Kirloskar Capital Limited

Special purpose financial statements together with Independent Auditors' Report for the period ended 31 March 2019

Kirloskar Capital Limited

Special purpose financial statements together with Independent Auditors' Report

for the period ended 31 March 2019

Contents

B S R & Co. LLP
Chartered Accountants

5th Floor, Lodha Excelus,
Apollo Mills Compound
N. M. Joshi Marg, Mahalaxmi
Mumbai - 400 011
India

Telephone +91 (22) 4345 5300
Fax +91 (22) 4345 5399

Independent Auditor's Report

To Board of Directors of
Kirloskar Capital Limited

Report on the Audit of the Special Purpose Financial statements

Opinion

We have audited the accompanying special purpose financial statements of Kirloskar Capital Limited ("the Company"), which comprise the special purpose balance sheet as at 31 March 2019, the special purpose statement of profit and loss (including other comprehensive income), the special purpose statement of changes in equity, the special purpose cash flow statement for the year then ended, and selected notes to the special purpose financial statements, including a summary of significant accounting policies and selected other explanatory information (the 'special purpose financial statements'), the special purpose financial statements have been prepared by the management in accordance with the basis of preparation as set out in Note 23.2 to the special purpose financial statements.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid special purpose financial statements give a true and fair view, of the state of affairs of the Company as at 31 March 2019, and its loss, and its cash flows for the year ended on that date in accordance with the basis of preparation as set out in Note 23.2 to the special purpose financial statements.

Basis of opinion

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

Emphasis of matter

We draw attention to Note 23.2 to the special purpose financial statements which further fully describes the basis of preparation of the aforesaid special purpose financial statements. These special purpose financial statements are prepared solely for the use of the Board of Directors of the Company for onward submission to the Company's holding company ('Kirloskar Oil Engines Limited') for preparation of the holding company's consolidated financial statements.

Our opinion is not modified in respect of this matter.

B S R & Co. LLP
5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai-400011. India
Chartered Accountants

Management's Responsibility for the Special Purpose Financial Statements

The Company's management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these special purpose financial statements in accordance with the accounting principles generally accepted in India, including Companies (Indian Accounting Standards) Rules, 2015 (as amended) specified under Section 133 of the Act and in accordance with the basis of preparation as set out in Note 23.2 to the special purpose financial statements.

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 the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Special purpose financial statements and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our responsibility is to express an opinion on these special purpose financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI).

Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Restriction on Distribution and Use

The accompanying special purpose financial statements have been prepared for the purpose of preparation of consolidated financial statements of Kirloskar Oil Engines Limited. The financial information may, therefore, not be suitable for another purpose.

Accordingly, our report should not be used by any other person or for any other purpose. We neither accept nor assume any duty or liability for any other purpose or to any other party to whom our report is shown or into whose hands it may come without our prior consent in writing.

B S R & Co. LLP Chartered Accountants 5th Floor, Lodha Excelus, Apollo Mills Compound, N. M. Joshi Marg, Mahalaxmi, Mumbai-400011. India

Independent Auditor's Report *(Continued)*

Kirloskar Capital Limited

Other matter

The Company has prepared a separate set of financial statements, which are statutory financial statements of the Company, for the year ended 31 March 2019 in accordance with the accounting principles generally accepted in India, including the accounting standards specified under Section 133 of the Act, read with Companies (Accounting Standards) Rules, 2006 (as amended) on which we issued a separate auditor's report to the members of the Company dated 24 April 2019.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W/W-100022

Vaibhav Shah
Partner
Membership No:117377

Mumbai
24 April 2019

Kirloskar Capital Limited
Special purpose Balance Sheet as at 31 March 2019

₹ in Crs.

Particulars	Note No.	As at 31 March 2019	As at 31 March 2018
ASSETS			
I. Non-current assets		**9.16**	**-**
(a) Property, plant and equipment	1	4.13	-
(b) Other Intangible assets	2	0.02	-
(c) Financial assets			
(i) Loans	3	0.29	-
(ii) Other financial assets	4	1.56	-
(d) Deferred tax assets (net)	5	2.40	-
(e) Other non-current assets	6	0.76	-
II.Current assets		**11.18**	**-**
(a) Financial assets			
(i) Cash and cash equivalents	7	10.23	-
(ii) Loans	8	0.06	-
(b) Current tax assets (net)	9	0.03	-
(c) Other current assets	10	0.86	-
Total Assets		**20.34**	**-**
EQUITY AND LIABILITIES			
Equity		**19.50**	**-**
(a) Equity share capital	11	27.00	-
(b) Other equity			
Retained earnings	12	(7.50)	-
Liabilities			
I. Non-current liabilities		**0.07**	**-**
(a) Long-term provisions	13	0.07	-
II.Current liabilities		**0.77**	**-**
(a) Financial liabilities			
(i) Trade and other payables	14	0.17	-
(b) Other current liabilities	15	0.60	-
(c) Short-term provisions	16	0.00	-
Total Equity and Liabilities		**20.34**	**-**
Significant accounting policies	23		

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

As per our attached report of even date

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Vaibhav Shah
Partner
Membership No: 117377

Mumbai : 24 April 2019

For and on behalf of the board of directors

Vimal Bhandari
Executive Vice Chairman and CEO

Mahesh Chhabria
Non Executive Director

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Mumbai : 24 April 2019

Kirloskar Capital Limited
Special purpose Statement of changes in Equity for the year ended 31 March 2019

A. Equity Share Capital (Note 11)

₹ in Crs.

Equity Shares of ₹ 10 each issued, subscribed and fully paid	No. of Shares	Amount
At 1 April 2017	-	-
Issue/Reduction, if any during the year	-	-
At 31 March 2018	-	-
Issue/Reduction, if any during the year	2,70,00,000	27.00
At 31 March 2019	**2,70,00,000**	**27.00**

B. Other Equity (Note 12)

₹ in Crs.

Particulars	Reserves and Surplus				Items of OCI		Total
	Capital Redemption Reserve	General Reserve	Retained Earnings	Changes in revaluation surplus	FVOCI reserve	Foreign currency translation reserve	
As at 1 April 2017	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	-	-	-	-
Any other movement	-	-	-	-	-	-	-
At 31 March 2018	-	-	-	-	-	-	-
As at 1 April 2018	-	-	-	-	-	-	-
Profit for the year	-	-	(7.50)	-	-	-	(7.50)
Other comprehensive income for the year	-	-	-	-	0.00	-	0.00
Total Comprehensive income for the year	-	-	**(7.50)**	-	**0.00**	-	**(7.50)**
Final dividend for year ended 31 March 2018	-	-	-	-	-	-	-
Tax on final dividend for the year ended 31 March 2018	-	-	-	-	-	-	-
Interim dividend for year ended 31 March 2019	-	-	-	-	-	-	-
Tax on Interim dividend for the year ended 31 March 2019	-	-	-	-	-	-	-
At 31 March 2019	-	-	**(7.50)**	-	**0.00**	-	**(7.50)**

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

As per our attached report of even date

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Vaibhav Shah
Partner
Membership No: 117377

Mumbai : 24 April 2019

For and on behalf of the Board of Directors

Vimal Bhandari
Executive Vice Chairman and CEO

Mahesh Chhabria
Non Executive Director

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Mumbai : 24 April 2019

Kirloskar Capital Limited

Special purpose Statement of profit and loss for the year ended 31 March 2019

₹ in Crs.

Particulars	Note No.	2018-19	2017-18
Income			
Other income	17	0.38	-
Total Income		**0.38**	**-**
Expenses			
Employee benefits expense	18	2.59	-
Finance costs	19	-	-
Depreciation and amortisation expense	20	0.24	-
Other Expenses	21	7.45	-
Total expenses		**10.28**	**-**
Profit before exceptional items and tax		**(9.90)**	**-**
Exceptional items		-	-
Profit before tax		**(9.90)**	**-**
Tax expense		**(2.40)**	**-**
Current tax	22	-	-
Deferred tax benefit	22	(2.40)	-
Loss for the year		**(7.50)**	**-**
Other comprehensive income			
A. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		-	-
Re-measurement gains / (losses) on defined benefit plans		-	-
Income tax effect on above		-	-
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (A)		-	-
Total other comprehensive income for the year, net of tax [A]		-	-
Total comprehensive income for the year, net of tax		**(7.50)**	**-**
Earnings per equity share [nominal value per share Rs.10/-]	23.5.7.		
Basic		(7.16)	-
Diluted		(7.16)	-
Significant accounting policies	23		

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

As per our attached report of even date

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Vaibhav Shah

Vaibhav Shah
Partner
Membership No: 117377

Mumbai : 24 April 2019

For and on behalf of the board of directors

Vimal Bhandari

Vimal Bhandari
Executive Vice Chairman and CEO

Mahesh Chhabria
Non Executive Director

Ritesh Jhanwar

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Mumbai : 24 April 2019

Kirloskar Capital Limited

Special purpose Cash Flow Statement

		₹ in Crs. For the period ended 31 March 2019
A	**Cash flow from operating activities**	
	Loss before tax	**(9.90)**
	Adjustments to reconcile profit before tax to net cash flows:	
	Add:	
	Depreciation and amortisation	0.24
	Finance cost	0.00
		0.24
	Less:	
	Interest received on fixed deposits	0.33
		0.33
	Operating cash flow before working capital changes	**(10.00)**
	Add / (Less): Adjustments for working capital changes	
	(Increase) / Decrease in loan to employee	(0.34)
	(Increase) / Decrease in security deposits	(1.56)
	(Increase) / Decrease in Prepaid expenses	(1.18)
	(Increase) / Decrease in other current assets	(0.44)
	Increase / (Decrease) in Provisions	0.07
	Increase / (Decrease) in trade payables	0.17
	Increase / (Decrease) in statutory dues payable	0.60
	Net Cash used in operations	**(12.69)**
	Direct taxes paid	(0.03)
	Net cash used in operating activities - A	**(12.72)**
B	**Cash flow from investing activities**	
	Add:	
	Interest received on fixed deposits	0.33
		0.33
	Less:	
	Payments for Purchase of Property, Plant and Equipment	4.36
	Payments for Purchase of Other Intangible assets	0.02
		4.38
	Net cash used in investing activities - B	**(4.05)**
C	**Cash flow from financing activities**	
	Proceeds from issue of equity share capital	27.00
	Finance cost paid during the year	(0.00)
	Net cash generated from financing activities - C	**27.00**
	Net increase in cash and cash equivalents (A+B+C)	**10.23**
	Opening Cash and Cash equivalents	-
	Closing Cash and Cash equivalents *(Refer note 7)*	**10.23**

As per our report of even date attached.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Vaibhav Shah
Partner
Membership No: 117377

For and on behalf of the Board of Directors of

Vimal Bhandari
Executive Vice Chairman and CEO
DIN: 00001318

Mahesh Chhabria
Non Executive Director
DIN: 00166049

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Mumbai : 24 April 2019

Mumbai : 24 April 2019

Kirloskar Capital Limited
Notes to the Financial Statements

Note 1 : Property, Plant and equipment

₹ in Crs.

Fixed Assets	Leasehold Improvements	Furniture & Fixture	Vehicles	Office Equipment	Computers	Total
Gross Block						
As At 31 March 2017	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Inter transfers - Net	-	-	-	-	-	-
Asset Held of Disposal	-	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-	-
As At 31 March 2018	-	-	-	-	-	-
Additions	3.45	0.03	0.70	0.08	0.11	4.37
Inter transfers - Net	-	-	-	-	-	-
Asset Held of Disposal	-	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-	-
As At 31 March 2019	**3.45**	**0.03**	**0.70**	**0.08**	**0.11**	**4.37**
Depreciation						
Upto 1 April 2017	-	-	-	-	-	-
For the year	-	-	-	-	-	-
Inter transfers - Net	-	-	-	-	-	-
Asset Held of Disposal	-	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-	-
As At 31 March 2018	-	-	-	-	-	-
For the year	0.18	-	0.05	-	0.01	0.24
Inter transfers - Net	-	-	-	-	-	-
Asset Held of Disposal	-	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-	-
As At 31 March 2019	**0.18**	-	**0.05**	-	**0.01**	**0.24**
Net Block						
As At 31 March 2017	-	-	-	-	-	-
As At 31 March 2018	-	-	-	-	-	-
As At 31 March 2019	**3.27**	**0.03**	**0.65**	**0.08**	**0.10**	4.13

Notes :

1. Gross block is at Cost.
2. For Depreciation and amortisation refer accounting policy (Note 23.4.3.)

KIRLOSKAR CAPITAL LIMITED

Kirloskar Capital Limited
Notes to the Financial Statements

Note 2 : Other Intangible assets

₹ in Crs.

Fixed Assets	Computer Software	Total
Gross Block		
As At 31 March 2017	-	-
Additions	-	-
Inter Transfers	-	-
Recoupment / Adjustment	-	-
Deductions / Amortization	-	-
As At 31 March 2018	-	-
Additions	0.02	0.02
Inter Transfers	-	-
Recoupment / Adjustment	-	-
Deductions / Amortization	-	-
As At 31 March 2019	**0.02**	**0.02**
Depreciation		
Upto 1 April 2017	-	-
For The Year	-	-
Inter Transfers	-	-
Recoupment / Adjustment	-	-
Deductions / Amortization	-	-
As At 31 March 2018	-	-
For The Year	-	-
Inter Transfers	-	-
Recoupment / Adjustment	-	-
Deductions / Amortization	-	-
As At 31 March 2019	-	-
Net Block		
As At 31 March 2017	-	-
As At 31 March 2018	-	-
As At 31 March 2019	**0.02**	**0.02**

Notes :

1. Intangible Assets are amortised on Straight Line method.
2. For Depreciation and amortisation refer accounting policy (Note 23.4.4.)

KIRLOSKAR CAPITAL LIMITED

Note 3 : Loans (Non current)

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Loans to employees (unsecured, considered good)	0.29	-
Total	**0.29**	**-**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets which generate a fixed interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 23.5.10. on risk management objectives and policies for financial instruments.

KIRLOSKAR CAPITAL LIMITED

Note 4 : Other financial assets (non current)

₹ in Crs.

	As at 31 March 2019	As at 31 March 2018
Security deposits (Unsecured, considered good)	1.56	-
Total	**1.56**	**-**

1. Other financial assets are measured at amortised cost.
2. Refer Note 23.5.10 on risk management objectives and policies for financial instruments.

KIRLOSKAR CAPITAL LIMITED

Note 5 : Deferred tax assets (net)

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Deferred Tax Assets	**2.70**	-
Disallowances u/s 43 B of Income Tax Act	0.02	-
Preliminary Expenses u/s 35D of Income tax Act, 1961	0.31	-
Business losses carried forward	2.07	-
Fair value of Employee Loan	0.01	-
Fair value of Security deposit	0.29	-
Less : Deferred Tax Liability	**0.31**	-
Depreciation	0.02	-
Fair value of Prepaid Rent	0.28	-
Total	**2.40**	-

1. Reconciliation of deferred tax assets / (liabilities), net

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Opening balance as of 1 April	-	-
Tax income/(expense) during the year recognised in profit or loss	**2.40**	-
Tax income/(expense) during the year recognised in OCI	-	-
Closing balance as at 31 March	**2.40**	-

2. The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

3. The applicable tax rate for the computation of deferred tax is 29.120%

KIRLOSKAR CAPITAL LIMITED

Note 6 : Other non-current assets

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Prepaid expenses	0.76	-
Total	**0.76**	**-**

KIRLOSKAR CAPITAL LIMITED

Kirloskar Capital Limited
Notes to the Financial Statements

Note 7 : Cash and cash equivalents

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Balance with Bank		
Current account	1.23	-
Fixed deposits with original maturity of less than 3 months	9.00	-
Total	**10.23**	-

KIRLOSKAR CAPITAL LIMITED

Note 8 : Loans (Current)

₹ in Crs.

	As at 31 March 2019	As at 31 March 2018
Loans to employees (unsecured, considered good)	0.06	-
Total	**0.06**	**-**

1. Loans are measured at amortised cost.

2. Loans are non-derivative financial assets which generate a fixed interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.

3. Refer Note 23.5.10. on risk management objectives and policies for financial instruments.

KIRLOSKAR CAPITAL LIMITED

Kirloskar Capital Limited

Notes to the Financial Statements

Note 9 : Current tax assets (net)

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Tax Paid in Advance	0.03	-
Total	**0.03**	**-**

Note 10 : Other current assets

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Advance to suppliers	0.01	-
GST receivable (net)	0.36	-
Prepaid expenses	0.42	-
Advances recoverable in cash or in kind or for value to be received	-	-
Accrued interest on fixed deposits	0.07	-
Total	**0.86**	-

KIRLOSKAR CAPITAL LIMITED

Kirloskar Capital Limited
Notes to the Financial Statements

Note 11 : Share capital

Authorised share capital
Equity shares of ₹ 10 each

Particulars	No. of shares	₹ in Crs.
At 1 April 2017	-	-
Increase/(decrease) during the year	-	-
At 31 March 2018	-	-
Increase/(decrease) during the year	**1,00,00,00,000**	**1,000.00**
At 31 March 2019	**1,00,00,00,000**	**1,000.00**

Terms/Rights attached to the equity shares
The Company has only one class of equity shares having a par value of ₹ 10/- each. Each equity shareholder is entitled to one vote per share and has a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Issued and subscribed share capital
Equity shares of ₹ 10 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2017	-	-
Changes during the year	-	-
As at 31 March 2018	-	-
Changes during the year	**2,70,00,000**	**27.00**
As at 31 March 2019	**2,70,00,000**	**27.00**

Subscribed and fully paid up
Equity shares of ₹ 10 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2017	-	-
Changes during the year	-	-
As at 31 March 2018	-	-
Changes during the year	2,70,00,000	27.00
As at 31 March 2019	**2,70,00,000**	**27.00**

11.1. Number of Shares held by each shareholder holding more than 5% Shares in the Company

Name of the Shareholder	As at 31 March 2019		As at 31 March 2018	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Kirloskar Oil Engines Limited	2,70,00,000	100.00	-	-

KIRLOSKAR CAPITAL LIMITED

Kirloskar Capital Limited

Notes to the Financial Statements

Note 12 : Other Equity

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
RETAINED EARNINGS	**(7.50)**	**-**
Opening Balance	-	-
Add : Profit / (Loss) for the year	(7.50)	-
Add : Other Comprehensive income	-	-
	(7.50)	**-**
Total	**(7.50)**	**-**

Other reserves

Particulars	As at 31 March 2019	As at 31 March 2018
General reserve	-	-
Retained Earnings	(7.50)	-
Total other reserves	**(7.50)**	**-**

Kirloskar Capital Limited
Notes to the Financial Statements

Note 13 : Long-term provisions

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits	**0.07**	**-**
Provision for gratuity	0.03	-
Provision for leave encashment	0.04	-
Total	**0.07**	**-**

Refer Note 16 Short-term provisions

Note 14 : Trade and other payables

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Due to micro, small and medium enterprises	-	-
Due to other than micro, small and medium enterprises	0.17	-
Total	**0.17**	**-**

Note 15 : Other Current liabilities

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Other payables	**0.60**	-
Statutory dues including tax deducted at source	0.60	-
Total	**0.60**	-

KIRLOSKAR CAPITAL LIMITED

Note 16 : Short-term provisions

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits	**0.004**	-
Provision for gratuity	-	-
Provision for leave encashment	0.004	-
Total	**0.004**	-

Note :

1. Employee benefits obligations

a. Gratuity

The Company provides gratuity for employees as per the Gratuity Act, 1972 and Company's Internal Gratuity Scheme. Employees who are in continuous service for a period of five years are eligible for gratuity. The amount of gratuity is payable on retirement or termination whichever is earlier. The level of benefits provided depends on the member's length of service and salary at retirement age. The gratuity plan is un-funded.

b. Compensated absences

The leave obligation cover the Company's liability for earned leaves.
Also refer Note 23.5.5 for detailed disclosure.

KIRLOSKAR CAPITAL LIMITED

Note 17 : Other income

₹ in Crs.

Particulars	2018-19	2017-18
Interest	**0.38**	-
On Bank Deposits	0.33	-
On Security Deposit	0.04	-
On loan to employee	0.01	-
Total	**0.38**	-

KIRLOSKAR CAPITAL LIMITED

Note 18 : Employee benefits expense

₹ in Crs.

Particulars	2018-19	2017-18
Salaries, wages, bonus, commission, etc.	2.50	-
Leave encashment expense (Refer Note 23.5.5)	0.04	-
Gratuity (Refer Note 23.5.5)	0.03	-
Welfare and training expenses	0.02	-
Total	**2.59**	**-**

KIRLOSKAR CAPITAL LIMITED

Kirloskar Capital Limited
Notes to the Financial Statements

Note 19 : Finance costs

₹ in Crs.

Particulars	2018-19	2017-18
Bank charges	-	-
Total	-	-

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Note 20 : Depreciation and amortization expense

₹ in Crs.

Particulars	2018-19	2017-18
Depreciation and amortization expense	**0.24**	-
Depreciation on Tangible assets	0.24	-
Amortization on Intangible assets	-	-
Total	**0.24**	-

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Notes to the Financial Statements

Note 21 : Other expenses

₹ in Crs.

Particulars	2018-19	2017-18
Administration expenses	**7.45**	-
Rent	0.49	-
Rates and taxes	-	-
Insurance	0.01	-
Other repairs and maintenance	0.05	-
Travelling and conveyance	0.07	-
Communication expenses	0.02	-
Printing and stationery	0.01	-
Professional charges	3.17	-
Auditor's remuneration	0.04	-
Computer expenses	0.01	-
Electricity charges	0.01	-
Office expenses	0.03	-
Postage and courier	-	-
ROC Expenses	2.50	-
GST expenses	0.37	-
Stamp duty	0.55	-
Housekeeping and security charges	0.09	-
Loss on fair value of employee loan	0.05	-
Total	**7.45**	-

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Note 22 : Income tax

The note below details the major components of income tax expenses for the year ended 31 March 2019 and 31 March 2018. The note further describes the significant estimates made in relation to company's income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

₹ in Crs.

Particulars	2018-19	2017-18
Current tax	-	-
Current income tax	-	-
MAT credit utilised	-	-
(Excess)/short provision related to earlier years	-	-
Deferred tax	**(2.40)**	-
Relating to origination and reversal or temporary difference	(2.40)	-
Income tax expense reported in the statement of profit and loss	**-2.40**	-

Other Comprehensive Income (OCI)

₹ in Crs.

Particulars	2018-19	2017-18
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	-	-
Deferred tax charged to OCI	-	-

KIRLOSKAR CAPITAL LIMITED

23. NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

1. Corporate Information

Kirloskar Capital Limited (the 'Company') was incorporated on 20 April 2018. The Company is registered as a non-banking financial institution and has obtained certificate of registration from Reserve Bank of India bearing no. N-13.02282 dated 29 October 2018 in pursuance of Section 45-IA of the 'RBI' Act, 1934. The Company is wholly owned subsidiary of Kirloskar Oil Engines Limited ('KOEL').

2. Basis of preparation of financial statements

The special purpose financial statements are prepared solely for the use of the board of directors of the Company and for onward submission to the Company's holding Company (Kirloskar Oil Engines Limited) for preparation of the holding Company's consolidated financial statements. These special purposes financial statement prepared as fit for consolidation by Kirloskar Oil Engines Limited, do not contain any disclosure required by RBI circular and directive issued from time to time.

The special purpose financial statement has been prepared in all material aspect with Companies (Accounting Standards) Rules, 2015 (as amended) specified under sec. 133 of the Companies Act, 2013 to the extent applicable for the financial prepared fit for the consolidation.

3. Significant accounting judgements, estimates and assumptions

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

3.1. Estimates and assumptions

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

Defined benefit plans

The cost of the defined benefit plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future post-retirement medical

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benefit increase. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of government bonds in currencies consistent with the currencies of the post-employment benefit obligation and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country.

Further details about defined benefit obligations are provided in Note 23.5.5

Deferred Tax

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

4. Significant accounting Policies

4.1. Current Vs Non-Current Classification

The Company presents assets and liabilities in the Balance Sheet based on current/ Non-current classification.

An asset is current when it is:

a. It is expected to be realized in, or is intended for sale or consumption in, the company's normal operating cycle.

b. Held primary for the purpose of trading.

c. Expected to be realized 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 the company's 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.

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4.2. Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date.

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

- In the principal market for the asset or liability.

  Or

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

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

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

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

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

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

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

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

  The Company's management determines the policies and procedures for both recurring fair value measurement, such as derivative instruments and unquoted financial assets measured at fair value.

  External valuation experts are involved for valuation of significant assets and liabilities. Involvement of external valuation experts is decided upon annually by the management.

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4.3. Property, Plant and Equipment

a. Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The cost of an item of Property, plant and equipment comprises its purchase price, and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

b. Residual values of all fixed assets are considered as nil.

c. The Company follows Straight Line Method ('SLM') of depreciation which is computed based on useful lives of assets as provided in Part "C" of Schedule II of the Companies Act 2013. Depreciation is charged on the basis of useful life of assets on straight line method which are follows:

Asset Category	Life in Years	Basis for useful life
Computers	3	Life as prescribed under Schedule-II of Companies Act, 2013.
Furniture and Fixture	10	Life as prescribed under Schedule-II of Companies Act, 2013.
Leasehold Improvement	4.83	Amortised over lease period.
Office Equipment	5	Life as prescribed under Schedule-II of Companies Act, 2013.
Vehicles	8	Life as prescribed under Schedule-II of Companies Act, 2013.

- Depreciation on addition is provided from put to use date of assets.
- 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

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.

The amortisation period and amortisation method for an intangible asset are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets are amortised by using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset maybe impaired.

Sr. No.	Asset category	Life in years
1	Computer Software	5 years

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4.5. Borrowing costs

Borrowing cost includes interest and amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they are incurred.

4.6. Impairment of Assets

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

4.7. Financial instruments – initial recognition and subsequent measurements

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

a. Financial assets

(i) Initial recognition and measurement of financial assets

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

(ii) Subsequent measurement of financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (FVOCI)
- Financial assets at fair value through profit or loss (FVTPL)
- **Financial assets at amortised cost:**

  A financial asset is measured at amortised cost if:

  - the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

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

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

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

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

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

  After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income except for interest income, impairment gains or losses and foreign exchange gains and losses which are recognised in the statement of profit and loss.

- **Financial assets at fair value through profit or loss**

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

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

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

(iii) Derecognition of financial assets

A financial asset is derecognized 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

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risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

(iv) Reclassification of financial assets

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

The following table shows various reclassifications and how they are accounted for.

Original Classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in the statement of Profit and loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount.
Amortised cost	FVOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.

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FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to statement of profit and loss at the reclassification date.

(v) Impairment of financial assets

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure.

The Company recognizes a loss allowance for expected credit losses on a financial asset that is at amortized cost. The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Loss allowance in respect of financial assets is measured at an amount equal to life time expected credit losses and is calculated as the difference between their carrying amount and the present value of the expected future cash flows discounted at the original effective interest rate. For trade receivables, 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.

The company computes the impairment provision in accordance with the RBI directions and expected credit loss method as specified above and measures the provision determined by higher of two methods.

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:

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- **Loans and Borrowings at amortised Cost**

  This is the category most relevant to the Company. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process.

- **Financial liabilities at fair value through profit or loss**

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

  Gains or losses on liabilities held for trading are recognised in the statement of profit and loss.

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in Ind AS 109 are satisfied.

(iii) Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

4.8. Derivatives

Company does not have any derivative transaction during the year.

4.9. Foreign Currency Transactions

Company does not have any foreign currency transaction during the year.

4.10. Leases

Where the Company is a lessee - Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Payments under operating leases are recognised in the Statement of Profit and Loss generally on straight line basis.

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4.11. Cash and cash equivalents

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

4.12. Taxes

Current income tax

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

Current income tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or in equity, respectively, and not in the statement of Profit and Loss. The Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

The deferred tax charge or credit and the corresponding deferred tax liabilities and assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

Deferred tax relating to items recognised outside the statement of profit and loss is recognised outside the profit or 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.

4.13. Non-Current Assets held for sale and Discontinuing operations

Current income tax

A. Non-Current Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate use in its present condition.

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Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

B. Discontinuing operations

Discontinuing operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit and loss account.

Assets and liabilities classified as held for distribution are presented separately from others assets and liabilities in the balance sheet.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale.

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

The employee's gratuity scheme is Company's defined benefit plan. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet.

Defined benefit employee costs comprising current service cost, past service cost, interest cost implicit in defined benefit employee cost and actuarial gains or losses.

Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the Balance Sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to the profit or loss in subsequent periods.

Current service cost, past service cost, interest cost implicit in defined benefit employee cost are recognised in the Statement of Profit and Loss as employee benefits expense.

c. Other long-term employment benefits:

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for

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measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date. Where Company has the unconditional legal and contractual right to defer the settlement for a period beyond 12 months, the same is presented as non-current liability.

4.15. Provisions and Contingencies

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

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

4.16. Revenue Recognition

a. Interest income on lending: Interest income is recognised using the effective interest method.

b. Interest income on fixed deposit with bank: Interest income is recognised on accrual basis.

4.17. 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.

4.18. Cash Flow Statement

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

4.19. Segment Reporting

The Company is a non-banking financial institution and is in the business of financing. Further the Company does not have any separate geographical segment in India. As such there are no separate reportable segment.

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5. Additional Notes to the Financial Statements

5.1. Contingent Liabilities

a. Contingent liabilities is Rs. Nil as at balance sheet date.

b. Company does not have any pending litigations which will have impact on its financial position.

c. Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

5.2. Commitments

Operating lease commitments- Company as a lessee:

The Company has taken premises on operating lease.

Details of future minimum lease payments for the non-cancellable operating lease are as follows: (₹ in Crs.)

	2018-19
Minimum lease payments for non-cancellable lease	
- not later than one year	1.70
- later than one year and not later than five years	6.07
- later than five years	-
Total	7.77

5.3. Payment to Auditors (Net of taxes)

(₹ in Crs.)

Sr. No.	Particulars	2018-19
A	Statutory Auditors	
	a. As Auditors	0.02
	- Audit Fees	0.02
	- Tax Audit Fees	0
	- Limited Review	0
	b. Certification fees & Assurance Services	0.02
	c. Reimbursement of expenses	0.00
	TOTAL (a + b + c)	**0.04**

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5.4. Details of dues to micro, small and medium enterprises

The Company does not have amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2019. The disclosure pursuant to the said Act is as under.

(₹ in Crs.)

Particulars	2018-19
Total outstanding to MSME suppliers	0.00
Payment made to suppliers (other than interest) beyond the appointed day, during the year	0.00
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.00
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.00

The Information has been given in respect of such vendors on the basis of information available with the company.

5.5. Disclosure pursuant to Employee benefits:

A. **Defined benefit plans:** The Company has following Defined benefit plans:

(a) Gratuity

(b) Compensated Absences

31 March 2019: Changes in defined benefit obligation and plan assets of Gratuity:

(₹ in Crs.)

	Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income			
	1 April 2018	Service cost	Net interest expense	Sub-total included in statement of profit and loss	Return on plan assets	Experience adjustments	Sub-total included in OCI	31 March 2018
Gratuity:								
Defined benefit obligation	-	0.03	-	0.03	-	0.00	-0.00	0.03
Fair value of plan assets	-	-	-	-	-	-	-	-
Total Benefit liability	-	0.03	-	0.03	-	0.00	-0.00	0.03

31 March 2019: Changes in defined benefit obligation and plan assets of Compensated Absences:

	Compensated Absences cost charged to statement of profit and loss			
	1 April 2018	Service cost	Interest cost	Sub-total included in statement of profit and loss
Compensated Absences:				
Defined benefit obligation	-	0.04	-	0.04
Fair value of plan assets	-	-	-	-
Total Benefit liability	-	0.04	-	0.04

The principal assumptions used in determining above defined benefit obligations for the Company's plans are shown below:

Particulars	Year ended 31-Mar-19
Discount rate	7.70%
Future salary increases	8.00%
Expected average remaining working lives (in years)	11.88
Withdrawal rate (based on grade and age of employees)	5.00%

Current/ Non-current breakup of amount to be recognised in Balance sheet at year end:

Particulars	Gratuity	Compensated Absences
Present value of obligation at the end of period (net)	0.03	0.04
Current	0.00	0.00
Non-current	0.03	0.04

5.6. Related parties have been identified as defined under Clause 9 of Accounting Standard (Ind AS 24) "Related Party Disclosures":

(A). Description of Related Parties

i. Name of the Related party and nature of relationship where control exists:

Sr. No.	Related Party Category	Company Name
1	Holding Company	Kirloskar Oil Engines Limited (w.e.f. 20 April 2018)
2	Subsidiary Company of Holding Company	KOEL Americas Corp.USA
		La-Gajjar Machineries Private Limited
3	Entity controlled by Key Managerial Personnel of Holding Company	Expert Quality Cloud Information Technology Private Limited
		Kirloskar Energen Private Limited
		Kirloskar Solar Technologies Private Limited
		Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)
		Lakeland Universal Limited BVI
		Navsai Investments Private Limited
4	Entity controlled by Close Member of Key Managerial Personnel of Holding Company	Alpak Investment Private Limited
		Snow Leopard Technology Ventures LLP
		Beluga Whale Capital Management Pte. Ltd.

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ii. Key Management Personnel and their relatives:

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Vimal Bhandari (Executive Vice Chairman & CEO)	Vibha V. Bhandari	Wife
		Vatsal V Bhandari	Son
		Vandini V Bhandari	Daughter
		Shree Krishna M Gupta	Daughter's Husband
		Pushpa Bhandari	Mother
		Ashok Bhandari	Brother
		Asha Singhvi	Sister
		Vibha Doshi	Sister
		Jayashree Mehta	Sister
2	Mahesh Ramchand Chhabria (Non Executive Director)	Anjali M. Chhabria	Wife
		Aryan M. Chhabria	Son
		Rhea M Chhabria	Daughter
3	Nihal Gautam Kulkarni (Non Executive Director)	Shruti N. Kulkarni	Wife
		Jyostna G. Kulkarni	Mother
		Ambar G. Kulkarni	Brother

iii. Key Management Personnel of Holding Company and their relatives:

Sr. No.	Name of KMPs	Name of Relatives of KMPs	Relationship
1	Atul C. Kirloskar (Executive Chairman)	Arti A. Kirloskar	Wife
		Gauri A. Kirloskar (Kolenaty)	Daughter
		Aditi A. Kirloskar (Sahni)	Daughter
		Rahul C. Kirloskar	Brother
		Suman C. Kirloskar	Mother
2	Nihal G. Kulkarni (Managing Director)	Shruti N. Kulkarni	Wife
		Ambar G. Kulkarni	Brother
		Jyotsna G. Kulkarni	Mother
3	Rajendra R. Deshpande (Joint Managing Director)	Veena R. Deshpande	Wife
		Kaustubh R. Deshpande	Son
		Sourabh R. Deshpande	Son

(B). Transactions with Related Parties (₹ in Crs.)

Sr. No.	Nature of the transaction / relationship / major parties	2018-19	
		Amount	Amount from major parties
1	**Reimbursement paid to**		
	Holding Company	8.08	
	KOEL		8.08
	Total	**8.08**	**8.08**
2	**Capital Contribution received from**		
	Holding Company	27.00	
	KOEL		27.00
	Total	**27.00**	**27.00**
3	**Rendering of Services from**		
	Key Management Personnel	1.25	
	Vimal Bhandari		1.25
	Total	**1.25**	**1.25**

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The above figures do not include provision for leave encashment and gratuity, as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for Leave encashment & gratuity.

Terms and conditions of transactions with related parties

Transaction entered into with related party are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Commitments with related parties

The Company has not provided any commitment to the related party as at 31 March 2019.

Transactions with key management personnel

Compensation of key management personnel of the Company (₹ in Crs.)

Particulars	2018-19
Short-term employee benefits	1.25
Post-employment benefits	-
Other long-term employment benefits	-
Termination benefits	-
Total compensation paid to key management personnel	**1.25**

5.7. Earnings Per Share (Basic and Diluted)

Particulars	2018-19
Profit for the year after taxation (₹ in Crs.)	(7.50)
Total number of equity shares at the end of the year	2,70,00,000
Weighted average number of equity shares for the purpose of computing Earning Per Share	1,04,82,659
Basic and Diluted Earnings Per Share (in ₹)	(7.16)

5.8. Fair value disclosures for financial assets and financial liabilities

The management believes that the fair values of non-current financial assets (e.g., Loan to employee), current financial assets (e.g., cash and cash equivalents) and current financial liabilities (e.g. Trade payables) approximate their carrying amounts.

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5.9. Fair value hierarchy

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 March 2019: (₹ in Crs.)

Particulars	Total	Measured at Amortised cost		
		Quoted prices in active markets (Level 1) (₹)	Significant observable inputs (Level 2) (₹)	Significant unobservable inputs (Level 3) (₹)
As at March 31, 2019				
Financial Assets:				
Loans and advances	0.35		0.35	
Cash and cash equivalents	10.23		10.23	
Other Financial assets	1.56		1.56	
	12.14	-	**12.14**	-
Financial Liabilities:				
Trade Payables	0.17		0.17	
	0.17	-	**0.17**	-

5.10. Financial instruments risk management objectives and policies

The Company has not started operation in current year therefore principal financial liabilities comprise only trade payables and principal financial assets comprises only Cash and cash equivalents, TDS assets, GST assets, vendor advance and accrued interest on FD.

The Company is exposed to Regulatory Risk, Credit Risk, Operational Risk, Reputation Risk, Strategic Risk, Liquidity Risk and Contagion Risk.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

A. Regulatory Risk

The company being an NBFC shall have exposure to risk related to non-compliance to regulatory guidelines, laws as applicable. Such non-compliance may result in levy of heavy penalties and fines by the regulator, as well as, reputational loss to the company. The risk can arise due to non-compliance to applicable guidelines and/or lack of monitoring and follow-up on the implementation of applicable laws.

Mitigation:

- The compliance and legal / secretarial department shall submit a compliance certificate post ensuring adherence to applicable laws on quarterly basis to the Risk Committee.
- The Board shall take note of the compliance certificate and Compliance officer shall report to Board in case of any material non-compliance.

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- The Board shall do a regular review of risk and identify gaps if any and take corrective actions.

B. **Credit Risk**

The company is subject to credit risk in terms of non-recovery of interest as well as principal amount of the money lent by the company to its customers. Such risk can arise due to inadequate documentation or evaluation of the borrower, default by the existing borrowers, external factors such as political volatility in the region of exposure concentration, amongst many other factors leading to loss of revenue for the company. The Company has set up a Credit Committee for approval of the lending in both Retail Operations and Wholesale lending, the decision by the Credit Committee shall be binding on the Business Department. The Credit Committee is empowered to deploy, monitor, manage the funds of the Company in terms of its charter as approved by the Board if the Company.

Mitigation:

- The company has formed a Credit procedures and policy to address the risk.
- Continuous monitoring mechanism is developed by adopting various checks and controls in the process.
- The Board of the Company is responsible for the approval of deployment of all the capital, divestments of loans/assets and shall take decisions on portfolio concentration.
- The Board of the Company shall also take note of any deviations and monitor the operational risk

C. **Operational Risk**

Operational risk is the risk arising out of failure of internal process, people and systems put in place by the company. Such risk may also arise out of the external factors as well as internal control system failure defeating the core objective of the company operations.

D. **Reputation Risk**

The company being an NBFC is subject to reputational loss arising due to various other risks such as Regulatory non-compliance, Operational breakdown or Borrower Dissatisfaction.

Mitigation:

- Company has formed HR Policy in order to address any concerns of the employees internally.
- Company has created Fair Practice Code which sets out the Grievance Redressal Mechanism in order to address customer concerns.
- The fair practice code also ensures that the company does not rely upon any coercive activities in order to recover the money from borrowers.

E. **Strategic Risk**

The risk arising out of non-responsiveness of business in adapting to internal as well as external environment. Such risk arises when the business strategies are not flexible to factor in the macro factors.

Mitigation:

- The Board and Risk Committee are made ultimate responsible authorities in order to ensure that the risk in the organization are mitigated as well as monitored.
- The Risk/ALCO committee are given responsibility of recommending the changes in the risk appetite of the company.

F. **Liquidity Risk**

The risk arises due to asset liability mismatch. The inadequacy of the company in increasing its asset base, managing any unplanned changes in funding sources and meeting the financial commitments when required may result in non-liquidity

Mitigation:

- The company has drafted Asset Liability Management Policy in line with the RBI guidelines.
- The Asset Liability Management Committee (ALCO) is responsible for managing the risk arising out of exposures to interest rate changes and mismatches between assets and liabilities.

5.11. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

5.12. Expenditure on CSR Activities

CSR provision is not applicable on Company in current year, as per section 135 of Companies Act, 2013.

24. STANDARD ISSUED BUT NOT EFFECTIVE.

On 30 March, 2019, Ministry of Corporate Affairs ('MCA') has notified the Companies (Indian Accounting Standards) Amendment Rules, 2019 containing Ind AS 116 Leases that will supersede Ind AS 17 Leases.

The new standard will come into force from 1 April, 2019. The Company is evaluating the requirements of the new standard and its effect on the financial statements.

Ind AS 116 requires lessees to recognize assets and liabilities arising from all leases (except for short-term leases and leases of low-value assets) in the statement of financial position. The Group will have to capitalise all assets currently held under operating leases. Operating lease expenses will be replaced by a depreciation expense on Right of Use assets recognised and an interest expense as the implicit interest rate in the lease liabilities unwinds.

The standard allows for two transition methods: retrospectively for all periods presented, or using a modified retrospective approach where the cumulative effect of adoption is recognised at the date of initial application. The Group is evaluating which of these transition methods will be adopted

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Also, the notified Companies (Indian Accounting Standards) Amendment Rules, 2019 amended changes to other Ind AS standards: Ind AS 103 Business Combinations and Ind AS 111 Joint Operations, Ind AS 109 Financial Instruments, Ind AS 12 Income Taxes, Ind AS 19 Employee Benefits and Ind AS 23 Borrowing Costs. These amendments shall come into effect from 1 April 2019. The Company is evaluating the impact of these amendments.

25. Previous year numbers are not applicable since current year is the first financial year post incorporation of the Company.

Signatures to Note 1 to 25, forming part of the Special purpose Financial Statements.

As per our attached report of even date

For and on behalf of the Board of Directors

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No.: 101248W/W-100022

Vimal Bhandari
Executive Vice Chairman and CEO

Mahesh Chhabria
Non-Executive Director

Vaibhav Shah
Partner
Membership No: 117377

Mumbai: 24 April 2019

Ritesh Jhanwar
Financial Controller

Amit Bondre
Deputy Company Secretary

Mumbai: 24 April 2019