



Enriching Lives

**KIRLOSKAR PNEUMATIC CO. LTD.**

A Kirloskar Group Company

ANNUAL REPORT 2017-2018



**RISING TO A NEW WORLD**

We are witnessing the dawn of a new world, a world that is driven, connected and evolved by rapidly advancing technologies. That's why, we at Kirloskar, have already taken this crucial step towards the future by upgrading to smart factories. From equipping our products with state-of-the-art predictive and real-time monitoring systems to automating an inter-connected manufacturing process, we are gearing up to take customer experience to a whole new level. We are rising to a smart, efficient and connected world with customer satisfaction at the core.

Your company is harnessing real-time responsive technology by:

- real time Machine Monitoring Systems for critical applications.
- predicting the baseline signature of noise and vibration characteristics of KPCL supplied AC/Ref. plants for onboard application on Indian Naval warships.
- offering CMS (Conditioning & Monitoring Systems) solutions for vital health parameters.
- real Time Data Monitoring System for Web Enabled KPCL Centrifugal Compressor.



**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 Kumar Dua	
Mr. K. Venkataramanan	

**CHIEF FINANCIAL OFFICER**

Mr. Suhas S. Kolhatkar

**COMPANY SECRETARY**

Mr. Jitendra R. Shah

**AUDITORS**

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

**SECRETARIAL AUDITORS**

M/s. SVD & Associates  
Company Secretaries, Pune

**BANKERS**

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

**REGISTRAR & SHARE TRANSFER AGENT**

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

**REGISTERED OFFICE**

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

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Day & Date : Tuesday, 24 <sup>th</sup> July, 2018	Directors Report	10
Time : 03.00 p.m.	Report on Corporate Governance	46
Venue : S.M. Joshi Socialist Foundation (S. M. Joshi Hall) S.No. 191/192, Navi Peth, Near Ganjave Chowk, Pune 411 030	Management Discussions & Analysis	58
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Date of Book Closure : 18 <sup>th</sup> July, 2018 to 24 <sup>th</sup> July, 2018 (both days inclusive)		

## FINANCIALS AT A GLANCE

Rs in Million

Particulars	Ind AS		Indian GAAP							
	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Sales	6,064.40*	5,533.05*	5,088.78	4,409.59	5,099.27	5,488.09	6,666.14	4,917.32	4,532.80	5,184.82
Profit Before Tax	726.81	714.40	516.45	284.19	614.65	707.76	884.72	650.94	682.28	626.12
Profit After Tax	499.43	537.80	363.79	225.75	388.30	470.98	619.15	435.04	475.71	408.51
Dividend (%)	120.00	100.00	70.00	50.00	100.00	120.00	120.00	120.00	120.00	100.00
Dividend per share (₹)	12.00	10.00	7.00	5.00	10.00	12.00	12.00	12.00	12.00	10.00
Earning per share (₹)	38.88	41.87	28.32	17.58	30.23	36.67	48.20	34.19	37.29	32.48
Book Value Per Share (₹)	359.38	331.48	250.34	230.43	220.03	201.50	178.87	145.40	125.20	101.94
Share Capital	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44	128.44
Reserves and Surplus	4,487.48	4,129.07	3,086.89	2,831.24	2,697.66	2,459.63	2,168.98	1,739.12	1,479.67	1,180.94
Shareholders' Funds	4,615.92	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07	2,297.42	1,867.56	1,608.11	1,309.38
Loan Funds	6.88	-	-	-	-	-	62.55	184.88	300.52	376.95
Total Capital Employed	4,622.80	4,257.51	3,215.33	2,959.68	2,826.10	2,588.07	2,359.97	2,052.54	1,908.63	1,686.33
Net Block	748.09	793.65	817.42	970.59	1,139.07	1,020.38	905.86	847.82	724.10	478.95

\* Note :

- The Company transitioned into IND AS from 1<sup>st</sup> April, 2016.
- Sales include excise duty of Rs. 59 Million collected from Customers upto 30<sup>th</sup> June, 2017, i.e. till the date of implementation of GST (Previous year Rs. 388 Million for full year.)  
Sales net of excise duty is Rs. 6,005.40 Million (Previous year Rs. 5,145.05 Million).

### Green Initiative - Go Paperless!!!

Dear Shareholder(s),

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

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

Note :

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

**NOTICE OF 43<sup>RD</sup> ANNUAL GENERAL MEETING**

NOTICE is hereby given that the 43<sup>rd</sup> Annual General Meeting of the Members of Kirloskar Pneumatic Company Limited will be held on Tuesday, the 24<sup>th</sup> day of July, 2018 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 audited Financial Statement of the Company for the financial year ended 31<sup>st</sup> March, 2018 together with the Report of the Auditors' and Board of Directors thereon.
2. To declare dividend on equity shares for the financial year ended on 31<sup>st</sup> March, 2018.
3. To appoint a Director in place of Mr D R Swar (holding DIN 00007495), who retires by rotation and being eligible, offers himself for re-appointment.
4. Ratification of M/s P G Bhagwat (Firm Registration No. 101118W) Chartered Accountants as Statutory Auditors for Financial Year 2018-19 and further ratification, if so required under the Act.

**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. 6,00,000 (Rupees Six Lakhs only) to Company's Cost Auditor, M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant, for auditing the cost records maintained by the Company for the financial year ending on 31<sup>st</sup> March, 2019."

**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 Wednesday, 18<sup>th</sup> July, 2018, to Tuesday, 24<sup>th</sup> July, 2018 (both days inclusive) for the purpose of declaration of dividend and annual closing. The dividend, if declared at the Annual General Meeting will be paid to Members:
  - a) whose names appear as Beneficial Owners as at the end of the business hours on 17<sup>th</sup> July, 2018 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 17<sup>th</sup> July, 2018.

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, IFSC code, MICR code and Type of Account to M/s Link Intime India Pvt Ltd (LIPL) or to the Company. Shareholders holding shares in electronic form are requested to inform their Bank Account details to their respective Depository Participants. Those Members who do not opt for ECS facility may inform their details to LIPL for printing the same on the Dividend Warrants to ensure safety.
5. All documents referred to in the notice and the explanatory statement requiring the approval of the Members at the Meeting and other statutory registers shall be available for inspection by the Members at the Registered Office of the Company during normal business hours on all working days between 11.00 a.m. and 1.00 p.m. except Saturdays, from the date hereof up to the date of the Annual General Meeting.
6. In terms of the provisions of Section 124 of the Companies Act, 2013, the amount of dividend not encashed or claimed within seven (7) years from the date of its transfer to the unpaid dividend account, will be transferred to the Investor Education and Protection Fund (IEPF) established by the Government. Accordingly, the unclaimed dividend in respect of financial year 2010-11 is due for transfer to the said Fund in August, 2018.
7. Members who have neither received nor encashed their dividend warrant(s) for the financial years 2010-11 to 2017-18, 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, 2<sup>nd</sup> floor, Near Ganesh Temple, Off Dhole Patil Road, Pune 411001. Members holding shares in electronic form are requested to notify the changes in the above particulars, if any, directly to their Depository Participants (DP).
9. Equity shares of the Company are under compulsory demat trading by all investors. Considering the advantage of scripless trading, members are encouraged to consider dematerialization of their shareholding so as to avoid inconvenience in future.
10. Voting through electronic means for Annual General Meeting
  - I. Pursuant to provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and modifications and amendments thereof, and Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Company is pleased to provide Members facility to exercise their right to vote at the Annual General Meeting (AGM) by electronic means and the business may be transacted through e-Voting Services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).
  - II. The facility for voting through polling paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through polling paper.
  - III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
  - IV. The remote e-voting period commences on Saturday, 21<sup>st</sup> July, 2018 (9 a.m.) and ends on Monday, the 23<sup>rd</sup> July, 2018 (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 Tuesday, 17<sup>th</sup> July, 2018, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.



V. The process and manner for remote e-voting are as under:

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

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

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

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

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

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

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

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

4. Your User ID details are given below :

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

5. Your User ID details are given below :

- a. If you are already registered for remote e-Voting, then you can use your existing password to login and cast your vote.
- b. If you are using NSDL remote e-Voting system for the first time, you will need to retrieve the ‘initial password’ which was communicated to you. Once you retrieve your ‘initial password’, you need to enter the ‘initial password’ and the system will force you to change your password.
- c. How to retrieve your ‘initial password’?
  - i. If your email ID is registered in your demat account or with the company, your ‘initial password’ is communicated to you on your email ID. Trace the email sent to

you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.

- ii. If your email ID is not registered, your 'initial password' is communicated to you on your postal address.
6. If you are unable to retrieve or have not received the 'initial password' or have forgotten your password:
    - a) Click on "**Forgot User Details/Password?**" (If you are holding shares in your demat account with NSDL or CDSL) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
    - b) "**Physical User Reset Password?**" (If you are holding shares in physical mode) option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com).
    - c) If you are still unable to get the password by aforesaid two options, you can send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) mentioning your demat account number / folio number, your PAN, your name and your registered address.
  7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.
  8. Now, you will have to click on "Login" button.
  9. After you click on the "Login" button, Home page of e-Voting will open.

**Details on Step 2 is given below:**

#### **How to cast your vote electronically on NSDL e-Voting system?**

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

#### **General Guidelines for shareholders**

1. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution / Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail to [deulkarcs@gmail.com](mailto:deulkarcs@gmail.com) with a copy marked to [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)
2. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to



go through the “Forgot User Details / Password?” or “Physical User Reset Password?” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) to reset the password.

3. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for Shareholders and e-voting user manual for Shareholders available at the download section of [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or call on toll free no.: 1800-222-990 or send a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in)

- VI. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- VII. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on the cut-off date of Tuesday, the 17<sup>th</sup> day of July, 2018.
- VIII. Any person, who acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 17<sup>th</sup> July, 2018, may obtain the login ID and password by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or [pune@linkintime.co.in](mailto:pune@linkintime.co.in)

However, if you are already registered with NSDL for remote e-voting then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using “Forgot User Details / Password?” or “Physical User Reset Password?” option available on [www.evoting.nsdl.com](http://www.evoting.nsdl.com) or contact NSDL at the following toll free no.: 1800-222-990

- IX. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
  - X. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through polling paper.
  - XI. Mr. S V Deulkar of SVD & Associates, Company Secretaries, (Membership No. FCS: 1321) has been appointed as the Scrutinizer for providing facility to the members of the Company to scrutinize the voting and remote e-voting process in a fair and transparent manner.
  - XII. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of Scrutinizer, by use of “Polling Paper” for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
  - XIII. The Scrutinizer shall after the conclusion of voting at the AGM, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer’s report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
  - XIV. The Results declared alongwith the report of the Scrutinizer shall be placed on the website of the Company [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com) and on the website of NSDL [www.nsdl.co.in](http://www.nsdl.co.in) immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to BSE Limited, Mumbai.
11. Members are requested to sign at the place provided on the attendance slip and handover the same at the entrance of the Meeting.
  12. Queries on Accounts of the Company, if any, may please be sent to the Company Secretary at the Registered Office of the Company seven (7) days in advance of the Meeting so that the answers may be made available at the Meeting.
  13. Members are requested to bring their personal copy of the Annual Report to the Meeting.
  14. With a view to using natural resources responsibly, we request shareholders to update their email address with their Depository Participants to enable the Company to send communications electronically.

15. The Annual Report 2017-18 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 2017-18 are being sent by the permitted mode.

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

Mr D R Swar is liable to retire by rotation and being eligible, offers himself for re-appointment. Pursuant to Regulation 36 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, particulars of the aforesaid Director are mentioned below:

Mr D R Swar (DIN 00007495) was appointed as a Director on the Board w.e.f. 25<sup>th</sup> April, 2009.

Mr D R Swar is a graduate in Mechanical Engineering. Besides being a qualified Engineer, he holds Diploma in Purchasing Management from American Society and Diploma in Material Management and Production Management, both from Jamanalal Bajaj Institute of Management.

He started his career with Mahindra & Mahindra, and then worked with Greaves Cotton Co. Ltd, where he predominantly worked in Vendor Development / Purchase and Materials Management. He joined Kirloskar Oil Engines Limited (KOEL) in 1987 and worked for 20 years in various senior positions, out of which last seven years as Executive Director.

He has expertise in areas such as purchase, vendor developments, materials management and manufacturing and overall business operations. In KOEL, he implemented cost reduction programs vigorously. His efforts in productivity improvement, cost reduction, introductions of new concepts in manufacturing paid rich dividends to KOEL. He is also on the Board of Kirloskar Integrated Technologies Pvt. Ltd.

Mr D R Swar does not hold any shares in the Company as on 31<sup>st</sup> March, 2018. None of the Directors or Key Managerial Personnel or their relatives other than Mr D R Swar 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 : 26<sup>th</sup> April, 2018

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 26<sup>th</sup> April, 2018, based on the recommendation of the Audit Committee, had appointed M/s Sudhir Govind Jog, a proprietary firm of Cost Accountants as Cost Auditors of the Company for auditing the cost records maintained by the Company for the financial year ending on 31<sup>st</sup> March, 2019 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.

Registered Office :  
Hadapsar Industrial Estate,  
Pune 411 013  
Date : 26<sup>th</sup> April, 2018

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 31<sup>st</sup> March, 2018.

### FINANCIAL RESULTS

First time adoption

Your Company has for first time adopted Indian Accounting Standards (IND AS) while preparing its Financial Statements for the financial year 2017-18 and accordingly corresponding previous year's figures were restated with a transition date as 1<sup>st</sup> April, 2016. The Financial Statements are prepared in terms of the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

The financial results for the year ended 31<sup>st</sup> March, 2018 are summarized below:

	Amount in Million	
	2017-18	2016-17
Total Income	<b>6227.75</b>	5813.17
Profit before tax	<b>726.81</b>	714.40
Tax Expense (Current & Deferred tax)	<b>227.38</b>	176.60
Profit after tax	<b>499.43</b>	537.80
Other Comprehensive Income / (Loss)	<b>38.27</b>	258.06
Total Comprehensive Income for the year, net of tax	<b>537.70</b>	795.86
Transferred to General Reserve	<b>324.71</b>	510.81

### FINANCIAL PERFORMANCE

Your Company achieved total revenue of Rs. 6,227.75 Million for the financial year 2017-18, against last year's Rs. 5,813.17 Million an increase of 7.13%. Your company earned a net profit of Rs. 499.43 Million, against last year's Rs. 537.80 Million which included income of Rs. 101.48 Million from sale of Investments.

### SHARE CAPITAL

Pursuant to 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"), 7,007,551 equity shares held by Pneumatic Holdings Limited in the Company got cancelled on account of cross holdings. Further, 7,007,551 equity shares of Rs. 10/- each were allotted as on 30<sup>th</sup> May, 2017 to the shareholders of Pneumatic Holdings Limited, who were the shareholders on the record date i.e. 23<sup>rd</sup> May, 2017 in the ratio of 53 fully paid equity shares of Rs. 10/- each of Kirloskar Pneumatic Company Limited for every 40 fully paid equity shares held by the shareholders in erstwhile Pneumatic Holdings Limited as on the record date. As a result thereof, there was no change in total paid-up share capital of the Company.

### SCHEME OF ARRANGEMENT AND AMALGAMATION

In terms of the said Scheme, all fractional entitlements have been consolidated in aggregating to 5,821 equity shares which were allotted to the persons appointed as Trustees for this purpose. These 5,821 equity shares were sold in the market. The net sale proceeds thereof at the rate of Rs. 1,014/- per equity share in proportion to the fractional entitlement along with proportionate dividend at the rate of Rs. 10/- per equity share (received on 5,821 equity shares in August 2017) has been paid to the respective shareholders of erstwhile Pneumatic Holdings Limited who were the Shareholders as on the record date i.e. 23<sup>rd</sup> May, 2017. This payment was made on 3<sup>rd</sup> March, 2018.

**JOINT VENTURE**

During the year under review, a Joint Venture Company namely 'Kirloskar AECOM Private Limited' (hereinafter referred to as 'KAPL') was incorporated on 10<sup>th</sup> February, 2018 to carry on business of Air Quality Control Systems. This joint venture is with AECOM India Private Limited, a group company of AECOM, USA.

During the year under review, KAPL has not started any commercial operations.

During the year under review, the Company has paid for the expenses towards incorporation of KAPL and the same being reflected in its financial statement as due from KAPL.

Pursuant to the provisions of Section 2(41) of the Companies Act, 2013, the financial year of every company is 31<sup>st</sup> March of every year. However, where a Company has been incorporated on or after the 1<sup>st</sup> January of a year, the first financial year of that Company means the period ending on 31<sup>st</sup> March of the following year and accordingly the Financial Statements of that Company shall be made up. Therefore, the first financial year of KAPL will end on 31<sup>st</sup> March, 2019 and accordingly its first Financial Statements will be made up.

In view of the same, please refer note 47 as it appears in the Financial Statement of the Company.

**DIVIDEND**

The Board of Directors have recommended a dividend of Rs. 12/- (120%) per equity share of Rs. 10/- each for the year ended 31<sup>st</sup> March, 2018.

**AWARDS**

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

- CII - 18<sup>th</sup> National award for excellence in energy management.
- Kirloskar Group ENCON award
  - 3<sup>rd</sup> prize to Hadapsar plant in energy efficient unit - large plant category
  - 3<sup>rd</sup> prize to Saswad plant in energy efficient unit - medium plant category

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

- Awards in the 31<sup>st</sup> National Convention on Quality Concepts – NCQC 2017 organised by QCFI
  - 3 Nos. "Excellence Award Trophy"
- Awards in the 32<sup>nd</sup> National Convention on Quality Concepts – CCQC 2017 organised by QCFI
  - 1 No. "Gold Trophy"
  - 2 Nos. "Silver Trophy"
- Awards in the 13<sup>th</sup> Kaizen Competition - Maharashtra State Level 2017 organised by CII
  - 1 No. "Appreciation Award"
- CII HR Excellence Award
  - 'Significant Achievement in HR Excellence' at the 8<sup>th</sup> CII HR Excellence Award Confluence.

**PARTICULARS OF LOANS GUARANTEES AND INVESTMENTS**

No Loans, Guarantees covered under the provisions of Section 186 of the Companies Act, 2013 are given / provided / made during the reporting year except expenditure incurred for formation of KAPL which are receivable from it.

During the reporting year, your Company has agreed to subscribe for 160,000/- (50%) equity shares of KAPL but amount has not been paid till 31<sup>st</sup> March, 2018.

## DIRECTORS

### i. CHANGES IN COMPOSITION OF THE BOARD OF DIRECTORS

During the reporting year, Mr Krishnamurthi Venkataramanan appointed as an Independent Director in the last Annual General Meeting held on 27<sup>th</sup> July, 2017.

Mr D R Swar, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

### ii. CHANGES IN KMP

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

### iii. DECLARATION FROM INDEPENDENT DIRECTORS

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.

### iv. 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.

### v. 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". The same is available on the website of the company namely [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

### vi. NUMBER OF MEETINGS OF THE BOARD

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

### vii. COMPOSITION OF AUDIT COMMITTEE

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

**viii. DIRECTORS' RESPONSIBILITY STATEMENT**

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

- a) In the preparation of the annual accounts, the applicable Indian Accounting Standards (IND AS) have been followed and there have been no material departures;
- b) Accounting policies as mentioned in the financial statements have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> March, 2018 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.

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

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

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

All Related Party Transactions have been placed before the Audit Committee for their approval and to the Board, as and when required.

In certain cases, prior omnibus approval of the Audit Committee is obtained on a yearly basis. The transactions entered into pursuant to the omnibus approval so granted are reviewed by the Audit Committee on a quarterly basis.

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

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

**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.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

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

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

## AUDITORS

### a) STATUTORY AUDITORS

The Auditors of the Company, M/s P G Bhagwat, Firm Registration No. 101118W, Chartered Accountants, Pune, were appointed for a period of five years in 41<sup>st</sup> Annual General Meeting subject to ratification at the 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 43<sup>rd</sup> 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 2018-19 on a remuneration of Rs. 0.6 Million.

As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a resolution seeking Members' ratification for the remuneration payable to M/s Sudhir Govind Jog, a proprietary firm of Cost Accountant for the year ended on 31<sup>st</sup> March, 2019 is included at Item No. 5 of the Notice convening the 43<sup>rd</sup> Annual General Meeting.

### c) SECRETARIAL AUDIT

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

## SECRETARIAL STANDARDS

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

## CORPORATE GOVERNANCE

The Company endeavors to maximize the wealth of the shareholders by managing the affairs of the Company with pre-eminent level of accountability, transparency and integrity. A report on Corporate Governance including the



relevant Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Regulation 34 (3) read with Part E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 along with Management Discussion and Analysis is annexed and forms part of the Annual Report.

## 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".

## 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.

Your Company has contributed an amount of Rs. 5 Million by way of donation to the Corpus Fund of Kirloskar Institute of Advanced Management and Studies for promoting education.

Your Company has provided preventive eye care to 18,079 school students from nearby 19 schools and junior colleges in the vicinity of Hadapsar Plant and Saswad Plant. Free spectacles were given for the needy thus improving vision of 1,857 students. Additionally, 786 teachers from 13 schools underwent preventive health check as a part of School Health Initiative project.

Sanitation, being a national agenda, your Company has taken initiative to create awareness about WaSH (water, sanitation and hygiene) among 18,034 school students from 28 nearby schools by deploying 156 employee volunteers and training these volunteers to implement various WaSH modules throughout the academic year.

To create awareness about HIV AIDS amongst different sections of the society your Company's DISHA project reached out to 37,112 members of the general community including secondary school and junior college students.



### 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 Report on Corporate Governance.

## **FIXED DEPOSIT**

Your Company has discontinued accepting fixed deposits since 2001-02. As such, as of 31<sup>st</sup> March, 2018 there are no fixed deposits outstanding.

## **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 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 Internal Committee (IC) is formed as per the requirement of the law. IC meets every quarter and submits the minutes of meeting to the employer i.e. Managing Director. During the reporting year, five such meetings were conducted and two complaints were raised and disposed off.

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

- included a PoSH Awareness Module in its employee induction program.
- nine workshops were conducted in 2017-18 for 250 participants.
- e-learning Module for 85 participants.

## **EMPLOYEES**

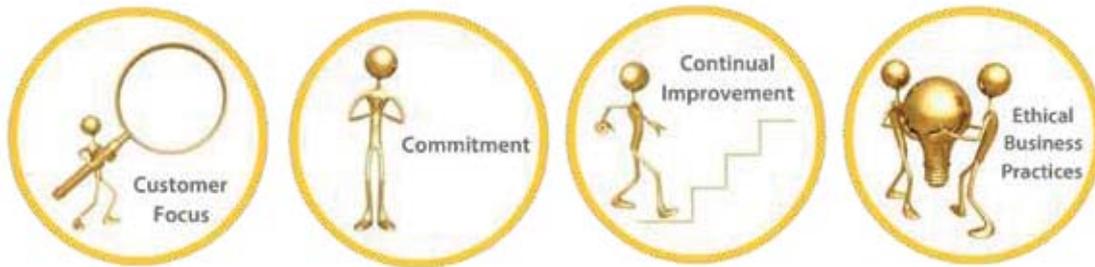
Your Company has taken several initiatives for Human Resource development and retention. Manpower is classified under Frontend, Internal and Support functions for better customer reach and support. Assessment of



Values & Leadership Competencies, identifying training needs through the 70-20-10 format, career counseling and Management Development Programs are some of the initiatives adopted by your Company. Training 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 17 out of the 24 engagement drivers.

Your Company has 761 permanent employees on its rolls as on 31<sup>st</sup> March, 2018.

## 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 : 26<sup>th</sup> April, 2018

## 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.

For Kirloskar Pneumatic Co. Ltd.

sd/-

**Rahul C Kirloskar**  
(Executive Chairman)  
DIN 00007319

**Annexure “2” to the Board’s Report****SVD & ASSOCIATES  
COMPANY SECRETARIES**

4th Floor, Vedwati Apartments, Shivajinagar, Pune – 411005

Ph. : 020 69000666, E-mail: deulkarcs@gmail.com

**Form No. MR-3  
SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31<sup>st</sup> March, 2018**

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

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2018 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2018 according to the provisions of:

- (i) The Companies Act, 2013, the Companies Amendment Act, 2017 (the Act) and the rules made thereunder (in so far as they are made applicable);
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of FDI;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (**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 **(not applicable to the Company during the Audit Period);**
  - (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 generally sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

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

- i. The National Company Law Tribunal has vide its Order dated 19<sup>th</sup> April, 2017 sanctioned the Scheme of arrangement and amalgamation between Kirloskar RoadRailer Limited (the Transferor Company I) and Pneumatic Holdings Limited (Transferor Company II) and Kirloskar Pneumatic Company Limited (Transferee Company) and their respective shareholders.
- ii. The Company has incorporated a Joint Venture Company Kirloskar AECOM Private Limited on 10<sup>th</sup> February, 2018.

**For SVD & Associates**

Company Secretaries

sd/-

**S. V. Deulkar**

Partner

FCS No: 1321

C P No: 965

Place : Pune

Date : 26<sup>th</sup> April, 2018

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,  
The 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 : 26<sup>th</sup> April, 2018

For **SVD & Associates**  
Company Secretaries  
sd/-  
**S. V. Deulkar**  
Partner  
FCS No: 1321  
C P 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 <sup>th</sup> 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 - 020 - 26727000 Fax: +91 - 020 - 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 - 020 - 26161629 / 26160084 Fax: +91 - 020 - 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:

Sl. 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	92.99
2.	Transmission Segment Gears and Gear boxes	28140	6.81

\* 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.	*Kirloskar AECOM Pvt Ltd Office # 104, 1st Floor, Tower P3, Pentagon, Magarpatta City, Pune 411028	U74999PN2018PTC174678	*Associate	50.00%	2(6)

Notes :

\* Kirloskar AECOM Pvt Ltd, a Joint Venture Company was incorporated on 10<sup>th</sup> February, 2018 for carrying out the Air Quality Control System business in India.


**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	
<b>A. Promoters*</b>									
<b>(1) Indian</b>									
a) Individual / Hindu Undivided Family	537,157	Nil	537,157	4.18	5,611,441	Nil	5,611,441	43.69	39.51
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	8,195,917	Nil	8,195,917	63.81	1,292,611	Nil	1,292,611	10.06	(53.75)
e) Banks / Financial Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Sub-total (A) (1)</b>	<b>8,733,074</b>	<b>Nil</b>	<b>8,733,074</b>	<b>67.99</b>	<b>6,904,052</b>	<b>Nil</b>	<b>6,904,052</b>	<b>53.75</b>	<b>(14.24)</b>
<b>(2) Foreign</b>									
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
<b>Sub-total (A) (2)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>Total Shareholding of Promoter (A) = (A)(1) + (A)(2)</b>	<b>8,733,074</b>	<b>Nil</b>	<b>8,733,074</b>	<b>67.99</b>	<b>6,904,052</b>	<b>Nil</b>	<b>6,904,052</b>	<b>53.75</b>	<b>(14.24)</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	2,317,294	7,375	2,324,669	18.10	2,749,938	5,100	2,755,038	21.45	3.35
b) Banks / Financial Institutions	443	503	946	0.01	793	550	1,343	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	20,162	5,450	25,612	0.20	340,472	5,450	345,922	2.69	2.49
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	10,000	Nil	10,000	0.08	203,467	Nil	203,467	1.58	1.50
<b>Sub-total (B)(1)</b>	<b>2,347,899</b>	<b>13,328</b>	<b>2,361,227</b>	<b>18.38</b>	<b>3,294,670</b>	<b>11,100</b>	<b>3,305,770</b>	<b>25.74</b>	<b>7.36</b>
<b>2. Non-Institutions</b>									
(a) Bodies Corporate	376,755	13,228	389,983	3.04	254,077	11,260	265,337	2.07	(0.97)
(i) Indian	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(ii) Overseas	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) Individuals									
(i) Individual shareholders holding nominal share capital up to Rs. 1 Lakh	716,748	384,830	1,101,578	8.58	1,336,678	564,381	1,901,059	14.80	6.22
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1 Lakh	213,524	Nil	213,524	1.66	286,239	Nil	286,239	2.23	0.57
c) Others (specify)									
a) NRI	40,229	265	40,494	0.32	45,787	4,916	50,703	0.39	0.07
b) Clearing Members	4,457	Nil	4,457	0.03	5,556	Nil	5,556	0.04	0.01
c) Trusts	1	Nil	1	0.00	9,358	Nil	9,358	0.07	0.07
d) Enemy Property	Nil	Nil	Nil	Nil	421	Nil	421	0.00	0.00
e) IEPF	Nil	Nil	Nil	Nil	115,843	Nil	115,843	0.90	0.90
<b>Sub-total (B)(2)</b>	<b>1,351,714</b>	<b>398,323</b>	<b>1,750,037</b>	<b>13.62</b>	<b>2,053,959</b>	<b>580,557</b>	<b>2,634,516</b>	<b>20.51</b>	<b>6.89</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>3,699,613</b>	<b>411,651</b>	<b>4,111,264</b>	<b>32.01</b>	<b>5,348,629</b>	<b>591,657</b>	<b>5,940,286</b>	<b>46.25</b>	<b>14.24</b>
<b>C. Shares held by custodian for GDRs &amp; ADRs</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>Grand Total (A+B+C)</b>	<b>12,432,687</b>	<b>411,651</b>	<b>12,844,338</b>	<b>100.00</b>	<b>12,252,681</b>	<b>591,657</b>	<b>12,844,338</b>	<b>100.00</b>	<b>Nil</b>

\* 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	7,007,551	54.56	0.00	0.00	0.00	0.00	(54.56)
2	Kirloskar Industries Ltd	1,186,866	9.24	0.00	1,284,598	10.00	0.00	0.76
3	Mr Gautam Achyut Kulkarni J/w Mrs Jyotsna Gautam Kulkarni	135,522	1.06	0.00	0.00	0.00	0.00	(1.06)
4	Mr Rahul C Kirloskar J/w Mrs Alpana Rahul Kirloskar <sup>3</sup>	115,309	0.90	0.00	1,492,965	11.62	0.00	10.72
5	Mr Atul C Kirloskar J/w Mrs Arti Atul Kirloskar <sup>3</sup>	114,330	0.89	0.00	1,491,344	11.61	0.00	10.72
6	Mrs Alpana Rahul Kirloskar J/w Mr Rahul C Kirloskar <sup>3</sup>	93,754	0.73	0.00	396,374	3.09	0.00	2.36
7	Mrs Arti Atul Kirloskar J/w Mr Atul C Kirloskar <sup>3</sup>	40,000	0.31	0.00	342,062	2.66	0.00	2.35
8	Mrs Jyotsna Gautam Kulkarni J/w Mr Gautam Achyut Kulkarni	25,125	0.20	0.00	0.00	0.00	0.00	(0.20)
9	Miss Alika 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 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 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 <sup>3</sup>	50	0.00	0.00	116	0.00	0.00	0.00
15	Navsai Investments Pvt Ltd <sup>3</sup>	50	0.00	0.00	116	0.00	0.00	0.00
16	Achyut and Neeta Holdings and Finance Pvt Ltd <sup>3</sup>	50	0.00	0.00	6,431	0.05	0.00	0.05
17	Miss Gauri Atul Kirloskar J/w Mr Atul C Kirloskar	33	0.00	0.00	33	0.00	0.00	0.00
18	Mr Atul Kirloskar J/w Mrs Arti Kirloskar <sup>3</sup>	0	0.00	0.00	496	0.00	0.00	0.00
19	Mr Vikram Shreekant Kirloskar J/w Ms Mrinalini Shreekant Kirloskar J/w Mr Atul Chandrakant Kirloskar <sup>3</sup>	0	0.00	0.00	5,971	0.05	0.00	0.05
20	Ms Mrinalini Shreekant Kirloskar J/w Mrs Roopa Jayant Gupta <sup>3</sup>	0	0.00	0.00	1,216	0.01	0.00	0.01
21	Ms Suman Chandrakant Kirloskar <sup>3</sup>	0	0.00	0.00	548	0.00	0.00	0.00
22	Mr Alok Kirloskar J/w Mr Sanjay Chandrakant Kirloskar <sup>3</sup>	0	0.00	0.00	545	0.00	0.00	0.00
23	Mr Rahul Chandrakant Kirloskar <sup>3</sup>	0	0.00	0.00	495	0.00	0.00	0.00

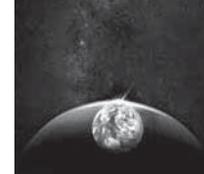
Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total shares of the company	% of Shares Pledged / encumbered to total shares	
24	Mr Sanjay Chandrakant Kirloskar J/w Mrs Pratima Sanjay Kirloskar <sup>3</sup>	0	0.00	0.00	365	0.00	0.00	0.00
25	Mr Sanjay Chandrakant Kirloskar	0	0.00	0.00	266	0.00	0.00	0.00
26	Ms Suman Chandrakant Kirloskar J/w Mr Sanjay Chandrakant Kirloskar J/w Mr Rahul Chandrakant Kirloskar <sup>3</sup>	0	0.00	0.00	259	0.00	0.00	0.00
27	Kirloskar Vikram Shreekant <sup>3</sup>	0	0.00	0.00	231	0.00	0.00	0.00
28	Mrs Pratima Sanjay Kirloskar J/w Mr Sanjay Chandrakant Kirloskar <sup>3</sup>	0	0.00	0.00	132	0.00	0.00	0.00
29	Ms Jyotsna Gautam Kulkarni <sup>3</sup>	0	0.00	0.00	1,865,055	14.52	0.00	14.52
	<b>Total</b>	<b>8,733,074</b>	<b>67.99</b>	<b>0.00</b>	<b>6,904,052</b>	<b>53.75</b>	<b>0.00</b>	<b>(14.24)</b>

## Notes :

- The above list does not include the name of the Promoter and Promoter Group who are not holding any shares of the Company.
- The above list is based on foliowise.
- Increase in the Shares / Folios on account of allotment of shares made on 30<sup>th</sup> May, 2017 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"], to the Shareholders of erstwhile Pneumatic Holdings Limited.

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

Sl. No.	Particluars	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	8,733,074	67.99	8,733,074	67.99
	<b>30/05/2017</b>				
	Decrease on account of cancellation of cross holding pursuant to the Scheme of Arrangement & Amalgamation	(7,007,551)	(54.56)	6,806,452	52.99
	Increase on account of allotment made pursuant to the Scheme of Arrangement & Amalgamation	5,080,929	39.56		
	<b>23/08/2017</b>				
	Increase on account of acquisition of shares	97,600	0.76	6,904,052	53.75
	At the end of the year	6,904,052	53.75	6,904,052	53.75

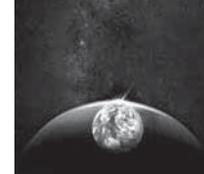

**(iv) Shareholding Pattern of top ten shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)**

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	<b>Reliance Capital Trustee Co. Limited A/c Reliance Diversified Power Sector Fund</b>					
	At the beginning of the year [01/04/2017]		798,083	6.21	798,083	6.21
	Increase as on 11/08/2017	Transfer	1,000	0.01	799,083	6.22
	Increase as on 18/08/2017	Transfer	6,444	0.05	805,527	6.27
	Increase as on 13/10/2017	Transfer	1,159	0.01	806,686	6.28
	Increase as on 20/10/2017	Transfer	3,230	0.03	809,916	6.31
	At the end of the year [31/03/2018]		809,916	6.31	809,916	6.31
2	<b>HDFC Trustee Company Limited- HDFC Prudence Fund</b>					
	At the beginning of the year [01/04/2017]		290,190	2.26	290,190	2.26
	Increase as on 23/06/2017	Transfer	12,401	0.10	302,591	2.36
	Increase as on 01/09/2017	Transfer	151,736	1.18	454,327	3.54
	Increase as on 22/09/2017	Transfer	189,114	1.47	643,441	5.01
	At the end of the year [31/03/2018]		643,441	5.01	643,441	5.01
3	<b>HDFC Trustee Company Limited - HDFC Tax Saver Fund</b>					
	At the beginning of the year [01/04/2017]		500,000	3.89	500,000	3.89
	Increase / Decrease in shareholding		No change during the year			
	At the end of the year [31/03/2018]		500,000	3.89	500,000	3.89
4	<b>IDFC Premier Equity Fund</b>					
	At the beginning of the year [01/04/2017]		414,367	3.23	414,367	3.23
	Decrease as on 08/09/2017	Transfer	220	0.01	414,147	3.22
	At the end of the year [31/03/2018]		414,147	3.22	414,147	3.22
5	<b>Reliance Capital Trustee Co. Limited A/c Reliance Small Cap Fund</b>					
	At the beginning of the year [01/04/2017]		290,148	2.26	290,148	2.26
	Increase as on 30/05/2017	Allotment	12,156	0.09	302,304	2.35
	Increase as on 11/08/2017	Transfer	11,103	0.09	313,407	2.44
	Increase as on 18/08/2017	Transfer	15,443	0.12	328,850	2.56
	Increase as on 25/08/2017	Transfer	6,446	0.05	335,296	2.61
	Increase as on 01/09/2017	Transfer	1,600	0.01	336,896	2.62
	Increase as on 03/11/2017	Transfer	10,000	0.08	346,896	2.70

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
	Increase as on 08/12/2017	Transfer	256	0.00	347,152	2.70
	Increase as on 15/12/2017	Transfer	5,178	0.04	352,330	2.74
	Increase as on 22/12/2017	Transfer	1,653	0.01	353,983	2.75
	At the end of the year [31/03/2018]		353,983	2.75	353,983	2.75
6	<b>The New India Assurance Company Limited</b>					
	At the beginning of the year [01/04/2017]		0	0.00	0	0.00
	Increase in shareholding on 30/05/2017	Allotment	133,647	1.04	133,647	1.04
	At the end of the year [31/03/2018]		133,647	1.04	133,647	1.04
7	<b>General Insurance Corporation of India</b>					
	At the beginning of the year [01/04/2017]		0	0.00	0	0.00
	Increase in shareholding on 30/05/2017	Allotment	124,322	0.97	124,322	0.97
	At the end of the year [31/03/2018]		124,322	0.97	124,322	0.97
8	<b>Investor Education &amp; Protection Fund Authority, Ministry of Corporate Affairs</b>					
	At the beginning of the year [01/04/2017]		0	0.00	0	0.00
	Increase in shareholding on 08/12/2017	Transfer	115,843	0.90	115,843	0.90
	At the end of the year [31/03/2018]		115,843	0.90	115,843	0.90
9	<b>Arun Nahar</b>					
	At the beginning of the year [01/04/2017]		56,300	0.44	56,300	0.44
	Increase as on 30/05/2017	Allotment	38,577	0.30	94,877	0.74
	At the end of the year [31/03/2018]		94,877	0.74	94,877	0.74
10	<b>The Oriental Insurance Company Limited</b>					
	At the beginning of the year [01/04/2017]		20,162	0.16	20,162	0.16
	Increase in shareholding on 30/05/2017	Allotment	62,341	0.49	82,503	0.64
	At the end of the year [31/03/2018]		82,503	0.64	82,503	0.64

## Notes:

1. In case of allotment, date of allotment is considered for increase of shares.
2. Where shares except allotment 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.
3. 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
	Increase as on 30/05/2017 on account of allotment pursuant to Scheme of Arrangement & Amalgamation	1,378,151	10.73	1,493,730	11.63	1,377,510	10.72	1,491,840	11.61
	At the end of the year	1,493,730	11.63	1,493,730	11.63	1,491,840	11.61	1,491,840	11.61

Note : The above shareholding is considered in the name of first holder (Pan based) 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
	Increase as on 30/05/2017 on account of allotment pursuant to Scheme of Arrangement & Amalgamation	6,202	0.05	6,202	0.05	No change during the year			
	At the end of the year	6,202	0.05	6,202	0.05	Nil	Nil	Nil	Nil

Note : The above shareholding is considered in the name of first holder (Pan based) only.

SI No	Particulars	Mr G Krishna 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 : The above shareholding is considered in the name of first holder (Pan based) 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 Non-Executive & Independent Director				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	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 Suhas S Kolhatkar Vice President & Chief Finance Officer				Mr Jitendra R 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 : The above shareholding is considered in the name of first holder (Pan based) only.

**(V) INDEBTEDNESS**

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

Amount in Million

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount		NIL		
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>				
<b>Change in Indebtedness during the financial year</b>				
• Addition		9.30		
• Reduction		0.99		
<b>Net Change</b>		<b>8.31</b>		
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount		8.31		
ii) Interest due but not paid		Nil		
iii) Interest accrued but not due		Nil		
<b>Total (i+ii+iii)</b>		<b>8.31</b>		

**(VI) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

Amount in Million

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	12.00	8.58	20.58
	b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	4.26	1.03	5.29
	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 *	15.00	14.50	29.50
5.	Others, please specify Contribution to Funds	4.24	2.76	7.00
	<b>Total (A)</b>	<b>35.50</b>	<b>26.87</b>	<b>62.37</b>
	Ceiling as per the Act	Being 10% of the Net Profit of the Company as per Section 198 of the Companies Act, 2013		76.68

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


**B. Remuneration to other Directors:**

Amount in Million

Sl. No.	Particulars of Remuneration	Total Amount					Total	
		Mr G Krishna Rao	Mr Sunil Shah Singh	Dr Aditi Pant	Dr Ajay Dua	Mr Krishnamurthi Venkataramanan		
1.	Independent Directors							
	Fee for attending board / committee meetings	0.65	0.63	0.22	0.40	0.20	2.10	
	*Commission	1.25	1.25	0.40	1.00	0.40	4.30	
	Others, please specify	-	-	-	-	-	-	
	<b>Total (1)</b>	1.90	1.88	0.62	1.40	0.60	6.40	
2.	Other Non-Executive Directors	Mr Atul Kirloskar	Mr Vikram Kirloskar	Mr D R Swar			<b>Total</b>	
	Fee for attending board / committee meetings	0.20	0.10	0.75			1.05	
	*Commission	0.40	0.20	1.25			1.85	
	Others, please specify	-	-	-			-	
	<b>Total (2)</b>	0.60	0.30	2.00			2.90	
	<b>Total (B) = (1+2)</b>						9.30	
	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 Sitting Fees paid to the Non-Executive Directors						7.67

\*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 Million

Sl. No.	Particulars of Remuneration	Key Managerial personnel		
		Mr Suhas S Kolhatkar Vice President & Chief Financial Officer	Mr Jitendra R Shah Company Secretary	Total
1.	Gross Salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	8.15	2.22	10.37
	(b) Value of perquisites under Section 17(2) of the Income Tax Act, 1961	0.09	-	0.09
	(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	0.55	0.19	0.74
	<b>Total</b>	<b>8.79</b>	<b>2.41</b>	<b>11.20</b>

**(VII) PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:**

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



**Annexure “4” to the Board’s Report**

**ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITY**

1. A brief outline of the Company's CSR Policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR Policy and Projects or Programs - The CSR Policy is stated herein below: Weblink <http://www.kirloskarkpcl.com/Pdf/company-policies/corporate-social-responsibility-policy.pdf>
2. The Composition of the CSR Committee -  
The CSR Committee consists of :  
Mr Rahul C Kirloskar (Chairman)  
Mr Aditya Kowshik  
Dr Aditi Pant  
Mr Sunil Shah Singh (w.e.f. 10<sup>th</sup> April, 2018)
3. Average net profit of the Company for last three financial years : Rs. 419.51 Million.
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): The Company is required to spend Rs. 8.39 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 :

Amount 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)	5.00	5.00	5.00	5.00

Amount 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
2	Preventive eye care to 18,079 school students from nearby 19 schools & junior colleges in the vicinity of Hadapsar and Saswad Plants. Free spectacles distributed to the needy thus improving vision of 1,857 students. Additionally, 786 teachers from 13 schools underwent preventive health check as a part of School Health Initiative project.	Promoting Preventive Health Care	Pune (Maharashtra)	1.70	1.74	1.74	1.74
3	Creating awareness for HIV/AIDS amongst different sections of the society reaching ~ 37,112 members of the general community including secondary school and Junior College Students.	Health Care	Pune (Maharashtra)	1.00	1.00	1.00	1.00
4	Water, Sanitation & Hygiene awareness created by 156 Company employees among 18,034 school students from 28 schools located in the vicinity of Hadapsar, Saswad and Nashik from where the company operates.	Sanitation	Pune & Nashik (Maharashtra)	0.80	0.80	0.80	0.80
<b>TOTAL</b>				<b>8.50</b>	<b>8.54</b>	<b>8.54</b>	<b>8.54</b>

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

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

For Kirloskar Pneumatic Company Limited  
sd/-

**Aditya Kowshik**  
Managing Director  
DIN 00228983

For Kirloskar Pneumatic Company Limited  
sd/-

**Rahul C Kirloskar**  
Executive Chairman & Chairman of CSR Committee  
DIN 00007319

Place : Pune

Date : 26<sup>th</sup> April, 2018

**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 51 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**

- 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.
- 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 MSSEDCL 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**

- Reduction in energy consumption by modification in drive set of reciprocating compressor for central air conditioning plant for precision Gear grinding at TRM.
- Use of face driver attachment for all type of between centre shaft for turning operation.
- Reduction in energy consumption by elimination of 1500 KVA (3.3 KVA / 415 V) transformer switching ON continuously for BOP testing.
- Improvement in net weight loading percentage of heat treatment furnace by fixture modification.
- Eliminated diesel engine based testing by electric motor based testing in Transmission Division.

- Process modification for HP cylinder and gear housing machining operation at Air compressor division.
- Elimination of job reject problem by modifying the pouring process in foundry operation.
- Fixing the loading of SR furnace for better utilization.

**c. New Technology**

- Use of thyrister control PID base control panel for heat treatment furnace.
- Use of 22 KV VCB (02 nos.) in foundry and BOP yard.
- Use of 1600 KVA new transformer with higher efficiency in BOP assembly.
- 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.

**d. Waste elimination**

- Coolant emulsion system implemented to save cutting oil at Saswad.
- Provision of Electrical actuator to shut off compressed air line to non-working machines.
- Change in pump operating system to avoid 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 490.76 Tons of CO<sub>2</sub> 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 72% 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. 10.48 Million on energy conservation equipments and technology adoption for the energy efficiency improvement projects.

**B. Technology absorption-**

**i the efforts made towards technology absorption:**

- Use of Twisted Tape Brine Chiller resulting in reduction of Heat Transfer Area by 40%.
- Developed two stage Air Cooled refrigeration reciprocating compressors up to 12 cylinders.
- Developed a controller for capacity modulation & to safeguard the compressor during operation.
- Developed single cylinder 20 TR reciprocating compressor for chilling application.
- 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 14,000+ 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.
- Development of 20 MW High Speed Gearbox for Co-generation application.
- Development of vertical offset and horizontal mounted Hydro Turbine Gearbox.
- Development of combined Helical and Planetary Gearbox for sugar mill application.
- Development of double Helical slow speed Gearbox for Ball mill application in Cement Industries.
- Indigenous design and Testing of High Speed Gearbox for complying API norms.

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

- Design change in compressor crankcase to reduce production cycle time.
- Design of pump end bearing cover is changed to standardize across KCX series.
- 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-2100 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 High Speed Gearbox for Sugar Industries.
- Entry in Hydro Turbine Gearbox for Hydel Power Plants.
- Entry in shaft mounted Planetary Gearbox for mill drives market.
- Successful import substitution for Ball mill drive in Cement.

**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. 66.59 Million.**

**C. Foreign exchange earnings and outgo :**

Foreign Exchange earned during the year: Rs 265.33 Million.

Foreign Exchange outgo during the year: Rs 786.94 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 :

<b>Sr. No.</b>	<b>Name of the Director/ KMP and Designation</b>	<b>% Increase in Remuneration in the FY 2017-18</b>	<b>Ratio of remuneration of each Director/ to median remuneration of employees</b>
1	Mr Rahul C Kirloskar Executive Chairman	13%	61.42
2	Mr Aditya Kowshik Managing Director	11%	47.04
3	Mr Atul C Kirloskar Non-Executive Director	20%	1.13
4	Mr Vikram S Kirloskar Non-Executive Director	140%	0.56
5	Mr G Krishna Rao Independent Director	6%	3.57
6	Mr D R Swar Non-Executive Director	54%	3.76
7	Mr Sunil Shah Singh Independent Director	79%	3.52
8	Dr Aditi Pant Independent Director	Nil	1.17
9	Dr Ajay Dua Independent Director	12%	2.63
10	Mr Krishnamurthi Venkataramanan Independent Director	NA *	1.13
11	Mr Suhas S Kolhatkar Vice President and Chief Financial Officer	28%	NA
12	Mr Jitendra R Shah Company Secretary & Head Legal	20%	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 Mr Krishnamurthi Venkataramanan is Director only for part of the financial year 2016-17 i.e. w.e.f. 23<sup>rd</sup> July, 2016.



- iii) In the financial year, there was no increase in the median remuneration of employees.
- iv) There were 761 permanent employees on the rolls of Company as on 31<sup>st</sup> March, 2018.
- v) Average percentage increase made in the salaries of employees other than the managerial personnel in the last financial year i.e. 2017-18 was 1.47% whereas average percentage increase in the managerial remuneration is 12.43%. Increase in remuneration is in line with industry trend, economic situation and company performance etc. There are no exceptional circumstances for increase in the managerial remuneration.
- vi) The Board affirms that the remuneration is as per the remuneration policy of the Company.

## REPORT ON CORPORATE GOVERNANCE

The Company has been practicing the principles of good corporate governance over the years. The Directors present below the Company's report on Corporate Governance for the financial year 2017-18.

### 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 31<sup>st</sup> March, 2018, 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, Mr Krishnamurthi Venkataramanan has been appointed as an Independent Director for a period of 3 consecutive years upto 26<sup>th</sup> July, 2020.

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

#### ii. Board Training and Induction:

The Company had arranged familiarization 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://kirloskarkpcl.com/Pdf/company-policies/Training%20Program%20-%202018.pdf>

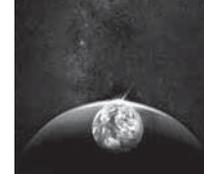
#### iii. Number of Meetings:

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

During the year ended on 31<sup>st</sup> March, 2018, five Board Meetings were held on :

- 9<sup>th</sup> May, 2017;
- 27<sup>th</sup> July, 2017;
- 11<sup>th</sup> October, 2017;
- 17<sup>th</sup> January, 2018; and
- 8<sup>th</sup> March, 2018.

The Annual General Meeting of the Company was held on 27<sup>th</sup> July, 2017.


**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
<b>Non - Executive Directors</b>				
\$ @Mr Atul C Kirloskar (DIN 00007387)	4	5	1	1
\$ Mr Vikram S Kirloskar (DIN 00007907)	2	4	1	-
Mr D R Swar (DIN 00007495)	5	1	1	-
<b>Independent &amp; Non - Executive Directors</b>				
Mr G Krishna Rao (DIN 00058985)	5	1	2	1
Mr Sunil Shah Singh (DIN 00233918)	5	3	3	2
Dr Aditi Pant (DIN 06930011)	4	1	-	-
Dr Ajay Dua (DIN 02318948)	4	2	3	-
Mr Krishnamurthi Venkataramanan (DIN 00001647)	4	5	1	-
<b>Executive Directors</b>				
\$ @Mr Rahul C Kirloskar Chairman (DIN 00007319)	5	5	2	-
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 except Mr Atul C Kirloskar, Mr K. Venkataramanan and Dr Aditi Pant attended the Annual General Meeting held on 27<sup>th</sup> July, 2017.

**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 except Mr Ajay Dua 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 31<sup>st</sup> March, 2018. A declaration to this effect signed by Managing Director has been incorporated in the Annual Report.

**3. AUDIT COMMITTEE****i. Composition:**

The Audit Committee consists of total 4 Directors of which, 3 Directors are Independent Directors namely Mr Sunil Shah Singh, Mr G Krishna Rao and Dr Ajay Dua and a Non – Executive Director namely Mr D R Swar.

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; and
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 8<sup>th</sup> May, 2017, 27<sup>th</sup> July, 2017, 10<sup>th</sup> October, 2017, 17<sup>th</sup> January, 2018 and 8<sup>th</sup> March, 2018 which was attended by the members as per the following details:-

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

Notes:

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

**4. NOMINATION AND REMUNERATION COMMITTEE:**

**i. Composition:**

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

**ii. Terms of Reference:**

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

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

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

During the year, one Meeting was held on 8<sup>th</sup> May, 2017 which was attended by the members as per the following details :

Name of Committee Member	No. of Meetings held	No. of Meetings attended
Dr Ajay Dua	1	0
Mr G Krishna Rao	1	1
Mr Sunil Shah Singh	1	1

Notes:

Mr Sunil Shah Singh was elected as Chairman for the Meeting held on 8<sup>th</sup> May, 2017.

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

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.

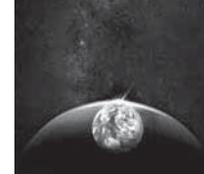
**Details of remuneration paid / payable to Directors during the year 2017-18 :**

A. **Non Executive Directors**

Name of Director	Sitting Fees	Commission on Net Profit*	Salary & Perquisites	Total	No. of shares held **
	(Amount in Million)				
Mr Atul C Kirloskar	0.20	0.40	-	0.60	1,491,840
Mr Vikram S Kirloskar	0.10	0.20	-	0.30	6,202
Mr G Krishna Rao	0.65	1.25	-	1.90	-
Mr D R Swar	0.75	1.25	-	2.00	-
Mr Sunil Shah Singh	0.63	1.25	-	1.88	1,000
Dr Aditi Pant	0.22	0.40	-	0.62	-
Dr Ajay Dua	0.40	1.00	-	1.40	-
Mr Krishnamurthi Venkataramanan	0.20	0.40	-	0.60	-

Notes:

- \* Payable only on adoption of accounts in the ensuing Annual General Meeting.
- \*\* The above shareholding is considered in the name of first holder (PAN based) only.
- There are no other pecuniary relationships or transactions of Non-Executive Directors vis-a-vis the Company.



4. Pursuant to limits approved by the Board, all Non-Executive Directors are paid sitting fees of Rs. 0.05 Million for attending each meeting of the Board and Audit Committee and Rs. 0.025 Million for attending each meeting of the other Committees of the Board.

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

(Amount in Million)

Particulars	Mr Rahul C Kirloskar From 1 <sup>st</sup> April, 2017 to 31 <sup>st</sup> March, 2018	Mr Aditya Kowshik From 1 <sup>st</sup> April, 2017 to 31 <sup>st</sup> March, 2018
Salary	12.00	7.80
House Rent Allowance	-	0.78
Contribution to Funds	4.24	2.76
Other perquisites	4.26	1.03
* Commission	15.00	14.50
<b>TOTAL</b>	<b>35.50</b>	<b>26.87</b>
**No. of shares held	1,493,730	NIL

Notes:

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

\*\* The above shareholding is considered in the name of first holder (PAN based) only.

**6. STAKEHOLDERS' RELATIONSHIP COMMITTEE**

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

During the year, four Stakeholders' Relationship Committee meetings were held on 8<sup>th</sup> May, 2017, 27<sup>th</sup> July, 2017, 10<sup>th</sup> October, 2017 and 17<sup>th</sup> January, 2018 and the same were attended by members as per the following details:-

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

The Company has received 6 complaints during the year and the same were resolved. There was no complaint pending as on 31<sup>st</sup> March, 2018.

**7. GENERAL BODY MEETINGS**

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

Date	Time	Location
27 <sup>th</sup> July, 2017	3.00 pm	S.M. Joshi Socialist Foundation (S.M. Joshi Hall) S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune- 411 030
22 <sup>nd</sup> July, 2016	2.30 pm	
29 <sup>th</sup> July, 2015	2.30 pm	

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

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

**iii. Postal Ballot:**

No resolution was passed through Postal Ballot last year.

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

**9. GENERAL SHAREHOLDER INFORMATION:****i. Annual General Meeting :**

<b>Day &amp; Date</b>	:	Tuesday, 24 <sup>th</sup> July, 2018
<b>Time</b>	:	3:00 pm
<b>Venue</b>	:	S M Joshi Socialist Foundation (SM Joshi Hall) S. No. 191/192, Navi Peth, Ganjave Chowk, Near Patrakar Bhavan, Pune 411030.

**ii. Financial Year** : 1<sup>st</sup> April to 31<sup>st</sup> March

**iii. Book Closure** : 18<sup>th</sup> July, 2018 to 24<sup>th</sup> July, 2018 (both days inclusive)

**iv. Dividend Payment Date** : On or after 24<sup>th</sup> July, 2018

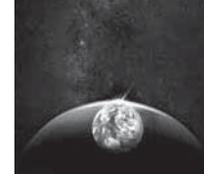
**v. Listing on** : BSE Limited

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001

Annual Listing Fees for the year 2018-19 has been paid to BSE Ltd

**vi. Stock Code** : 505283

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

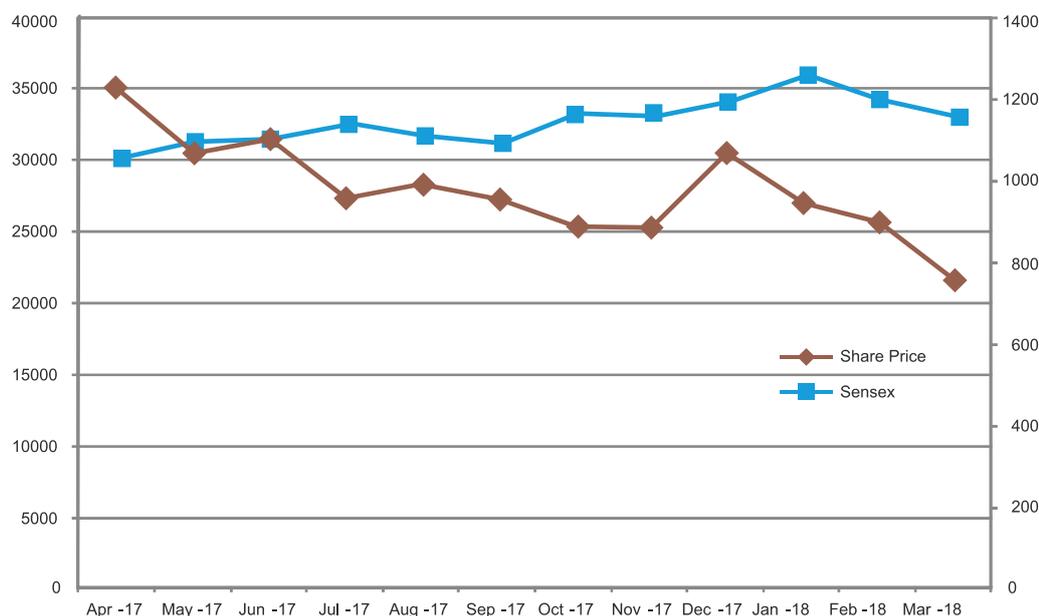


**viii. Market Price Data :**

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

Year	High (Rs)	Low (Rs)	Close (Rs)
April 2017	1,389.90	1,161.70	1,225.10
May 2017	1,315.00	970.00	1,060.00
June 2017	1,190.00	1,070.00	1,097.65
July 2017	1,195.00	920.00	951.45
August 2017	1,005.00	860.50	989.20
September 2017	1,190.00	905.00	955.00
October 2017	970.00	835.00	886.60
November 2017	940.00	860.00	878.70
December 2017	1,075.00	851.00	1061.90
January 2018	1,080.00	920.20	939.25
February 2018	975.00	870.20	894.30
March 2018	980.00	724.00	750.00

**ix. Stock Performance in comparison to BSE Sensex:**



**x. Registrar & Transfer Agent:**

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

**xi. Share Transfer System:**

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

**xii. Distribution of Shareholding as on 31<sup>st</sup> March, 2018:**

Holding		No. of Members	%	No. of Shares of Rs. 10/- each	% to Capital
UPTO	500	24,412	97.08	1,088,753	8.48
501	1000	409	1.63	297,964	2.32
1001	2000	164	0.65	237,575	1.85
2001	3000	53	0.21	127,790	0.99
3001	4000	26	0.10	93,470	0.73
4001	5000	12	0.05	53,482	0.42
5001	10000	31	0.12	208,486	1.62
10001	AND ABOVE	38	0.15	10,736,818	83.59
<b>Total</b>		<b>25,145</b>	<b>100.00</b>	<b>12,844,338</b>	<b>100.00</b>

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

The name of the Company appears in the Compulsory Trading List and 95.00% of Share Capital is in Electronic Form as on 31<sup>st</sup> March, 2018.

**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 411 013  
Phone No. 020 - 26727000  
Fax No. 020 – 26870297  
Email : sec@kpcl.net  
Website : www.kirloskarkpcl.com

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

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

**Mumbai Office :**

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

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

There are no materially significant related party transactions during the year 2017-18 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:**

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

**vi. Subsidiary Company:**

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

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. 28<sup>th</sup> April, 2017 and thereby ceases to be subsidiary company.

Thereafter, Company does not have any 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 26<sup>th</sup> April, 2018.

For Kirloskar Pneumatic Company Limited

sd/-

**Aditya Kowshik**  
Managing Director  
DIN 00228983

Date : 26<sup>th</sup> April, 2018

Place : Pune

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE****To the members of Kirloskar Pneumatic Company Limited**

We have examined the compliance of conditions of Corporate Governance by Kirloskar Pneumatic Company Limited, for the year ended 31<sup>st</sup> March, 2018, 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 : 26<sup>th</sup> April, 2018**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.

**Aditya Kowshik**

Managing Director

DIN 00228983

Place : Pune

Date : 26<sup>th</sup> April, 2018

## MANAGEMENT DISCUSSION AND ANALYSIS

Kirloskar Pneumatic Company Limited (KPCL) is a diversified product company serving key sectors viz. Industrial, Oil & Gas, Infrastructure & Food Processing markets. The Company's broad in-house resources provide the capability to engineer, design, manufacture, construct, commission and service products and systems. Headquartered in Pune, India KPCL has 761 employees as on 31<sup>st</sup> March 2018. Your Company is a dominant market leader in some of the areas of its business and is now looking at exports to the Middle East, South Africa and South East Asia. Your Company's export is now around 5% of its revenue and country specific strategies and plans are in place to take this upto 20% in next 5 years.

Your Company's manufacturing facilities at Hadapsar, Saswad and Nashik are modern and investments have been planned to ensure that State of Art manufacturing technologies will always be in place.

Your Company has highly qualified and trained Service Personnel across India with Sales & Service networks in place at strategic locations in India and also in countries targeted for exports. This growth in export revenue will be achieved with a combination of Products & Projects.

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 Central Statistics Organisation (CSO) and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. India's GDP is estimated to have increased 6.6% in 2017-18 and is expected to grow 7.3% in 2018-19.

Three major highlights of the sectoral growth outcome of FY 2017-18 were:

- a. Moderate increase in industrial output
- b. Growth in service sectors higher than FY'17
- c. Strong focus on infrastructure spending

Index of Industrial Production (IIP) registered a growth rate of 8.4% in November 2017 while it grew at 3.2% during Apr' 17 to Oct' 17. The production of refinery products, steel, cement and electricity registered positive growth during this period. Cumulative growth of eight Core industries which comprise nearly 40% of IIP grew by 4%.

### Economic Prospects:

The IMF's latest World Economic Outlook (WEO) report expects India to grow at 7.4% in 2019 and 7.8% in 2020. According to its data, in 2020, India is expected to post the highest rate of growth worldwide.

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

### Segment Analysis :

#### 1. Compression Products :

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

- a. **Oil & Gas Business:** Your Company offers refrigeration and gas compression systems for refineries and petrochemical plants. Your Company also offers CNG systems to City Gas Distribution (CGD) companies. Your Company has proven to key customers, in Oil & Gas business and CGD companies,



its capabilities of designing, procuring, building & testing high end systems. Customers have time and again posed confidence in this capability and have helped us retain market leadership in the segment. Your Company also undertakes O&M contracts all over India to ensure 98% availability of these systems. The Government of India accorded top priority of PNG for domestic gas distribution in the CGD segment which led to an investment in CNG systems for promoting CNG vehicles.

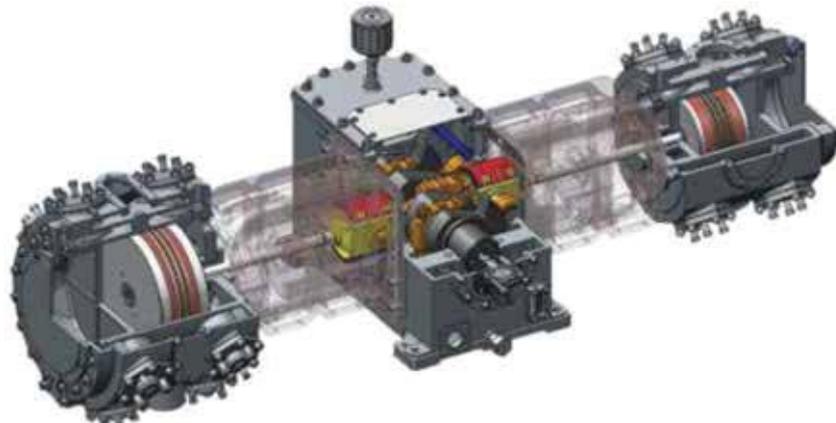
India is the world's 3<sup>rd</sup> largest energy consumer. Oil consumption is expected to grow 129% during 2016-2040. The country is the 4<sup>th</sup> largest importer of LNG. Indian Oil & Gas Companies plan to make an investment in excess of \$ 7 Billion for expanding its existing brownfield refineries, in the next 5 to 7 years. Plans are in place to lay the nation's longest LPG pipeline of over 2000 km, from Gujarat to Uttar Pradesh, to cater to growing demand for cooking gas in the country. India targets US\$100 Billion worth investments in gas



infrastructure by 2022, including an addition of another 228 cities to CGD network. This would include setting up of RLNG terminals, pipeline projects, completion of the gas grid and setting up of CGD network in more cities. Your Company is constantly in touch with Refineries and Consultants for these investments programs and expects this business to grow significantly in the next few years. Your Company is also working on export opportunities in specific countries and this is going to add to our current business in Oil & Gas business.

- b. Cold Chain Business :** Your Company supplies industrial refrigeration compressors and packages for 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 tons of fruits and vegetable production, India is the 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.



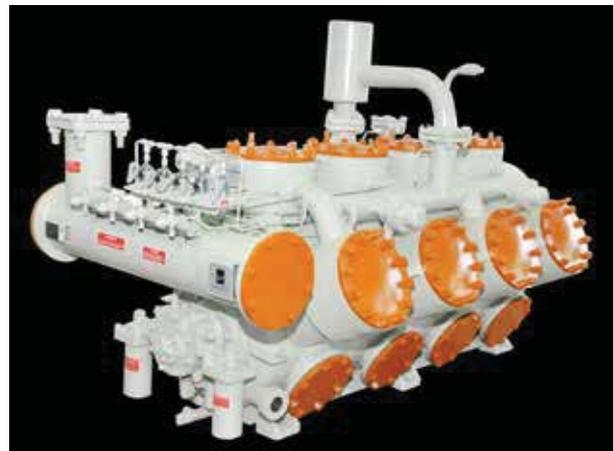
Your Company has developed air cooled compressors which is one of its kinds in India. No water is required for this compressor, which leads to conserving precious water and this also improves the efficiency and running cost. These compressors are manufactured using world class processes and state of the art machines. The obvious advantages of quality and savings have resulted in customer acceptance and appreciation.

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

- c. Industrial Business :** Your Company offers air compressors and packages to industrial markets like cement, steel, power and engineering. Your Company has in-house capability of designing, manufacturing and servicing air compressors. With slow private investment, the year 2017-18, 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 defence 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 defence 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. 5,639 Million (Previous year Rs. 5,007 Million).

**Opportunities, Threats and Concerns:** Your Company believes that investment push into Oil & Gas sector will accelerate demand for its products. Your Company has considerable order board of over Rs. 5,000 Million which is a historical high and is actively working on more opportunities. As such your Company will continue to closely monitor developments in the sector. To de-risk dependence on domestic market, your Company is working on opportunities in the export market.

Over the last few years your Company has been aggressively working on achieving "Approved Vendor" status in many Oil & Gas Companies in the Middle East, Africa and South East Asia. Your Company is now an "Approved Vendor" in almost all Oil & Gas Companies in the Middle East. Your Company has also been approved by major EPC Contractors and Project Management Consultants. For the first time our Export Business Enquiry level is more than Rs. 7,500 Million. After achieving Approved Vendor status, we are regularly receiving enquiries from these targeted countries and this will pave the way for bagging orders in the near future.

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



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

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

Your Company is working in a few reckoned Research Organisations in Europe to develop cutting edge technology in Compression System and this project is progressing at a very fast pace. The IP rights will remain with your Company & this will bolster our competitiveness in the market.

## 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 Railway Gears and Pinions remained stagnant during the year 2017-18 and is not expected to grow considerably in the coming years.

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

- b. **Wind Turbine Gearbox Business:** Your Company is a market leader in the sub-megawatt class gearbox for wind turbines. With lower demand for sub-megawatt class gearbox, year 2017-18 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.

Your Company will selectively supply Gearboxes to this market.

- 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.

Your Company has developed and installed High Speed Gearboxes for Steam Turbine driven Power Plants. The present range caters upto 20 MW Steam Turbines. Your Company has also developed a range of speed increasing Gearboxes for various types of Hydro Turbines upto 5 MW.

To gain market acceptability on the Industrial Gearbox Business, your Company strategically ventured into 'refurbishment' of old gearboxes. Refurbishment is considered a bigger challenge than supply of new gearboxes and



I am happy to inform you that we have successfully 'refurbished' many old gearboxes to the complete satisfaction of our customers.

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

**Performance :** With muted demand in railway business and sub-megawatt wind turbine business, during the year, revenue for the Transmission Product segment was Rs. 413 Million (Previous year Rs. 502 Million).

FY-18 & FY-19 will be viewed as transitional years where your company reduces its dependence on Railway Gears & Pinions and capitalises on the demonstrated successes we have had in supply of Industrial Gearboxes.

**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.

This business too starts the new fiscal with an order board of Rs.470 Million which is another historical high.

### 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 Government clearances for commencing the operations.

We expect the first commercial run of RoadRailer to commence in the 2<sup>nd</sup> Quarter of the coming year.

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

Your Company has covered this in the Directors' Report.

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

#### **Operating Performance:**

During the year under review, revenue from operations (net of excise) registered a growth of over 16% representing better market share. Operating profits also increased by over 18% compared to previous year contributed by the growth in Compression segment, both in terms of Revenue and Results. Your Company could maintain PBT level of over Rs. 700 Million despite lower other income. You will recall that during the previous year company had disposed off certain investments, surplus from which was included in other income. Cash and Cash equivalent increased to Rs. 2,121 Million as against Rs. 2,015 Million of the previous years after funding capital work in progress of over Rs. 300 Million during the year. With a strong order board at the start of the year, your Company expects to achieve similar results if not better in the coming year.

**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 are 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 about 75,000 community members' majority of them being school children, with the help of employee WaSH



volunteers, DISHA volunteers and health care personnel who have together put in over 11,000 man hours of field work. Cumulatively, we have touched 2,70,000 + community members during last five years. Significant CSR initiatives include supports WaSH (Water, Sanitation and Hygiene) initiative, School Health Check Program, HIV AIDS Awareness (DISHA) Program.

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

**Human Resources and Industrial Relations:**

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

**Recruitment & Staffing:** We have a robust recruitment and Human Resources Management Process. Changes are made in the process based on employee feedback. Selection of new employees is done through a rigorous

process including aptitude test, technical test to ensure the right candidate is selected. The nature of your Company has resulted in white collar employees constituting 85% of the workforce. This also is an indication of modern manufacturing technologies.

The relations with the employees at all levels continue to be cordial except that some of our Junior Engineers / Engineers have formed a Union and have gone to the industrial court, Pune.

On a standalone basis, the annualized attrition rate for fiscal 2018 stands at 7.9%, as compared to Industrial Average of 9.2%. We continue to work on simplifying internal processes. HR process owners collaborate with various teams in the Organisation to ensure that employees are able to work at their productive best.

**Career Planning:** Key Role Holders are identified as part of the succession process. We partnered with KIAMS for leadership development programs. The twelve-day program features modules taught by IIM-A faculty covering topics such as corporate strategy, innovation, supply chain management, etc. via project work.

**Learning & Development:** L&D are at the foundation of KPCL. Competency development continues to be a key area of strategic focus for us. During fiscal 2018, the total training provided for employees was over 4.2 days per employee. Some of our employees are internal trainers and shared their domain knowledge in the company. We recognize their contribution through rewards. Higher education assistance scheme offers opportunities to enhance aspirations of employees. Many of the employees, who qualified for the higher education assistance, have joined post graduate programs.



**Rewards & Recognition :** Recognition schemes are monetary as well as non-monetary. Achievers are recognized every quarter for outstanding achievements, and team awards by senior management. We have also maintained our focus on performance differentiation to ensure that our high-performing employees are driven towards higher purpose and goals.



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

**Communication:** A dialogue is maintained with employees throughout the year through Speak out 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.

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 IND AS financial statements**

We have audited the accompanying standalone IND AS financial statements of Kirloskar Pneumatic Company Limited ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### **Management's Responsibility for the Standalone IND AS financial statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these standalone IND AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made 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 IND AS financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the IND AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the IND AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the IND AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of 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 IND AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone IND AS financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone IND AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Company as at 31<sup>st</sup> March, 2018, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity 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 standalone IND AS financial statements comply with the Indian Accounting Standards (IND AS) specified under Companies (Indian Accounting Standards) Rules, 2015 specified under Section 133 of the Act, read with the Rules 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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 IND AS financial statements – Refer Note 39 to the IND AS financial statements;
    - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For M/s P.G.Bhagwat [ FRN : 101118W]**

Chartered Accountants

sd/-

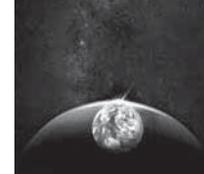
**(S.S.Athavale)**

Partner

Membership No. 83374

Place : Pune

Date : 26<sup>th</sup> April, 2018



**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	2,00,000	FY 1997-98 to 2001-02 upto Feb-2002	CESTAT, Delhi
Service Tax	Wrong availment of CENVAT	12,79,793	FY 2013-14	Commissioner Appeals, Excise & Customs, Nashik
Customs Duty	Non compliance of conditions for availing concessional rate of customs duty	14,54,000	FY 1997-98	Asst. Commissioner (Customs) Mumbai
	Non compliance of conditions for availing concessional rate of customs duty	1,45,88,379	FY 2011-12	Supreme Court

Name of the Statute	Nature of dues	Amount (Rs)	Period to which amount relates	Forum
Sales Tax	Non- production of C Forms	1,02,000	FY 1992-93	Asst.Commissioner Appeals, Jt.Commissioner Appeals
		1,22,06,864	FY 2010-11	
		2,15,44,210	FY 2011-12	
		12,35,47,951	FY 2012-13	
Sales Tax	Demand under Work Contract Tax	4,75,000	FY 1985-86 to 1987-88	Asst.Commissioner Appeals
Income Tax	Provision for Pension Scheme	69,66,000	FY 1996-97	High Court

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

**For M/s P.G.Bhagwat [ FRN : 101118W]**

Chartered Accountants

sd/-

**(S.S.Athavale)**

Partner

Membership No. 83374

Place : Pune

Date : 26<sup>th</sup> April, 2018



## **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, 2018 in conjunction with our audit of the standalone IND AS financial statements of the Company for the year ended on that date.

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

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

#### **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 IND AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system 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 IND AS 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 IND AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the IND AS financial statements.

### **Inherent Limitations of Internal Financial Controls 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 2018, 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** [ FRN : 101118W]

Chartered Accountants

sd/-

**(S.S.Athavale)**

Partner

Membership No. 83374

Place : Pune

Date : 26th April, 2018



# FINANCIAL STATEMENT

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2018**

₹ in Million

	Note No.	As at 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017	As at 1 <sup>st</sup> April, 2016
<b>ASSETS</b>				
<b>(1) NON-CURRENT ASSETS</b>				
(a) Property, Plant and Equipment	1	700.03	720.85	719.49
(b) Capital work-in-progress	1	647.20	362.40	330.94
(c) Other Intangible Assets	2	48.06	72.80	97.93
(d) Intangible Assets Under Development	2	28.21	9.50	0.34
<b>(e) Financial Assets</b>				
(i) Investments	3	457.24	425.55	167.30
(ii) Trade Receivables	4	6.10	6.13	5.31
(iii) Loans	5	28.55	27.69	23.63
(f) Deferred Tax Assets (Net)	7	54.70	35.17	12.90
(g) Other Non-Current Assets	8	26.90	21.23	14.62
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,996.99</b>	<b>1,681.32</b>	<b>1,372.46</b>
<b>(2) CURRENT ASSETS</b>				
(a) Inventories	9	894.19	737.78	573.84
<b>(b) Financial Assets</b>				
(i) Investments	3	1,530.16	1,758.16	1,475.64
(ii) Trade Receivables	4	2,086.88	1,307.55	1,185.35
(iii) Cash and Cash Equivalents	10	590.96	256.65	233.62
(iv) Bank Balance other than (iii) above	10	21.98	18.20	17.73
(v) Loans	5	13.00	8.65	7.32
(vi) Others	6	1.24	1.47	3.16
(c) Other Current Assets	8	220.75	185.69	148.03
<b>TOTAL CURRENT ASSETS</b>		<b>5,359.16</b>	<b>4,274.15</b>	<b>3,644.69</b>
<b>TOTAL ASSETS</b>		<b>7,356.15</b>	<b>5,955.47</b>	<b>5,017.15</b>
<b>EQUITY AND LIABILITIES</b>				
<b>(1) EQUITY</b>				
(a) Equity Share Capital	12	128.44	128.44	128.44
(b) Other Equity	13	4,487.48	4,129.07	3,226.00
<b>TOTAL EQUITY</b>		<b>4,615.92</b>	<b>4,257.51</b>	<b>3,354.44</b>
<b>(2) LIABILITIES</b>				
<b>NON-CURRENT LIABILITIES</b>				
<b>(a) Financial Liabilities</b>				
(i) Borrowings	14	6.88	-	-
(ii) Other Financial Liabilities	16	1.59	1.59	2.49
(b) Provisions	17	47.72	53.05	45.38
(c) Other Non-Current Liabilities	18	2.48	3.10	3.81
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>58.67</b>	<b>57.74</b>	<b>51.68</b>
<b>CURRENT LIABILITIES</b>				
<b>(a) Financial Liabilities</b>				
(i) Trade Payables	15	1,628.21	947.38	935.49
(ii) Other Financial Liabilities	16	529.09	487.69	426.63
(b) Other Current Liabilities	18	482.58	156.47	203.88
(c) Provisions	17	33.94	46.52	37.15
(d) Current Tax Liabilities (Net)	11	7.74	2.16	7.88
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,681.56</b>	<b>1,640.22</b>	<b>1,611.03</b>
<b>TOTAL LIABILITIES</b>		<b>2,740.23</b>	<b>1,697.96</b>	<b>1,662.71</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,356.15</b>	<b>5,955.47</b>	<b>5,017.15</b>

Notes forming part of the Financial Statements

1 - 52

As per our attached report of even date.

For and on behalf of The Board of Directors

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

**Aditya Kowshik**  
Managing Director  
DIN - 00228983

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

**S.S.Athavale**  
Partner  
Membership No. 83374  
Pune, 26<sup>th</sup> April, 2018

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, 26<sup>th</sup> April, 2018


**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018**

₹ in Million

	Note No.	2017-18	2016-17
<b>INCOME :</b>			
I Revenue from Operations	19	6,064.40	5,533.05
II Other Income	20	163.35	280.12
III <b>TOTAL INCOME (I + II)</b>		<b>6,227.75</b>	<b>5,813.17</b>
<b>IV EXPENSES :</b>			
Cost of Materials Consumed	21	3,055.22	2,693.58
Changes in Inventories of Finished Goods, Stock-in-Trade and Work-in-Progress	22	61.03	(75.77)
Excise Duty		59.43	388.19
Employee Benefits Expenses	23	891.81	868.92
Finance Costs	24	2.27	0.36
Depreciation and Amortization Expense	25	172.55	172.97
Other Expenses	26	1,258.63	1,050.52
<b>TOTAL EXPENSES</b>		<b>5,500.94</b>	<b>5,098.77</b>
V Profit before Exceptional Items and Tax (III - IV)		726.81	714.40
VI Exceptional Items		-	-
VII Profit Before Tax (V-VI)		726.81	714.40
VIII Tax Expense :	44		
Current Tax (Net)		235.50	186.67
Deferred Tax		(8.12)	(10.07)
		<b>227.38</b>	<b>176.60</b>
IX <b>Profit for the Year (VII-VIII)</b>		<b>499.43</b>	<b>537.80</b>
<b>X Other Comprehensive Income (OCI)</b>			
a) Items that will not be reclassified to profit and loss			
i) Re-measurement of net Defined Benefit Obligation		9.99	(7.72)
ii) Equity Instruments through Other Comprehensive Income		31.74	263.11
		<b>41.73</b>	<b>255.39</b>
b) Income tax relating to items that will not be reclassified to profit and loss			
i) Taxes on Re-measurement of net Defined Benefit Obligation		(3.46)	2.67
ii) Taxes on Equity Instruments through Other Comprehensive Income		-	-
		<b>(3.46)</b>	<b>2.67</b>
<b>Total Other Comprehensive Income</b>		<b>38.27</b>	<b>258.06</b>
<b>Total Comprehensive Income for the period (IX + X)</b> <b>(Comprising Profit and Other Comprehensive Income for the period)</b>		<b>537.70</b>	<b>795.86</b>
Earning per Share : [nominal value per share Rs.10/-]			
(1) Basic Rs.		38.88	41.87
(2) Diluted Rs.		38.88	41.87

Notes forming part of the Financial Statements

1- 52

As per our attached report of even date.

For and on behalf of The Board of Directors

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

**Aditya Kowshik**  
 Managing Director  
 DIN - 00228983

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

**S.S.Athavale**  
 Partner  
 Membership No. 83374  
 Pune, 26<sup>th</sup> April, 2018

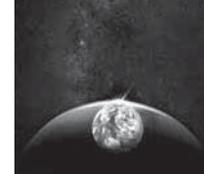
**Jitendra Shah**  
 Company Secretary

**Suhas S. Kolhatkar**  
 Vice President & Chief Financial Officer

 Pune, 26<sup>th</sup> April, 2018

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018**

	<b>₹ in Million</b>	
	<b>2017-2018</b>	<b>2016-2017</b>
<b>A) Cash Flow From Operating Activities</b>		
Profit Before Tax	<b>726.81</b>	714.40
<b>Adjustments for :</b>		
Depreciation and amortisation expense	<b>172.55</b>	172.97
Interest income	<b>(6.15)</b>	(16.91)
Unwinding of Interest on Security Deposits	<b>(1.03)</b>	(0.18)
Amortisation of prepaid rent	<b>1.23</b>	0.26
Dividend income	<b>(64.74)</b>	(82.20)
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit or Loss	<b>(16.32)</b>	(9.69)
Loss / (gain) on Sale of Investments	<b>(12.20)</b>	(101.48)
Loss / (gain) on disposal of property, plant and equipment	<b>(2.69)</b>	(1.77)
Finance costs	<b>2.27</b>	0.36
Bad Debts	<b>9.16</b>	14.26
<b>Operating profit before working capital adjustments</b>	<b>808.89</b>	690.02
<b>Working capital adjustments</b>		
(Increase) / decrease in trade receivables	<b>(788.47)</b>	(137.27)
(Increase) / decrease in inventories	<b>(156.41)</b>	(163.94)
(Increase) / decrease in other financial assets	<b>(7.73)</b>	(3.80)
(Increase) / decrease in other non-financial assets	<b>(30.13)</b>	(44.75)
Increase / (decrease) in trade payables	<b>680.83</b>	11.89
Increase / (decrease) in financial liabilities	<b>36.18</b>	56.71
Increase / (decrease) in non-financial liabilities	<b>325.49</b>	(58.60)
Increase / (decrease) in provisions	<b>(7.92)</b>	8.02
<b>Cash generated from operations</b>	<b>860.78</b>	358.32
Income taxes paid	<b>(233.37)</b>	(189.09)
<b>Net cash inflow from operating activities</b>	<b>627.41</b>	169.23


**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2018 (Contd.)**

	₹ in Million	
	2017-2018	2016-2017
<b>B) Cash flow from investing activities</b>		
Payments for property, plant and equipment, intangible assets	(443.47)	(142.07)
Proceeds from sale of property, plant and equipment, intangible assets	3.83	2.80
Sale / Redemption of Investments	1,324.91	628.74
Purchase of Investments	(1,068.37)	(806.87)
Interest income	6.15	16.91
Dividend income	64.74	82.20
Expenses of Business combination	(36.12)	(6.24)
<b>Net cash outflow from investing activities</b>	<b>(148.33)</b>	<b>(224.53)</b>
<b>C) Cash flow from financing activities</b>		
Repayment of borrowings	(0.99)	-
Proceeds from borrowings	9.30	-
Finance costs	(2.27)	(0.36)
Sale proceeds of shares on consolidation of fractional entitlement	5.96	-
Payment of fractional entitlement to eligible shareholders	(3.36)	-
Dividends paid (including dividend distribution tax)	(153.41)	(49.98)
<b>Net cash outflow from financing activities</b>	<b>(144.77)</b>	<b>(50.34)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>334.31</b>	<b>(105.64)</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>256.65</b>	<b>233.62</b>
<b>Cash and Cash equivalents received on Business Combination</b>	<b>-</b>	<b>128.67</b>
<b>Cash and cash equivalents at end of the financial year</b>	<b>590.96</b>	<b>256.65</b>

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

As per our attached report of even date.

For and on behalf of The Board of Directors

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

**Aditya Kowshik**  
Managing Director  
DIN - 00228983

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

**S.S.Athavale**  
Partner  
Membership No. 83374  
Pune, 26<sup>th</sup> April, 2018

**Jitendra Shah**  
Company Secretary

**Suhas S. Kolhatkar**  
Vice President & Chief Financial Officer

Pune, 26<sup>th</sup> April, 2018

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2018****A : EQUITY SHARE CAPITAL**

₹ in Million

Balance As at 1 <sup>st</sup> April, 2016	Changes in Equity Share Capital during the year (Net)	Balance As at 31 <sup>st</sup> March, 2017
128.44	-	128.44
<b>Balance As at 1<sup>st</sup> April, 2017</b>	Changes in Equity Share Capital during the year (Net)	<b>Balance As at 31<sup>st</sup> March, 2018</b>
<b>128.44</b>	-	<b>128.44</b>

**B : OTHER EQUITY**

₹ in Million

	Reserves and Surplus				Equity Instruments through Other Comprehensive Income	Total
	Capital Reserve	Securities Premium Reserve	General Reserve	Retained Earnings		
<b>Balance as on 1 April 2016</b>	0.03	51.82	2,850.00	192.07	132.08	3,226.00
Effects of Business Combination (refer Note 46)	(0.03)	-	(460.81)	615.79	-	154.95
Changes in accounting policy or prior period errors	-	-	-	-	-	-
Profit for the year	-	-	-	537.80	-	537.80
Other Comprehensive Income for the year - Fair Valuation	-	-	-	2.55	260.56	263.11
Other Comprehensive Income for the year - Actuarial Gain / (Loss) - Net of Tax	-	-	-	(5.05)	-	(5.05)
Dividend & Tax on Dividend	-	-	-	(47.74)	-	(47.74)
Transfer from retained earnings	-	-	510.81	(510.81)	-	-
<b>Balance as on 31 March 2017</b>	-	51.82	2,900.00	784.61	392.64	4,129.07
<b>Balance as on 1 April 2017</b>	-	51.82	2,900.00	784.61	392.64	4,129.07
Profit for the year	-	-	-	499.43	-	499.43
Other Comprehensive Income for the year - Fair Valuation	-	-	-	-	31.74	31.74
Other Comprehensive Income for the year - Actuarial Gain / (Loss) - Net of Tax	-	-	-	6.53	-	6.53
Dividend Paid	-	-	-	(128.44)	-	(128.44)
Tax on Dividend	-	-	-	(26.15)	-	(26.15)
Expenses of Business Combination Net of Tax (refer Note 46)	-	-	(24.71)	-	-	(24.71)
Transfer from retained earnings	-	-	324.71	(324.71)	-	-
<b>Balance as on 31 March 2018</b>	-	51.82	3,200.00	811.27	424.38	4,487.48

As per our attached report of even date.

For and on behalf of The Board of Directors

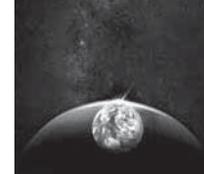
**For M/s P.G.Bhagwat**Firm Registration No. 101118W  
Chartered Accountants**S.S.Athavale**Partner  
Membership No. 83374Pune, 26<sup>th</sup> April, 2018**Aditya Kowshik**Managing Director  
DIN - 00228983**Jitendra Shah**

Company Secretary

**Rahul C. Kirloskar**Executive Chairman  
DIN - 00007319**Suhas S. Kolhatkar**

Vice President &amp; Chief Financial Officer

Pune, 26<sup>th</sup> April, 2018


**NOTE 1 : PROPERTY, PLANT AND EQUIPMENT**

₹ in Million

PARTICULARS	PROPERTY, PLANT AND EQUIPMENT									
	FREE HOLD LAND	BUILDINGS	PLANT & MACHINERY	ELECTRICAL INSTALLATION	OFFICE EQUIPMENTS	FURNITURE & FIXTURE	VEHICLE	LEASE ASSET VEHICLE	TOTAL	CAPITAL WORK IN PROGRESS
<b>Gross Carrying Amount</b>										
Deemed Cost As at 01/04/2016	2.16	275.41	365.62	20.29	9.27	16.17	30.57	-	719.49	330.94
Additions on account of Business Combination	-	-	0.61	-	0.14	0.54	17.16	70.25	88.70	-
Additions	-	2.02	61.56	2.29	3.35	1.66	24.32	3.51	98.71	130.18
Deductions and adjustments	-	-	0.82	-	-	-	0.60	-	1.42	98.72
<b>Gross Carrying Amount As at 31/03/2017</b>	2.16	277.43	426.97	22.58	12.76	18.37	71.45	73.76	905.48	362.40
Depreciation on additions on account of Business Combination	-	-	0.53	-	0.09	0.07	6.39	34.48	41.56	-
Depreciation for the year	-	16.17	85.46	3.90	4.22	3.49	18.32	11.90	143.46	-
Deductions and Adjustments	-	-	0.11	-	-	-	0.28	-	0.39	-
<b>Accumulated Depreciation up to 31/03/2017</b>	-	16.17	85.88	3.90	4.31	3.56	24.43	46.38	184.63	-
<b>Net Carrying Amount as at 31/03/2017</b>	2.16	261.26	341.09	18.68	8.45	14.81	47.02	27.38	720.85	362.40
<b>Gross Carrying Amount As at 01/04/2017</b>	2.16	277.43	426.97	22.58	12.76	18.37	71.45	73.76	905.48	362.40
Additions	-	4.99	72.63	4.15	1.69	1.58	33.99	-	119.03	403.83
Deductions and adjustments	-	-	0.07	-	-	0.38	1.19	-	1.64	119.03
<b>Gross Carrying Amount As at 31/03/2018</b>	2.16	282.42	499.53	26.73	14.45	19.57	104.25	73.76	1,022.87	647.20
<b>Accumulated Depreciation As at 01/04/2017</b>	-	16.17	85.88	3.90	4.31	3.56	24.43	46.38	184.63	-
For the year	-	16.52	84.05	4.01	3.56	2.84	19.41	8.32	138.72	-
Deductions and Adjustments	-	-	0.00	-	-	0.01	0.49	-	0.51	-
<b>Accumulated Depreciation up to 31/03/2018</b>	-	32.69	169.93	7.91	7.86	6.39	43.35	54.70	322.84	-
<b>Net Carrying Amount As at 31/03/2018</b>	2.16	249.73	329.60	18.82	6.59	13.18	60.90	19.06	700.03	647.20
Net Carrying Amount As at 31/03/2017	2.16	261.26	341.09	18.68	8.45	14.81	47.02	27.38	720.85	362.40
Deemed Cost As at 01/04/2016	2.16	275.41	365.62	20.29	9.27	16.17	30.57	-	719.49	330.94

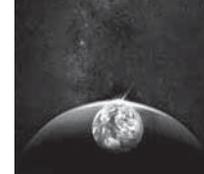
Property, Plant and Equipment is provided as security by way of a mortgage for availing credit facilities from the consortium banks. Refer Note No. 46 and 52 for effects of Business Combination

## ADDITIONAL INFORMATION : PROPERTY, PLANT AND EQUIPMENT

₹ in Million

PARTICULARS	PROPERTY, PLANT AND EQUIPMENT									
	FREE HOLD LAND	BUILDINGS	PLANT & MACHINERY	ELECTRICAL INSTALLATION	OFFICE EQUIPMENTS	FURNITURE & FIXTURE	VEHICLE	LEASE ASSET VEHICLE	TOTAL	CAPITAL WORK IN PROGRESS
<b>GROSS BLOCK AT COST :</b>										
As at 01/04/2016	2.16	389.86	1,308.36	44.46	42.35	51.05	91.20	-	<b>1,929.44</b>	330.94
Additions on account of Business Combination	-	-	0.61	-	0.14	0.54	17.16	70.25	<b>88.70</b>	-
Additions	-	2.03	61.56	2.29	3.35	1.66	24.32	3.51	<b>98.72</b>	130.18
Deductions and adjustments	-	-	1.59	-	-	-	13.86	-	<b>15.45</b>	98.72
<b>As at 31/03/2017</b>	2.16	391.89	1,368.94	46.75	45.84	53.25	118.82	73.76	<b>2,101.41</b>	362.40
As at 01/04/2017	2.16	391.89	1,368.94	46.75	45.84	53.25	118.82	73.76	<b>2,101.41</b>	362.40
Additions	-	4.99	72.62	4.15	1.69	1.58	33.99	-	<b>119.03</b>	403.83
Deductions and adjustments	-	-	0.96	-	0.03	0.62	13.56	-	<b>15.17</b>	119.03
<b>As at 31/03/2018</b>	2.16	396.88	1,440.60	50.90	47.50	54.21	139.26	73.76	<b>2,205.27</b>	647.20
<b>DEPRECIATION :</b>										
As at 01/04/2016	-	114.45	942.74	24.17	33.08	34.88	60.63	-	<b>1,209.95</b>	-
Additions on account of Business Combination	-	-	0.53	-	0.09	0.07	6.39	34.48	<b>41.56</b>	-
For the year	-	16.17	85.46	3.90	4.21	3.49	18.33	11.90	<b>143.46</b>	-
Deductions and Adjustments	-	-	0.88	-	-	-	13.54	-	<b>14.41</b>	-
<b>Total up to 31/03/2017</b>	-	130.62	1,027.85	28.07	37.38	38.44	71.81	46.38	<b>1,380.56</b>	-
As at 01/04/2017	-	130.62	1,027.85	28.07	37.38	38.44	71.81	46.38	<b>1,380.56</b>	-
For the year	-	16.53	84.05	4.01	3.56	2.84	19.41	8.32	<b>138.72</b>	-
Deductions and Adjustments	-	-	0.90	-	0.03	0.25	12.86	-	<b>14.04</b>	-
<b>Total up to 31/03/2018</b>	-	147.15	1,111.00	32.08	40.91	41.03	78.37	54.70	<b>1,505.24</b>	-
<b>NET BLOCK</b>										
<b>As at 31/03/2018</b>	<b>2.16</b>	<b>249.73</b>	<b>329.60</b>	<b>18.82</b>	<b>6.59</b>	<b>13.18</b>	<b>60.89</b>	<b>19.06</b>	<b>700.03</b>	<b>647.20</b>
As at 31/03/2017	2.16	261.26	341.09	18.68	8.46	14.81	47.01	27.38	720.85	362.40
As at 01/04/2016	2.16	275.41	365.62	20.29	9.27	16.17	30.57	-	719.49	330.94

The information relating to Gross Block, Accumulated Depreciation and Impairment if any has been disclosed as an additional information since the Company has adopted Deemed Cost exemption under Ind AS 101, refer note 52 on first time adoption.


**NOTE 2 : OTHER INTANGIBLE ASSETS**

₹ in Million

PARTICULARS	OTHER INTANGIBLE ASSETS			
	SOFTWARES	TECHNICAL KNOW HOW	TOTAL	INTANGIBLE ASSETS UNDER DEVELOPMENT
<b>Gross Carrying Amount</b>				
Deemed Cost As at 01/04/2016	1.35	96.58	97.93	0.34
Additions on account of Business Combination	0.05	-	0.05	-
Additions	4.35	-	4.35	13.51
Deductions and adjustments	-	-	-	4.35
<b>Gross Carrying Amount As at 31/03/2017</b>	<b>5.75</b>	<b>96.58</b>	<b>102.33</b>	<b>9.50</b>
Accumulated Depreciation				
Additions on account of Business Combination	0.02	-	0.02	-
For the year	2.46	27.05	29.51	-
Deductions and Adjustments	-	-	-	-
<b>Accumulated Depreciation up to 31/03/2017</b>	<b>2.48</b>	<b>27.05</b>	<b>29.53</b>	<b>-</b>
Net Carrying Amount as at 31/03/2017	3.27	69.53	72.80	9.50
<b>Gross Carrying Amount As at 01/04/2017</b>	<b>5.75</b>	<b>96.58</b>	<b>102.33</b>	<b>9.50</b>
Additions	9.10	-	9.10	27.87
Deductions and adjustments	0.01	-	0.01	9.16
<b>Gross Carrying Amount As at 31/03/2018</b>	<b>14.84</b>	<b>96.58</b>	<b>111.42</b>	<b>28.21</b>
Accumulated Depreciation As at 01/04/2017	2.48	27.05	29.53	-
For the year	6.78	27.05	33.83	-
Deductions and Adjustments	0.00	-	0.00	-
<b>Accumulated Depreciation up to 31/03/2018</b>	<b>9.26</b>	<b>54.10</b>	<b>63.36</b>	<b>-</b>
<b>Net Carrying Amount As at 31/03/2018</b>	<b>5.58</b>	<b>42.48</b>	<b>48.06</b>	<b>28.21</b>
Net Carrying Amount As at 31/03/2017	3.27	69.53	72.80	9.50
Deemed Cost As at 01/04/2016	1.35	96.58	97.93	0.34
<b>ADDITIONAL INFORMATION - OTHER INTANGIBLE ASSETS</b>				
<b>GROSS BLOCK AT COST :</b>				
As at 01/04/2016	61.60	147.74	209.34	0.34
Additions on account of Business Combination	0.05	-	0.05	-
Additions	4.35	-	4.35	13.51
Deductions and adjustments	-	-	-	4.35
<b>As at 31/03/2017</b>	<b>66.00</b>	<b>147.74</b>	<b>213.74</b>	<b>9.50</b>
As at 01/04/2017	66.00	147.74	213.74	9.50
Additions on account of Business Combination	-	-	-	-
Additions	9.10	-	9.10	27.87
Deductions and adjustments	0.05	-	0.05	9.16
<b>As at 31/03/2018</b>	<b>75.05</b>	<b>147.74</b>	<b>222.79</b>	<b>28.21</b>
<b>DEPRECIATION :</b>				
As at 01/04/2016	60.25	51.16	111.41	-
Additions on account of Business Combination	0.02	-	0.02	-
For the year	2.46	27.05	29.51	-
Deductions and Adjustments	-	-	-	-
<b>Total up to 31/03/2017</b>	<b>62.73</b>	<b>78.21</b>	<b>140.94</b>	<b>-</b>
As at 01/04/2017	62.73	78.21	140.94	-
Additions on account of Business Combination	-	-	-	-
For the year	6.78	27.05	33.83	-
Deductions and Adjustments	0.04	-	0.04	-
<b>Total up to 31/03/2018</b>	<b>69.47</b>	<b>105.26</b>	<b>174.73</b>	<b>-</b>
<b>NET BLOCK</b>				
<b>As at 31/03/2018</b>	<b>5.58</b>	<b>42.48</b>	<b>48.06</b>	<b>28.21</b>
As at 31/03/2017	3.27	69.53	72.80	9.50
As at 01/04/2016	1.35	96.58	97.93	0.34

The information relating to Gross Block, Accumulated Amortisation and Impairment if any has been disclosed as an additional information since the Company has adopted Deemed Cost exemption under Ind AS 101, refer note 52 on first time adoption.

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

	Face Value Rs.	As at 31 <sup>st</sup> March 2018		As at 31 <sup>st</sup> March 2017		As at 1 <sup>st</sup> April 2016	
		Qty Nos.	₹ in Million	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
<b>At Fair Value through Profit or Loss (FVTPL)</b>							
Government and Trust Securities							
Quoted :							
Unit Trust of India :							
UTI Balanced fund (Growth)	10	201.988	0.03	201.988	0.03	201.988	0.02
UTI Balanced fund (Dividend Plan-Re-investment)	10	7,920.525	0.22	6,861.125	0.21	6,307.552	0.17
UTI Master Shares	10	3,300	0.10	3,300	0.11	3,300	0.10
			<u>0.35</u>		<u>0.35</u>		<u>0.29</u>
In Debentures and Bonds :							
Quoted :							
12.5% Secured Redeemable Partly Convertible Debentures of Rs.100/- each of The Mysore Kirloskar Ltd. Balance non-convertible portion of Rs.44/- per Debenture - matured on 01.06.1998 awaiting realisation	100	25,000	0.00 *	25,000	0.00 *	25,000	0.00 *
<b>Total Fair Value through Profit or Loss (FVTPL)</b>			<u>0.35</u>		<u>0.35</u>		<u>0.29</u>
<b>At Fair Value through Other Comprehensive Income (FVTOCI)</b>							
Equity Shares :							
Unquoted :							
Fully Paid Shares							
Kirloskar Proprietary Ltd.	100	1	0.08	2	0.12	2	0.12
S L Kirloskar CSR Foundation	10	9,800	0.10	9,800	0.10	-	-
Ken. Sh. 1,000/- each in Kirloskar Kenya Ltd.	-	-	-	-	-	1,272	3.39
Singapore \$ 1 each in Kirsons Trading Pte. Ltd. - a Foreign Body Corporate.	-	56,250	1.12	56,250	1.12	56,250	1.12
The Nasik Merchants' Co-operative Bank Ltd.	100	1	0.00 *	1	0.00 *	1	0.00 *
The Cosmos Co-operative Bank Ltd.	20	62,500	1.25	62,500	1.25	62,500	1.25
Kirloskar Chillers Pvt.Ltd.	10	2,25,000	178.43	2,25,000	140.63	3,90,000	3.90
			<u>180.98</u>		<u>143.22</u>		<u>9.77</u>
Other, Quoted :							
The Mysore Kirloskar Ltd.	10	1,00,000	0.00 *	1,00,000	0.00 *	1,00,000	0.00 *
Kirloskar Industries Ltd.	10	200	0.24	200	0.22	-	-
Housing Development Finance Corporation Ltd.	2	46,990	85.78	46,990	70.58	46,990	51.95
Kirloskar Investment and Finance Ltd.	10	3,75,000	0.00 *	3,75,000	0.00 *	3,75,000	0.00 *
ICICI Bank Limited	2	55,324	15.40	50,295	13.92	50,295	12.02
Kirloskar Ferrous Industries Ltd.	5	20,00,000	169.10	20,00,000	192.60	20,00,000	90.00
HDFC Bank Ltd.	2	2,500	4.72	2,500	3.61	2,500	2.68
Punjab National Bank	2	7,000	0.67	7,000	1.05	7,000	0.59
			<u>275.91</u>		<u>281.98</u>		<u>157.24</u>
<b>Total Fair Value through Other Comprehensive Income (FVTOCI)</b>			<u>456.89</u>		<u>425.20</u>		<u>167.01</u>
<b>Total</b>			<u><u>457.24</u></u>		<u><u>425.55</u></u>		<u><u>167.30</u></u>

\* Value less than Rs.Ten Thousand

Aggregate Cost of acquisition of Quoted Investments	20.55	20.53	20.51
Aggregate Market Value of Quoted Investments	276.26	282.33	157.54
Aggregate Cost of acquisition of Un-Quoted Investments	4.72	4.78	52.81
Aggregate Fair Value of Un-Quoted Investments	180.98	143.22	9.77


**NOTE 3 : INVESTMENTS (CURRENT)**

	As at 31 <sup>st</sup> March 2018		As at 31 <sup>st</sup> March 2017		As at 1 <sup>st</sup> April 2016	
	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
<b>At Fair Value through Profit or Loss (FVTPL)</b>						
Quoted :						
ICICI Prudential Liquid - Direct Plan Daily Div.	-	-	-	-	3,45,886.569	34.61
Reliance Money Manager Fund - Direct - Daily Div.	-	-	-	-	55,250.959	55.48
IDFC Cash Fund - Direct Daily Div.	-	-	-	-	31,759.410	31.80
DSP BlackRock Liquidity Fund Direct Daily Div.	-	-	-	-	73,947.212	74.01
Axis Liquid Fund Direct Daily Div.	-	-	-	-	51,198.055	51.23
Reliance Quarterly Interval Fund Series II Direct - Dividend	-	-	-	-	29,95,865.705	30.37
HSBC Cash Fund Direct Daily Div.	-	-	-	-	80,005.868	80.05
Birla Dynamic Bond Fund Retail Qtr. Div.	-	-	43,45,143.433	45.06	43,45,143.433	45.99
SBI Premier Liquid Fund Direct Plan Daily Div.	-	-	63,089.327	63.29	1,28,133.606	128.55
ICICI Prudential Money Market Fund Direct Daily Div.	-	-	5,90,663.352	59.15	5,63,193.628	56.40
DSP BlackRock Low Duration Fund Direct Plan Weekly Div.	<b>79,31,323.825</b>	<b>80.03</b>	75,91,777.253	76.41	70,16,535.433	72.34
L & T Short Term Opportunities Fund Direct Plan Monthly Div.	<b>56,29,172.652</b>	<b>62.30</b>	53,89,980.754	59.65	51,90,174.055	55.82
SBI Ultra Short Term Debt Fund Direct Plan Daily Div.	<b>71,248.257</b>	<b>71.82</b>	68,241.607	68.68	64,826.682	65.22
UTI-Treasury Advantage Fund IP Direct Daily Div.	-	-	23,479.108	23.53	22,197.389	22.25
UTI-Liquid Fund Cash Plan IP Direct Daily Div.	-	-	56,866.479	57.97	54,245.861	55.30
Reliance Short Term Fund Direct Monthly Div.	-	-	30,78,191.165	34.57	29,11,574.325	32.41
DSP BlackRock Banking & PSU Debt Fund Direct Weekly Div.	-	-	99,00,944.760	101.61	92,73,620.370	95.56
Reliance Medium Term Fund Daily Direct Dividend Plan	<b>75,34,230.510</b>	<b>128.88</b>	71,92,585.990	122.96	67,76,526.192	115.85
ICICI Prudential Flexible Income Direct Daily Div.	<b>6,70,103.309</b>	<b>70.85</b>	6,39,875.897	67.66	6,04,340.284	63.90
ICICI Prudential Ultra Short Term Direct Daily Div.	-	-	115,97,534.767	117.21	60,78,345.841	61.43
Reliance Banking & PSU Debt Fund Direct Weekly Div.	-	-	75,62,928.360	76.63	41,78,873.363	42.31
UTI-Floating Rate Fund - STP Direct Daily Div.	<b>64,762.885</b>	<b>69.74</b>	61,858.322	66.61	58,358.291	62.84
SBI Short Term Debt Fund Direct Weekly Div.	<b>32,21,723.627</b>	<b>34.10</b>	30,89,464.421	32.66	29,01,773.958	30.70
SBI Treasury Advantage Fund Direct Daily Div.	<b>33,346.136</b>	<b>33.76</b>	31,884.700	32.23	30,244.124	30.49
Reliance Yearly Interval Fund Series 1 Direct Plan - Div.	<b>39,97,761.254</b>	<b>40.46</b>	39,97,761.254	40.32	39,97,761.254	40.65
HDFC Liquid Fund Direct Plan Daily Div.	-	-	41,374.261	42.19	39,304.177	40.08
IDFC Ultra Short Term Fund Daily Dividend Direct Plan	<b>52,46,875.963</b>	<b>53.08</b>	50,13,403.666	50.69	-	-
Axis Short Term Fund Direct Weekly Div.	-	-	51,09,505.199	52.45	-	-
Axis Short Term Fund Direct Plan Growth	<b>33,03,964.758</b>	<b>64.90</b>	33,03,964.758	60.80	-	-
Reliance Floating Rate Fund Short Term Plan - Direct - Growth	<b>21,09,283.917</b>	<b>59.29</b>	21,09,283.917	55.46	-	-
Reliance Short Term Fund Direct Growth Plan	-	-	15,98,358.166	50.51	-	-
HDFC Short Term Opportunities Fund Direct Plan Growth	-	-	29,27,297.636	52.99	-	-
DSP BlackRock Short Term Fund - Direct Monthly Div.	-	-	71,17,772.868	80.33	-	-
ICICI Prudential Banking & PSU Debt Fund - Direct Plan Growth	-	-	16,35,831.248	30.97	-	-
Invesco India Ultra Short Term Fund Direct Plan Daily Div.	-	-	49,655.647	50.60	-	-
HSBC Income Fund Short Term Plan Growth Direct Plan	-	-	30,42,415.069	84.97	-	-
		<b>769.21</b>		1758.16		1475.64
Carried over Rs.		<b>769.21</b>		1758.16		1475.64

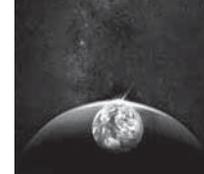
**NOTE 3 : INVESTMENTS (CURRENT) (CONTD.)**

	As at 31 <sup>st</sup> March 2018		As at 31 <sup>st</sup> March 2017		As at 1 <sup>st</sup> April 2016	
	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million	Qty Nos.	₹ in Million
Brought over Rs.		769.21		1758.16		1475.64
Invesco India Active Income Fund Direct Plan Growth	26,078.873	53.07	-	-	-	-
ICICI Prudential Fixed Maturity Plan Series 82- Plan F Direct Cumulative	250,00,000.000	254.23	-	-	-	-
Reliance Liquid Fund Treasury Plan Daily Div.	13,333.400	20.39	-	-	-	-
Reliance Fixed Horizon Fund XXXVI Series 2 Direct Growth Plan	200,00,000.000	202.95	-	-	-	-
ICICI Prudential Liquid Plan Daily Div.	2,00,288.559	20.06	-	-	-	-
Axis Liquid Fund Daily Dividend Reinvestment	90,034.902	90.13	-	-	-	-
L & T Liquid Fund Regular Daily Div.	59,324.547	60.06	-	-	-	-
DSP BlackRock Liquidity Fund - Regular Plan- Daily Div.	60,002.344	60.06	-	-	-	-
<b>Total</b>		<b>1,530.16</b>		<b>1,758.16</b>		<b>1,475.64</b>
Aggregate Cost of acquisition of Quoted Investments		1,509.72		1,748.74		1,475.88
Aggregate Market Value of Quoted Investments		1,530.16		1,758.16		1,475.64
Aggregate Cost of acquisition of Un-Quoted Investments		-		-		-
Aggregate Amount of Impairment in the Value of Investments		-		-		-

	₹ in Million		
	As at 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017	As at 1 <sup>st</sup> April, 2016
<b>NOTE 4 : TRADE RECEIVABLES :</b>			
Unsecured Considered Good			
Trade Receivables	<b>2,092.98</b>	1,313.68	1,190.66
<b>Total</b>	<b>2,092.98</b>	<b>1,313.68</b>	<b>1,190.66</b>
Non Current	<b>6.10</b>	6.13	5.31
Current	<b>2,086.88</b>	1,307.55	1,185.35
Debts due from Private Companies in which Director is a Director or a Member	<b>0.19</b>	-	-

**NOTE 5 : LOANS :**

Unsecured Considered Good			
Security Deposits ( Non Current )	<b>28.08</b>	26.95	22.55
Loan To Employees ( Non Current )	<b>0.47</b>	0.74	1.08
Security Deposits ( Current )	<b>13.00</b>	8.65	7.32
<b>Total</b>	<b>41.55</b>	<b>36.34</b>	<b>30.95</b>
Non Current	<b>28.55</b>	27.69	23.63
Current	<b>13.00</b>	8.65	7.32
Includes amount due from Officer and Related party	<b>15.57</b>	14.87	10.90


**₹ in Million**

	As at 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017	As at 1 <sup>st</sup> April, 2016
<b>NOTE 6 : OTHER FINANCIAL ASSETS :</b>			
Unsecured Considered Good			
Other Assets	1.24	1.47	3.16
<b>Total</b>	<b>1.24</b>	<b>1.47</b>	<b>3.16</b>
Current	1.24	1.47	3.16

**NOTE 7 : DEFERRED TAX ASSETS :**

Deferred Tax Assets	61.85	41.96	32.43
Deferred Tax Liabilities ( Refer Note no. 44 )	7.15	6.79	19.53
<b>Total</b>	<b>54.70</b>	<b>35.17</b>	<b>12.90</b>

**NOTE 8 : OTHER ASSETS :**

Unsecured Considered Good			
Advances to Supplier of Capital Goods (Non Current)	15.83	4.00	5.62
Other Assets (Non Current)	11.07	17.23	9.00
Balances with Central Excise (Current)	0.12	72.09	39.02
Other Assets (Current)	220.63	113.60	109.01
<b>Total</b>	<b>247.65</b>	<b>206.92</b>	<b>162.65</b>
Non Current	26.90	21.23	14.62
Current	220.75	185.69	148.03
Other Non Current Assets includes amount due from Related party	3.33	4.72	-
Other Current Assets includes amount due from Related party	1.24	1.18	-

**NOTE 9 : INVENTORIES :**

Raw Materials [Includes Rs. Nil (31st March 2017 - Rs. 1.20 Million) (1st April 2016 Rs. 1.66 Million) in transit]	642.31	428.04	340.53
Work-in-progress	201.76	247.85	168.56
Finished Goods, at cost or net realisable value whichever is lower	25.35	40.29	43.81
Stores & Spares	24.77	21.60	20.94
<b>Total</b>	<b>894.19</b>	<b>737.78</b>	<b>573.84</b>

₹ in Million

**NOTE 10 : CASH AND CASH EQUIVALENTS:****a) CASH AND CASH EQUIVALENTS :**

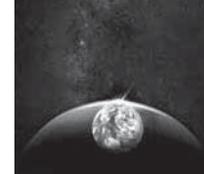
	<b>As at</b> <b>31<sup>st</sup> March, 2018</b>	<b>As at</b> <b>31<sup>st</sup> March, 2017</b>	<b>As at</b> <b>1<sup>st</sup> April, 2016</b>
Cash on hand	<b>0.09</b>	0.54	0.31
Balances with Banks :			
In Current Accounts	<b>590.87</b>	188.12	233.31
In Fixed Deposits	-	67.99	-
	<b>590.96</b>	256.65	233.62

**b) OTHER BANK BALANCES :**

Earmarked Balances with Banks			
For Unclaimed Dividend	<b>19.38</b>	18.20	17.73
For Fractional Entitlement	<b>2.60</b>	-	-
	<b>21.98</b>	18.20	17.73
<b>Total</b>	<b>612.94</b>	274.85	251.35

**NOTE 11 : CURRENT TAX LIABILITY - NET :**

Provision for Tax	<b>236.83</b>	192.41	156.28
Less : Advance Tax Paid	<b>229.09</b>	190.25	148.40
<b>Total</b>	<b>7.74</b>	2.16	7.88


**₹ in Million**

	As at 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017	As at 1 <sup>st</sup> April, 2016
<b>NOTE 12 : EQUITY SHARE CAPITAL :</b>			
<b>AUTHORISED :</b>			
Opening Balance :			
37.50 Million (15.00 Million) Equity Shares of Rs.10/- each	375.00	150.00	150.00
Add: - (22.50 Million) Equity Shares of Rs.10/- each on Business Combination	-	225.00	-
Closing Balance :	<u>375.00</u>	<u>375.00</u>	<u>150.00</u>
<b>ISSUED AND SUBSCRIBED :</b>			
Opening Balance :			
12.84 Million Equity Shares of Rs. 10/- each	128.44	128.44	128.44
Changes during the Year	-	-	-
Closing Balance :	<u>128.44</u>	<u>128.44</u>	<u>128.44</u>
<b>PAID UP :</b>			
Opening Balance :			
12.84 Million Equity Shares of Rs.10/- each fully paid	128.44	128.44	128.44
Less : Cancelled on Business Combination - (7.00 Million) Equity Shares of Rs.10/- each fully paid	-	(70.08)	-
	<u>128.44</u>	<u>58.37</u>	<u>128.44</u>
Add: Share Capital Suspense Account - (7.00 Million) 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 <sup>th</sup> April, 2017	-	70.08	-
<b>Total</b>	<u><u>128.44</u></u>	<u><u>128.44</u></u>	<u><u>128.44</u></u>

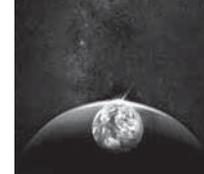
**Rights attached to Equity Shares :**

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

	Nos.	Nos.	Nos.
			<b>In Million</b>
<b>Shareholder holding more than 5%</b>			
a) Pneumatic Holdings Ltd	-	7.01	6.99
		54.56%	54.45%
b) Kirloskar Industries Ltd.	1.28	1.19	1.19
	10.00%	9.24%	9.24%
c) Mr. Rahul C. Kirloskar	1.49	0.12	0.12
	11.63%	0.90%	0.90%
d) Mr. Atul C. Kirloskar	1.49	0.11	0.11
	11.61%	0.89%	0.89%
e) Ms. Jyotsna Gautam Kulkarni	1.87	0.03	0.03
	14.52%	0.20%	0.20%
f) Reliance Capital Trustee Co. Ltd.	1.18	1.09	1.10
	9.19%	8.47%	8.55%
g) HDFC Trustee Co. Ltd.	1.16	0.81	0.80
	9.00%	6.34%	6.25%

	<b>₹ in Million</b>		
	As at 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017	As at 1 <sup>st</sup> April, 2016
<b>NOTE 13 : OTHER EQUITY :</b>			
<b>Capital Reserve :</b>			
Opening Balance / As per last Account	-	0.03	0.03
Add : On account of Business Combination	-	702.01	-
Less : Adjustment on Business Combination	-	702.04	-
<b>Closing Balance</b>	<b>-</b>	<b>-</b>	<b>0.03</b>
<b>Securities Premium (Share Premium) Account:</b>			
As per last Account	<b>51.82</b>	51.82	51.82
<b>General Reserve :</b>			
Opening Balance / As per last Account	<b>2,900.00</b>	2,850.00	2,850.00
Less : Adjustment on Business Combination	-	454.57	-
Less : Expenses of Business Combination - Net of Tax	<b>24.71</b>	6.24	-
Add: Set aside this year	<b>324.71</b>	510.81	-
<b>Closing Balance</b>	<b>3,200.00</b>	2,900.00	2,850.00
<b>Retained Earnings :</b>			
Opening Balance / As per last Account	<b>784.61</b>	192.07	192.07
Add : On account of Business Combination	-	615.79	-
Add : Transferred from Statement of Profit and Loss	<b>499.43</b>	537.80	-
Add : Transferred from Other Comprehensive Income - Net of Tax	<b>6.53</b>	(5.05)	-
Add : Transfer of realised Gain from Other Comprehensive Income	-	2.55	-
	<b>1,290.57</b>	1,343.16	192.07
Less :			
Transfer to General Reserve	<b>324.71</b>	510.81	-
Interim Dividend to the shareholders of Transferor Company of Business Combination	-	39.67	-
Dividend Paid	<b>128.44</b>	-	-
Tax on Dividend	<b>26.15</b>	8.07	-
<b>Closing Balance</b>	<b>811.27</b>	784.61	192.07
<b>Equity Instruments Through Other Comprehensive Income</b>			
Opening Balance / As per last Account	<b>392.64</b>	132.08	132.08
Add / (Less) FVTOCI Equity Investments - Change in Fair Value	<b>31.74</b>	263.11	-
Less : Transfer of realised Gain to Retained Earnings	-	(2.55)	-
<b>Closing Balance</b>	<b>424.38</b>	392.64	132.08
<b>Total</b>	<b>4,487.48</b>	4,129.07	3,226.00

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


**₹ in Million**

	As at 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017	As at 1 <sup>st</sup> April, 2016
<b>NOTE 14 : BORROWINGS :</b>			
Borrowings - Other Secured (Refer Note No. 34 for Net Debt position)	6.88	-	-
<b>Total</b>	<b>6.88</b>	-	-
Non Current	6.88	-	-
Maturity Date - 16th June 2020, Terms of Repayment - 36 Months, Interest Rate - 9.25%, Security - Vehicle			

**NOTE 15 : TRADE PAYABLES :**

Due to Micro, Small and Medium Enterprises	2.54	4.48	-
Other Trade Payables	1,625.67	942.90	935.49
<b>Total</b>	<b>1,628.21</b>	947.38	935.49

**NOTE 16 : OTHER FINANCIAL LIABILITIES :**

Deposit Received (Non Current)	1.59	1.59	2.49
Unpaid Dividends (Current)	19.38	18.20	17.73
Fractional Entitlement (Current)	2.60	-	-
Current Maturities of Long-Term Debt	1.43	-	-
Other Liabilities (Current)	505.68	469.49	408.90
<b>Total</b>	<b>530.68</b>	489.28	429.12
Non Current	1.59	1.59	2.49
Current	529.09	487.69	426.63

**NOTE 17 : PROVISIONS :**

Provision for Employee Benefits			
Provision for Leave Encashment (Non Current)	47.72	53.05	45.38
Provision for Leave Encashment (Current)	29.27	26.12	25.08
Provision for Gratuity (Current)	4.67	20.40	12.07
<b>Total</b>	<b>81.66</b>	99.57	82.53
Non Current	47.72	53.05	45.38
Current	33.94	46.52	37.15

₹ in Million

	As at 31 <sup>st</sup> March, 2018	As at 31 <sup>st</sup> March, 2017	As at 1 <sup>st</sup> April, 2016
<b>NOTE 18 : OTHER LIABILITIES :</b>			
Other Liabilities ( Non Current )	2.48	3.10	3.81
Advance from Customer ( Current )	306.15	117.15	148.67
Other Liabilities ( Current )	176.43	39.32	55.21
<b>Total</b>	<b>485.06</b>	<b>159.57</b>	<b>207.69</b>
Non Current	2.48	3.10	3.81
Current	482.58	156.47	203.88

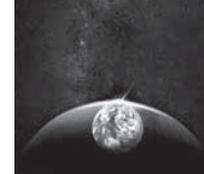
₹ in Million

	2017-18	2016-17
<b>NOTE 19 : REVENUE FROM OPERATIONS :</b>		
Sale of Products ( including excise duty )	5,365.93	5,024.87
Works Contract Sale	123.40	66.34
Sale of Services	562.77	417.31
Lease Income	12.30	24.53
<b>Total</b>	<b>6,064.40</b>	<b>5,533.05</b>

Sale of Products includes excise duty of Rs.59 Million collected from customers up to 30th June 2017 i.e. Till the date of implementation of GST ( Previous Year - Rs.388 Million for full year)

**NOTE 20 : OTHER INCOME :**

Dividend Income from Equity Investments designated at Fair Value through Other Comprehensive Income	11.19	1.34
Dividend Income from Mutual Fund Investments designated at Fair Value through Profit and Loss	53.55	80.86
Interest Received	6.15	16.91
Unwinding of Interest on Security Deposits	1.03	0.18
Insurance Claim Received	0.92	0.12
Miscellaneous Receipts	38.53	31.45
Surplus on Sale of Assets	2.69	2.42
Net Gain on Financial Instruments Mandatorily Measured at Fair Value Through Profit and Loss	16.32	9.69
Net Gain on Sale of Investments	12.20	101.48
Bad Debts / Liquidated Damages Recovered	20.77	35.67
<b>Total</b>	<b>163.35</b>	<b>280.12</b>


**₹ in Million**
**2017-18**
**2016-17**
**NOTE 21 : COST OF MATERIALS CONSUMED :**

Raw Materials (including components) consumed :

Stocks at commencement	<b>428.04</b>	340.53
Add : Purchases	<b>3,269.49</b>	2,781.09
	<b>3,697.53</b>	3,121.62
Less : Stocks at close	<b>642.31</b>	428.04
<b>Total</b>	<b>3,055.22</b>	2,693.58

**NOTE 22 : CHANGES IN INVENTORIES :**

(Increase) / Decrease in Stocks :

Finished Goods		
Stocks at close	<b>25.35</b>	40.29
Stocks at commencement	<b>40.29</b>	43.81
	<b>14.94</b>	3.52
Work-in-Progress		
Stocks at close	<b>201.76</b>	247.85
Stocks at commencement	<b>247.85</b>	168.56
	<b>46.09</b>	(79.29)
<b>Total</b>	<b>61.03</b>	(75.77)

**NOTE 23 : EMPLOYEE BENEFITS EXPENSES :**

Salaries, Wages, Bonus, etc.	<b>728.34</b>	701.96
Incentive	<b>17.26</b>	18.83
Contribution to Provident and Other Funds, etc.	<b>58.86</b>	57.02
Welfare Expenses	<b>87.35</b>	91.11
<b>Total</b>	<b>891.81</b>	868.92

	<b>2017-18</b>	<b>₹ in Million</b> 2016-17
<b>NOTE 24 : FINANCE COSTS :</b>		
<b>Interest :</b>		
On Borrowings	<b>0.61</b>	-
Other than on Borrowings	<b>1.66</b>	0.36
<b>Total</b>	<b>2.27</b>	0.36

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

Depreciation	<b>138.72</b>	143.46
Amortisation of intangible assets	<b>33.83</b>	29.51
<b>Total</b>	<b>172.55</b>	172.97



₹ in Million

2017-18

2016-17

**NOTE 26 : OTHER EXPENSES :**

Stores and Spares Consumed	118.52	104.09
Manufacturing Expenses	334.29	258.93
Power, Fuel and Water	83.28	81.98
Building Repairs	42.22	18.33
Machinery Repairs	54.27	42.75
Sundry Repairs	17.41	16.54
Rent	13.73	11.20
Rates and Taxes	8.88	8.00
Insurance	10.52	9.32
Commission and Discount	25.60	26.01
Royalty	19.40	15.97
Travelling Expenses	101.27	94.18
Excise Duty, net	10.67	13.34
Sales Tax	2.03	2.02
Postage, Telephones, Telex Expenses	19.94	21.18
Bank Charges	10.90	10.67
Freight Outward	44.69	33.21
Vehicle Expenses	20.33	16.13
Printing and Stationery	6.17	7.58
Legal and Professional Charges	87.96	59.00
Advertisement and Publicity Expenses	15.32	12.90
Donations	3.25	0.75
Auditors' Remuneration	3.04	2.40
Directors' Fees and Travelling Expenses	9.91	9.44
Director's Remuneration :		
Salary	50.08	43.92
Loss on Assets Sold	-	0.66
Bad Debts	9.16	14.26
Liquidated Damages	22.38	16.61
CSR Expenditure	8.54	8.54
Miscellaneous Expenses	104.87	90.61
<b>Total</b>	<b>1,258.63</b>	<b>1,050.52</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****27 Employee benefits****i Defined Contribution Plans:**

Amount of Rs. 44.21 Million (Previous Year Rs. 44.72 Million) is recognised as an expense and included in "Employees benefits expense" in Note 23 in the statement of Profit and Loss.

**ii Defined Benefit Plans - Gratuity :**

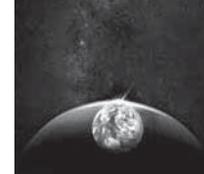
The Company operates gratuity plan wherein every employee is entitled to the benefit as per the scheme of the Company, for each completed year of service. The same is payable on termination of service or retirement, whichever is earlier. The benefit vests only after five years of continuous service.

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

	₹ in Million	
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
A. Amount to be recognised in balance sheet		
Present value of defined benefit obligation	173.11	173.16
Less: Fair value of plan assets	168.45	152.76
Amount to be recognised as liability or (asset)	4.67	20.40
B. Amounts reflected in the balance sheet		
Liabilities	4.67	20.40
Assets	-	-
Net liability / (assets)	4.67	20.40

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

	₹ in Million	
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
<b>Employee benefit expenses</b>		
Current service cost	13.97	11.77
<b>Finance cost</b>		
Net interest (income) / expenses	0.69	0.52
Net periodic benefit cost recognised in the statement of profit and loss	14.66	12.30


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**
**c) The amounts recognised in the statement of other comprehensive income (OCI)**

	₹ in Million	
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Opening amount recognised in OCI outside profit and loss account	-	-
2 Remeasurements for the year - obligation (gain) / loss	(10.46)	6.34
3 Remeasurements for the year - plan assets (gain) / loss	0.47	1.38
4 Total remeasurements cost / (credit) for the year recognised in OCI	(9.99)	7.72
5 Less: Accumulated balances transferred to retained earnings	(9.99)	7.72
Closing balances (remeasurements (gain) / loss recognised OCI)	-	-

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

	₹ in Million	
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
1 Present value of obligation as at the beginning of the period	173.16	160.65
2 Acquisition adjustment	-	-
3 Transfer in / (out)	-	-
4 Interest expenses	11.27	12.00
5 Past service cost	-	-
6 Current service cost	13.97	11.77
7 Curtailment cost / (credit)	-	-
8 Settlement cost / (credit)	-	-
9 Benefits paid	(14.82)	(17.59)
10 Remeasurements on obligation - (gain) / loss	(10.46)	6.34
Present value of obligation as at the end of the period	173.11	173.16

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)

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

		₹ in Million	
		31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
		Gratuity Plan	Gratuity Plan
		(Funded)	(Funded)
1	Fair value of the plan assets as at beginning of the period	152.76	147.79
2	Acquisition adjustment	-	-
3	Transfer in/(out)	-	-
4	Interest income	10.58	11.48
5	Contributions	20.51	12.56
6	Mortality Charges and Taxes	(0.11)	(0.08)
7	Benefits paid	(14.82)	(17.59)
8	Amount paid on settlement	-	-
9	Return on plan assets, excluding amount recognized in Interest Income - gain / (loss)	(0.47)	(1.38)
10	Fair value of plan assets as at the end of the period	168.45	152.76
11	Actual return on plan assets	10.11	10.09

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

- f) Net interest (income) /expenses

		31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
		Gratuity Plan	Gratuity Plan
		(Funded)	(Funded)
1	Interest ( income) / expense – obligation	11.27	12.00
2	Interest (income) / expense – plan assets	(10.58)	(11.48)
3	Net interest (income) / expense for the year	0.69	0.52

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

The net interest approach effectively assumes an expected rate of return on plan assets equal to the beginning of the year discount rate. As such expected return of 6.80% has been used for the valuation purpose.

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

Gratuity:	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017	1 <sup>st</sup> April 2016
Discount rate	8.00%	6.80%	7.90%
Expected return on plan assets	6.80%	7.90%	8.75%
Salary growth rate*	5.00%	5.00%	5.00%
Attrition rate	7.50%	7.00%	7.00%

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


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**
**h) General descriptions of defined benefit plans:**

The Company expects to fund approximately Rs.18 Million towards its gratuity plan in the year 2018-19.

**i) Sensitivity analysis**

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

Change in assumptions	₹ in Million	
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
	<b>PVO of Gratuity</b>	
<b>1 Discount rate</b>		
Increase by 1%	<b>166.22</b>	163.49
Decrease by 1%	<b>180.70</b>	180.43
<b>2 Salary increase rate</b>		
Increase by 1%	<b>179.40</b>	178.89
Decrease by 1%	<b>167.30</b>	164.77
<b>3 Withdrawal rate</b>		
Increase by 1%	<b>173.20</b>	173.17
Decrease by 1%	<b>173.04</b>	173.98

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

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

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

	₹ in Million	
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
<b>A. Amount to be recognised in balance sheet</b>		
Present value of defined benefit obligation	<b>76.98</b>	79.17
Less: Fair value of plan assets	-	-
Amount to be recognised as liability or (asset)	<b>76.98</b>	79.17
<b>B. Amounts reflected in the balance sheet</b>		
Current Liabilities	<b>29.27</b>	26.12
Non Current Liabilities	<b>47.72</b>	53.05
Total Liability	<b>76.98</b>	79.17

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)

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

	₹ in Million	
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
<b>Employee benefit expenses</b>		
Current service cost	10.25	9.47
<b>Finance cost</b>		
Net interest (income) / expenses	5.21	5.33
Remeasurements for the year - obligation (gain) / loss	(12.55)	(0.77)
Net cost recognised in the statement of profit and loss	<u>2.91</u>	<u>14.02</u>

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

1	Present value of obligation as at the beginning of the period	79.17	71.17
2	Acquisition adjustment	-	-
3	Transfer in / (out)	-	-
4	Interest expenses	5.21	5.33
5	Past service cost	-	-
6	Current service cost	10.25	9.47
7	Curtailement cost / (credit)	-	-
8	Settlement cost / (credit)	-	-
9	Benefits paid	(5.10)	(6.02)
10	Remeasurements on obligation - (gain) / loss	(12.55)	(0.77)
	Present value of obligation as at the end of the period	<u>76.98</u>	<u>79.17</u>

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

Defined Benefit Plan - Compensated Absences:	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017	1 <sup>st</sup> April 2016
Discount rate	8.00%	6.80%	7.90%
Expected average remaining working lives	8.63%	9.06%	8.95%
Salary growth rate*	5.00%	5.00%	5.00%
Attrition rate	7.50%	7.00%	7.00%

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

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****e) Sensitivity analysis**

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

Change in assumptions	₹ in Million	
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
	<b>PVO of Compensated Absences</b>	
<b>1 Discount rate</b>		
Increase by 1%	<b>74.82</b>	76.70
Decrease by 1%	<b>79.28</b>	81.80
<b>2 Salary increase rate</b>		
Increase by 1%	<b>78.64</b>	81.08
Decrease by 1%	<b>75.40</b>	77.34
<b>3 Withdrawal rate</b>		
Increase by 1%	<b>78.26</b>	80.46
Decrease by 1%	<b>75.63</b>	77.80

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)

## 28 Details of Operating Segment - Ind AS 108

₹ in Million

A.	Information about Operating Segment (See Note below)	2017-18			2016-17		
		COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL	COMPRESSION SYSTEMS	TRANSMISSION EQUIPMENTS	TOTAL
	Sr. No. Particulars						
	<b>1 Segment Revenue</b>						
	Sales	5,639.29	412.81	6,052.10	5,006.66	501.86	5,508.53
	Other	-	-	12.30	-	-	24.52
	Less: Inter Segment Revenue	-	-	-	-	-	-
	<b>Net Revenue from Operations</b>	<b>5,639.29</b>	<b>412.81</b>	<b>6,064.40</b>	<b>5,006.66</b>	<b>501.86</b>	<b>5,533.05</b>
	<b>2 Result</b>						
	Segment Result	1,171.22	(125.75)	1,045.47	973.88	(110.42)	863.46
	Less: Unallocable Corporate Expenses (Net of Income)			316.39			148.69
	Operating Profit before Interest			729.08			714.76
	Less: Finance Cost			2.27			0.36
	<b>Profit before Tax</b>			<b>726.81</b>			<b>714.40</b>
	<b>3 Other Information</b>						
	Segment Assets	3,505.92	350.61	3,856.53	2,379.73	315.45	2,695.18
	Add: Unallocable common assets			3,499.62			3,260.29
	<b>Total Assets</b>			<b>7,356.15</b>			<b>5,955.47</b>
	Segment Liabilities	2,532.43	131.26	2,663.69	1,520.47	117.09	1,637.56
	Add: Unallocable common liabilities			76.54			60.40
	<b>Total Liabilities</b>			<b>2,740.23</b>			<b>1,697.96</b>
	<b>4 Capital Expenditure During the year</b>	<b>71.89</b>	<b>3.08</b>	<b>74.97</b>	<b>70.72</b>	<b>6.43</b>	<b>77.15</b>
	<b>5 Depreciation and Impairment</b>	<b>86.55</b>	<b>41.94</b>	<b>128.49</b>	<b>81.82</b>	<b>44.11</b>	<b>125.93</b>
	Add: Unallocable Depreciation			44.06			47.04
				172.55			172.97
B	Revenue by location						
	1 In India			5,797.58			5,363.13
	2 Outside India			266.82			169.92
	Total			6,064.40			5,533.05
	All Assets of the Company are located within India						
	<b>Segment Assets &amp; Liabilities As on 1st April 2016 were as under</b>						
	<b>Segment Assets</b>	2,274.59	371.65	2,646.24			
	Add: Unallocable common assets			2,370.91			
	<b>Total Assets</b>			<b>5,017.15</b>			
	<b>Segment Liabilities</b>	1,500.46	113.60	1,614.06			
	Add: Unallocable common liabilities			48.65			
	<b>Total Liabilities</b>			<b>1,662.71</b>			

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****C Other Disclosures**

- 1 Operating segments are reported in a manner consistent with the internal reporting to Chief Operating Decision Maker (CODM).  
  
The Board of Directors of the Company assess the financial performance and position of the Company and make strategic decisions. The Board of Directors, has identified Executive Committee comprising of Executive Chairman and Managing Director as CODM.
- 2 Composition of Operating Segment  

Name of the Segment :	Comprises of :
a) Compression Systems	Air & Gas Compressors, Airconditioning & Refrigeration Compressors and Systems etc.
b) Transmission Equipments	Power Transmission Equipments (Torque Convertor), Reverse Reduction Gears for Marine Gear Engines, Industrial & Mobile application etc.
- 3 The Segment Revenue, Results, Assets and Liabilities include the respective amounts identifiable to each of the segment and amounts allocated on reasonable basis.
- 4 Revenues of approximately Rs.819.61 Million (Rs. Nil) are derived from a single external customer. These revenues pertain to Compression Segment and are earned in India.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****29. Disclosure of Transactions with Related Parties as required by the Ind AS - 24**

## (A) Names of the related parties

1) Associate Company	Kirloskar Chillers Pvt . Ltd. (Up to 29 <sup>th</sup> December 2016)	
2) Joint Venture Company (Refer Note 47)	Kirloskar AECOM Pvt. Ltd. (w.e.f. 10 <sup>th</sup> February 2018)	
3) Key Management Personnel	Mr. Rahul C. Kirloskar	Executive Chairman
	Mr. Aditya Kowshik	Managing Director
4) Relatives of Key Management Personnel	Mrs. Alpana Rahul Kirloskar Ms. Suman C. Kirloskar Mr. Atul C. Kirloskar Ms. Alike Rahul Kirloskar Mr. Aman Rahul Kirloskar	Wife Mother Brother Daughter Son
	Mrs. Kavita A. Kowshik Mr. Karn A. Kowshik Mrs. Meera Jamnagarwala Ms. Laxmi Chalapati	Wife Son Daughter Mother
5) Entity controlled by a person or his close relatives where that person is either i) key management personnel of the Company or ii) has a control or joint control over the Company or iii) has significant influence over the Company	Alpak Investment Pvt. Ltd. Kirloskar Energen Pvt. Ltd. Kirloskar Solar Technologies Pvt. Ltd. Navsai Instruments Pvt. Ltd. Lakeland Universal Ltd. BVI Alpana Kirloskar Design Studio Kiara Lifespaces Pvt. Ltd. (w.e.f 28 <sup>th</sup> March 2017)	

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


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

## (B) Related Party Transactions

₹ in Million

Nature of Transaction	Year	Associate Company	Joint Venture Company	Key Management Personnel	Relatives of Key Management Personnel	Total
Purchase of Goods / Assets	<b>2017-18</b>	-	-	-	-	-
	2016-17	23.07	-	-	-	23.07
Sale of Goods / Assets	<b>2017-18</b>	-	-	-	-	-
	2016-17	0.93	-	-	-	0.93
Services Given	<b>2017-18</b>	-	<b>0.06</b>	-	-	<b>0.06</b>
	2016-17	1.26	-	-	-	1.26
Services Received	<b>2017-18</b>	-	-	<b>62.37</b>	<b>0.40</b>	<b>62.77</b>
Remuneration	2016-17	0.33	-	54.82	0.30	55.45
Short Term Employee Benefits	Refer Note No. 30					-
Post Employment Benefits	Refer Note No. 30					-
Rent Received	<b>2017-18</b>	-	-	-	-	-
	2016-17	0.38	-	-	-	0.38
Rent Paid	<b>2017-18</b>	-	-	-	<b>2.40</b>	<b>2.40</b>
	2016-17	-	-	-	1.91	1.91
Dividend Paid	<b>2017-18</b>	-	-	<b>14.94</b>	<b>19.02</b>	<b>33.95</b>
	2016-17	-	-	-	-	-
Sale of Investments	<b>2017-18</b>	-	-	-	-	-
	2016-17	-	-	34.38	34.38	68.75
Balance Outstanding						
Receivable	<b>2017-18</b>	-	<b>0.06</b>	-	-	<b>0.06</b>
	2016-17	-	-	-	-	-
Payable	<b>2017-18</b>	-	-	<b>29.50</b>	<b>0.40</b>	<b>29.90</b>
	2016-17	-	-	23.50	0.30	23.80
Deposit receivable	<b>2017-18</b>	-	-	-	<b>20.00</b>	<b>20.00</b>
	2016-17	-	-	-	20.00	20.00

As at beginning of 1st April 2016 Company had Pneumatic Holdings Limited as its Holding Company, Kirloskar RoadRailer Limited as its Subsidiary Company and Kirloskar Chillers Pvt. Ltd. as its Associate Company. While there were no balances with Holding Company, Receivable from Subsidiary was Rs.330.17 Million and Investment in Subsidiary was Rs.45.70 Million. Payable to Associate Company was Rs.0.42 Million and Investment in Associate was Rs.3.9 Million. These relationships have undergone a change during the Year 2016-17.

Receiving of services includes Remuneration paid / payable to Key Managerial Personnel as per Note No. 30 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 31<sup>st</sup> MARCH 2018 (Contd.)****30 Managerial Remuneration :**

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

	₹ in Million					
	2017-18			2016-17		
	Executive Chairman	Managing Director	Total	Executive Chairman	Managing Director	Total
Salary *	12.00	7.80	19.80	12.00	7.65	19.65
House Rent Allowance *	-	0.78	0.78	-	0.77	0.77
Commission *	15.00	14.50	29.50	12.00	11.50	23.50
Contribution to Provident Fund, Superannuation and Gratuity: #	4.24	2.76	7.00	2.86	2.72	5.58
Other perquisites *	4.26	1.03	5.29	3.49	1.83	5.32
<b>Gross Remuneration</b>	<b>35.50</b>	<b>26.87</b>	<b>62.37</b>	<b>30.35</b>	<b>24.47</b>	<b>54.82</b>

\* Represents Short Term Employee Benefits

# Represents Post Employment Benefits

Note :

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

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

	₹ in Million	
	2017-18	2016-17
1 Net Profit as per Profit & Loss Account	726.81	714.40
2 <b>ADD :</b>		
Directors Remuneration	68.52	60.07
Loss on sale of Assets	-	0.66
	<b>795.33</b>	<b>775.13</b>
3 <b>LESS :</b>		
Profit on sale of Investments	12.20	101.48
Net Gain on Financial Instruments Measured at FVTPL	16.32	9.69
	<b>28.52</b>	<b>111.17</b>
Net Profit U/S 197	<b>766.81</b>	663.96
Maximum permissible Remuneration payable to Executive Chairman & Managing Director	<b>76.68</b>	66.40
Restricted to		
Executive Chairman	<b>35.50</b>	30.35
Managing Director	<b>26.87</b>	24.47
Maximum permissible Commission payable to Non Executive Directors	<b>7.67</b>	6.64
Restricted to	<b>6.15</b>	5.25


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**
**31 Financial instruments - fair values:**
**(a) Accounting classifications and fair values**

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

	₹ in Million		
	<u>Carrying value (stated at Fair value / Amortised cost)</u>		
	<u>31<sup>st</sup> March 2018</u>	<u>31<sup>st</sup> March 2017</u>	<u>1<sup>st</sup> April 2016</u>
<b>A Financial assets</b>			
<b>a) Fair value through other comprehensive income (FVTOCI)</b>			
Equity investments	456.89	425.20	167.01
<b>b) Fair value through profit and loss (FVTPL)</b>			
Mutual Fund investments	1,530.51	1,758.52	1,475.93
<b>c) Amortised cost</b>			
Trade receivables	2,092.98	1,313.68	1,190.66
Loans - security deposits	41.08	35.60	29.87
Loans - employees	0.47	0.74	1.08
Other financial assets	1.24	1.47	3.16
Cash and cash equivalents	590.96	256.65	233.62
Other bank balances	21.98	18.20	17.73
	<u>4,736.12</u>	<u>3,810.05</u>	<u>3,119.04</u>
<b>B Financial liabilities</b>			
<b>Amortised cost</b>			
Non-current borrowings	6.88	-	-
Trade payables	1,628.21	947.38	935.49
Other financial liabilities	530.68	489.28	429.12
	<u>2,165.77</u>	<u>1,436.67</u>	<u>1,364.61</u>

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****(b) Fair value hierarchy and valuation techniques used**

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

**As at 31<sup>st</sup> March 2018**

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

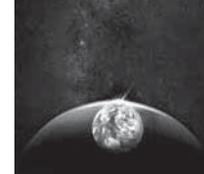
	₹ in Million					
	Level 1	Level 2	Level 3	Valuation technique used	Inputs used	
<b>Financial assets</b>						
FVTOCI investments - quoted	275.91	-	-	Quoted market price		
FVTOCI investments - unquoted	-	-	180.98	Discounted cash flow / carrying value	EBIDTA, Free cash flow, growth rate, risk adjusted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

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

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

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

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


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**
**As at 31<sup>st</sup> March 2017**
**a) Financial assets measured at fair value**

₹ in Million

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
<b>Financial assets</b>					
FVTOCI Investments - Quoted	281.98	-	-	Quoted market price	
FVTOCI Investments - Unquoted	-	-	143.22	Discounted cash flow / carrying value	EBIDTA, Free cash flow, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,758.52	-	-	Quoted market price	
	<b>2,040.50</b>	<b>-</b>	<b>143.22</b>		

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

Loans - security deposits	-	35.60	-	Net Present Value	Maturity and prevailing interest rate
Loans - employees	-	0.74	-	Net Present Value	-
Other financial assets	-	1.47	-	Net Present Value	-
	<b>-</b>	<b>37.81</b>	<b>-</b>		

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

Non-current borrowings	-	-	-	Net Present Value	Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	489.28	-	Net Present Value	Maturity period
	<b>-</b>	<b>489.28</b>	<b>-</b>		

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)As at 1<sup>st</sup> April 2016

## a) Financial assets measured at fair value

₹ in Million

	Level 1	Level 2	Level 3	Valuation technique used	Inputs used
<b>Financial assets</b>					
FVTOCI investments - quoted	157.24	-	-	Quoted market price	
FVTOCI investments - unquoted	-	-	9.77	Discounted cash flow / carrying value	EBIDTA, Free cash flow, growth rate, risk adjusted discount rate
FVTPL investments - Mutual Funds	1,475.93	-	-	Quoted market price	
	<b>1,633.17</b>	<b>-</b>	<b>9.77</b>		

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

Loans- security deposits	-	29.87	-	Net Present Value	Maturity and prevailing interest rate
Loans- employees	-	1.08	-	Net Present Value	-
Other financial assets	-	3.16	-	Net Present Value	-
		<b>34.10</b>			

## c) Financial liabilities measured at amortised cost

Non-current borrowings	-	-	-	Net Present Value	Prevailing market rate of interest, future pay-outs
Other financial liabilities	-	429.12	-	Net Present Value	Maturity period
	-	<b>429.12</b>	-		

During the year ended 31<sup>st</sup> March 2018, there were no transfers between level 1 and level 2 fair value measurements and no transfers into and out of level 3 fair value measurement.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****32 Financial risk management****Financial risk management policy and objectives**

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

Company is exposed to market risk and credit risk.

**1) Market Risk**

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

**a) Foreign currency risk**

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. Company transacts business in local currency INR and in different foreign currencies. Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated. Company's forex exposure is partly covered by natural hedge and partly by forward contracts. For unhedged exposure refer Note No. 33 - foreign currency sensitivity analysis.

**b) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While Company has insignificant exposure to the borrowing as on 31<sup>st</sup> March 2018 impacting its interest cost, the yield on its current investments is exposed to the fluctuations in the market rate.

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

**c) Price risk****Equity price risk**

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

The Company's Board of Directors reviews and approves all equity investment decisions.

At the reporting date, the exposure to quoted equity securities at fair value is Rs.275.91 Million. A decrease / increase of 5% in the active market could have an impact of approximately Rs.12.75 Million on the OCI or equity attributable to the Company. These changes would not have an effect on profit and loss.

**2) Credit Risk**

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

**a) Trade receivables**

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

- Company has different types of credit terms depending upon the type and credit worthiness of the customer. They are either on open terms or backed by Letter of Credit / Bank Guarantees.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

- Based on analysis of individual cases, the management considers the impairment of receivables, if any.

The table summarises aging for trade receivable:

	₹ in Million					
	Non Current Receivables	Current Receivables			Total	Total Receivables
		Less than 90 days	90 to 180 days	above 180 days		
<b>31 March 2018</b>	<b>6.10</b>	<b>1,809.61</b>	<b>123.54</b>	<b>153.73</b>	<b>2,086.88</b>	<b>2,092.98</b>
31 March 2017	6.13	943.48	91.03	273.04	1,307.55	1,313.68
1 April 2016	5.31	952.96	86.66	145.73	1,185.35	1,190.67

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

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

**c) Liquidity risk**

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

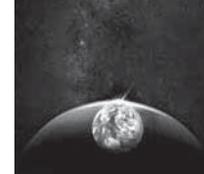
	₹ in Million					
	31 <sup>st</sup> March 2018					
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	Total
Interest bearing borrowings	6.88	-	-	-	6.88	6.88
Other financial liabilities	530.68	21.99	506.40	0.71	1.59	530.69
Trade payables	1,628.21	-	1,628.21	-	-	1,628.21

	₹ in Million					
	31 <sup>st</sup> March 2017					
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	Total
Interest bearing borrowings	-	-	-	-	-	-
Other financial liabilities	489.28	18.20	469.49	-	1.59	489.28
Trade payables	947.38	-	947.38	-	-	947.38

	₹ in Million					
	1 <sup>st</sup> April 2016					
	Carrying amount	On demand	Less than 6 months	6-12 Months	>1 year	Total
Interest bearing borrowings	-	-	-	-	-	-
Other financial liabilities	429.12	17.73	408.90	-	2.49	429.12
Trade payables	935.49	-	935.49	-	-	935.49


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**
**33 Foreign currency sensitivity analysis**

(A) Exposure Hedged - Foreign Exchange Derivatives

**In Million**

Nature of Instrument	Currency	Sale / Purchase	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017	01 <sup>st</sup> April 2016
Forward Contracts	GBP	Purchase	<b>2.36</b>	0.45	0.10
	EURO	Purchase	<b>0.05</b>	0.05	0.07
	USD	Purchase	<b>0.42</b>	0.02	0.27

(B) Exposure Unhedged - Net

Currency	Net exposure in foreign currency in Million			Net exposure in Rs. Million		
	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017	01 <sup>st</sup> April 2016	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017	01 <sup>st</sup> April 2016
USD	<b>(0.39)</b>	(0.57)	(0.46)	<b>(25.38)</b>	(37.53)	(30.89)
EUR	<b>0.11</b>	0.10	0.07	<b>9.12</b>	7.02	5.41
GBP	<b>0.02</b>	0.08	(0.01)	<b>1.99</b>	6.36	(0.82)
SEK	<b>0.71</b>	0.61	0.13	<b>5.68</b>	4.46	1.10
JPY	-	-	0.27	-	-	0.16

**₹ in Million**

Currency	Sensitivity %	Impact on profit (strengthen)*		Impact on profit (weakening)*	
		31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017
USD	1.32%	<b>0.33</b>	0.49	<b>(0.33)</b>	(0.49)
EUR	5.93%	<b>(0.54)</b>	(0.42)	<b>0.54</b>	0.42
GBP	-0.25%	-	0.02	-	(0.02)
SEK	2.97%	<b>(0.17)</b>	(0.13)	<b>0.17</b>	0.13
JPY	5.64%	-	-	-	-
<b>Total</b>		<b>(0.37)</b>	(0.04)	<b>0.37</b>	0.04

(\* Strengthening / weakening of foreign currency)

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****34 Capital management**

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the financial years ended on 31<sup>st</sup> March, 2018 and 31<sup>st</sup> March, 2017.

<b>Net debt position</b>	<b>₹ in Million</b>		
	<b>31<sup>st</sup> March 2018</b>	31 <sup>st</sup> March 2017	1 <sup>st</sup> April 2016
Borrowings (including current maturities)	<b>8.31</b>	-	-
Less: Cash and cash equivalents & current investments	<b>2,121.13</b>	2,014.81	1,709.26
<b>Net debt</b>	<b>(2,112.81)</b>	(2,014.81)	(1,709.26)
<b>Total Equity</b>	<b>4,615.92</b>	4,257.51	3,354.44
<b>Net debt to equity ratio</b>	Not applicable as the net debt position is negative		

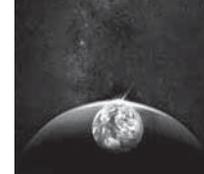
**35 Leases**

The Company has entered into agreements in the nature of Lease / Leave and License agreement with different Lessors / Licensors for the purpose of establishment of office premises / residential accommodations and assets. These are generally in nature of operating Lease / Leave and License and disclosure required as per Ind AS 17 with regard to the above is as under.

- a. Payment under Lease / Leave and License for period :
  - 1) Not later than 1 year Rs. 9.72 Million (Rs.7.25 Million)
  - 2) Later than 1 year but not later than 5 years Rs. 10.87 Million (Rs. 13.75 Million)
- b. There are no transaction in the nature of Sub Lease.
- c. Payments recognised as Rent in the Statement of Profit and Loss for the year ended 31<sup>st</sup> March, 2018 amounts to Rs.12.55 Million (Rs.10.98 Million)
- d. Period of Agreement is generally for Eleven Months, in some cases extending upto five years and renewable at the option of Lessee.

**36 Capital and other commitments:**

	<b>₹ in Million</b>	
	<b>2017-18</b>	2016-17
i. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for, net of Advances.	<b>121.70</b>	23.55
ii. Guarantees given by Company's Bankers for Contracts undertaken by the Company are secured by a First Charge on Company's Inventories (excluding Stores and Spares relating to Plant and Machinery) Outstanding Bills & Second Charge on Fixed Assets. Amount outstanding as on 31 <sup>st</sup> March 2018	<b>955.29</b>	874.39


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**
**37 Payment to Auditors :**

	₹ in Million	
	2017-18	2016-17
(a) As Auditors	2.60	1.94
(b) In Other Capacity		
For Tax Audit	0.40	0.30
For Certificates	-	0.12
	3.00	2.37
(c) For Expenses	0.04	0.03
	3.04	2.40

**38 Proposed dividend**

Dividend recommended per share - Rs.	12	10
Dividend %	120	100

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

	₹ in Million	
	2017-18	2016-17
Claims against the Company not acknowledged as Debts, estimated at	208.95	151.54
Income Tax Matters	6.97	-
Disputed Central Excise Matters	1.48	3.12
Disputed Customs Matters	16.04	1.45
Disputed Sales Tax Demands	157.88	221.59
Guarantees given by Company to Customers for the contracts undertaken in usual course of business	8.41	5.37

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)

₹ in Million

	2017-18	2016-17
<b>40 Expenditure in Foreign Currencies (accrual basis) :</b>		
<b>CIF Value of Imports</b>		
Raw Materials & Components	730.54	499.03
Capital Goods	18.72	11.30
<b>Other Expenses</b>	37.67	36.34
<b>Total</b>	<b>786.94</b>	<b>546.66</b>
<b>41 Earnings in Foreign Currencies (accrual basis)</b>		
<b>F.O.B. Value of Exports</b>	264.26	169.92
<b>Other Income</b>	1.07	7.72
<b>Total</b>	<b>265.33</b>	<b>177.64</b>

**42 Earnings per share**

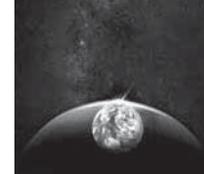
The calculations of profit attributable to equity shareholders and weighted average number of equity shares outstanding for purpose of basic and diluted earnings per share calculation are as follows:

Profit attributable to equity shareholders (Rs. in Million)	499.43	537.80
Weighted average number of equity shares used as denominator	12,844,338	12,844,338
Basic and diluted earnings per share of nominal value of Rs. 10 each (Rs.)	38.88	41.87

**43** The information as required to be disclosed under the "Micro, Small and Medium Enterprises Development Act, 2006" has been determined to the extent such parties have been identified on the basis of information available with the company. Based on disclosure, total outstanding of Micro, Small and Medium Enterprises to whom the company owes money is as under :

₹ in Million

Particulars	31 <sup>st</sup> March 2018	31 <sup>st</sup> March 2017	1 <sup>st</sup> April 2016
Total outstanding to MSME suppliers	2.54	4.48	Nil
Payment made to suppliers (other than interest) beyond the appointed day, during the year	4.48	Nil	Nil
Interest due and payable to suppliers under MSMED Act, for the payments already made	Nil	Nil	Nil
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.13	0.07	Nil


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**
**44 Taxation**

₹ in Million

Deferred Tax relates to following DTA / (DTL)	As At 31 <sup>st</sup> March 2018	As At 31 <sup>st</sup> March 2017	As At 1 <sup>st</sup> April 2016
Property, Plant & Equipments and Intangible Assets	12.03	(3.53)	(19.53)
Disallowance U/S 43 B	34.47	34.68	32.35
Fair Value of Current Investment	(7.15)	(3.26)	0.08
Expenses of Business Combination	15.34	7.28	-
<b>Deferred Tax Asset / (Liability)</b>	<b>54.70</b>	<b>35.17</b>	<b>12.90</b>

₹ in Million

Movement in Temporary Differences	1 <sup>st</sup> April 2016	Recognised in Profit & Loss in 2016-17	31 <sup>st</sup> March 2017	Recognised in Profit & Loss in 2017-18	31 <sup>st</sup> March 2018
Property, Plant & Equipments and Intangible Assets	(19.53)	10.53	(9.00)	15.56	6.56
Property, Plant & Equipments and Intangible Assets on account of Business Combination	-	-	5.47	-	5.47
<b>Property, Plant &amp; Equipments and Intangible Assets (Net)</b>	<b>(19.53)</b>	<b>10.53</b>	<b>(3.53)</b>	<b>15.56</b>	<b>12.03</b>
<b>Disallowance U/S 43 B</b>	<b>32.35</b>	<b>2.32</b>	<b>34.68</b>	<b>(0.20)</b>	<b>34.47</b>
<b>Expenses of Business Combination recognised in General Reserve</b>					
Expenses of Business Combination during 2016-17	-	0.56	7.28	-	-
Expenses of Business Combination during 2017-18	-	-	-	(3.34)	15.34
<b>Total Expenses of Business Combination</b>	<b>-</b>	<b>0.56</b>	<b>7.28</b>	<b>(3.34)</b>	<b>15.34</b>
<b>Fair Value of Current Investment</b>	<b>0.08</b>	<b>(3.34)</b>	<b>(3.26)</b>	<b>(3.89)</b>	<b>(7.15)</b>
<b>Net Deferred Tax Asset / (Liability)</b>	<b>12.90</b>	<b>10.07</b>	<b>35.17</b>	<b>8.12</b>	<b>54.70</b>

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

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)

Reconciliation of tax expense and tax calculated at prevailing income tax rate on the accounting profit for the year ending March 2018 & March 2017 is as under

Particulars	₹ in Million	
	As at 31 <sup>st</sup> March 2018	As at 31 <sup>st</sup> March 2017
<b>Accounting Profit Before Tax</b>	<b>726.81</b>	714.40
Tax on above at current rate of Income Tax	<b>251.53</b>	247.24
<b>Tax Expense</b>		
Current	<b>235.50</b>	186.67
Deferred	<b>(8.12)</b>	(10.07)
<b>Total Tax Expense</b>	<b>227.38</b>	176.60
<b>Difference</b>	<b>24.16</b>	70.64
<b>Tax Reconciliation</b>		
Amounts not deductible / Taxable (Net permanent differences)	<b>26.29</b>	62.24
Taxation in respect of earlier years	<b>(2.13)</b>	8.40
<b>Total</b>	<b>24.16</b>	70.64

- 45 Gross amount required to be spent by the Company on Corporate Social Responsibility during the year was Rs. 8.54 Million (PY Rs. 8.54 Million).

Amount spent during the year

₹ in Million

	In Cash	Yet to be paid in cash	Total
Construction / acquisition of any asset	Nil	Nil	Nil
On purpose other than (1) above			
<b>Direct Expenditure</b>	<b>3.54</b>	<b>0.00</b>	<b>3.54</b>
(Previous Year)	(3.04)		(3.04)
<b>Contribution by way of Donation</b>	<b>5.00</b>	<b>0.00</b>	<b>5.00</b>
(Previous Year)	(5.50)		(5.50)
<b>Total</b>	<b>8.54</b>	<b>0.00</b>	<b>8.54</b>
(Previous Year)	(8.54)	0.00	(8.54)

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****46 Business Combination of Kirloskar RoadRailer Limited and Pneumatic Holdings Limited with the Company :**

Pursuant to the Scheme of Arrangement and Amalgamation of 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 19<sup>th</sup> April 2017, the Assets and the Liabilities of KRL and PHL were transferred to and vested in the Company with effect from 1<sup>st</sup> April, 2016, being the Appointed Date of the Scheme. The Scheme was accordingly given effect to in the Accounts.

Effective date of the Scheme was 28<sup>th</sup> April, 2017 being the date on which certified copy of the order of Honourable National Company Law Tribunal was filed with the Registrar of Companies by KRL, PHL & the Company.

Pursuant to the said Scheme on the Record Date fixed by the Board of Directors of the Company, 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 were issued to the shareholders of erstwhile PHL.

Further the Board of Directors of the Company consolidated fractional entitlements that resulted from the aforesaid issue of shares and issued such consolidated Equity Shares to persons nominated as Trustees in this behalf. The Trustees have sold these shares in the market and have arranged to distribute the net sale proceeds (after deduction of the expenses incurred) to shareholders of PHL, in proportion to their respective fractional entitlements along with pro-rata dividend which was declared for the year 2016-17.

The Business Combination has been accounted for under the "Pooling of Interests" method.

In accordance with the said Scheme all costs, charges and expenses of Business Combination are debited to the General Reserve of the Company.

As per Appendix C of Ind AS 103 'Business Combination' in respect of common control business combinations, the financial information in the financial statement of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. As such balances as of 1<sup>st</sup> April 2016 includes balances of KRL.

**47 Joint Venture :**

During the year the Company has formed a new company, 'Kirloskar AECOM Pvt. Ltd.' registered in India, a 50:50 Joint Venture Company ( JV Company ) with AECOM India Pvt. Ltd., a group company of AECOM USA, to undertake business of Air Quality Control System ( AQCS ). The JV Company was incorporated on 10<sup>th</sup> February, 2018. Pursuant to provisions of Section 2 (41) of The Companies Act, 2013, JV Company shall have its first Financial Year ending on 31<sup>st</sup> March, 2019 for which the financial statements shall be made up. In view of this the Consolidated Financial statements of the Company incorporating financials of the JV Company shall be prepared first time for the financial year ending 31<sup>st</sup> March, 2019.

As of 31<sup>st</sup> March, 2018 the Company is yet to subscribe to the share capital of the JV Company. Expenditure incurred by the Company for formation of the JV Company has been disclosed in related party transaction in Note No. 29 as receivable from the JV Company. The Company has since subscribed Rs.1,600,000/- to the share capital of the JV Company.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

- 48** Property, Plant and Equipment, other tangible assets and book debts have been charged to consortium banks for availing credit facilities. A vehicle hypothecated as a security for outstanding borrowings.
- 49** Previous Years figures have been regrouped, rearranged or reclassified wherever necessary to correspond to Current Year's figures.
- 50** These financial statements were authorised for issue by the Board of Directors on 26<sup>th</sup> April, 2018

**51 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018.****1. Corporate Information**

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

The Company is engaged in the business of Compression & Transmission segments, primarily serving sectors of oil & gas, engineering, steel, cement, food & beverage by offering engineered products and solutions. The Compression segment is engaged in design, manufacture, supply, and erection / commissioning of wide range of air, gas and refrigeration compressors, packages & systems. The Transmission segment is engaged in design, manufacture and supply of railway traction gears and customized gearboxes for windmill, industrial and marine applications.

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

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

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

The financial statements up to year ended 31<sup>st</sup> March 2017 were prepared in accordance with the Accounting Standards notified under accounting principles generally accepted in India (Indian GAAP), including Accounting Standards notified under the Companies Act 2013, read together with rules of the Companies (Accounts) Rules, 2006 (as amended) and other relevant provisions of the Act. Financial statements for the year ended 31<sup>st</sup> March 2018 are the first financial statements that the Company has prepared in accordance with Ind AS. An explanation giving effects of the transition from Indian GAAP to Ind AS on the Company's Balance Sheet, Profit or Loss and Cash Flows for the year ended 31<sup>st</sup> March 2017 and opening Balance Sheet as of 1<sup>st</sup> April 2016 is provided in Note No. 52.

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

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

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

**3.1. Judgement**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

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

**Operating lease**

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

**3.2. Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumption about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**Defined benefit plans**

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

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

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

Further details about defined benefit obligations are provided in Note No. 27

**Deferred Tax**

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

**3.3 Functional and presentation currency**

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

**4. Significant Accounting Policies**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****4.1 Current Vs Non Current Classification**

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

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

- a. Expected to be realised or intended to be sold or consumed in normal operating cycle
- b. Held primarily for the purpose of trading
- c. Expected to be realised within twelve months after the reporting period or
- d. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

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

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

All other liabilities are treated as non-current.

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

**4.2 Fair value measurement**

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

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

**4.3 Property, Plant and Equipment**

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

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

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

**Depreciation**

- With the commencement of the Companies Act, 2013, depreciation is being provided on straight line method according to the useful life prescribed on single shift working basis in Schedule II of the Act on the carrying amount of the asset over the remaining useful life of the asset as per the said schedule, except as stated below. Where the asset is used any time during the year in double or triple shift, depreciation is being calculated on the basis of Note No. 6 of the said schedule.
- Depreciation on Vehicle other than leased vehicles is being provided over a period of five

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

years, being the estimated useful life of the asset to the company.

- Depreciation on Additions to Property, Plant and Equipment is being provided on pro-rata basis from the month of acquisition or installation of the said Asset, as per Note No. 2 of Schedule II to Companies Act, 2013 in a manner stated above.
- Depreciation on Leased Assets is being provided over their useful lives as prescribed by Schedule II to Companies Act, 2013 on written down value method.
- Depreciation on Assets sold, discarded or demolished during the year is being provided at their respective rates up to the preceding month in which such Assets are sold, discarded or demolished.
- Technical assessment of assets is carried out annually to identify cost of part of asset which is significant to total cost of asset and where useful life of that part of asset is significantly different than useful life of remaining part of asset. Parts are depreciated as per useful life so determined.
- Foreign exchange fluctuation gain / loss on imported plant and equipment was capitalized in the cost of the respective fixed asset up to transition date of Ind AS. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

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

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

**4.4 Intangible Assets**

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

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

Expenditure on acquiring Technical Know-how (intangible asset) is amortised equally over a period of five years or usage period whichever is lesser, after commencement of commercial production. Depreciation on additions to Software is provided on pro-rata basis from the month of installation, over a period of one year.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

Intangible assets are recorded at the consideration paid for acquisition.

**4.5 Borrowing Cost**

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the month in which the asset is ready to use, as part of the cost of the asset. Other borrowing costs are recognized as expenses in the period in which these are incurred.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****4.6 Impairment of Assets**

The Company assesses at each Balance Sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount (economic value in use) of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognised in the Profit and Loss account. If at any subsequent Balance Sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the Profit and Loss account.

**4.7 Financial Instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**a) Financial assets****(i) Initial recognition and measurement of financial assets**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial assets.

**(ii) Subsequent measurement of financial assets**

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets at Fair value through profit and loss (FVTPL)

**• Financial assets at amortised cost :**

A financial asset is measured at amortised cost if:

- The financial assets is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured by applying the effective interest rate (EIR) to the gross carrying amount of a financial asset if applicable. The EIR amortisation is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of Profit and Loss.

**• Financial assets at fair value through other comprehensive income**

A financial asset is measured at fair value through other comprehensive income if:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in Other Comprehensive Income except for interest income, impairment gains or losses for foreign exchange gains and losses which are recognised in the Statement of Profit and Loss.

- Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit and loss unless it is measured at amortised cost or at fair value through other comprehensive income.

In addition, the Company may elect to classify a financial asset, which otherwise meets amortized cost or fair value through other comprehensive income criteria, as at fair value through profit and loss. However, such election is allowed only if doing so reduces or eliminates a measurement or recognition inconsistency (referred to as 'accounting mismatch').

After initial measurement, such financial assets are subsequently measured at fair value with unrealised gains or losses recognised in the statement of profit and loss.

- (iii) De-recognition of financial assets

A financial asset is derecognised when:

- The contractual rights to the cash flows from the financial asset expire,

Or

- The Company has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

- (iv) Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made from financial assets which are equity instruments and financial liabilities. For financial assets a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****(v) Impairment of financial assets**

The company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**b) Financial Liabilities****(i) Initial recognition and measurement of financial liabilities**

All financial liabilities are recognised initially at fair value minus, in the case of financial liabilities not recorded at fair value through profit or loss, transaction costs that are attributable to the issue of the financial liabilities.

**(ii) Subsequent measurement of financial liabilities**

For purposes of subsequent measurement, financial liabilities are classified and measured as follows:

- Financial liabilities at fair value through profit and loss
- Amortised Cost
- Loans and Borrowings at amortised Cost

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

**(iii) De-recognition of financial liabilities**

A financial liability (or a part of a financial liability) is derecognised from Balance Sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged or cancelled or expired.

When an existing financial liability is replaced by the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

**4.8 Derivatives**

Company uses derivative contracts to hedge its exposure against movements in foreign exchange rates. The use of derivative contracts is intended to reduce the risk to the Company. Derivative contracts are not used for trading or speculation purposes.

All derivatives are measured at fair value through the Profit and Loss. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. Hedging activities are explicitly identified and documented by the Company.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****4.9 Foreign Currency Transactions****a. Initial Recognition**

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

**b. Conversion**

Current assets and current liabilities, secured loans, being monetary items, designated in foreign currencies are revalored at the rate prevailing on the date of Balance Sheet.

**c. Exchange Differences**

Exchange difference arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they were adjusted in the cost of corresponding asset up to the date of transition to Ind AS. Further, exchange difference on foreign currency loans utilized for acquisition of assets, is adjusted in the cost of the asset up to transition date of Ind AS only.

**4.10 Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered prior to 1st April 2016, the company has determined whether the arrangement contains lease based on facts and circumstances existing on the date of transition.

- **Company as a lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the company is classified as a finance lease.

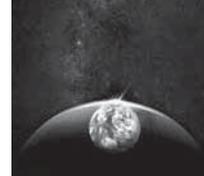
Finance leases are capitalised at the commencement of the lease at the inception date at fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases or another systematic basis is available.

- **Company as lessor**

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the company's net investment in the

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Leases in which the company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases or another systematic basis is available. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**4.11 Inventories**

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

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

**4.12 Cash and cash equivalents**

Cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

**4.13 Taxes****Current Income Tax**

Current income tax assets and liabilities are measured at the amounts expected to be recovered from or paid to the taxation authorities; on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively and not in the statement of profit and loss.

**Deferred Tax**

Deferred tax is provided using the Balance Sheet method on temporary difference between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

Deferred tax liabilities are recognised for all taxable temporary differences except:

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit and loss, is recognised outside the statement of profit and loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**4.14 Employee Benefits****a) Short Term Employee Benefits**

The distinction between short term and long term employee benefits is based on expected timing of settlement rather than the employee's entitlement benefits. All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and are recognised in the period in which the employee renders the related service.

**b) Post-Employment Benefits****(i) Defined contribution plan**

The Company makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid / payable under the schemes is recognised in the statement of profit and loss during the period in which the employee renders the related service.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

The Company has no further obligations under these schemes beyond its periodic contributions.

**(ii) Defined benefit plan**

The employee's gratuity fund scheme is Company's defined benefit plan. The present value of the obligation under such defined benefit plan is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance Sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plan, to recognise the obligation on the net basis.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the profit and loss in subsequent periods.

Past service costs are recognised in the statement of profit and loss on the earlier of:

- The date of the plan amendment or curtailment and
- The date that the Company recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Company recognises the following changes in the net defined benefit obligation as an expense in the statement of profit and loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income.

**c) Other long term employment benefits**

The employee's long term compensated absences are Company's other long term benefit plans. The present value of the obligation is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet.

In regard to other long term employment benefits, the Company recognises the net total of service cost; net interest on the net defined benefit liability (asset); and re-measurements of the net defined benefit liability (asset) in the statement of profit and loss.

**Termination Benefits**

Termination Benefits are recognised in the statement of profit and loss in the year in which termination benefits become payable or when the Company determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

**4.15 Provisions and Contingencies**

Necessary provisions are made for the present obligations that arise out of past events entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

However a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

**4.16 Revenue Recognition**

- a) Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods are passed on to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably. Sales are stated net of discounts, rebates and returns.
- b) Government grant in the nature of export incentives under various schemes notified by government are accounted for in the year of exports as grant related to income and is recognized as other operating income in the statement of profit and loss if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim are fulfilled.
- c) Export Sales are accounted for on the basis of date of Bill of Lading.
- d) Income from dividend on investments is accrued in the year in which it is authorized, whereby right to receive is established.
- e) Profit / Loss on sale of investments is recognized on the contract date.
- f) Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms except the cases where incremental lease reflects the inflationary effect and rental income is accounted in such case by actual rent for the period.

**4.17 Cash dividend**

The Company recognises a liability to make cash distributions to the equity holders of the Company when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the provisions of Companies Act, 2013, a distribution is authorised when it is approved by the shareholders except in case of interim dividend which is approved by the Board. A corresponding amount is recognised directly in equity.

**4.18 Earnings Per Share**

Earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

**4.19 Cash Flow Statement**

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature and any deferral or accruals of past or future cash receipts or payments and increase & decrease in current assets and current liabilities. The cash flows from regular operating, investing and financing activities of the Company are segregated.

**5 Standards issued but not yet effective**

Ind AS 115 is effective for annual periods beginning on or after 1 April 2018. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry (with limited exceptions). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligation; changes in contract asset and contract liability balances between periods and key judgments and estimates.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the requirements of Ind AS 115.

**52 First-time adoption of Indian Accounting Standards (“Ind AS-101”)**

These financial statements, for the year ended 31<sup>st</sup> March 2018, are the first financial statements, the Company has prepared in accordance with Ind AS. For periods up to and including the year ended 31<sup>st</sup> March 2017, the Company prepared its financial statements in accordance with Indian GAAP.

Accordingly, the Company has prepared financial statements which comply with Ind AS for the year ended 31<sup>st</sup> March 2018, together with the comparative data for the year ended 31<sup>st</sup> March 2017, as described in the summary of significant accounting policies. In preparing these financial statements, the Company’s opening Balance Sheet was prepared as at 1<sup>st</sup> April 2016, being the date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, for the year ended 31<sup>st</sup> March 2017 and the Balance Sheet as at 1<sup>st</sup> April 2016.

**Exemptions and exceptions availed** In preparing these financial statements, the company has applied the below mentioned optional exemptions and mandatory exceptions:

**A. Optional exemptions****1 Deemed Cost**

The Company has elected to continue with carrying value for all of its Property, Plant and Equipment and Intangible Assets as recognised in its Indian GAAP financial statements as at date of transition as deemed cost.

**2 Designation of previously recognised financial instruments**

The Company has opted to designate the quoted and unquoted equity instruments held at transition date as fair value through Other Comprehensive Income (FVTOCI).

**3 Business combination**

The company has elected to apply Ind AS 103, prospectively to business combinations occurring on or after its transition date. Business combinations that occurred before transition date, have not been restated.

**B. Mandatory exceptions****1. De-recognition of financial assets and liabilities**

The Company has applied the de-recognition requirement for financial assets under Ind AS 109 “Financial Instruments”, prospectively for transactions occurring on or after transition date.

**2. Estimates**

The estimates made under Ind As as at transition date and at 31<sup>st</sup> March 2017 are consistent with the estimates made for the same dates in accordance with Indian GAAP.

**3. Classification and measurement of financial assets**

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the transition date.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**

**Explanation of transition to Ind AS**

An explanation giving effects of the transition from Indian GAAP to Ind AS on the company's financial position and financial performance is given by way of reconciliation and notes that accompany it.

The reconciliations include -

- reconciliation of equity as at 1<sup>st</sup> April 2016;
- reconciliation of equity as at 31<sup>st</sup> March 2017;
- reconciliation of total comprehensive income for the year ended 31<sup>st</sup> March 2017;

There are no material adjustments to cash flow for the year ended 31<sup>st</sup> March 2017

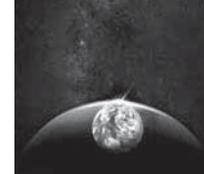

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**
**Reconciliation of Equity as at 1<sup>st</sup> April 2016 (date of transition to Ind AS)**
**₹ in Million**

Sr. No.	Particulars	Note No.	Indian GAAP 1 <sup>st</sup> April 2016	Effects of Transition to Ind AS	Ind AS 1 <sup>st</sup> April 2016
	<b>ASSETS</b>				
(1)	<b>Non-current assets</b>				
	(a) Property, Plant and Equipment		719.49	-	719.49
	(b) Capital work-in-progress	a	6.55	324.39	330.94
	(c) Other Intangible assets		97.93	-	97.93
	(d) Intangible assets under development		0.34	-	0.34
	(e) Financial Assets				
	(i) Investments	b, c	73.30	94.00	167.30
	(ii) Trade receivables		5.31	-	5.31
	(iii) Loans		23.63	-	23.63
	(f) Deferred tax assets (net)	g	12.82	0.08	12.90
	(g) Other non-current assets		14.62	-	14.62
	<b>Total non-current assets</b>		<b>953.99</b>	<b>418.47</b>	<b>1,372.46</b>
(2)	<b>Current assets</b>				
	(a) Inventories		573.84	-	573.84
	(b) Financial Assets				
	(i) Investments	b	1,471.86	3.78	1,475.64
	(ii) Trade receivables	a	1,515.51	(330.16)	1,185.35
	(iii) Cash and cash equivalents	a	219.62	14.00	233.62
	(iv) Bank balance other than (iii) above		17.73	-	17.73
	(v) Loans		7.32	-	7.32
	(vi) Others		3.16	-	3.16
	(c) Current Tax Assets (net)		148.40	(148.40)	-
	(d) Other current assets	a	114.99	33.04	148.03
	<b>Total current assets</b>		<b>4,072.43</b>	<b>(427.74)</b>	<b>3,644.69</b>
	<b>Total Assets</b>		<b>5,026.42</b>	<b>(9.27)</b>	<b>5,017.15</b>
	<b>EQUITY AND LIABILITIES</b>				
	Equity				
	(a) Equity Share capital		128.44	-	128.44
	(b) Other Equity	a, b, c, g	3,086.89	139.11	3,226.00
	<b>Total equity</b>		<b>3,215.33</b>	<b>139.11</b>	<b>3,354.44</b>
(1)	<b>LIABILITIES</b>				
	Non-current liabilities				
	(a) Financial Liabilities				
	(i) Borrowings		-	-	-
	(ii) Other financial liabilities		2.49	-	2.49
	(b) Provisions		45.38	-	45.38
	(c) Other non-current liabilities		3.81	-	3.81
	<b>Total non-current liabilities</b>		<b>51.68</b>	<b>-</b>	<b>51.68</b>
(2)	<b>Current liabilities</b>				
	(a) Financial liabilities				
	(i) Trade payables		935.49	-	935.49
	(ii) Other financial liabilities	a	426.61	0.02	426.63
	(b) Other current liabilities	a	203.88	-	203.88
	(c) Provisions		37.15	-	37.15
	(d) Current tax liabilities (net)		156.28	(148.40)	7.88
	<b>Total current liabilities</b>		<b>1,759.41</b>	<b>(148.38)</b>	<b>1,611.03</b>
	<b>Total Liabilities</b>		<b>1,811.09</b>	<b>(148.38)</b>	<b>1,662.71</b>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)Reconciliation of Equity as at 31<sup>st</sup> March 2017

₹ in Million

Sr. No.	Particulars	Note No.	Indian GAAP 31 <sup>st</sup> March 2017	Effects of Transition to Ind AS	Ind AS 31 <sup>st</sup> March 2017
	<b>ASSETS</b>				
(1)	<b>Non-current assets</b>				
	(a) Property, Plant and Equipment		720.85	-	720.85
	(b) Capital work-in-progress		362.40	-	362.40
	(c) Other Intangible assets		72.80	-	72.80
	(d) Intangible assets under development		9.50	-	9.50
	(e) Financial Assets				
	(i) Investments	b, c	25.31	400.24	425.55
	(ii) Trade receivables		6.13	-	6.13
	(iii) Loans	e	33.42	(5.73)	27.69
	(iv) Others		-	-	-
	(f) Deferred tax assets (net)	g	38.43	(3.26)	35.17
	(g) Other non-current assets	e	16.72	4.51	21.23
	<b>Total non-current assets</b>		<b>1,285.56</b>	<b>395.76</b>	<b>1,681.32</b>
(2)	<b>Current assets</b>				
	(a) Inventories		737.78	-	737.78
	(b) Financial Assets				
	(i) Investments	b	1,742.68	15.48	1,758.16
	(ii) Trade receivables		1,307.55	-	1,307.55
	(iii) Cash and cash equivalents		256.65	-	256.65
	(iv) Bank balance other than (iii) above		18.20	-	18.20
	(v) Loans		8.65	-	8.65
	(vi) Others		1.47	-	1.47
	(c) Current Tax Assets (net)		-	-	-
	(d) Other current assets	e	184.55	1.14	185.69
	<b>Total current assets</b>		<b>4,257.53</b>	<b>16.62</b>	<b>4,274.15</b>
	<b>Total Assets</b>		<b>5,543.09</b>	<b>412.38</b>	<b>5,955.47</b>
	<b>EQUITY AND LIABILITIES</b>				
	Equity				
	(a) Equity Share capital		128.44	-	128.44
	(b) Other Equity	b, c, d, e, g	3,716.69	412.38	4,129.07
	<b>Total equity</b>		<b>3,845.13</b>	<b>412.38</b>	<b>4,257.51</b>
(1)	<b>LIABILITIES</b>				
	<b>Non-current liabilities</b>				
	(a) Financial Liabilities				
	(i) Borrowings		-	-	-
	(ii) Other financial liabilities		1.59	-	1.59
	(b) Provisions		53.05	-	53.05
	(c) Other non-current liabilities		3.10	-	3.10
	<b>Total non-current liabilities</b>		<b>57.74</b>	<b>-</b>	<b>57.74</b>
(2)	<b>Current liabilities</b>				
	(a) Financial liabilities				
	(i) Trade payables		947.38	-	947.38
	(ii) Other financial liabilities		487.69	-	487.69
	(b) Other current liabilities		156.47	-	156.47
	(c) Provisions		46.52	-	46.52
	(d) Current tax liabilities (net)		2.16	-	2.16
	<b>Total current liabilities</b>		<b>1,640.22</b>	<b>-</b>	<b>1,640.22</b>
	<b>Total liabilities</b>		<b>1,697.96</b>	<b>-</b>	<b>1,697.96</b>
	<b>Total Equity and Liabilities</b>		<b>5,543.09</b>	<b>412.38</b>	<b>5,955.47</b>


**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)**
**Reconciliation of Total Comprehensive Income for the year ended 31<sup>st</sup> March 2017**

₹ in Million

Sr. No.	Particulars	Note No.	Indian GAAP 31 <sup>st</sup> March 2017	Effects of Transition to Ind AS	Ind AS 31 <sup>st</sup> March 2017
(I)	Revenue from Operations	f	5,290.09	242.96	5,533.05
(II)	Other Income	b, e	272.82	7.30	280.12
<b>(III)</b>	<b>Total Income (I+II)</b>		<b>5,562.91</b>	<b>250.26</b>	<b>5,813.17</b>
<b>(IV)</b>	<b>Expenses</b>				
	Cost of materials consumed	f	2,723.45	(29.87)	2,693.58
	Purchases of Stock-in-Trade		-	-	-
	Changes in inventories of finished goods, Stock-in-Trade and work-in-progress		(75.77)	-	(75.77)
	Excise duty	f	-	388.19	388.19
	Employee benefits expense	d	876.65	(7.73)	868.92
	Finance costs		0.36	-	0.36
	Depreciation and amortization expense		172.97	-	172.97
	Other expenses	e, f	1,167.69	(117.17)	1,050.52
	<b>Total expenses (IV)</b>		<b>4,865.35</b>	<b>233.42</b>	<b>5,098.77</b>
<b>(V)</b>	<b>Profit / (loss) before exceptional items and tax (III-IV)</b>		<b>697.56</b>	<b>16.84</b>	<b>714.40</b>
(VI)	Exceptional items		-	-	-
<b>(VII)</b>	<b>Profit before tax (V) - (VI)</b>		<b>697.56</b>	<b>16.84</b>	<b>714.40</b>
(VIII)	Tax expenses				
	(1) Current tax	d	184.00	2.67	186.67
	(2) Deferred tax	b, g	(13.41)	3.34	(10.07)
<b>(IX)</b>	<b>Profit for the period</b>		<b>526.97</b>	<b>10.83</b>	<b>537.80</b>
<b>(X)</b>	<b>Other Comprehensive Income</b>				
	A) Items that will not be reclassified to profit and loss				
	i) Re-measurement of net Defined Benefit Obligation	d	-	(7.72)	(7.72)
	ii) Equity Instruments through Other Comprehensive Income	c	-	263.11	263.11
	B) Income tax relating to items that will not be reclassified to profit or loss				
	i) Taxes on Re-measurement of net Defined Benefit Obligation	d	-	2.67	2.67
	ii) Taxes on Equity Instruments through Other Comprehensive Income		-	-	-
	<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>258.06</b>	<b>258.06</b>
	<b>Total Comprehensive Income for the period (Comprising Profit and Other Comprehensive Income for the period) (IX+X)</b>		<b>526.97</b>	<b>268.89</b>	<b>795.86</b>

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****Notes to the reconciliation of equity as at transition date 1<sup>st</sup> April 2016, 31<sup>st</sup> March 2017 and total comprehensive income for the year ended 31<sup>st</sup> March 2017****a) Business Combination**

Under Ind AS, for common control business combinations, the financial information in respect of prior periods is required to be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination.

**b) Investments in Mutual Funds**

Under Ind AS, investment in mutual funds classified as 'Fair value through profit and loss' are measured at fair value at each reporting date. The subsequent changes in the fair value of such investments are recognised in statement of profit and loss.

**c) Equity Investments**

Under Ind AS, investment in equity shares classified as 'Fair value through other comprehensive income' are measured at fair value at each reporting date. The subsequent changes in the fair value and realised gains / losses if any of such investments are recognised in other comprehensive income. Further, gains or losses recognised in other comprehensive income are never reclassified from equity to statement of profit and loss.

**d) Actuarial gains and losses and return on plan assets on defined benefit plan**

Under Ind AS, re-measurements which comprise of actuarial gains and losses, return on plan assets and changes in the effect of asset ceiling, if any, with respect to post-employment defined benefit plans are recognised in other comprehensive income. Further, re-measurements thus recognised in OCI are never reclassified to statement of profit and loss.

**e) Interest-free security deposits paid**

Under Indian GAAP, interest-free security deposits paid are reported at their transaction values. Under Ind AS, interest-free security deposits are measured at fair value on initial recognition and at amortised cost on subsequent recognition. The difference between the transaction value and fair value of the lease deposit at initial recognition is treated as prepaid rentals. This amount is recognised in statement of profit and loss on a straight line basis over the lease term.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2018 (Contd.)****f) Sale of goods**

Under Indian GAAP, sale of goods was presented as net of excise duty. However, under Ind AS, sale of goods includes excise duty. Excise duty on sale of goods is separately presented on the face of statement of profit and loss. Thus sale of goods under Ind AS has increased with a corresponding increase in expenses.

Under Indian GAAP, revenue is recorded at gross amount of consideration and turnover discounts / fixed incentive offered are recorded as expenditure in the statement of profit and loss. Under Ind AS turnover discounts / fixed incentive are netted against revenue and not charged to statement of profit and loss separately.

**g) Deferred Taxes**

Indian GAAP permits deferred taxes to be accounted using the income statement approach, which focuses on timing differences between taxable profits and accounting profits for the period. Under Ind AS, deferred taxes are recognised using balance sheet approach i.e. reflecting the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the income tax rates enacted or substantively enacted at reporting date. Also, deferred taxes are recognised on account of the above mentioned changes explained in notes (a) to (f), wherever applicable.

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As per our attached report of even date.

For and on behalf of The Board of Directors

**For M/s P.G.Bhagwat**

Firm Registration No. 101118W  
Chartered Accountants

**Aditya Kowshik**

Managing Director  
DIN - 00228983

**Rahul C. Kirloskar**

Executive Chairman  
DIN - 00007319

**S.S.Athavale**

Partner  
Membership No. 83374  
Pune, 26<sup>th</sup> April, 2018

**Jitendra Shah**

Company Secretary

**Suhas S. Kolhatkar**

Vice President & Chief Financial Officer

Pune, 26<sup>th</sup> April, 2018







# KIRLOSKAR PNEUMATIC CO. LTD.

## A Kirloskar Group Company

Hadapsar Industrial Estate, Pune 411 013

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

CIN: L29120PN1974PLC110307

43<sup>RD</sup> ANNUAL GENERAL MEETING - 24<sup>TH</sup> JULY, 2018

### 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 43<sup>rd</sup> Annual General Meeting of the Company, to be held on Tuesday, 24<sup>th</sup> July, 2018 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
	<b>ORDINARY BUSINESS</b>		
1.	Adoption of audited Financial Statement of the Company for the Financial Year ended 31 <sup>st</sup> March, 2018 and Report of Board of Directors and Auditors thereon.		
2.	Declaration of Dividend for the Financial Year ended 31 <sup>st</sup> March, 2018.		
3.	Re-appointment of Mr D R Swar (DIN 00007495), Director, who retires by rotation.		
4.	Ratify appointment of M/s P G Bhagwat, Chartered Accountants as Statutory Auditors for Financial Year 2018-19 and further ratification, if so required under the Act.		
	<b>SPECIAL BUSINESS</b>		
5.	Ratification of remuneration of M/s Sudhir Govind Jog, Cost Accountant as Cost Auditor.		

Signed this..... day of..... 2018

Signature of Member .....

Signature of Proxy holder .....

Affix  
Revenue  
Stamp  
Re. 1

- Notes:
1. This form of proxy in order to be effective should be duly stamped, completed, signed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.
  2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Annual General Meeting.
  - \*3. It is optional to put a '✓' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he / she thinks appropriate.
  4. Please complete all details including details of member(s) in above box before submission.

INTENTIONALLY LEFT BLANK



CNG Package

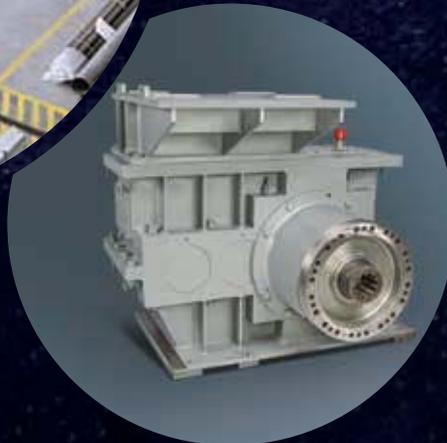
Air Compressor -  
Screw



Refrigeration  
System



Extruder 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](mailto:sec@kpcl.net) Website: [www.kirloskarkpcl.com](http://www.kirloskarkpcl.com)

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