252,902)

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

vii General Descriptions of significant Defined Benefit plans:

Gratuity Plan:

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

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)**30 Details of Segment Reporting:**

A.	Information about Business Segment - Primary (See Note below)	2016-17			2015-16		
		COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
Sr. No.	Particulars	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Segment Revenue						
	Sales	4,795,949,381	469,619,480	5,265,568,861	4,524,576,559	564,202,031	5,088,778,590
	Other	-	-	24,525,265	-	-	-
	Less: Inter Segment Revenue	-	-	-	-	-	-
	Net Revenue from Operations	4,795,949,381	469,619,480	5,290,094,126	4,524,576,559	564,202,031	5,088,778,590
2	Result						
	Segment Result	973,875,342	(110,418,146)	863,457,196	775,434,788	(72,177,831)	703,256,957
	Less: Unallocable Corporate Expenses (Net of Income)			165,529,920			186,652,443
	Operating Profit before Interest			697,927,276			516,604,514
	Less: Interest			359,432			156,554
	Profit before Tax			697,567,844			516,447,960
3	Other Information						
	Segment Assets	2,379,727,445	315,454,980	2,695,182,425	2,274,591,188	371,652,059	2,646,243,247
	Add: Unallocable common assets			2,999,727,445			2,367,352,519
	Total Assets			5,694,909,870			5,013,595,766
	Segment Liabilities	1,520,468,964	117,089,846	1,637,558,810	1,500,458,463	113,601,011	1,614,059,474
	Add: Unallocable common liabilities			250,646,808			197,021,927
	Total Liabilities			1,888,205,618			1,811,081,401
4	Capital Expenditure During the year	70,718,347	6,433,073	77,151,420	21,527,808	5,736,835	27,264,642
5	Depreciation and Impairment	81,820,551	44,114,491	125,935,042	108,818,164	65,323,208	174,141,372
	Add: Unallocable Depreciation			47,037,322			16,755,306
				172,972,364			190,896,679
B	Secondary Segment-Geographical by Customers						
1	Segment Revenue						
	In India			5,120,175,843			4,932,758,625
	Outside India			169,918,283			156,019,965
	Total			5,290,094,126			5,088,778,590

C Other Disclosures

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

Name of the Segment :	Comprises of :
a) Compression Systems	Air & Gas Compressors, Air conditioning & Refrigeration Compressors and Systems etc.
b) Transmission Equipments	Power Transmission Equipments (Torque Convertor) , Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.
- The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- The Accounting Policies of the Segments are the same as those described in the Significant Accounting Policy as referred in Note 52 to the Financial Statement.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

31 Disclosure of Transactions with Related Parties as required by the AS -18:

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

Names of Related parties

1) Holding Company	Pneumatic Holdings Ltd. *	
2) Subsidiary Company	Kirloskar RoadRailer Ltd. **	
3) Associate Company	Kirloskar Chillers Pvt . Ltd. (Up to 29 th December, 2016)	
4) Key Management Personnel	Mr Rahul C Kirloskar Mr Aditya Kowshik	Executive Chairman Managing Director
5) Relatives of Key Management Personnel	Mrs Alpana Rahul Kirloskar Mrs Suman C Kirloskar Mr Atul C Kirloskar Ms Alike Rahul Kirloskar Mrs Kavita Kowshik	Wife Mother Brother Daughter Wife
6) Enterprise over which key management personnel exercise control/significant influence	Kirloskar Integrated Technologies Pvt. Ltd. Alpak Investments Pvt. Ltd. Snow Leopard Momentum LLP GreenTek Systems India Ltd. Kirloskar Oil Engines Ltd. Kirloskar Chillers Pvt . Ltd. (From 30th December 2016) Kirloskar Energen Pvt. Ltd. Kloudq Technologies Ltd. Snow Leopard Global Technology LLP	

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

* Ceases to be holding company wef 1st April, 2016 in terms of Amalgamation of the Company with Kirloskar Pneumatic Company Limited while pursuant to the Scheme of Arrangement & Amalgamation sanctioned by Honourable National Company Law Tribunal, Mumbai Bench on 19th April, 2017.

** Ceases to be subsidiary company wef 1st April, 2016 in terms of Amalgamation of the Company with Kirloskar Pneumatic Company Limited while pursuant to the Scheme of Arrangement & Amalgamation sanctioned by Honourable National Company Law Tribunal, Mumbai Bench on 19th April, 2017.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)**(B) Related Party Transactions**

Amount in Rs.

Nature of Transaction	Year	Holding Company	Subsidiary Company	Fellow Subsidiary Company	Associate Company	Key Management Personnel	Relatives of Key Management Personnel	Enterprise over which key management personnel exercise control/significant influence	Total
Purchase of Goods/ Assets	2016-17	-	-	-	23,066,775	-	-	15,019,791	38,086,566
	2015-16	-	-	1,613,125	-	-	-	12,469,375	14,082,500
Sale of Goods / Assets	2016-17	-	-	-	933,857	-	-	287,385	1,221,242
	2015-16	-	-	-	805,847	-	-	-	805,847
Services Given	2016-17	-	-	-	1,263,007	-	-	-	1,263,007
	2015-16	-	-	-	28,090	-	-	-	28,090
Services Received	2016-17	-	-	-	325,000	54,803,350	300,000	184,152	55,612,502
	2015-16	-	-	-	-	43,905,516	300,000	-	44,205,516
Rent Received	2016-17	-	-	-	381,150	-	-	127,050	508,200
	2015-16	-	12,000	-	508,200	-	-	-	520,200
Dividend Received	2016-17	-	-	-	-	-	-	-	-
	2015-16	-	-	-	17,550,000	-	-	-	17,550,000
Rent Paid	2016-17	-	-	-	-	-	1,914,517	-	1,914,517
	2015-16	5,019,936	-	-	-	-	1,800,000	-	6,819,936
Dividend Paid	2016-17	-	-	-	-	-	-	-	-
	2015-16	83,930,112	-	-	-	1,386,948	2,642,832	600	87,960,492
Sale of Investments	2016-17	-	-	-	-	34,375,000	34,375,000	-	68,750,000
	2015-16	-	-	-	-	-	-	-	-
Balance Outstanding									
Receivable	2016-17	-	-	-	-	-	-	-	-
	2015-16	-	330,169,860	-	-	-	-	121,074	330,290,934
Payable	2016-17	-	-	-	-	23,500,000	300,000	5,171,429	28,971,429
	2015-16	-	-	-	-	16,500,000	300,000	2,464,647	19,264,647
Deposit receivable	2016-17	-	-	-	-	-	20,000,000	-	20,000,000
	2015-16	-	-	-	-	-	10,000,000	-	10,000,000
Deposit payable	2016-17	-	-	-	-	-	-	420,000	420,000
	2015-16	-	-	-	420,000	-	-	-	420,000
Investment	2016-17	-	-	-	-	-	-	2,250,000	2,250,000
	2015-16	-	45,700,000	-	3,900,000	-	-	-	49,600,000

Transactions entered into with Holding & Subsidiary Company during the year have got nullified upon giving effect to the order of Amalgamation.

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per note no 32 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.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

32 Managerial Remuneration :

Government of India, Ministry of Corporate Affairs has accorded its approval for waiver of recovery of Rs. 154.56 Lacs out of excess remuneration of Rs. 200.39 Lacs paid to the Executive Chairman during the years 2012-13, 2013-14 & 2014-15. Balance amount of Rs. 45.83 Lacs has been recovered and same is included in Miscellaneous Receipts in Note No. 21.

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

	2016-17			2015-16		
	Executive Chairman	Managing Director	Total	Executive Chairman	Managing Director	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Salary	12,000,000	7,650,000	19,650,000	12,000,000	6,000,000	18,000,000
House Rent Allowance	-	765,000	765,000	-	600,000	600,000
Commission	12,000,000	11,500,000	23,500,000	8,500,000	8,000,000	16,500,000
Contribution to Provident Fund, Superannuation and Gratuity :	2,856,712	2,715,500	5,572,212	2,540,000	2,120,000	4,660,000
Other perquisites	3,485,591	1,830,547	5,316,138	3,203,610	941,906	4,145,516
Gross Remuneration	30,342,303	24,461,047	54,803,350	26,243,610	17,661,906	43,905,516

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.

	2016-17	2015-16
	Rs.	Rs.
1 Net Profit as per Profit & Loss Account	697,567,844	516,447,960
2 ADD.		
Directors Remuneration	60,053,350	48,000,516
Loss on sale of Assets	652,331	2,389,198
	758,273,525	566,837,674
3 LESS		
Profit on sale of Assets & Investments	104,035,221	34,039,307
	104,035,221	34,039,307
Net Profit U/S 197	654,238,304	532,798,367
Maximum permissible Remuneration payable to Executive Chairman & Managing Director	65,423,830	53,279,837
Restricted to		
Executive Chairman	30,342,303	26,243,610
Managing Director	24,461,047	17,661,906
Maximum permissible Commission payable to Non Executive Directors	6,542,383	5,327,984
Restricted to	5,250,000	4,095,000

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)**33 Leases:**

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

- a. Payment under Lease / Leave and License for period :
 - 1) Not later than 1 year Rs. 7,248,326/- (Rs. 7,495,301/-)
 - 2) Later than 1 year but not later than 5 years Rs. 13,746,232/- (Rs. 3,504,060/-)
- b. There are no transaction in the nature of Sub Lease.
- c. Payments recognised in the Profit and Loss Account for the year ended 31st March, 2017 amounts to Rs. 10,979,382/- (Rs. 9,636,670/-)
- d. Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

34 Intangible assets:

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

35 Capital and other commitments:

	2016-17 Rs.	2015-16 Rs.
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	23,548,629	49,785,548
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 st March 2017.	874,391,301	703,530,045

36 Payment to Auditors (Net of Service Tax):

(a) As Auditors	1,944,250	1,933,875
(b) In Other Capacity		
For Tax Audit	303,000	300,000
For Certificates	122,725	-
	2,369,975	2,233,875
(c) For Expenses	32,720	45,852
	2,402,695	2,279,727

37 Proposed dividend:

Dividend recommended per share	10	-
Dividend %	100	-

The Dividend at the above rate shall also be payable on 7,007,551 shares to be allotted to the shareholders of PHL as on the Date to be fixed for the payment of Dividend.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

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

	2016-17 Rs.	2015-16 Rs.
Claims against the Company not acknowledged as Debts, estimated at	151,542,984	151,846,164
Disputed Central Excise Matters	3,124,091	3,124,091
Disputed Customs Matters	1,454,000	1,454,000
Disputed Sales Tax Demands	221,589,968	69,615,278
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	5,370,000	4,275,000

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

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

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

(A) Foreign Exchange Derivatives

Nature of Instrument	Currency	Sale / Purchase	31.03.2017	31.03.2016
Forward Contracts	GBP	Purchase	452,732	95,197
	EURO	Purchase	49,135	67,395
	USD	Purchase	24,494	266,515

(B) Exposure not hedged

Nature of Instrument	Currency	31.03.2017	31.03.2016
Receivable	USD	684,040	591,650
	GBP	-	39,000
Payable	USD	109,232	127,428
	GBP	77,935	30,404
	EURO	100,231	71,315
	JPY	-	269,994
	SEK	607,246	133,271

(C) Exchange differences on account of settlement / revalorization of foreign currency transactions in current account are included in Miscellaneous Receipts (Rs. 9,364,061/-, Previous Year Rs. 2,905,259/-) since such differences are in the nature of gain.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

40 Miscellaneous expenses includes prior period items of Rs. 1,885,701 /- (PY Rs. 1,173,426/-).

41 The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on this information total outstanding of Micro, Small and Medium Enterprises to whom the company owes dues as at 31st March, 2017 is Rs. 4,484,101/-. Estimated amount of interest calculated as per the provisions of the said Act which is accrued but not paid in respect of dues which are outstanding for more than 45 days is Rs. 70,000/-.

	2016-17	2015-16
	Rs.	Rs.
42 Details of Work-in-Progress		
Compression Systems	88,842,443	115,289,463
Gears	45,043,479	40,012,138
Others	113,959,968	13,263,397
	247,845,890	168,564,998
43 Value of Imports calculated on CIF basis		
Raw Materials	469,910,219	398,773,822
Components & Spares	29,114,781	44,066,260
Capital Goods	1,798,391	-
	500,823,391	442,840,082
44 Expenditure in Foreign Currencies (accrual basis) :		
(i) Royalty	2,476,077	1,706,798
(ii) Technical Knowhow	9,503,438	-
(iii) Professional Fees	8,230,795	6,502,605
(iv) Other matters	25,630,372	24,310,795
45 Details of raw material consumed		
Steel Bars and Plates	6,499,406	7,948,051
Pipes	12,172,349	8,173,313
Castings	47,442,635	37,240,295
Forgings	161,305,953	151,481,535
Foundry Raw material	18,293,443	19,377,097
Components	2,287,494,596	2,259,542,624
Others	190,237,010	236,804,759
	2,723,445,392	2,720,567,674

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

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

	2016-17		2015-16	
	Rs.	Percentage	Rs.	Percentage
Raw Material				
Imported	470,721,939	17.28	448,011,516	16.47
Indigenously obtained	1,930,752,635	70.89	1,963,020,486	72.15
	2,401,474,574	88.17	2,411,032,002	88.62
Spares				
Imported	51,105,820	1.88	55,186,113	2.03
Indigenously obtained	270,864,998	9.95	254,349,559	9.35
	321,970,818	11.83	309,535,672	11.38

	2016-17	2015-16
	Rs.	Rs.
47 Earnings in Foreign Currencies (accrual basis) :		
(i) F.O.B. Value of Exports	169,918,283	156,019,965
(ii) Dividend Received	-	816,975
(iii) Supervision Charges	4,323,107	9,489,204
(iv) Sale of Investment	3,394,205	-

48 A. Deferred tax asset / liability :

As required by Accounting Standard 22, "Accounting for taxes on Income", prescribed by Companies (Accounting Standards) Amendment Rules, 2009, the Company has recognised Deferred Taxes which result from the timing difference between the Book Profits and Tax Profits aggregating Rs. 13,410,577/- in the Profit and Loss Account, The details of which are as under.

Rupees			
Particulars	Balance as at 1 st April 2016	Arising During the Year	Balance as at 31 st March 2017
I. Deferred Tax Liabilities			
a. Depreciation	19,532,826	(10,532,543)	9,000,283
b. On Account of Amalgamation	(5,470,208)	-	(5,470,208)
Total			3,530,075
II. Deferred Tax Assets			
Disallowances under section 43b of the Income Tax Act	32,353,787	2,878,034	35,231,821
a. On Account of Amalgamation	6,725,256	-	6,725,256
Total			41,957,077
Net Deferred Tax Liability	(25,016,425)	(13,410,577)	(38,427,002)

B. Current Tax includes credit of Rs. 8,408,463/- (PY credit of Rs. 720,360/-) in respect of earlier years.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

- 49** Gross amount required to be spent by the Company on Corporate Social Responsibility during the year was Rs. 8,399,178/- (PY Rs. 9,866,086/-).

Amount spent during the year

Rupees				
	Particulars	In Cash	Yet to be paid in cash	Total
1	Construction / acquisition of any asset	Nil	Nil	Nil
2	On purpose other than (1) above			
	Direct Expenditure	3,039,354/- (PY 2,518,519/-)	Nil	3,039,354/- (PY 2,518,519/-)
	Contribution by way of Donation	5,500,000/- (PY 7,500,000/-)		5,500,000/- (PY 7,500,000/-)
	Total	8,539,354/- (PY 10,018,519/-)	Nil	8,539,354/- (PY 10,018,519/-)

- 50** Tangible Fixed Assets have been mortgaged to consortium of the banks as a security for working capital limits.
- 51** Disclosure of Specified Bank Notes (SBN) held and transacted during the period from 08 November 2016 to 30 December 2016 (As per the amendments notified under the Companies Act, 2013 by Ministry of Corporate Affairs dated 30 March 2017) :

			Rupees
Particulars	Specified Bank Notes (SBNs)	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	213,500	183,179	396,679
a) Withdrawn from Bank	-	1,691,000	1,691,000
b) Other Cash receipts	-	184,927	184,927
(+) Permitted receipts	-	1,875,927	1,875,927
(-) Permitted payments	-	(1,718,777)	(1,718,777)
(-) Amount deposited in Banks	(213,500)	-	(213,500)
Closing cash in hand as on 30.12.2016	-	340,329	340,329

52 Significant accounting policies**A. System of Accounting :**

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

B. Tangible assets

- (i) Tangible assets are carried at cost of acquisition or construction or at manufacturing cost in case of Company manufactured assets, less accumulated depreciation (except Freehold Land).
- (ii) Depreciation on Assets (other than Freehold Land) :
 - (i) With the commencement of the Companies Act, 2013, depreciation is being provided on straight line method according to the useful life prescribed on single shift working basis in Sch II of the Act



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

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.

- (ii) 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.
- (iii) Depreciation on Additions to Fixed Assets is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as per Note 2 of Sch II to Companies Act, 2013 in a manner stated above.
- (iv) Depreciation on Leased Assets is being provided over their useful lives as prescribed by Sch II to Companies Act, 2013 on written down value method.
- (v) 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.
- (vi) 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.
- (vii) Assets are reviewed for impairment annually, based on future economic useful life of assets. Impaired assets so identified are valued at recoverable cost.

C. Intangible assets :

Expenditure on acquiring Technical Know-how (intangible asset) is being amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on Additions to Software is being provided on pro-rata basis from the month of installation, over a period of one year. (Also see note no.34)

D. Investments :

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

E. Inventories :

Cost of inventories have been computed to include all costs of Purchase, Cost of Conversion and other costs incurred in bringing inventories to their present location and condition.

- (i) The Stocks of Raw Materials and Components, Stores and Spares are valued at cost calculated on Weighted Average basis.
- (ii) The Stocks of Work-in-Progress (including factory-made components) and Finished Goods are valued on the basis of Full Absorption Cost of attributable factory overheads or net realisable value, whichever is lower.
- (iii) Goods in Transit are stated at actual cost to the date of Balance Sheet.
- (iv) Jigs & Fixtures, Patterns and Dies are valued at Full Absorption Cost of attributable factory overheads and written off equally, over an estimated effective life of three years.
- (v) Unserviceable and Obsolete Raw Materials are valued at an estimated realisable value.
- (vi) Imported Materials lying in Bonded Warehouse, are valued at cost to the date of Balance Sheet.
- (vii) Excise / Customs Duty :

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

F. Foreign Currency Conversion :

a. Initial Recognition

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)

- of the transaction.
- b. Conversion
Current assets and current liabilities, Secured Loans designated in foreign currencies are revaloured at the rate prevailing on the date of Balance Sheet.
- c. Forward Contracts
Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts reduces the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose.
- G. Borrowing Cost :
Borrowing cost directly attributable to the acquisition / construction or production of qualifying asset are capitalised in the month in which the said asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognised as expense in the period in which these are incurred.
- H. Sales :
(i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, which generally coincides with the delivery to customers. Sales are stated net of discounts, rebates, returns etc.
(ii) Export Sales are accounted for on the basis of dates of Bills of Lading.
(iii) Construction Contract Sales :
In respect of Construction Contracts undertaken by the Company, the expenditure to the date of Balance Sheet on incomplete contracts wherein profit cannot be estimated reliably, is recognised as sales to the extent recoverable from the customer.
- I. Income Tax :
Tax Expense comprises both current and deferred tax. Provision for current tax is made on the basis of taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.
Deferred Tax resulting from timing difference between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystallise, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with virtual certainty that there would be adequate future taxable income against which deferred tax assets can be realised.
- J. Employee Benefits :
(A) Short term Employee Benefits :
All employee benefits payable within twelve months of rendering of the service are classified as short-term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, ex gratia etc. and are recognised in the period in which the employee renders the related service.
(B) Post Employment Benefits :
(i) Defined Contribution Plans :
The Company's approved superannuation scheme, State government provident fund scheme and employee state insurance scheme are defined contribution plans. The contribution paid / payable under the scheme is recognised during the period in which the employee renders the related service.
(ii) Defined Benefits Plans:
The employee's gratuity fund scheme, long term compensated absences are company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method, as at the date of the balance Sheet.
(iii) In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2017 (Contd.)**

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

K. Provisions :

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

53 Previous years figures are not comparable with those of the current year as current year figures includes effects of Amalgamation of Kirloskar RoadRailer Limited and Pneumatic Holdings Limited with the Company.

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

Jitendra Shah
Company Secretary

Suhas S. Kolhatkar
Vice President & Chief Financial Officer

Pune, May 9, 2017

Pune, May 9, 2017

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KIRLOSKAR PNEUMATIC CO. LTD.

A Kirloskar Group Company

Hadapsar Industrial Estate, Pune 411 013

Email: sec@kpcl.net; Website : www.kirloskarkpcl.com

CIN: L29120PN1974PLC110307

42ND ANNUAL GENERAL MEETING - 27TH JULY, 2017

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 42nd Annual General Meeting of the Company, to be held on Thursday, 27th July, 2017 at 3.00 p.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 :

Resolution No.	Resolution	Vote (Optional* see note 3)	
		For	Against
	ORDINARY BUSINESS		
1.	Adoption of Audited Financial Statements of the Company for the Financial Year ended 31 st March, 2017 and Report of Board of Directors and Auditors thereon.		
2.	Declaration of Dividend for the Financial Year ended 31 st March, 2017.		
3.	Re-appointment of Mr Vikram S Kirloskar (DIN 00007907), Director who retires by rotation.		
4.	Ratify appointment of M/s P G Bhagwat, Chartered Accountants as Statutory Auditors.		
	SPECIAL BUSINESS		
5.	Ratification of remuneration of M/s Sudhir Govind Jog, Cost Accountant as Cost Auditor.		
6.	Appointment of Mr Krishnamurthi Venkataramanan (DIN 0001647) as Independent Director.		

Signed this day of 2017

Signature of Member

Affix
Revenue
Stamp
Re. 1

Signature of Proxy holder

- 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.



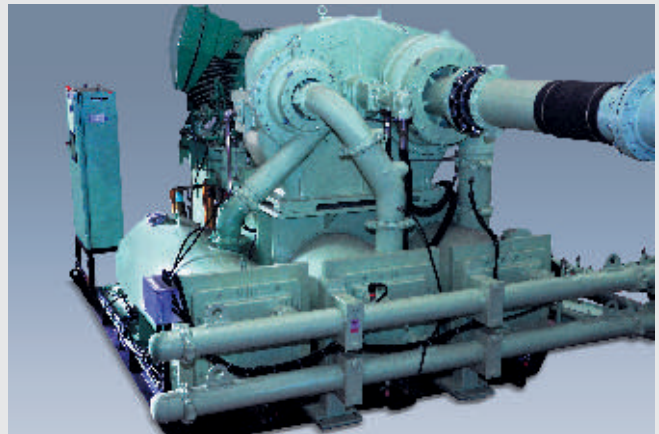
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Refrigeration System



CNG Package



Centrifugal Compressor - Air



Planetary Gearbox



Enriching Lives

KIRLOSKAR PNEUMATIC CO. LTD.

A Kirloskar Group Company

Regd. Office: Hadapsar Industrial Estate, Pune 411 013, INDIA.

Tel.: +91 (20) 2672 7000 Fax: +91 (20) 2687 0297

Email: sec@kpcl.net Website: www.kirloskarkpcl.com

CIN - L29120PN1974PLC110307