KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

Enriching Lives

17 August 2018

NSE Scrip Code: **KIRLOSENG**	BSE Scrip Code: **533293**
To	To
The Manager	Corporate Relationship Department
Listing Department	BSE Limited
National Stock Exchange of India Ltd.	1st Floor, Rotunda Building,
Exchange Plaza, C -1, Block G, Bandra-Kurla	Dalal Street, Fort,
Complex, Bandra (E), Mumbai – 400 051	Mumbai – 400 001

Dear Sir/Madam,

Subject: Annual Report for the FY 2017-18

Please find enclosed herewith Annual Report for the financial year 2017-18 as required under Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, duly approved and adopted by the members as per the provisions of the Companies Act, 2013, in the 9th Annual General Meeting held on 10 August 2018.

You are kindly requested to take the same on your record.

Thanking you.

Yours Faithfully,
For Kirloskar Oil Engines Limited

S. A. Raichurkar

Smita Raichurkar
Company Secretary

KIRLOSKAR OIL ENGINES LTD. PUNE-3

Encl.: As above.

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2017-2018

Enriching Lives

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

- Installing Kirloskar Remote Monitoring units (KRM) in the DG sets. These are connected to a Genset controller that enables proactive monitoring of all genset operating parameters, warning & alarms on real time basis. Alerts are generated to service dealers & service calls generated in system automatically.
- Digitizing of service data with the "Electronic Field Service Report" (e-FSR) thereby enabling faster and better service response and real time updates to customers.
- Digitizing the rural distribution network for efficient and effective delivery through Agrifast
- Providing multiple farming solutions to the small and marginal farmers with the innovative Mega T and allied farm equipment.

BOARD OF DIRECTORS

Atul C. Kirloskar	Executive Chairman
Gautam A. Kulkarni	Executive Vice-Chairman (upto 14 September, 2017)
Nihal G. Kulkarni	Managing Director
Rajendra R. Deshpande	Joint Managing Director
Rahul C. Kirloskar	
Pratap G. Pawar	
R. Srinivasan	
M. Lakshminarayan	
Mahesh R. Chhabria	
Gauri Kirloskar	
Pradeep R. Rathi	
Vinesh Kumar Jairath	
Satish Jamdar	

CHIEF FINANCIAL OFFICER
T. Vinodkumar

COMPANY SECRETARY
Smita Raichurkar

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

BANKERS
State Bank of India
Bank of Maharashtra
HDFC Bank Limited
ICICI Bank Limited
The HSBC Limited

REGISTRAR & SHARE TRANSFER AGENT
Link Intime India Private Limited
Block No. 202, 2nd Floor,
'Akshay' Complex, Near Ganesh Temple,
Off Dhole Patil Road, Pune- 411 001
Ph. No. 020 - 26161629 / 26160084

REGISTERED OFFICE
Laxmanrao Kirloskar Road, Khadki, Pune - 411 003
Ph. No. 020 - 25810341
www.koel.co.in

LOCATION OF FACTORIES
Pune, Nasik, Kagal and Rajkot

CIN: L29120PN2009PLC133351

Information for shareholders

Annual General Meeting

Date	: Friday, 10 August 2018
Time	: 12.15 P.M.
Venue	: Hotel Sheraton Grand Pune (Erstwhile Le Meridien) Raja Bahadur Mill Road, Pune – 411 001
Dates of Book Closure	: 4 August 2018 to 10 August 2018 (both days inclusive)

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FINANCIALS AT A GLANCE

₹ in Crs.

Sr No	Particulars	Ind AS			Indian GAAP					
		2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
1	Gross Sales	2,860*	2,818	2,587	2,641	2,475	2,521	2,446	2,537	2,346
2	Net Sales	2,804	2,614	2,406	2,473	2,287	2,320	2,276	2,364	2,219
3	Profit Before Tax	222	252	205	205	243	271	281	244	263
4	Profit After Tax	150	174	165	143	178	199	192	174	164
5	Dividend (%)	250	250	250	250	250	250	200	200	200
6	Dividend per share (Rs)	5	5	5	5	5	5	4	4	4
7	Dividend Amount	72	72	72	72	72	72	58	58	58
8	Earning Per Share (Rs)	10	12	11	10	12	14	13	12	11
9	Book Value Per Share (Rs)	113	112	100	93	88	80	71	61	47
10	Share Capital	29	29	29	29	29	29	29	29	29
11	Reserves and Surplus	1,608	1,588	1,415	1,313	1,238	1,125	1,004	860	651
12	Shareholders' Funds	1,637	1,617	1,444	1,341	1,267	1,154	1,033	889	680
13	Loan Funds	17	12	7	-	-	-	169	249	270
14	Total Capital Employed	1,654	1,629	1,451	1,341	1,267	1,154	1,202	1,138	950
15	Net Block	422	440	477	514	543	591	576	591	563

* Excise duty was applicable till 30 June 2017.

Green Initiative - Go Paperless!!!

Dear Shareholder(s),

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

a) Register your email addresses to ensure prompt receipt of communication and avoid any loss during postal transit

b) Convert your shares held in physical mode into dematerialized mode to ensure safe and speedy transaction in securities. The requests for effecting transfer of securities (except in case of transmission or transposition of securities) shall not be processed unless the securities are held in the dematerialized form with a depository after 5 December 2018 as per SEBI Notification dated 8 June 2018.

c) Register your NECS facility (National Electronic Clearing System) for crediting your Dividend directly to your Bank Account.

Note:

- In case of holding shares in physical mode contact the Company or Registrar and Share Transfer Agent of the Company viz. Link Intime India Private Limited.
- In case of holding shares in dematerialized mode contact your Depository Participant.
- For more details visit Investors Relations Section on Company's website: www.koel.co.in

REPORT OF THE DIRECTORS

TO THE MEMBERS
OF KIRLOSKAR OIL ENGINES LIMITED

The Directors are pleased to present the 9th Annual Report together with the Audited Statement of Accounts for the year ended 31 March 2018.

FINANCIAL RESULTS (STANDALONE)

(₹ in Crores)

Particulars	**2017-18**	**2016-17**
Total Income	**2,956.55**	**2,958.22**
Profit before exceptional items and tax	**222.48**	**252.30**
Exceptional Items	-	-
Profit before tax	**222.48**	**252.30**
Tax Expense (Current & Deferred Tax)	72.37	78.68
Net Profit for the Period	**150.11**	**173.62**
Other Comprehensive Income	1.06	(0.58)
Total Comprehensive Income for the year, net of tax	**151.17**	**173.04**
Profit Brought Forward	979.20	806.15
Profit Available for Appropriation	1,130.37	979.20
Transfer to General Reserve	-	-
Dividend and dividend distribution tax	130.54	-
Balance of the Profit carried forward	999.83	979.20

COMPANY'S FINANCIAL PERFORMANCE

Despite an extremely challenging macroeconomic environment, your Company posted its highest net sales of ₹ 2804 crores as compared to the previous fiscal of ₹ 2614 crores. An increase of 7%. Profit from operations (before exceptional items) was ₹ 222 crores as against ₹ 252 crores in the previous year. The Industrial Promotion Subsidy (IPS) which the Company was availing of, for operations in Kagal, came to an end on 31 March 2017. In the previous year, the amount availed was approximately ₹ 36 crores. The Profit After Tax was ₹ 150 crores as against ₹ 174 crores in the previous year.

DIVIDEND

For the year under review, the Directors have declared an Interim Dividend of 125% (₹ 2.50/- per share) and also recommended a dividend of 125% (₹ 2.50/- per share) for the year (PY Final Dividend 250%, ₹ 5 per share). Total dividend payout for the year will be ₹ 72.30 crores, including payment of ₹ 14.79 crores, as dividend distribution tax.

ACQUISITION

During the year under review, the Company entered into a Share Purchase Agreement for acquisition of 100% equity shares of La-Gajjar Machineries Private Limited (LGM), a leading submersible and mono block pump manufacturer based in Ahmedabad, Gujarat, India with established brands “Varuna” and “Raindrop” and a pan-India distribution setup. This is a strategic acquisition made in order to consolidate the Company’s position in the diesel and electric pump segment. The Company is confident that synergies will play out in the future and the Company will attain leadership position in the complete pump segment.

As part of the Share Purchase Agreement, signed on 1 August 2017, the Company acquired 76% of equity shares of LGM, being the first tranche, with a clear understanding that the balance 24% will be acquired by the Company over a 5 year period. LGM has become a subsidiary of the Company with effect from 1 August 2017.

In the first eight months of operation, the focus has been to establish processes and policies in line with the Company, set direction and integrate operations wherever needed to extract synergies going forward.

AMENDMENT TO THE MAIN OBJECT CLAUSE OF MEMORANDUM OF ASSOCIATION

During the year under review, the Company altered the Main Object Clause of its Memorandum of Association to include ‘Financial Services’ business on its own or through a subsidiary, established for the purpose, with approval of members of the Company by way of postal ballot. The Company has promoted and incorporated a wholly owned subsidiary, namely, Kirloskar Capital Limited (KCL) on 20 April 2018 for the purpose of commencement of financial service business.

SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

As on 31 March 2018, the Company had the following two subsidiaries:

1. KOEL Americas Corp., USA (KOEL Americas)
2. La-Gajjar Machineries Private Limited (LGM)

The additional sales revenue from KOEL Americas Corp. USA (wholly owned subsidiary) for the fiscal ended 31 March 2018, was $ 37,30,142 (₹ 24.06 crores). Profit from operations before Tax was $ 1,51,319 (₹ 0.98 crores). The Profit after Tax was $ 1,12,222 (₹ 0.73 crores). The additional sales revenue from La-Gajjar Machineries Private Limited (subsidiary) for the period from 1 August 2017 to 31 March 2018, was ₹ 214 crores Loss from operations before Tax was ₹ 11 crores. The Net Loss was ₹ 8 crores.

The consolidated financial statements of the Company and its two subsidiaries, prepared in accordance with IND-AS 110, issued by Institute of Chartered Accountants of India, forms part of this Annual Report. A statement containing the salient features of the financial statements of the subsidiary companies is attached to the Financial Statements of the Company in Form AOC-1.

Pursuant to the provisions of Section 136 of the Companies Act, 2013, the financial statements along with relevant documents of the Company and its subsidiaries are available on the Company’s website.

The annual accounts of the subsidiaries and related detailed information will be kept for inspection by any shareholders at the Registered Office of the Company and will also be made available to the shareholders on demand, at any point of time.

DIRECTORS

a) **Changes in Composition of the Board of Directors:**

- Mr. Mahesh R. Chhabria was appointed as Managing Director of Kirloskar Industries Limited, a Promoter Group Company with effect from 4 July 2017. Consequent to this, he ceased to be Independent Director of the Company but continued to be Non-Independent Director of the Company with effect from 4 July 2017.

- On account of ill health, Mr. Gautam A. Kulkarni, Executive Vice Chairman of the Company, tendered his resignation effective 14 September 2017. It was unfortunate that on 20 September 2017, he succumbed to his illness. The Board in its meeting dated 13 October 2017 placed on record their appreciation for the guidance, support and contribution provided by him during his tenure as Director of the Company.
- The Board of Directors of the Company in its meeting held on 19 January 2018, re-appointed Mr. Rajendra R. Deshpande as the Whole Time Director with designation as Joint Managing Director, for a term of 2 years with effect from 29 April 2018. A proposal for his re-appointment as the Joint Managing Director and remuneration payable to him is being placed before the Members of the Company for their approval at the ensuing Annual General Meeting.
- Mr. Mahesh R. Chhabria retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

The brief resumes and other details relating to the Directors who are proposed to be appointed / re-appointed, as required to be disclosed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms part of the Notice of Annual General Meeting.

b) Changes in Key Managerial Personnel:

Mr. Rajendra R. Deshpande, Joint Managing Director, was re-appointed as Key Managerial Personnel of the Company, with effect from 29 April 2018.

c) Declarations from the Independent Directors:

The Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149 (6) of the Companies Act, 2013, including amendment thereof and Regulation 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

d) Board Evaluation:

In continuation of the process laid down in the previous year, members of the Board carried out a formal review for evaluating the performance and effectiveness of the Board, Committees of the Board and of the individual directors including the Chairman of the Board.

The performance of the Board was evaluated on the basis of criteria such as the board composition and structure, effectiveness of Board processes, participation in organization strategy including Long Range Plan and Annual Operating Plan, inorganic growth opportunity evaluation, Enterprise Risk Management etc.

Using appropriate criteria the performance of the various Committees was separately evaluated by the Board.

In a separate meeting of Independent Directors, performance of non-independent directors, performance of the Board as a whole and performance of the Chairman, taking into account the views of executive directors and non-executive directors, were evaluated.

A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as achievement against key performance objectives, attendance at meetings, time devoted for the Company, contribution in the Board process etc.

The Chairman of the Board and the Chairman of Nomination and Remuneration Committee had one-on-one meetings with the Directors. These meetings were intended to obtain Directors' inputs on effectiveness of the Board/Committee processes.

e) Nomination and Remuneration Policy:

The Board of Directors, on the recommendation of the Nomination & Remuneration Committee, has adopted a policy that lays guidelines for selection and appointment of Directors, Key Managerial Personnel and Senior Management personnel together with their remuneration. The Nomination and Remuneration Policy is available on Company's website.

f) Number of meetings of the Board :

During period under review, eight (8) Board Meetings were held, the details of which forms part of Report on Corporate Governance.

g) Composition of Audit Committee :

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

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

During the year under review, the Company has invested in equity shares of La-Gajjar Machineries Private Limited. The details of which are given in the Financial Statements. The Company has not granted any Loans and Guarantees covered under Section 186 of the Companies Act, 2013.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered into during the Financial Year 2017-18 were on an arm’s length basis and were in the ordinary course of business. Hence, there are no transactions to be reported in Form AOC-2. None of the related party transactions entered into by the Company, were materially significant, warranting members’ approval under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. All Related Party Transactions are routinely placed before the Audit Committee for approval after being duly certified by the Statutory Auditors.

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

The disclosures as per IND-AS 24 for transactions with related parties are provided in the Financial Statements of the Company.

RISK MANAGEMENT FRAMEWORK

Risk management is a continuous process within the organization which works all across functions and businesses. The process facilitates identification, evaluation, mitigation and review of risks and opportunities both at business and enterprise level which may affect achievement of objectives.

The Internal Audit Department facilitates the risk management process by working with the businesses, functions and senior management to address major types of risks which are strategic, people, environmental, economic and operational in nature in a structured and focused manner.

Detailed mitigations are prepared post identification of risk, which are aligned to the business goals and enterprise vision, both short and long term. The business heads with the help of Internal Audit Department reviews the risks with respect to the likelihood and impact in a structured forum to ensure bottom up approach is followed in addition to a top down approach.

The enterprise risks and mitigation plans are reviewed by the Audit Committee and Board periodically.

INTERNAL FINANCIAL CONTROLS WITH REFERENCE TO THE FINANCIAL STATEMENTS

The Company's Internal Control Framework is Commensurate with the size and nature of its operations.

Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report, which forms part of this Report.

CORPORATE SOCIAL RESPONSIBILITY

The Company has always believed in working for the betterment and upliftment of society. Corporate Social Responsibility (CSR) has been practiced and engrained over the years in the Company. The focus areas under CSR have remained consistent over the years and include: Health, Education and Environment.

The Company strongly believes in ‘Enriching Lives’ of the people surrounding the communities in which it operates.

The Composition of CSR Committee of the Board and Report on CSR activities is annexed herewith as **Annexure A**.

VIGIL MECHANISM / WHISTLE BLOWER POLICY

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. The Policy provides a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. No person has been denied access to the Audit Committee in this regard. The Policy is uploaded on the Company’s website.

EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as **Annexure B** to this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE AND OUTGO

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 134 (3)(m) of the Companies Act, 2013, read with the rules there under, are provided in **Annexure C** to this report.

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are annexed in **Annexure D** of this report.

The particulars of employees pursuant to section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, form part of this report. In terms of Section 136 (1) of the Companies Act, 2013, the Directors’ report is being sent to the shareholders without this Annexure. The Shareholders interested in obtaining a copy of this annexure may write to the Company Secretary at the Company’s registered office.

POLICY ON PREVENTION OF SEXUAL HARRASSMENT

The Company has in place a Policy for prevention of sexual harassment at workplace. This inter alia provides a mechanism for the resolution, settlement or prosecution of acts or instances of Sexual Harassment at work and ensures that all employees are treated with respect and dignity. There were no complaints filed / pending with the Company during the year.

GENERAL

During Financial Year 2017-18:

a. There were no public deposits accepted by the Company pursuant to provisions of the Companies Act, 2013, including rules thereunder.

b. There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company’s operations in future.

c. Neither the Managing Director nor the Whole-time Directors of the Company received any remuneration or commission from subsidiary.

d. The Company is in compliance with applicable Secretarial Standards.

AUDITORS

a) Statutory Auditors

The members of the Company in its meeting held on 5 August 2016, re-appointed M/s. P. G. Bhagwat, Chartered Accountants, Pune, (Firm Registration Number 101118W) as Statutory Auditors of the Company for a second term of 5 consecutive years to hold office from Annual General Meeting (AGM) held on 5 August 2016 till the conclusion of the Annual General Meeting to be held in the year 2021, subject to the ratification by the members at every AGM.

Pursuant to the first proviso to Section 139 of the Companies Act, 2013, the appointment of the Statutory Auditors was required to be placed for ratification at every Annual General Meeting. The said proviso has been omitted by MCA vide its Notification dated 7 May 2018 with immediate effect.

The Company has received from them, the requisite certificate pursuant to Section 139 of the Companies Act, 2013 for Financial Year 2018-19.

There are no adverse remarks / qualifications of Statutory Auditors on financial statements for the year ended 31 March 2018.

b) Cost Auditors

The Company has appointed M/s. Parkhi Limaye & Co. as Cost Auditors of the Company for the Financial Year 2018-19 under section 148 of the Companies Act, 2013 and rules thereof.

c) Secretarial Audit Report

The Company had appointed Mr. M. J. Risbud, Practicing Company Secretary to conduct Secretarial Audit of the Company under section 204 of the Companies Act, 2013 and the rules thereof. The Secretarial Audit Report is annexed herewith as **Annexure E**.

There are no adverse remarks / qualifications of Secretarial Auditors in the Secretarial Audit Report for the year ended 31 March 2018.

MANAGEMENT DISCUSSION & ANALYSIS AND REPORT ON CORPORATE GOVERNANCE

The Management Discussion and Analysis and the Report on Corporate Governance as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms part of this Annual report.

A Certificate from the Statutory Auditors of the Company regarding compliance with conditions of corporate governance as required under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, also forms part of this Annual Report.

BUSINESS RESPONSIBILITY REPORT

Business Responsibility Report as required under Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, forms part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Companies Act, 2013, the Directors, based on the representations received from the Operating Management, confirm that:

a) In preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

b) they have in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2018 and of the profit of the Company for the year ended on that date;

c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities;

d) they have prepared the annual accounts on a going concern basis;

e) they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and

f) they have devised proper systems to ensure compliance with provisions of all applicable laws and such systems are adequate and operating effectively.

CAUTIONARY STATEMENT

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

ACKNOWLEDGEMENTS

The Directors would like to place on record their appreciation of the contribution made and support provided to the Company by the shareholders, employees, bankers, suppliers and customers.

For and on behalf of the Board of Directors

Sd/-

ATUL C. KIRLOSKAR
EXECUTIVE CHAIRMAN

Date: 18 May 2018

Place: Pune

ANNEXURE 'A' TO THE DIRECTORS' REPORT
ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2017–18

[Pursuant to Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014]

A. CSR Report:

1.	A brief outline of the Company's CSR policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programmes.	The Company has adopted the Corporate Social Responsibility (CSR) policy. Eligible funds for CSR activities will be expended in the areas of Education, Environment, Health etc. through one or more trusts OR directly. These CSR activities will be carried out through various programmes or projects as specified in the CSR Policy. The CSR policy is available on the website of the Company. (web-link- http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/CSR-Policy.pdf)
2.	The Composition of the Committee.	1. Mr. Rahul C. Kirloskar, Chairman 2. Mr. Nihal G. Kulkarni, Member 3. Mr. Pradeep R. Rathi, Member
3.	Average net profit of the Company for last three financial years	₹ 212.68 crores (as per Section 198 of the Companies Act, 2013)
4.	Prescribed CSR Expenditure (two percent of the amount as in item 3 above)	at least ₹ 4.26 crores
5.	Details of CSR spent for the financial year:	
	a. Total amount spent for the financial year	₹ 4.36 crores
	b. Amount unspent, if any	Nil
	c. Manner in which the amount spent during the financial year	The manner in which the amount is spent is detailed in Part B to this Annexure
6.	In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.	Not applicable
7.	A responsibility statement of the Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and policy of the Company.	The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

B. CSR Expenditure for FY 2017-18:

Sr. 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 Sub-heads: 1) Direct expenditure on projects or programs 2) Overheads (₹ in Crs.)	Cumulative expenditure upto the reporting period (₹ in Crs.)	Amount Spent: Direct or through implementing agency (₹ in Crs.)
1	Financial assistance for education, Vocational training programmes for women for income generation, Banking Course to youth, etc.	Education	Pune, Kagal, Nasik (Maharashtra)	Amount not specified	**4.05**	**4.05**	**4.05** Partially direct and partially through implementation agency
2	Programmes on energy conservation, Kirloskar Vasundhara film festival, Pest control measures, etc.	Environment	Pune, Kagal, Nasik (Maharashtra)	Amount not specified	**0.10**	**0.10**	**0.10** Partially direct and partially through implementation agency
3	HIV aids awareness program, Health checkup camps, Hygiene awareness programmes etc.	Health	Pune, Kagal, Nasik (Maharashtra)	Amount not specified	**0.12**	**0.12**	**0.12** Partially direct and partially through implementation agency
4	Tribal Village Development Programmes	Rural Development	Pune, Kagal, Nasik (Maharashtra)	Amount not specified	**0.09**	**0.09**	**0.09** Partially direct and partially through implementation agency
TOTAL					**4.36**	**4.36**	**4.36**

Details of implementing agency: Kirloskar Institute of Advanced Management & Studies (KIAMS), Vasundhara Club, Kirloskar Foundation and others.

Sd/-
Rahul C. Kirloskar
Chairman of CSR Committee

Sd/-
Nihal G. Kulkarni
Managing Director

ANNEXURE 'B' TO THE DIRECTORS' REPORT

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31 March 2018

[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	L29120PN2009PLC133351
ii)	Registration Date	12-Jan-09
iii)	Name of the Company	Kirloskar Oil Engines Limited
iv)	Category / Sub-Category of the Company	Company having share capital
v)	Address of the Registered office and contact details	Laxmanrao Kirloskar Road, Khadki, Pune 411003, Maharashtra, India Tel : 91-20 25810341 Fax : 91-20 25813208
vi)	Whether listed company	Yes
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited Address: Block No. 202, 2nd Floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune 411 001 Tel : 020-26161629/26160084 Fax : 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:

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Engines	281	73.90%
2	Genset	271	24.00%

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	KOEL Americas Corp. 33 300 Egypt Lane, Swite C300 Magnolia, Texas - 77354, United States	-	Subsidiary	100	2(87)
2	La-Gajjar Machineries Private Limited Nagarwel Hanuman Road, Acidwala Estate, Opposite Sukhrampura Amarawadi, Ahmedabad, Gujarat – 380 026	U17110GJ1981PTC004263	Subsidiary	76	2(87)

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 (1 April 2017)				No. of Shares held at the end of the year (31 March 2018)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	7,74,77,743	0	7,74,77,743	53.58	7,74,77,743	0	7,74,77,743	53.58	0.00
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt (s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corporate	83,25,162	0	83,25,162	5.76	83,25,162	0	83,25,162	5.76	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (1):-	**8,58,02,905**	**0**	**8,58,02,905**	**59.33**	**8,58,02,905**	**0**	**8,58,02,905**	**59.33**	**0.00**
(2) Foreign									
a) NRIs -Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (2):-	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**	**0.00**
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	**8,58,02,905**	**0**	**8,58,02,905**	**59.33**	**8,58,02,905**	**0**	**8,58,02,905**	**59.33**	**0.00**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	39,19,864	42,000	39,61,864	2.74	96,25,844	39,375	96,65,219	6.68	3.94
b) Banks / FI	52,99,534	1,36,659	54,36,193	3.76	56,13,351	1,32,257	57,45,608	3.97	0.21
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	47,37,552	0	47,37,552	3.28	42,73,475	0	42,73,475	2.96	(0.32)
g) FIIs	1,39,28,465	6,750	1,39,35,215	9.64	0	6,375	6,375	0.00	(9.63)
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
j) Foreign Portfolio Investors (Corporate)	46,51,519	0	46,51,519	3.22	1,47,64,574	0	1,47,64,574	10.21	6.99
k) Alternate Investment Funds	0	0	0	0.00	1,11,521	0	1,11,521	0.08	0.08
l) IEPF	0	0	0	0.00	3,66,952	0	3,66,952	0.25	0.25
Sub-total (B)(1):-	**3,25,36,934**	**1,85,610**	**3,27,22,343**	**22.63**	**3,47,55,717**	**1,78,007**	**3,49,33,724**	**24.16**	**1.53**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	6,36,399	1,43,459	7,79,858	0.54	15,42,664	1,29,840	16,72,504	1.16	0.62
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	1,33,60,606	67,88,477	2,01,49,083	13.93	1,26,93,612	61,49,635	1,88,43,247	13.03	(0.90)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	43,22,182	3,78,641	47,00,823	3.25	26,92,714	2,17,841	29,10,555	2.01	(1.24)
c) Others (specify)									
Clearing Members	44,387	0	44,387	0.03	81,413	0	81,413	0.06	0.03
Foreign Company	0	0	0	0.00	0	0	0	0.00	0.00
Market Maker	0	0	0	0.00	0	0	0	0.00	0.00
Foreign Nationals	11,257	0	11,257	0.01	11,392	0	11,392	0.01	0.00
NRI (Repatriate)	1,05,071	46,897	1,51,968	0.11	70,244	43,725	1,13,969	0.08	(0.03)
NRI (Non-Repartriate)	1,80,021	54,534	2,34,555	0.16	1,75,561	54,534	2,30,095	0.16	0.00
OCB's	0	0	0	0.00	0	0	0	0.00	0.00
Office Bearers	0	16,682	16,682	0.01	0	14,057	14057	0.01	0.00
Sub-total (B)(2):-	**1,86,59,923**	**74,28,690**	**2,60,88,613**	**18.04**	**1,72,67,600**	**66,09,632**	**2,38,77,232**	**16.51**	**(1.53)**
Total Public Shareholding(B)=(B)(1)+ (B)(2)	**5,11,96,857**	**76,14,300**	**5,88,10,956**	**40.67**	**5,20,23,317**	**67,87,639**	**5,88,10,956**	**40.67**	**0.00**
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0	0
Grand Total (A+B+C)	**13,69,99,762**	**76,14,300**	**14,46,13,861**	**100.00**	**13,78,26,222**	**67,87,639**	**14,46,13,861**	**100.00**	**0.00**

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (1 April 2017)			Shareholding at the end of the year (31 March 2018)			% change in share holding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1	Kirloskar Industries Limited	82,10,439	5.68	-	82,10,439	5.68	-	-
2	Achyut and Neeta Holdings and Finance Pvt. Ltd.	73,203	0.05	-	73,203	0.05	-	-
3	Kirloskar Chillers Private Limited	40,000	0.03	-	40,000	0.03	-	-
4	Navsai Investments Private Limited	760	0.00	-	760	0.00	-	-
5	Alpak Investments Private Limited	760	0.00	-	760	0.00	-	-
6	Atul Chandrakant Kirloskar	1,84,56,667	12.76	-	1,84,56,667	12.76	-	-
7	Rahul Chandrakant Kirloskar	1,77,32,902	12.26	-	1,77,32,902	12.26	-	-
8	Sanjay Chandrakant Kirloskar	46,654	0.03	-	46,654	0.03	-	-
9	Suman Chandrakant Kirloskar	62,648	0.04	-	62,648	0.04	-	-
10	Vikram Shreekant Kirloskar	1,40,655	0.10	-	1,40,655	0.10	-	-
11	Mrinalini Shreekant Kirloskar	1,01,800	0.07	-	1,01,800	0.07	-	-
12	Roopa Jayant Gupta	20,887	0.01	-	20,887	0.01	-	-
13	Geetanjali Vikram Kirloskar	37	0.00	-	37	0.00	-	-
14	Gautam Achyut Kulkarni*	1,83,98,233	12.72	-	-	-	-	(12.72)
15	Jyostna Gautam Kulkarni*	75,72,631	5.24	-	2,59,70,864	17.96	-	12.72
16	Arti Atul Kirloskar	70,65,174	4.89	-	70,65,174	4.89	-	-
17	Nihal Gautam Kulkarni	1,59,756	0.11	-	1,59,756	0.11	-	-
18	Alpana Rahul Kirloskar	77,11,817	5.33	-	77,11,817	5.33	-	-
19	Akshay Sahni	100	0.00	-	100	0.00	-	-
20	Alok Kirloskar	6,262	0.00	-	6,262	0.00	-	-
21	Pratima Sanjay Kirloskar	1,520	0.00	-	1,520	0.00	-	-
	Total	**8,58,02,905**	**59.33**	**-**	**8,58,02,905**	**59.33**	**-**	

Notes:

a. Amounts shown as "0.00" above are not Nil, but rounded off to 2 decimals.

b. In case of joint holding, the name of the first holder is considered.

c. No shares of promoters have been pledged or encumbered as of 01/04/2017 or 31/03/2018 or during the year ended 31/03/2018.

d.* 2,59,70,864 equity shares out of these 1,83,98,233 equity shares are transmitted on 29 December 2017, on demise of Late Gautam Achyut Kulkarni.

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

Sr. No.	Name of Shareholder	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
1	**Gautam Achyut Kulkarni**				
	At the beginning of the year	1,83,98,233	12.72		
	1,83,98,233 equity shares transmitted on account of demise of Late Gautam Kulkarni on 29 December 2017.	(1,83,98,233)	(12.72)	(1,83,98,233)	(12.72)
	At the End of the year	-	-	-	-
2	**Jyotsna Gautam Kulkarni**				
	At the beginning of the year	75,72,631	5.24		
	1,83,98,233 equity shares transmitted on account of demise of Late Gautam Kulkarni on 29 December 2017.	1,83,98,233	12.72	1,83,98,233	12.72
	At the End of the year	-	-	2,59,70,864	17.96

Except for the above there is no change in the holdings of the Promoter & Promoter Group during FY 2017-18

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

Sr. No.	For each of top ten shareholders	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
1	**Nalanda India Fund Limited**				
	At the beginning of the year	1,08,96,124	7.53		
	No change during the year	-	-	-	-
	At the End of the year			1,08,96,124	7.53
2	**General Insurance Corporation of India**				
	At the beginning of the year	31,98,832	2.21		
	No change during the year	-	-		-
	At the End of the year			31,98,832	2.21
3	**Pinebridge Investments GF Mauritius Limited**				
	At the beginning of the year	30,75,300	2.13		
	Decrease as on 18 August 2017	(3,00,000)	(0.21)	27,75,300	1.92
	Decrease as on 25 August 2017	(3,00,000)	(0.21)	24,75,300	1.71
	Decrease as on 20 October 2017	(10,00,000)	(0.69)	14,75,300	1.02
	Decrease as on 27 October 2017	(5,00,000)	(0.35)	9,75,300	0.67
	Decrease as on 10 November 2017	(9,75,300)	(0.67)	-	-
	At the End of the year			-	-
4	**Nalanda India Equity Fund Limited**				
	At the beginning of the year	30,13,690	2.08		
	No change during the year	-	-	-	-
	At the End of the year			30,13,690	2.08
5	**The New India Assurance Company Limited**				
	At the beginning of the year	27,46,180	1.90		
	Decrease as on 28 April 2017	(20,313)	(0.01)	27,25,867	1.88
	Decrease as on 5 May 2017	(9,884)	(0.01)	27,15,983	1.88
	Decrease as on 12 May 2017	(45,276)	(0.03)	26,70,707	1.85
	Decrease as on 19 May 2017	(54,724)	(0.04)	26,15,983	1.81
	Decrease as on 25 August 2017	(24,076)	(0.02)	25,91,907	1.79
	At the End of the year			25,91,907	1.79
6	**Life Insurance Corporation of India**				
	At the beginning of the year	19,82,964	1.37		
	Increase as on 26 January 2018	26,954	0.02	20,09,918	1.39
	Increase as on 2 February 2018	48,662	0.03	20,58,580	1.42
	Increase as on 9 February 2018	47,197	0.03	21,05,777	1.46
	Increase as on 16 February 2018	9,934	0.01	21,15,711	1.46
	Increase as on 23 February 2018	9,652	0.01	21,25,363	1.47
	Increase as on 2 March 2018	1,849	0.00	21,27,212	1.47
	Increase as on 9 March 2018	20,510	0.01	21,47,722	1.49
	Increase as on 16 March 2018	78,013	0.05	22,25,735	1.54
	Increase as on 23 March 2018	37,374	0.03	22,63,109	1.56
	At the End of the year			22,63,109	1.56

Sr. No.	For each of top ten shareholders	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
7	**The Oriental Insurance Company Limited**				
	At the beginning of the year	17,17,366	1.19		
	Decrease as on 14 April 2017	(24,910)	(0.02)	16,92,456	1.17
	Decrease as on 28 April 2017	(30,000)	(0.02)	16,62,456	1.15
	Decrease as on 5 May 2017	(22,500)	(0.02)	16,39,956	1.13
	Decrease as on 12 May 2017	(27,000)	(0.02)	16,12,956	1.12
	Decrease as on 19 May 2017	(25,479)	(0.02)	15,87,477	1.10
	Decrease as on 26 May 2017	(7,521)	(0.01)	15,79,956	1.09
	Decrease as on 30 June 2017	(30,000)	(0.02)	15,49,956	1.07
	Decrease as on 7 July 2017	(10,000)	(0.01)	15,39,956	1.06
	Decrease as on 4 August 2017	(22,500)	(0.02)	15,17,456	1.05
	Decrease as on 11 August 2017	(7,500)	(0.01)	15,09,956	1.04
	Decrease as on 23 March 2018	(2,394)	(0.00)	15,07,562	1.04
	At the End of the year			15,07,562	1.04
8	**Kotak Emerging Equity Scheme**				
	At the beginning of the year	7,42,056	0.51		
	Increase as on 21 April 2017	820	0.00	7,42,876	0.51
	Increase as on 5 May 2017	51,650	0.04	7,94,526	0.55
	Increase as on 12 May 2017	41,380	0.03	8,35,906	0.58
	Increase as on 19 May 2017	46,894	0.03	8,82,800	0.61
	Increase as on 26 May 2017	37,648	0.03	9,20,448	0.64
	Increase as on 2 June 2017	20,699	0.01	9,41,147	0.65
	Increase as on 9 June 2017	6,031	0.00	9,47,178	0.65
	Increase as on 16 June 2017	2,719	0.00	9,49,897	0.66
	Increase as on 23 June 2017	4,564	0.00	9,54,461	0.66
	Increase as on 30 June 2017	18,500	0.01	9,72,961	0.67
	Increase as on 14 July 2017	30,926	0.02	10,03,887	0.69
	Increase as on 21 July 2017	3,609	0.00	10,07,496	0.70
	Increase as on 4 August 2017	12,567	0.01	10,20,063	0.71
	Increase as on 25 August 2017	2,078	0.00	10,22,141	0.71
	Increase as on 1 September 2017	37,278	0.03	10,59,419	0.73
	Increase as on 15 September 2017	4,248	0.00	10,63,667	0.74
	Increase as on 22 September 2017	2,794	0.00	10,66,461	0.74
	Increase as on 13 October 2017	13,596	0.01	10,80,057	0.75
	Increase as on 17 November 2017	5,420	0.00	10,85,477	0.75
	Increase as on 24 November 2017	9,555	0.01	10,95,032	0.76
	Increase as on 1 December 2017	5,303	0.00	11,00,335	0.76
	Increase as on 8 December 2017	29,759	0.02	11,30,094	0.78
	Increase as on 15 December 2017	14,918	0.01	11,45,012	0.79
	Increase as on 22 December 2017	6,878	0.00	11,51,890	0.80
	Increase as on 12 January 2018	6,553	0.00	11,58,443	0.80
	Increase as on 26 January 2018	13,173	0.01	11,71,616	0.81
	Increase as on 2 February 2018	12,535	0.01	11,84,151	0.82
	Increase as on 9 February 2018	6,364	0.00	11,90,515	0.82
	Increase as on 23 February 2018	3,959	0.00	11,94,474	0.83
	At the End of the year			11,94,474	0.83
9	**Uti- Infrastructure Fund**				
	At the beginning of the year	6,60,250	0.46		
	No change during the year	-	-	-	-
	At the End of the year			6,60,250	0.46

Sr. No.	For each of top ten shareholders	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
10	**Jagdish Amritlal Shah**				
	At the beginning of the year	6,26,208	0.43		
	Decrease as on 7 April 2017	(4,150)	(0.00)	6,22,058	0.43
	Decrease as on 5 May 2017	(240)	(0.00)	6,21,818	0.43
	Decrease as on 23 June 2017	(12,632)	(0.01)	6,09,186	0.42
	Decrease as on 29 December 2017	(14,410)	(0.01)	5,94,776	0.41
	At the End of the year			5,94,776	0.41
11	**SBI Small and Midcap Fund**				
	At the beginning of the year	4,00,946	0.28		
	Increase as on 7 April 2017	30,425	0.02	4,31,371	0.30
	Increase as on 14 April 2017	27,753	0.02	4,59,124	0.32
	Increase as on 21 April 2017	3,058	0.00	4,62,182	0.32
	Increase as on 12 May 2017	27,998	0.02	4,90,180	0.34
	Increase as on 19 May 2017	1,13,400	0.08	6,03,580	0.42
	Increase as on 26 May 2017	7,971	0.01	6,11,551	0.42
	Increase as on 2 June 2017	5,392	0.00	6,16,943	0.43
	Increase as on 9 June 2017	13,867	0.01	6,30,810	0.44
	Increase as on 16 June 2017	27,492	0.02	6,58,302	0.46
	Increase as on 23 June 2017	8,854	0.01	6,67,156	0.46
	Increase as on 14 July 2017	1,02,844	0.07	7,70,000	0.53
	Increase as on 13 October 2017	4,132	0.00	7,74,132	0.54
	Increase as on 20 October 2017	1,25,868	0.09	9,00,000	0.62
	Increase as on 10 November 2017	2,94,000	0.20	11,94,000	0.83
	At the End of the year			11,94,000	0.83
12	**SBI Emerging Business Fund**				
	At the beginning of the year	0	0.00		
	Increase as on 21 July 2017	10,594	0.01	10,594	0.01
	Increase as on 28 July 2017	54,508	0.04	65,102	0.05
	Increase as on 4 August 2017	50,197	0.03	1,15,299	0.08
	Increase as on 11 August 2017	73,250	0.05	1,88,549	0.13
	Increase as on 18 August 2017	1,00,195	0.07	2,88,744	0.20
	Increase as on 25 August 2017	9,87,626	0.68	12,76,370	0.88
	Increase as on 8 September 2017	1,48,398	0.10	14,24,768	0.99
	Increase as on 22 September 2017	66,712	0.05	14,91,480	1.03
	Increase as on 30 September 2017	3,71,198	0.26	18,62,678	1.29
	Increase as on 6 October 2017	1,96,112	0.14	20,58,790	1.42
	Increase as on 20 October 2017	2.41.210	0.17	23,00,000	1.59
	Increase as on 27 October 2017	5.00.000	0.35	28,00,000	1.94
	Increase as on 3 November 2017	2.00.000	0.14	30,00,000	2.07
	Increase as on 8 December 2017	99.075	0.07	30,99,075	2.14
	Increase as on 9 February 2018	925	0.00	31,00,000	2.14
	At the End of the year			31,00,000	2.14
13	**SBI Magnum Multiplier Fund**				
	At the beginning of the year	0	0.00		
	Increase as on 20 October 2017	4,49,076	0.31	4,49,076	0.31
	Increase as on 3 November 2017	3,93,392	0.27	8,42,468	0.58
	Increase as on 10 November 2017	6,82,117	0.47	15,24,585	1.05
	Increase as on 19 January 2018	73,718	0.05	15,98,303	1.11
	At the End of the year			15,98,303	1.11

Notes

a. In case of joint holding, the name of the first holder is considered.

b. There is no fresh allotment/reduction of share capital during the year by the Company. The increase/decrease in shareholding above is due to transactions between shareholders.

c. The shareholding details given above are based on the legal ownership and not beneficial ownership and is derived based on the folio number listing provided by the Registrar and Transfer agent of the Company.

(v) Shareholding of Directors and Key Managerial Peronnel:

Shareholding of Directors

Sr. No.	Particulars	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
1	**Atul C. Kirloskar**				
	At the beginning of the year	1,84,56,667	12.76		
	At the End of the year	-	-	1,84,56,667	12.76
2	**Late Gautam A. Kulkarni** (upto 14 September 2017)				
	At the beginning of the year	1,83,98,233	12.72		
	At the End of the year	-	-	0	0.00
3	**Nihal G. Kulkarni**				
	At the beginning of the year	1,59,756	0.11		
	At the End of the year	-	-	1,59,756	0.11
4	**Rajendra R. Deshpande**				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
5	**Rahul C. Kirloskar**				
	At the beginning of the year	1,77,32,902	12.26		
	At the End of the year	-	-	1,77,32,902	12.26
6	**Pratap G. Pawar**				
	At the beginning of the year	5,355	0.00		
	At the End of the year	-	-	5,355	0.00
7	**R. Srinivasan**				
	At the beginning of the year	3,750	0.00		
	At the End of the year	-	-	3,750	0.00
8	**M. Lakshminarayan**				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
9	**Gauri Kirloskar**				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
10	**Pradeep R. Rathi**				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
11	**Mahesh R. Chhabria**				
	At the beginning of the year	11,552	0.01		
	At the End of the year	-	-	11,552	0.01
12	**Vinesh Kumar Jairath**				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
13	**Satish Jamdar**				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00

Notes:

1. There are no purchase and sale of shares by directors during the year.
2. The above details are based on the legal ownership and not on beneficial ownership.
3. The shareholding above reflects the ownership post the person being appointed as a director.

Shareholding of Key Managerial Personnel (KMP):

Sr. No.	Particulars	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
1	**Atul C. Kirloskar**				
	At the beginning of the year	1,84,56,667	12.76		
	At the End of the year	-	-	1,84,56,667	12.76
2	**Late Gautam A. Kulkarni** (upto 14 September 2017)				
	At the beginning of the year	1,83,98,233	12.72		
	At the End of the year	-	-	0	0.00
3	**Nihal G. Kulkarni**				
	At the beginning of the year	1,59,756	0.11		
	At the End of the year	-	-	1,59,756	0.11
4	**Rajendra R. Deshpande**				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
5	**T. Vinodkumar**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00
6	**Smita Raichurkar**				
	At the beginning of the year	0	0.00		
	At the End of the year	-	-	0	0.00

Notes:

1. There are no purchase and sale of shares by KMP during the year.
2. The above details are based on the legal ownership and not on beneficial ownership.
3. The shareholding above reflects the ownership post the person being appointed as a KMP.

V INDEBTEDNESS

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

(₹ In Crs.)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	-	-	-	-
Change in Indebtedness during the financial year				
Addition				
Post shipment loan INR	16.50	-	-	16.50
Reduction	-	-	-	-
Net Change	16.50	-	-	16.50
Indebtedness at the end of the financial year		-	-	
i) Principal Amount	16.50	-	-	16.50
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**16.50**	**-**	**-**	**16.50**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(₹ In crs.)

Sr. no.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		Atul C. Kirloskar	Late Gautam A. Kulkarni (upto 14 September 2017)	Nihal G. Kulkarni	Rajendra R. Deshpande	
1	Gross salary	3.07	5.94	4.24	3.49	**16.74**
a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2.70	5.77	3.81	3.37	**15.65**
b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.37	0.17	0.43	0.12	**1.09**
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					
	Total (A)	**3.07**	**5.94**	**4.24**	**3.49**	**16.74**
	Ceiling as per the Act					**23.50**

Note:

Commision paid during the year is included in Point no. 1 (a) hence not separately shown in the point no. 4.

B. Remuneration to other directors:

(₹ In crs.)

Particulars of Remuneration	Name of Directors						Total Amount
Independent Directors	**R. Srinivasan**	**M. Lakshminarayan**	**Pratap G. Pawar**	**Vinesh Kumar Jairath**	**Pradeep R. Rathi**	**Satish Jamdar**	
Fee for attending board / committee meetings	0.08	0.05	0.08	0.06	0.04	0.04	0.35
Commission	0.17	0.18	0.17	0.38	0.06	0.07	1.03
Others, please specify	-	-	-	-	-	-	-
Total (1)	**0.25**	**0.23**	**0.25**	**0.44**	**0.10**	**0.11**	**1.38**
Other Non-Executive Directors	**Rahul C. Kirloskar**	**Gauri Kirloskar**	**Mahesh Chhabria**				
Fee for attending board / committee meetings	0.06	0.04	0.08				0.18
Commission	0.12	0.06	0.69				0.87
Others, please specify	-	-	-				
Total (2)	**0.18**	**0.10**	**0.77**	**-**	**-**	**-**	**1.05**
Total (B)=(1+2)						**-**	**-**
Total Managerial Remuneration	**0.43**	**0.33**	**1.02**	**0.44**	**0.10**	**0.11**	**2.43**
Overall Ceiling as per the Act (Excluding Sitting Fees)							**2.35**

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/ WTD

(₹ In crs.)

Sr. no.	Particulars of Remuneration	Key Managerial Personnel		
		CFO	Company Secretary	Total
1	Gross salary	1.77	0.18	1.94
a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1.74	0.18	1.92
b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.03	-	0.03
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	-	-	-
	Total	**1.77**	**0.18**	**1.94**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority (RD / NCLT / COURT)	Appeal made, if any (give Details)
Penalty	Nil				
Punishment					
Compounding					
OTHER OFFICERS IN DEFAULT					
Penalty	Nil				
Punishment					
Compounding					

ANNEXURE 'C' TO THE DIRECTORS' REPORT

A. Conservation of Energy

The Company is committed to optimizing use of energy in operations and also brings about continuous improvements in the efficiency of processes and products through use of energy efficient and renewable energy technologies. The Company has also formulated a policy on Energy Conservation.

I. The steps taken for energy conservation and its impact

Khadki Plant

- Energy Efficient LED street lights installed
- Installation of occupancy sensors for toilets.
- Organized Lecture on 'ENCON at work place & at Home and Energy auditing'
- Conducted Walk through Energy Audit.

Main Kagal Plant

- Installation of 5.5 MW Solar PV plant in order to reduce dependency on MSEDCL grid, save on cost of energy and to move towards carbon neutral factory
- Washing of component at normal temperature instead of use electrical heaters
- Installation of Solar water heating system for paint booth
- Use of excess biogas for lighting streetlights
- Installation of energy efficient equipment (Vaayu-Mig 24) in place of conventional AC at Tool Room

KMW Kagal Plant

- Installation of Energy Efficient LED lighting in Engine and Power Tiller assembly area, Stores, Office and parking area.
- Installation of Occupancy Sensor in office area.
- Installation of air compressor in parallel with existing compressor in manufacturing process

Nasik Plant

- Installation of Capacitor for power factor improvement
- Replacement of higher energy consuming pump with lower energy consuming efficient pump at SL90 test bench
- Installation of Timers for street lights
- Installation of hi-bay LED lamps in place of metal halide lamps at shop floor

Bhare Plant

- Energy Efficient LED lighting in test bed cell and office areas
- Arresting leakages in compressed air piping system

II. Steps taken by the company for utilizing alternate sources of energy

Third Party Windmill Units purchase from independent Windmill generator under open access policy. Approximately ₹ 57.21 Lacs Windmill Units consumed through this arrangement which resulted to maintain 37% of Green Energy share of total electrical energy consumption at Kagal plant and ₹ 6.96 Lacs Windmill-Solar Units consumed through this arrangement which resulted to maintain 16% of Green Energy share of total electrical energy consumption at Pune plant.

III. The capital investment on energy conservation equipment

The Company made a capital investment of ₹ 1.44 crores on energy conservation equipment.

B. Technology absorption

i. Efforts made towards technology absorption

The Company is working closely with legislative bodies such as Petroleum Conservation Research Association (PCRA), Central Pollution Control Board (CPCB), Bureau of Indian Standard, research institutes such as Automotive Research Association of India, Vehicle Research and Development Establishment, Indian Institute of Technology, industry associations such as Indian Diesel Engine Manufacturers' Association and Confederation of Indian Industry. It also works with OEMs and end customers and suppliers to identify opportunities for design, development and improvements of products.

ii. Benefits derived and results of above efforts, product improvements, cost reduction, product development, import substitution etc.

- High Horse Power (HHP) genset products meeting CPCB Stage II emission norms were developed and launched
- FM/UL certified product range launched
- Companywide initiative to reduce raw material cost was executed successfully.
- Import substitutes developed for E Governor, Fuel Injection Equipment, Controllers etc.
- Development of compact engine and gensets for multiple applications without compromising performance and durability

iii. In case of imported technology (imported during the last three years reckoned from the beginning of the Financial Year) NIL

iv. The expenditure incurred on Research and Development

(₹ In Crs.)

Sr. No.	Particulars	2017-18	2016-17
1	Revenue Expenditure	89.09	65.25
2	Capital Expenditure	18.73	47.38
3	Total R & D expenditure	107.82	112.63
4	Total R&D expenditure as % to sales	3.8%	4.3%

C. Foreign exchange earnings and outgoes

Total foreign exchange used and earned

(₹ In Crs.)

Total Foreign Exchange used & earned	2017-18	2016-17
Used	103.89	89.39
Earned	187.55	158.14

ANNEXURE 'D' TO THE DIRECTORS' REPORT

INFORMATION PURSUANT TO RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Sr. No.	Information Required	Input
1	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year	Please refer Annexure 'D-1'
2	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Please refer Annexure 'D-2'
3	The percentage increase in the median remuneration of employees in the financial year	11.78%
4	The number of permanent employees on the rolls of Company	2412
5	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentile increase in salaries of managerial personnel: 29.62 percentile Average percentile increase in salaries of non-managerial personnel: 20.33 percentile The salary increases are a function of various factors like individual performance vis-à-vis individual KRAs set and achieved, industry trends, economic situation, future growth prospects etc. besides Company performance. There are no exceptional circumstances for increase in the managerial remuneration.
6	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company	The increase in remuneration is not solely based on company performance but also includes various other factors like individual performance vis-à-vis individual KRAs set and achieved, industry trends, economic situation, future growth prospects etc. The Board believes that the increase is in line with the industry.
7	Affirmation that the remuneration is as per the remuneration policy of the Company.	The remuneration paid to the Directors is as per the Nomination and Remuneration policy of the Company.
8	Particulars of employees posted and working in a country outside India, not being Directors or their relatives, drawing more than sixty lakh rupees per financial year or five lakh rupees per month.	There are no such cases.

ANNEXURE TO BOARD REPORT - Annexure "D-1"

Sr. No.	Name of the Director	Ratio of remuneration of each director to the median remuneration of the employees of the Company
1	Atul C. Kirloskar	125.41
2	Gautam A. Kulkarni up to 14 September 2017*	NA
3	Nihal G. Kulkarni	121.58
4	Rajendra R. Deshpande	102.41
5	Rahul C. Kirloskar	5.10
6	Pratap G. Pawar	7.08
7	R Srinivasan	6.80
8	M. Lakshminarayan	6.52
9	Mahesh R. Chhabria	21.81
10	Gauri Kirloskar	2.76
11	Pradeep R. Rathi	2.76
12	Vinesh Kumar Jairath	12.39
13	Satish Jamdar *	NA

Note:

1. Median is computed on the basis of permanent employees on the rolls of the Company for the full financial year 2017-18.
2. * Director was appointed/separated during the year ended 31/03/2018. As such the remuneration of this Director is not considered.

ANNEXURE TO BOARD REPORT- Annexure "D-2"

Sr. No.	Name of the Director/KMP	Designation	% Increase/(decrease) in the Remuneration
1	Atul C. Kirloskar	Director & KMP	36.55
2	Gautam A. Kulkarni up to 14 September 2017*	Director & KMP	NA
3	Nihal G. Kulkarni	Director & KMP	3.97
4	Rajendra R. Deshpande	Director & KMP	(0.04)
5	Rahul C. Kirloskar	Director	4.35
6	Pratap G. Pawar	Director	75.44
7	R. Srinivasan	Director	68.42
8	M. Lakshminarayan	Director	26.03
9	Mahesh R. Chhabria	Director	146.40
10	Gauri Kirloskar	Director	56.00
11	Pradeep R. Rathi	Director	34.48
12	Vinesh Kumar Jairath	Director	169.23
13	Satish Jamdar *	Director	NA
14	T. Vinodkumar	CFO & CHRO & KMP	21.13
15	Smita A. Raichurkar	CS & KMP	9.68

Note:

* Director was appointed/separated during the year ended 31/03/2018. As such the remuneration of this Director is not considered.

ANNEXURE 'E' TO THE DIRECTORS' REPORT

SECRETARIAL AUDIT REPORT

[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]

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2018

To,

The Members, of

KIRLOSKAR OIL ENGINES LIMITED

13, Laxmanrao Kirloskar Road, Khadki,

Pune - 411 003.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **KIRLOSKAR OIL ENGINES LIMITED**, (CIN L29120PN2009PLC133351) hereinafter called the Company. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my 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, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st 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:

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

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(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;

  (a) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Overseas Direct Investment, Foreign direct Investment and External Commercial borrowing; (No incidence during the audit period, hence not applicable)

(iv) 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;- [No incidence during the audit period, hence not applicable]

  (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014; [No incidence during the audit period, hence not applicable]

  (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; [No incidence during the audit period, hence not applicable]

  (f) The Securities and Exchange Board of India (Registrars to Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; [No incidence during the audit period, hence not applicable]

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; [No incidence during the audit period, hence not applicable]

(v) No other law is applicable specifically to the Company.

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) Listing Agreement under the SEBI [(Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations) entered into by the Company with the BSE Ltd. & NSE Ltd;

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

I 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. There was no change in the composition of the Board of Directors during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, (except two meetings held on 19th June, 2017 & 11th December, 2017 which have been convened by shorter notice which was approved by all directors) 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 the decisions in the Board Meeting were taken unanimously during the audit period.

I 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.

I further report that, during the audit period there were following events / actions having a major bearing on the Company's affairs:

1. The Company has forayed into pump manufacturing through acquisition of major stake of La-Gajjar Machineries Private Limited, a pump manufacturing company based in Ahmedabad, Gujarat.

2. The Company altered Main Object Clause of its Memorandum of Association to include 'Financial Services' business on its own or through its subsidiary, with approval of members of the Company by way of postal ballot. Further the Company is in process of promoting a wholly owned subsidiary company for commencement of said Business.

Sd/-
Mahesh J. Risbud
Practicing Company Secretary
FCS No. 810
C P No.: 185
UCN – S1981MH000400

Date: 18 May 2018
Place: Pune

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY AND MARKETS

Revival of the economy, post demonetization in Nov 2016, took longer than was anticipated. The urban markets being more resilient compared to rural India. Towards the middle of the year, the economic growth improved. Inflation in the country continued to be moderate during 2017-18, Consumer Price Index was the lowest in the last six financial years.

On 1st July 2017, a unified indirect tax structure was introduced in India through the Goods and Services Tax (GST) that should positively impact the economic environment in the long term, but created short term challenges in the trade.

The slowdown in the growth as compared to last fiscal could be attributed to subdued growth in 'Agriculture and allied' and 'industry' sector, coupled with temporary disruptions caused by implementation of GST. Additionally, average crude oil prices have risen by around 14 % so far in Financial Year 2017-18 as compared to Financial Year 2016-17.

It is anticipated that real GDP growth would reach 6¾ percent for the year as a whole, rising to 7-7½ percent in Financial Year 2018-19, thereby re-instating India as the world's fastest growing major economy.

Kirloskar Oil Engines Limited (KOEL) being one of the pioneers of the 'Made in India' concept since independence continues to work towards bringing innovative product offerings to the customer at competitive prices.

This report will provide insights and an update on the Company performance through the Financial Year 2017-18 with a brief outlook for the Financial Year 2018-19.

INDUSTRY AND COMPANY OVERVIEW

A. POWER GENERATION BUSINESS

The Company offers the widest range of Petrol and Diesel Power Generating sets (2-1010kVA) as power back-up for Industrial, Residential, Commercial and also special applications such as Telecom. Marketed under KOEL Green and KOEL Chhota Chilli brands, the power generation business product lines have been dominating the market for over 3 decades.

'Need for an assured power back-up' has been rapidly replacing 'peak power deficit' as the key business driver. Urbanization, automation and infrastructure development are driving the growth in this sector.

In Financial Year 2017-18, while the markets recovered from the impact of demonetization, subsequent legislations like Real Estate (Regulation and Development) Act, 2016 (RERA) and then the Good and Service Tax Act, 2017 (GST), resulted in a dampening of markets and market growth was reduced to single digit.

Business Overview

The Company's revenue in Financial Year 2017-18 from Power Generation Business stood at ₹ 900 Crores, as compared to ₹ 835 Crores in Financial Year 2016-17. A growth of 7.8%.

Your Company held on to its dominant market share and leadership position in Low and Medium kVA segments and gained share in the High kVA segment.

Major gains in 750 & 1010kVA Gensets

The 750 - 1010kVA was introduced by your Company in 2016 and all three nodes i.e. 750, 910 and 1010 have been very well accepted in the market as is evident from the 50% growth over the previous year and the significant gain in market share. Our R&D team has ensured a first time right product which is feature rich and now considered best in class on most parameters.

The unique 910 kVA genset has been successfully installed and commissioned at the Chennai Metro and with that, brought several enquiries on the table from other States who are in the process of commissioning Metro rail projects.

With acceptance from major customers and consultants, our product range has already penetrated major customer segments and market centers across India. Through the expanded product range, your business has undertaken and executed several crucial projects, thereby making a mark in the turn-key power-backup business.

A great product, coupled with sound marketing strategy and backed by a dependable service network gives us the confidence of accelerated growth in this segment in the coming years.

Resounding success of new slimPOWER range

The new ultra-compact slim-POWER range, in the 5-30 kVA segment, has received excellent response from retail segment and is leading the growth story of the Power Generation business.

Telecom business

Telecom markets present an immense opportunity with increased tele density and datacenters. After having virtually exited the Telecom segment a few years back, during the current Financial Year, the power generation business re-entered the telecom segment by acquiring several key customers. Though highly competitive and consequently low on margins, this segment will be a major growth driver in the years ahead.

Future outlook

It's expected that the improved market situation of Financial Year 2017-18 would continue in Financial Year 2018-19 on the back of sustained demand from infrastructure & telecom segment and revival of reality segment.

Another opportunity that holds promise for KOEL will be the railways powercar segment, as Indian Railways has planned to offer increased passenger amenities and comfort with air-conditioned coaches.

Other platform projects to complete the HHP range upto 2000 kVA are progressing well and it is expected that these products will be rolled out in the coming Financial Year. This will further leverage the gains in HHP range to strengthen its volume and value share in the market.

B. AGRICULTURE AND ALLIED BUSINESSES

CROP IRRIGATION

Poor monsoon and lesser availability of fresh water for pumping, coupled with improved rural electrification, have decreased the market of conventional diesel pump sets. Also the shift in demand to portable pumpsets is a cause of decreasing demand of conventional models.

The electrical pump set industry on the other hand has been growing at an annual Compound annual growth rate (CAGR) of 10%. Industry sources attribute this to the surge in infrastructure development, growth in agriculture and other water intensive industries.

Indian electric pumps industry is extremely price sensitive and characterized by the presence of a large number of unorganized players in the market. A huge power subsidy given to the farmers is hampering the adoption of energy efficient pump sets in India.

FARM MECHANISATION

According to World Bank estimates, half the Indian population would be urban by the year 2050. Hence, there is a need to accelerate the speed of farm mechanization in the country. It is evident that Indian farmers are adopting farm mechanization at a faster rate in comparison to what was seen in the past.

High labour intensity in different farm operations, has resulted in low productivity and consequently high cost of production of many crops. The main focus of Farm mechanization business is to improve productivity through mechanization at affordable rates.

85% of the land holdings belong to small & Marginal farmers of land cultivating less than 2

Hectares. There is huge scope of providing farm machinery and equipment at affordable prices to these farmers.

Business Overview:

CROP IRRIGATION

The Company's revenue in Financial Year 2017-18 from Agri Crop Irrigation Business stood at ₹ 339.9 Crores, as compared to ₹ 343.6 Crores in Financial Year 2016-17. The combined effect of destocking by dealers on account of GST and also lack of subsidy especially in Odisha, Andhra Pradesh and Karnataka affected sales of Crop Irrigation Business.

The current year's revenue included ₹ 32 Crores from traded electric pumps. Electric pump sales were targeted in specific states like West Bengal, Jharkhand, Uttar Pradesh, Maharashtra and Bihar and your Company intends to build a strong distribution network with a "no compromise" brand positioning in this segment.

The Company introduced the 'Ten on Ten' (every 10th day of the month) distributor beat program in many states during the year under review with the aim of bringing greater focus to the electric pump business and making it more profitable for all stakeholders. It was also a way to enhance understanding of market requirements, which would inturn help improve processes and systems and ultimately lead to gaining a competitive edge. Another objective of this program is to win the trust of retailers, as they are the last mile channel in brand promotion.

FARM MECHANIZATION

The Company's revenue in Financial Year 2017-18 from Farm Mechanisation Business stood at ₹ 112 Crores, as compared to ₹ 100 Crores in Financial Year 2016-17.

Providing farm machinery in the range of 1 H.P. to 25 H.P. at affordable prices to small & marginal farmers for cultivation is one of the main objectives of this business group. Purchasing major equipment (like Tractors) is costly and unviable for small & marginal farmers due to their fragmented land holding and non-availability of finance.

Kirloskar Mega Power Tiller (KMW) Distribution channel network stands at about 300 plus dealers with uniform branding and focused service delivery. Farm Mechanisation business has developed a unique way of creating product awareness for multi-application suitability by the way of "CUE" – Customer usage experience where, not only product demonstration is done but customers also experience the actual usage feel of machine by real time tests. Farm Mechanisation is the only business that has successfully developed this effective & efficient model of promoting products. This year, this business adopted comparative CUE in which Company's machines are operated along with competitor offerings, to convey the enhanced value proposition offered by our products . This has helped us create customer pull in key markets.

In addition to the 15 HP Mega T which the Company established and acquired a market share exceeding 50%, the more popular 12 HP product was also rolled out towards the end of the year. This is likely to step up growth in significant way in the coming financial year.

Delay and limited roll out of the Direct Benefit Transfer of Subsidy by the State Governments and Subsidy Fund availability issues in major states like Karnataka and North Eastern states impacted our sales volume. Further, delay in getting GOI listing for Power Weeder under subsidy, affected the business.

To facilitate loan for purchasing power tillers, this Business has engaged with leading banks like SBI, IDBI, DCB, IDFC & SAFAL and ensured speedy loan disbursement to farmers.

As a part of customer engagement programme, 'Door to Door' campaign done to ensure machines are in good working condition and are ready for operation.

Tractor Parts & Oil division worked aggressively on network expansion and appointed a total of 45 distributors in the financial year. K-Oil segment registered a growth of 25% by volume.

The Company has participated extensively in Fairs, Melas and Expos viz. Kisan Expo - Pune, EIMA –

Delhi, Krushi Mela – Surat, Kisan Expo – Hisar, Agri Exhibitions – Tamil Nadu etc. across the length and breadth of the country. Participation in these events created visibility of the brands and attracted a huge footfall of farmers.

Mega T received 'Golden Peacock Innovative Product/Service Award' for the year 2018.

New Product Development and Launches

Revolutionary Mega T 12 LW

This model offers the ability to lighten the workload of farmers while puddling and doing other labour intensive tasks.

Stylish Min T 8 DLX

This new model of power weeders has built-in luxury features for hilly areas and narrow spaces.

KUBIX

The latest addition to the KMW portfolio includes hand held machines for farmers and gardeners who work in small spaces.

A range of Kirloskar Organic coolant was also launched.

Future outlook

Agriculture business is primarily focused on transforming the lives of Indian farmers through innovative products, technology & delivery. While the Agri business is never insulated from the vagaries of the monsoon, with the introduction on value added products at affordable prices together with diversification of product portfolio, the future outlook of the business looks promising.

C. INDUSTRIAL ENGINES BUSINESS

There was good traction seen in the Industrial segment especially in the construction equipment segment and more specifically in road and concrete equipment. This augured well for the Company's Industrial business, which grew by 16% in Financial Year 2017-18 as compared to the previous year.

Business Overview

The Company's revenue in Financial Year 2017-18 from Industrial Engine Business stood at ₹ 508 Crores, as compared to ₹ 430 Crores in Financial

Year 2016-17. An increase of 18%.

Industrial engines business has been on an upswing and for the first time, the Company's Industrial Business crossed the ₹ 500 Crores mark. The Industrial business was positively impacted by the new applications developed in the last few years and a conducive environment which witnessed commencement of various infra and road construction projects triggering growth in Industrial, Off-Highway and agricultural equipment.

New Initiatives

As a part of customer engagement programs, the Company's Industrial Engines Business conducted platinum Original Equipment Manufacturer (OEM) meets in Financial Year 2017-18 at the Company's Kagal manufacturing plant. This facilitated meaningful exchange between the key personnel of the Company and OEM. This event helped the Company enhance customer confidence and strengthen our partnerships further.

New Product and New Customer Development

For the first time, the Company has developed and successfully installed high horse power (HHP) Industrial engine application for firefighting pump sets.

Installation of DV 8 engine for Fire Pump set Application

Awards and Recognition

In financial year 2017-18 KOELs Industrial Business has been awarded "strategic and long term partner " for excavator segment by Hyundai Construction Equipment Private Limited and for the second consecutive year KOEL Industrial business has been awarded "Excellence on Sustained performance and Timely Delivery ' by Sany India Private Limited.

Future Outlook

Government has been focusing on infrastructure, road construction and mining business, as is evident by the healthy fund allocations of various projects. In financial year 2018-19, fund release for the planned projects will continue to create the demand for construction and mining equipment. With a focused approach and continued array of new application development, Industrial business is expected to continue on a growth trajectory.

D. CUSTOMER SUPPORT

The Customer Support Business revenue in Financial Year 2017-18 stood at ₹ 372 Crores, as against ₹ 361 Crores in Financial Year 2016-17. This, despite relatively lower DG set usage resulting from negligible power deficit.

- With 431 service touch points PAN India and an extremely proactive service team, KOEL boasts of one of the best after sales service support, in the Industry. "KOEL CARE" has established itself as a dominant service brand in the market. KOEL CARE has four regional level training centres across India aimed at constantly improving the competency of our field service team. During the year, approximately 55000 customers were touched through various service marketing activities.

In order to enhance customer experience several digital initiatives were launched during the year, which are a benchmark in the industry:

- Electronic Field Service Report (eFSR)

  In June 2017, eFSR was launched by KOEL Care for their 3000+ Service Dealer Engineers PAN India, replacing the erstwhile manual field service reporting system. This is integrated with KOEL Dealer Management System – Pulse, on a real time basis. This is last mile automation in its true sense and 100 % of our Service dealers have migrated to e-FSR.

- SMS linked Customer Delight Index (CDI)

  A SMS linked CDI was introduced for better and more frequent customer engagement. After closure of the Service Report, a link is sent to the customers via SMS and customers after accessing the link, provide us with their feedback.

- On line portal :

  With a view to make accessibility to KOELs service quicker and simpler, the KOEL online portal for purchase of service was launched. The portal provides a single stop for purchase of the numerous services offered by "KOEL CARE":

  - ✓ BANDHAN & EXTENDED WARRANTY directly from KOEL. BANDHAN is a Customized service package for our PG customer which is available in tenure of 1, 3 & 5 years. Based on the kVA rating and running pattern of the genset customers can choose a plan that best suits their requirement.
  - ✓ EXTENDED WARRANTY is a replica of the 1st year warranty available for Industrial business customers whose engines are still under warranty. Customers can visit our portal www.koelcare.com and avail these service packages.

E. INTERNATIONAL BUSINESS

In keeping with the Vision of the Company touching the world by 2025, your Company's International operations continue to be one of the key strategic focus areas and growth drivers. The Company's International business supplies engines and gensets to over 50 countries across the world covering a wide range of industrial, agricultural and power generation applications.

Market conditions remained challenging in the Middle East and Africa during 2017-18 and the European economy continued to remain stagnant. While commodity markets witnessed modest improvements, volatile political and forex situations in our traditional markets adversely affected the business environment.

Global growth in 2017-18 is estimated at around 3 per cent and is projected to be at a similar level in 2018-19. A moderate recovery is expected for Financial Year 2018-19, with receding obstacles to activity in commodity exporting emerging markets and developing economies.

Business overview

Revenue from International Business in Financial Year 2017-18 was ₹ 182 crores as against ₹ 152 crores in the previous fiscal. Despite a tough macroeconomic environment, efforts to penetrate new markets and geographies paid off, resulting in a 20% growth as compared to the previous fiscal. New markets contributed almost a sixth of the overall export revenues. Growth came largely in the Power Generation and Industrial segment.

The Company achieved double digit growth in the Middle East, South East Asia and Americas regions while business declined in Africa. Middle-East and Africa continue to be major contributors to export revenues. Competition from multinational companies has intensified in power generation export segment while the company faces severe price competition from Chinese and other domestic players in the agriculture export segment.

The Company has set up Representative Offices in Vietnam and Indonesia in addition to its existing four regional offices in UAE, South Africa, Kenya and USA. The Company has also deputed product support personnel to Nigeria, Malawi, Zimbabwe, and Saudi Arabia. The Company works with a network of channel partners and OEM customers in all the active markets.

Region wise International Business Sales:

REGION	FY 2017-18 (%)
Middle East	48%
Africa	28%
South Asia and South East Asia	12%
North and Central America	11%
Others	1%

Some of the highlights in the International Business for the Financal Year 2017-18 include:

- Intensified efforts to develop New Markets which accounted for 14% of export business
- Added new OEMs for FMUL fire-fighting engines. This business contributed 11% of the overall export business.
- Introduced new models in the range of 100 to

160 kVA gensets. These have been received well by our customers.

- Introduced Power Tillers in select markets
- Efforts taken in the power generation markets of South East Asia have seen initial success and the company intends to build on this in the next financial year.
- In line with our focus to go digital, launched Warranty Administration Portal. Also launched Customer Helpline for International Markets.

Future outlook

The focus in Financial Year 2018-19 will continue to be on entry into new markets and New Product Introduction. The Company has developed market attractiveness index which helps in focusing and prioritizing on appropriate markets.

The Company's product strategy in Financial Year 2018-19 is to focus on high value products, especially HHP range and firefighting application engines. This will boost the Company's growth prospects in the long term.

KOEL Americas Corporation, USA (a wholly owned subsidiary company) has introduced the Company's products in Ecuador, Peru, Haiti, Guatemala, Venezuela and Colombia, through new channel partners and OEMs. KOEL Americas Corporation is in the last leg of obtaining EPA certification for specific engine models which will enable our entry in USA power generation market during Financial Year 2018-19.

F. LARGE ENGINES BUSINESS

The Company's revenue in Financial Year 2017-18 from Large Engines Business stood at ₹ 143 crores, as compared to ₹ 141 crores in Financial Year 2016-17.

Large Engine Business continues to operate in a niche segment where demand is based on the launch of large Government Projects and defence power and propulsion requirements which includes Energy systems for radars, communication systems, repowering of vehicles, gensets and propulsion engines for defence and commercial marine segment. The Company has now entered Nuclear Power plants market, for emergency DG sets with DV series engines. Large engines developed engines for fishing boat, which includes DV, SL and 6R series engines.

Business Overview

New product and application development remained the focused area for growth. The Company has developed few more models of light weight and compact generating sets as per Customers' requirements and also obtained necessary approval from defence authorities for these sets.

During the year, the Company also developed Marine engines for fishing boat application and propulsion application. These engines have undergone Type certification by IRS for commercial marine market. Engines commissioned on fishing boats have clocked more than 1500 hours and performance is well appreciated by customers.

Special Marine engine (A-magnetic engines) for Mine swipper boats for Indian Navy was also developed during the year. These engines underwent special metallurgical changes. With this successful development, KOEL has become the first Indian Company and also third Company globally to have capability to develop such an engine.

The Company has a tie up with Anglo Belgium Corporation, Belgium, for large HP engines. This year we also supplied the first 3 MW DG Set to Bharat Petroleum Corporation Limited (BPCL), Cochin.

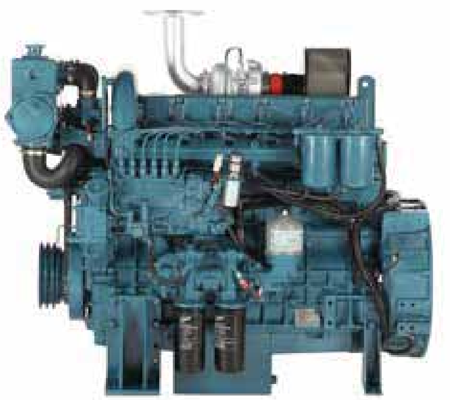
A Magnetic Engine

3 MW DG set supplied to BPCL

Your Company commenced business in Railways Auxiliary Power units (APU) business. These products were commissioned in railways and have successfully completed field trials.

New Product Development

40 kVA with DG CQAL qualification, High Alt and EMI/EMC testing



6R engine for fishing application

Future outlook

The Large Engines business will continue to work on new product and applications and will drive its growth in Defence and Marine power and propulsion segments. This focus will be on expanding offerings and increasing market reach in the area of fishing boat engines. With development of new light weight and compact DG sets and meeting stringent product quality requirements, your Company is gearing up in creating new category of DG sets for defence. The Nashik plant will continue to be the main manufacturing and assembly hub for the business especially with all defence and marine engines and DG sets assembly operating out of the plant.

RESEARCH AND APPLICATION ENGINEERING

Research is a key enabler that helps KOEL remain relevant and competitive and drive growth through innovative solutions and enhanced product offerings. Over the years, your Company has set up an excellent R&D facility, operated by a very competent team, which works closely with our businesses to deliver high value to customers. R&D expenditure is focused on expanding product range and solutions for sustainable future growth. In pursuit of excellence in product performance and enhancing value to customers through new and improved products, the research team is working towards achieving benchmarked parameters both in the domestic and global markets to offer the most advanced and comprehensive range of products. During the year, the team supported the launch of several innovative products that enabled your Company fortify its market leadership position. The HHP genset product portfolio from 910 kVA, Heat Exchanger cooled and stone crusher genset range, railcar application and 12 HP power-tiller were developed last year.

Enhancing existing product lines

Range of High Horse Power Products has been offered in Fire Pump application. Range of fire pumps was enhanced by adding 3000 rpm engines. FM/UL engines were recertified with mechanical governor. Tier III engines from 30 kW to 100 kW power range were developed for emergency standby genset market in US. For meeting export market requirement, genset product portfolio was further enhanced. Value engineering exercise was successfully carried out for existing product lines.

The R&D team provided additional power nodes and upgrades for the following:

- Bharat Stage III (BS III) emission compliant engines for construction equipment
- CPCB stage II emission norms applicable for power generation

- Bharat (TREM) Stage III A emission norm compliant engines for tractor application

Innovating for a sustainable future

Some of the specific focus areas of R&D efforts in coming years were:

- Cost effective emission solution for Tier 4 Final / BS IV CEV norms
- Development of new engine platforms namely K4300 and R550
- Implementation of critical chain project management methodology for new product development
- Development of special marine and defense application

Future Outlook

The R&D focus will continue towards modernizing and upgrading existing product development facilities and development of new technologies for cost effective emission solution. New application development, for new market and value engineering will form part of the short term goals. Your Company also plans to further enhance the High Horse Power (HHP) range through development of new products. One global engine platform is also under development. New applications like marine genset and marine propulsion engines for export to developed countries will also be developed. The R&D business strategy will continue to focus on increasing efficiency, enhancing customer satisfaction and strengthening business presence in key strategic growth markets.

QUALITY ASSURANCE

Focused Product quality improvement programs were put in place through robust process centric approach. As a result of consistent focus on Quality, customer complaints were reduced significantly across various product categories.

Internal PPM level was also kept well under control. As a result, Customer perception Index on quality of KOEL products continues to remain at very high levels.

Supplier Quality Improvement has also been given major thrust. Identified suppliers were groomed through focused development programs.

SUPPLY CHAIN

A robust Supplier base helps in tiding over the turbulence in the demand patterns. Your Company's supply chain the gamut of which encompasses the functions of material procurement, inbound logistics, subcontracting, material handling and finished product supplies, is actively involved in building a more Sustainable Supplier base.

During the year under review, the transition of implementation of Goods and Service Tax has been smooth and well supported by the Company's downstream and upstream Supply Chain.

Your Company with a strong focus on Supplier Partnership has been engaged and pursuing the Samvardhan Program for Micro, Small and Medium Enterprises (MSME) Suppliers, with a vision of transforming owner's perspective to an Entrepreneurial business person. As the Samvardhan program is reaching its maturity, we have embarked upon deployment of lean principles at our MSME suppliers. The Company is playing the role of a facilitator in this journey which includes, creation of the MSME Clusters, co-ordination with government agencies like National Productivity Council (NPC) and MSME Ministry and also with Lean consultants. The formations of these Clusters have helped in providing an impetus in the journey of our Suppliers to be a Lean and a Zero Defect Organization.

Demand Driven Supply Chain, which is based on the concept of Theory of Constraints, is a way of life at the Company since the last few years. There has been significant improvement in the "Availability of products at our customer end", year on year, since the Company embarked on this journey.

The Annual Supplier Quality Improvement Contest was held in November 2017. This event has become an Industry benchmark where the central theme is Share-Learn and Apply, and all participants stand to gain from presentations covering diverse areas. The Supplier Quality Quiz, a part of the Supplier Quality Improvement Contest (SQIC), in its second year gained a wider acceptance and needless to say events like these go a long way in strengthening our engagement with our Suppliers.

The process of New Product Development is undergoing a sea change in your Organization. We have now started working on Critical Chain Project Management (CCPM) methodology which has already resulted in setting correct project priority coupled with saving of time and energy of all the stake holders in the process.

At Kirloskar Oil Engines Limited, Technology Days are a platform where Suppliers get a chance to showcase their products and new technologies which can be appropriately used on end products.

Similar to previous years, several Technology Days have been conducted this year too.

Going forward, the aim of your Company is to build a future ready Supply chain which can be done by getting aligned to the concepts of Industry 4.0. The application of the concepts of Industry 4.0, will be a major differentiator in the times to come and an early entrant is bound to reap the benefits. The Company has lined up initiatives which will pave the way for our Suppliers in the transformation journey. During Annual Supplier Conference this subject was discussed by eminent people in the Industry.

Supply Chain is getting ready for new technology adoption required for next emission norms for Off Highway Segment.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY (EHS)

During the year, numbers of initiatives were undertaken in your Company's plants and offices in the areas of Environment, Occupational Health and Safety (EHS). Some of the key initiatives are listed below:

Pune Plant

Environment initiatives

- Installation of New stacks as per statutory requirements for additional captive power genset
- Use of fly ash bricks for civil work

Occupational Health initiatives

- Blood donation camp
- Bone Mineral Density Scan for estimating risk of osteoporosis especially in Women
- Mammography and Papanicolaou (PAP) Smear testing of all women employees.
- Lecture on Brain Stroke and Epilepsy, Gastrointestinal Disorders, Organ Transplant and Donation, Health Happiness covering four sources of energy

  Prana, Importance of breath, Nature of Mind, Pranayam, Meditation, Sleep disorders
- Periodical Medical examination of all employees
- International Yoga Day

Safety Initiatives

- Safety Awareness for employees
- Conducted mock drill for emergency preparedness plan

Kagal Plant

Environment initiatives

- Plantation of 1211 number of trees at plant on World Environment Day.
- Use of ETP treated water for domestic usage
- Celebration of World Environment Day for awareness creation amongst employees & nearby villages
- Celebration of Kirloskar Vasundhara International Film Festival for society environmental awareness creation
- Use of filtered rain water for cooling towers, paint booth & kitchen utensil washing
- Use of Bio-pesticides for pest control
- Installation of activated carbon and pressure sand filter at ETP for better quality of treated effluent
- Carry out hydrogeological report for filing application with Central Ground Water Authority
- Became a member of program viz. "Maharashtra Green Army" of Government of Maharashtra forest department upon participation in 4 crores tree plantation program
- Modification of urinal push cock to reduce water consumption by fixing rubber washers
- Fibre Reinforced Plastic (FRP) coating for Reaction Sludge Dewatering (RSD) tank of Effluent Treatment Plant
- Reconditioning of UV water system

Occupational Health initiatives

- Blood donation camp
- Session on Stress Management and HIV AIDS awareness
- Periodical Medical examination of all employees

Safety Initiatives

- Road Safety Awareness for employees
- Conducted mock drill for emergency preparedness plan
- Training and Authorisation of operators for material handling equipment

Nashik Plant

Environment initiatives

- Celebration of World Environment Day
- Celebration of Kirloskar Vasundhara

International Film Festival for society environmental awareness creation

- Tree Plantation at plant

Occupational Health initiatives

- Periodical Medical Checkup
- Lecture on 'Heart Diseases' on the occasion of World Diabetes Day
- Blood donation Camp

Safety Initiatives

- Display of safety instruction at Main gate for visitors to create awareness
- Training and Authorisation of operators for material handling equipment
- EHS and Fire fighting Training for employees

Rajkot Plant

Environment initiatives

- Celebration of World Environment Day
- Celebration of Kirloskar Vasundhara International Film Festival for society environmental awareness creation
- Tree Plantation at plant

Occupational Health initiatives

- Blood donation camps
- Annual Medical Checkup

Safety Initiatives

- Conducted mock drill for emergency preparedness plan
- Training and authorisation of operators for material handling equipment

Bhare Plant

Occupational Health initiatives

- Periodical Medical Checkup
- First Aid Training for employees

Safety Initiatives

- Fire Safety Survey
- Safety Audit
- On-site Emergency mock drill

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The Company continues to maintain healthy and harmonious industrial relations across all its manufacturing plants and offices. The Human Resources function has been enabling business transformation by striking a balance between business needs and individual aspirations. The company has a dedicated human capital of over 2412 employees spread across locations in the organization.

Concerted efforts have been put in talent management, succession planning practices, strong performance management, learning and training initiatives to ensure that your Company consistently develops inspiring, strong and credible leadership.

Some of the significant initiatives that were undertaken during the year include:

- Management Development Program for budding leaders from the Middle Management Level with a tie-up with IIM (Ahmedabad);
- The Leadership Fountain Program for capability development which was commenced in the previous year got concluded;
- To induct the Graduate Engineer Trainees, introduced a program "From Campus to Corporate";
- A detailed job evaluation exercise panning the entire organization was undertaken. This would in due course form the basis for succession planning and career development.
- Technical training to help Area Sales Teams to understand and to pitch the differentiating factors of KOEL gensets to customers.
- Digitization of critical HR processes viz. automation of recruitment process and to eliminate hiring biases, psychometric assessment for all entry level contractual hiring across the organization was introduced;
- Revamped the Rewards and Recognition program 'Samman' and this has been received well and a culture of acknowledgement and recognition is being fostered;
- Continued the endeavor to create a transformational industrial relations culture, under which self-driven & passionate employees align themselves to organizational goals, while their fair expectations are proactively met. Employees are encouraged to partake in various ongoing programs like Kaizen, ENCON, Quality Circles, Safety, 5S', WASH, Sports, Cultural Programs, Kirloskar Vasundhara Film Festival, Corporate Social Responsibility(CSR) initiatives etc;
- Continued efforts on arranging lectures on health, fitness, common ailments/diseases and life style improvement, with a view to enhance employee awareness.

To assess the engagement levels of employees, your company engages with AON Hewitt to conduct a survey. This survey is done once in two years. All the above efforts from Leaders, HR and People Managers have taken up the Employee Engagement level from 52% in 2015 to 66% in 2017.

The above steps have been taken in the human resources front to ensure that the Company can continuously cater to the changing business adversities and opportunities.

FINANCE, ACCOUNTS, LEGAL AND SECRETARIAL

The Finance function has increasingly played the role of business partner and has led several strategic initiatives that ensure improved efficiency and profitability in the organization. The overall business environment has remained highly competitive and it was imperative that profit improvement and value engineering initiatives were taken up in order that the Company's products remain competitive and accessible to the customers.

In the last couple of years, your Company had taken several initiatives, cutting across the length and breadth of the organization to ensure that it is future ready and geared to accelerate its growth strategy with prospects of a better economic and industrial climate. Except for minor challenges like de-monetization, the improved economic climate in the current fiscal together with a better monsoon provided an opportunity for your Company to put to test what it has been readying for. With zero debt, a strong cash position and excellent working capital management the Company's Balance Sheet remains strong and poised for accelerated growth.

The finance function has also taken several initiatives to improve data integrity and support business decision making. IT enablement of several erstwhile manual processes has ensured improvement in speed and reliability of information at reduced cost.

Adherence to statutory and regulatory compliance has always been given the highest importance. Your Company uses a work flow based legal compliance software tool that monitors and ensures compliance of all applicable regulations across all factories and offices.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Internal Audit Department's (IAD) maintains an internal control system which is commensurate with the nature of the business and size and complexity of operations. It covers all businesses and functions of the organization including plants, corporate office and depots.

The internal controls are regularly tested by the internal and statutory auditors through their audit plan.

Based on a comprehensive risk based audit plan is approved by the Audit Committee, the IAD plans and conducts audits through its IT enabled audit reporting system. This system also supports IAD in tracking of open issues and their closure. Significant observations made by the internal audit team and the follow up actions thereon are reported to the Audit Committee.

The IAD assess that efficacy of controls across all major functions, businesses and operations through IT enabled control self-assessment (CSA) tool. This process helps the business and functional heads to continuously monitor the controls and take action when controls fail.

The IAD facilitates the Enterprise Risk Management process (ERM) by periodically identifying and assessing the business and enterprise risks faced by the Company. Through structured and formal risk workshops, the IAD works with the businesses and functions to review the mitigation plans for key risks periodically and ensure that they are aligned to the projects undertaken as per business strategy and vision adopted by the Company. The IAD discusses the business risks and their mitigation plans the business heads. The senior leaders review the enterprise risk and their mitigations plans and present them to the Audit Committee periodically.

AWARDS, RECOGNITIONS AND CERTIFICATIONS

The Company's strive towards excellence continued unabated. Some of the recognitions received for our relentless efforts of quality delivery and operational excellence included:

- The Company received following awards for Kagal plant
  a. "Excellent Energy Efficient Unit - 2017" at 18th National Award organized by Confederation of Indian Industry (CII)
  b. 1st prize at 12th State Level EC Award 2017-18 towards energy conservation in Engineering industry category through Maharashtra Energy Development Agency (MEDA)
  c. 3rd prize award for continuous efforts towards Energy conservation in Small

and Medium Enterprises sector at 12th State level Energy conservation Award organized by MEDA (Power Tiller – KMW plant)

d. "K Group ENCON award" for The best managed energy efficient unit in Large energy consuming industry, Best renewable energy project and Best Water conservation project

- The Company received following awards for Nasik plant :
  a. 1st prize towards Energy conservation in Small and Medium Enterprises sector at 12th State Level Energy conservation Award organized by MEDA for Nasik Plant
  b. "K Group ENCON award" for The best managed energy efficient unit in small energy consuming industry
- Industrial Business received following in Financial Year 2017-18 from various OEM customers in view of excellent performance on various aspects:
  a. Strategic and long term partner for excavator segment by Hyundai Construction Equipment Private Limited
  b. Best delivery performance award consecutively for second year from Sany Heavy Industry India Private Limited
- The Company received 'Golden Peacock Innovative Product/Service Award' for the year 2018 for Power Tiller (Mega T)

RISKS, OPPORTUNITY AND THREATS

The ERM framework addresses the risks and opportunities in line with the Company's strategy / projects. Some of the major risks, opportunities and threats in the Company radar are detailed below:

Risks

- The performance of the stock market in India during 2018 may get impacted due to tightening of the US monetary policy that may hurt portfolio inflows into India.
- Persistently high oil prices (at current levels) remain a key risk. They would affect inflation, the current account, the fiscal position and growth, and force macroeconomic policies to be tighter than otherwise.
- The risk to economic growth is from an increase in inflation during 2018 from the expected rate of 4.9% which will not help RBI in its effort to reduce the interest rate to fuel growth. This can have an adverse impact on the overall growth rate of GDP.

Opportunities

- India's economic growth would accelerate to 7 to 7.5 per cent in the 2018-19 Financial Year, enabling the country to bounce back as the world's fastest growing major economy, according to the Economic Survey.
- The outlook for 2018 may have started on a strong foundation with four broad parameters: robust spending on infrastructure by the Government, uptick in private capital expenditure by Corporate India, significant mend in rural economy and sustained global recovery.
- While services will continue to remain the main driver of economic growth; industrial activity is poised to grow, with manufacturing expected to accelerate following the implementation of the GST, and agriculture will likely grow at its long-term average growth rate.
- Increase in government spending in power and infrastructure development may lead to opportunities for the Company in power generation and infrastructure solutions. Industry volume growth to revert to 10% CAGR over FY17-20; growth would be driven by rising demand in the key end markets of Infrastructure (Roads, Metro Rail, Railways), Commercial (IT/ITES, Data Centers, Hotels, Malls, Hospitals, Educational Institutions), and Manufacturing (Pharmaceuticals, Automotive).
- A revival in economic growth would drive up both manufacturing/IIP growth and power deficit, in turn resulting in higher demand for DG sets.

Threats

- Global warming and the resulting climate change are serious threats to the growth of the Indian economy. Due to the limited resilience of the economy, extreme weather conditions may disrupt the country's effort to grow at around 7%.
- The protectionist approach adopted by some developed countries coupled with India not able to develop its own capacity of increasing production to engage the workforce, there could be a serious threat to the job market in India, which may have a ripple effect on the Indian financial system.
- India's geo-economic risk emanates from the wave of protectionism that threatens the global economy, particularly the ongoing trade war between the US and China thereby affecting India's exports.

REPORT ON CORPORATE GOVERNANCE

Company's philosophy on Code of Corporate Governance

Your Company is proud of the high standards it has set for exemplary governance and continues to lay strong emphasis on transparency, accountability and integrity. The Company firmly believes that good Governance is an essential ingredient of any business, a way of life rather than a mere legal compulsion.

The Company's Code of Business Conduct, its Risk Management Framework together with its well-structured internal control systems which are subjected to regular assessment for its effectiveness, reinforces integrity of Management and fairness in dealing with the Company's stakeholders. This, together with meaningful CSR activities and sustainable development policies followed by the Company has enabled your Company to earn the trust and goodwill of its investors, business partners, employees and the communities in which it operates.

The Company's philosophy of good Corporate Governance aims at establishing a system which will assist the management to fulfill its corporate objectives as well as to serve the best interest of the stakeholders at large viz. Shareholders, Customers, Employees, Environment, Society, Suppliers, Lenders etc. This philosophy has been strengthened by adoption of a Code of Conduct for Board of Directors and Senior Management, adoption of CII's Business Excellence framework, Code for prevention of Insider Trading and also re-enforcing our commitment towards Corporate Sustainability and adoption of the GRIs guidelines on Triple Bottom Line reporting.

A. BOARD OF DIRECTORS

- **Composition of the Board**

  The Board composition is in conformity with Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as SEBI Listing Regulations, 2015). The Board comprised of 12 directors as on 31 March 2018. The composition of the Board was as under:

Category of Directors	No. of directors
Executive (including Executive Chairman)	3
Non-Executive and Independent	6
Non-Executive and Non Independent (including woman director)	3
Total	**12**

- **Meetings held**

  The annual calendar of the Board Meetings is agreed upon at the beginning of the year. The gap between the two meetings did not exceed four months.

  During Financial Year 2017-18, the Board met 8 times on 10 May 2017, 19 June 2017, 4 August 2017, 13 October 2017, 21 November 2017, 11 December 2017, 19 January 2018 and 5 March 2018.

  The Annual General Meeting of the Company was held on 4 August 2017.

- **Board Procedure**

  The Agenda is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to facilitate meaningful discussions and enable the Board to take appropriate decisions. As part of the process of good governance, the agenda also includes the progress on the decisions taken by the Board in its previous meeting(s). A board portal is made available that allows board of directors to securely access board documents and collaborate with other board members electronically.

The Board also, inter-alia, reviews quarterly / half yearly / annual results, the strategy of business, annual operating plan, reports for all laws applicable to the Company, review of major legal cases, minutes of Meetings of Committee of the Board, review of internal control framework and risk management etc. The required information as enumerated in Part A of Schedule II of SEBI Listing Regulations, 2015 is made available to the Board of Directors for discussions and consideration at Board Meetings. The Board is also kept informed of major events / items and approvals are taken wherever necessary. As a part of corporate governance the Board Charter has drawn up setting out roles / terms of references and processes of functioning of the Board including Committees of the Board.

- **Category and Attendance of Directors**

The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the financial year 2017-18 and at the last AGM and also the Directorships, Committee positions held by them in other public limited companies and shareholding of non-executive directors as at 31 March 2018 are as follows:

Sr. No.	Name of Director	No. of Director-ships in other Public Ltd. Cos.	No. of Committee positions held in other Public Ltd. Cos. **		Attendance at meetings		No. of shares held by Non-Executive Directors
			Chairman	Member	BM	AGM	
	Executive Directors						
1	Atul C. Kirloskar *	4	1	-	8	Yes	NA
2	Gautam A. Kulkarni *#	-	-	-	1	No	NA
3	Nihal G. Kulkarni *	3	-	2	8	Yes	NA
4	Rajendra R. Deshpande	1	-	-	7	Yes	NA
	Non-Executive and Non Independent Director						
5	Rahul C. Kirloskar *	4	-	2	8	Yes	1,77,32,902
6	Gauri Kirloskar *	-	-	-	7	Yes	-
7	Mahesh Chhabria ##	4	-	1	8	Yes	11,552
	Non-Executive and Independent Directors						
8	Pratap G. Pawar	4	3	2	8	Yes	5,355
9	R. Srinivasan	6	3	2	8	Yes	3,750
10	M. Lakshminarayan	5	1	3	8	Yes	-
11	Pradeep R. Rathi	5	1	4	7	Yes	-
12	Vinesh Kumar Jairath	8	2	6	7	Yes	-
13	Satish Jamdar ###	-	-	-	7	Yes	-

Notes:

* Deemed as Promoters within the meaning of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011.

** Includes only Audit Committee and Stakeholder Relationship Committee as per Regulation 26 of the Listing Regulations, 2015.

Resigned with effect from 14 September 2017.

Consequent to appointment as the Managing Director of Kirloskar Industries Limited, he ceased to be Independent Director of the Company but continued to be Non-Independent Director of the Company with effect from 4 July 2017.

Appointed as an Independent Director with effect from 4 August 2017.

None of the Directors on the Board is a Member of more than 10 Committees and Chairperson of more than 5 Committees in all public limited Companies whether listed or not in which he is director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other public limited Companies.

Atul C. Kirloskar and Rahul C. Kirloskar, being brothers, are related to each other. Atul C. Kirloskar and Gauri Kirloskar, being father and daughter, are related to each other. None of the other Directors are related to any other Director of the Company as defined under Companies Act, 2013, including rules thereof.

- **Familiarization Programme for Independent Directors**

The Company has familiarization programme for Independent Directors with regard to their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, the business model of the Company etc. The details of familiarization programme imparted to the Independent Directors are available on the website of the Company. (web-link - http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2018/KOEL-Familiarisation-Programme-for-Independent-Directors.pdf)

B. BOARD COMMITTEES

1. Audit Committee

The Audit Committee comprises of 4 Non-Executive Directors, majority of who are Independent. The composition is in conformity with Regulation 18 of SEBI Listing Regulations, 2015.

During Financial Year 2017-18, 7 meetings of the Committee were held on 10 May 2017, 19 June 2017, 4 August 2017, 13 October 2017, 21 November 2017, 19 January 2018 and 5 March 2018.

The composition of the Committee and attendance at its meetings as at 31 March 2018 are given below:

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	R. Srinivasan (Chairman)	Non-Executive and Independent	7
2	Pratap G. Pawar	Non-Executive and Independent	7
3	Rahul C. Kirloskar	Non-Executive and Non Independent (upto 19 July 2017)	2
4	Mahesh Chhabria	Non-Executive and Non Independent	7
5	Vinesh Kumar Jairath	Non-Executive and Independent (with effect from 20 July 2017)	5

The Company Secretary acts as the Secretary to the Committee. The Executive Directors and the Chief Financial Officer attend the Audit Committee meetings. The representatives of the Internal Auditors, Statutory Auditors, Cost Auditors and Business Unit / Operation Heads are invited to the meetings.

The role/terms of references of Audit Committee broadly include:

i. Reviewing with the management, the quarterly / annual financial statements before submission to the Board for approval;

ii. Recommendation for appointment of statutory and cost auditor and their remuneration;

iii. Review of Internal audit reports relating to internal control weaknesses and discussion with internal auditors any significant findings and follow up there on and

iv. Reviewing with the management, the annual financial statements before submission to the Board for approval , with particular reference to:

a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.

b. Changes, if any, in accounting policies and practices and reasons for the same.

c. Major accounting entries involving estimates based on the exercise of judgment by management.

d. Significant adjustments made in the financial statements arising out of audit findings.

e. Compliance with listing and other legal requirements relating to financial statements.

f. Disclosure of any related party transactions.

g. Modified opinion(s) in the Draft Audit Report.

v. All other terms/role as specified under Section 177 of the Companies Act, 2013 and SEBI Listing Regulations, 2015.

2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of 4 Non-Executive Directors, majority of who are Independent. The composition is in conformity with Regulation 19 of SEBI Listing Regulations, 2015.

During Financial Year 2017-18, 3 meetings of the Committee were held on 10 May 2017, 21 November 2017 and 19 January 2018.

The composition of the Committee and attendance at meeting as at 31 March 2018 is given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	M. Lakshminarayan (Chairman)*	Non-Executive and Independent	3
2	Mahesh Chhabria **	Non-Executive and Non-Independent	3
3	Rahul C. Kirloskar	Non-Executive and Non-Independent	3
4	Satish Jamdar	Non-Executive and Independent (with effect from 4 August 2017)	2

* Mr. M. Lakshminarayan has been appointed as a Chairman with effect from 4 August 2017

** Mr. Mahesh Chhabria ceased to be Chairman and continues to be Member with effect from 4 August 2017.

The role/terms of reference of the Nomination and Remuneration Committee broadly include:

i. To identify persons who are qualified to become directors in accordance with the criteria laid down in the Companies Act, 2013 read with rules made thereunder and SEBI Listing Regulations, 2015, and recommend to the Board their appointment and removal;

ii. To make recommendations to the Board concerning suitable candidates for the role of independent director;

iii. To formulate policy relating to the remuneration for the directors, key managerial personnel and other employees;

iv. Evaluation of performance of each Director and

v. Recommendation of appointment and remuneration of senior management one level below the Board.

vi. All other terms/role as specified under Section 178 of the Companies Act, 2013 and SEBI Listing Regulations, 2015.

Criteria of Performance Evaluation of Independent Directors

The Nomination and Remuneration Committee lays down the criteria for performance evaluation of Directors. A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as achievement against key performance objectives, attendance at meetings, time devoted for the Company, contribution in the Board process etc.

3. Stakeholder Relationship Committee

The Committee has been constituted to look into shareholders'/ investors' complaints / grievances like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends etc. and redressal thereof. The Stakeholders Relationship Committee is headed by Pratap G. Pawar (Non-Executive Independent Director), as Chairman and other members of the Committee are Rajendra R. Deshpande, Gautam Kulkarni (upto 14 September 2017) and Gauri Kirloskar (with effect from 13 October 2017).

During Financial Year 2017-18, one meeting of the Committee held on 27 November 2017.

Status of Investor's Complaints as on 31 March 2018 and reported under Regulation 13 of SEBI Listing Regulations, 2015 is as under:

Complaints as on 1 April 2017	0
Received during the year	4
Resolved during the year	4
Pending as on 31 March 2018	0

The Company had no share transfer requests pending as on 31 March 2018.

Name, designation and address of Compliance Officer

Ms. Smita A. Raichurkar, Company Secretary

Kirloskar Oil Engines Limited (Secretarial Department)

Laxmanrao Kirloskar Road,

Khadki, Pune - 411 003

Tel: 91 - 20 25810341 (Extn. - 4461) Fax: 91- 20 25813208 and 25810209

E-mail: Smita.Raichurkar@kirloskar.com

Designated email ID for Investors: investors@kirloskar.com

The Company has displayed same ID on its website for the use of investors.

C. Remuneration to Directors

The Company has adopted a Nomination and Remuneration Policy for the Directors, Key Managerial Personnel and Senior Management Personnel which is uploaded on website of the Company.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors. The Board based on recommendation of Nomination and Remuneration Committee, decides the commission payable to the Executive Directors on determination of the profits for the Financial Year, within the ceilings prescribed under the Companies Act, 2013. Agreements have been separately entered into with the Executive Directors setting out the terms and conditions of appointment and tenure as recommended by the Committee and approved by the Board. There is no notice period and no severance fees prescribed in the agreement(s).

The Board of Directors based on recommendation of Nomination and Remuneration Committee decides the remuneration payable to Non-Executive Directors by way of Commission, based on parameters for performance evaluation given under the Nomination and Remuneration Policy. The members at the Annual General Meeting of the Company held on 12 August 2014, approved the payment of commission to the Non-Executive Directors, a sum not exceeding 1% of the net profits of the Company computed in the manner laid down in the Companies Act, 2013.

Sitting fees of ₹ 50,000/- per meeting of the Board & Audit Committee and ₹ 25,000/- per meeting for Corporate Social Responsibility Committee, Nomination and Remuneration Committee and Stakeholder Relationship Committee is payable to Non-Executive Directors for the meetings attended.

Following are the details of the remuneration paid / payable to Directors during Financial Year 2017-18:

(Amount in ₹)

Sr. No.	Name of director	Basic Salary	Allowances	Statutory Contributions	Perquisites*	Commission	Sitting Fees	Total
	Executive Directors							
1	Atul C. Kirloskar	12,000,000	2,000,000	3,240,000	3,057,271	2,40,00,000	-	44,297,271
2	Gautam A. Kulkarni (upto 14 September 2017)	5,677,419	951,613	1,532,903	2,882,683	-	-	11,044,618
3	Nihal G. Kulkarni	10,800,000	2,000,000	2,916,000	3,206,078	2,40,00,000	-	42,922,078
4	Rajendra R. Deshpande	8,400,000	1,380,000	2,268,000	126,342	2,40,00,000	-	36,174,342
	Non- Executive Directors							
5	Rahul C. Kirloskar	-	-	-	-	1,200,000	6,00,000	1,800,000
6	Pratap G. Pawar	-	-	-	-	1,725,000	7,75,000	2,500,000
7	R. Srinivasan	-	-	-	-	1,650,000	7,50,000	2,400,000
8	M. Lakshminarayan	-	-	-	-	1,825,000	4,75,000	2,300,000
9	Mahesh R. Chhabria	-	-	-	-	6,875,000	8,25,000	7,700,000
10	Gauri Kirloskar	-	-	-	-	600,000	3,75,000	975,000
11	Pradeep R. Rathi	-	-	-	-	600,000	3,75,000	975,000
12	Vinesh Kumar Jairath	-	-	-	-	3,775,000	6,00,000	4,375,000
13	Satish Jamdar (with effect from 10 May 2017)	-	-	-	-	675,000	4,00,000	1,075,000
	Total	**36,877,419**	**6,331,613**	**9,956,903**	**9,272,374**	**90,925,000**	**5,175,000**	**158,538,309**

Notes:

- Allowances include house rent and leave travel allowance.
- Statutory Contributions include Company's contribution to provident fund and superannuation fund.
- * Perquisites include House rent paid, reimbursement of medical, gas and electricity expenses, perquisite value as per Income Tax Rules for furniture at residence but excludes motorcar. 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 gratuity and leave encashment.

D. DETAILS ON GENERAL BODY MEETINGS

The details of General Meetings of the shareholders, held during previous 3 years are as under:

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
2015-16	7 August 2015	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-
2016-17	5 August 2016	11.45 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-
2017-18	4 August 2017	11.45 a.m.	Annual General	Sheraton Grand Pune Bund Garden Hotel, RBM Road, Pune – 411 001	Re-appointment of Mr. R Srinivasan as Independent Director for second term of 5 years

RESOLUTION PASSED BY POSTAL BALLOT

During the financial year 2017-18, the members of the Company by way of postal ballot and e-voting with requisite majority, on 25 January 2018 approved the alteration to Main Object Clause by insertion of the new Clause III (A) 2 after the existing Clause III (A) 1.

Mahesh Risbud, Practicing Company Secretary, was appointed as the Scrutinizer for conducting the postal ballot and e-voting exercise.

The postal ballot results were declared on 30 January 2018. The details of Voting Pattern are as below:

Number of votes in favour of the resolution	10,92,00,105 (98.69%)
Number of votes against the resolution	14,03,720 (1.27%)
Number of invalid Ballot forms received	21

No special resolution is proposed to be passed at the forthcoming Annual General Meeting by way of postal ballot.

E. PARTICULARS OF APPOINTMENT / RE-APPOINTMENT OF DIRECTORS

The particulars of appointment / re-appointment of directors are given in the explanatory statement of notice of the Annual General Meeting.

F. MEANS OF COMMUNICATION

a. Quarterly results

The Quarterly and Half Yearly results are published in national and local dailies such as Business Standard (English all quarters) and Loksatta (Marathi – all quarters), having wide circulation. Since the results of the Company were published in the newspapers, half yearly reports were not sent individually to the shareholders. The Company's results and official news releases are displayed on the Company’s website www.koel.co.in and also available on the websites, viz. www.bseindia.com and www.nseindia.com

b. Presentations to Institutional Investors / Analysts

Presentations are made to analyst on quarterly basis. The presentations are displayed on Company’s website www.koel.co.in under Investors’ Relations section.

c. NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre

The NEAPS and the Listing Centre of BSE are web based application designed by NSE and BSE respectively for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, quarterly results, Corporate Announcements etc. are filed electronically on NEAPS and the Listing Centre of BSE.

G. GENERAL INFORMATION FOR SHAREHOLDERS

a. Annual General Meeting

Corporate Identification Number (CIN)	L29120PN2009PLC133351 (Registrar of Companies, Pune)
Annual General Meeting	**Date and Day : 10 August 2018, Friday** **Time : 12.15 P.M.** Venue : Hotel Sheraton Grand Pune (Erstwhile Le Meridien), Raja Bahadur Mill Road, Pune – 411001
Financial Year ended	31 March 2018
Book Closure	4 August 2018 to 10 August 2018 (Both days inclusive)
Dividend Payment Date	On or before 30 August 2018
Last date of receipt of proxy forms	8 August 2018, before 12.15 P.M. at Registered Office of the Company
Financial Calendar 2017-18	During Financial Year 2017-18 the results were announced as under: First quarter : 4 August 2017 Second quarter : 13 October 2017 Third quarter : 19 January 2018 Fourth quarter : 18 May 2018
International Security Identification Number (ISIN)	INE146L01010
Name of Stock Exchange and Stock Code	1. BSE Limited (BSE) – 533293 2. National Stock Exchange of India Limited (NSE) – KIRLOSENG
Listing fees	The Annual Listing fee for FY 2017-18 has been paid to BSE and NSE, where the Company's shares are listed.

b. Shareholding Pattern as on 31 March 2018

Category	No. of shares of ₹ 2/- each	% of Share holding
Promoter and Promoter Group	8,58,02,905	59.33
Foreign Institutional Investors (FII)	1,47,70,949	10.21
Foreign National	11,392	0.01
Individuals	2,17,67,859	15.05
Insurance Companies	42,73,475	2.96
Financial Institution and Banks (FI & Banks)	57,45,608	3.97
Mutual Fund	96,65,219	6.68
Bodies Corporate	16,72,504	1.16
NRIs	3,44,064	0.24
Alternate Investment Funds	1,11,521	0.08
Government Companies	3,66,952	0.25
Others	81,413	0.06
TOTAL	**14,46,13,861**	**100.00**

c. Distribution of shareholding as on 31 March 2018

Range of Shares	No. of shareholders	No. of Shares	% to total shares
1- 500	25,046	22,45,292	1.55
501-1000	3,081	21,59,779	1.49
1001-5000	3,420	70,68,615	4.89
5001-10000	434	30,27,206	2.09
10001-20000	172	24,10,991	1.67
20001-30000	52	12,58,903	0.87
30001-40000	29	10,19,943	0.71
40001-50000	21	9,34,578	0.65
50001-100000	29	21,40,440	1.48
100001-Above	36	12,23,48,114	84.60
Total	32,320	14,46,13,861	100.00

Dematerialization of shares and liquidity (as on 31 March 2018)	13,78,26,222 Equity Shares (95.31%)
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.

d. Market Price Data

Monthly high/low share prices during the year 2017-18 on the BSE and NSE are as below:

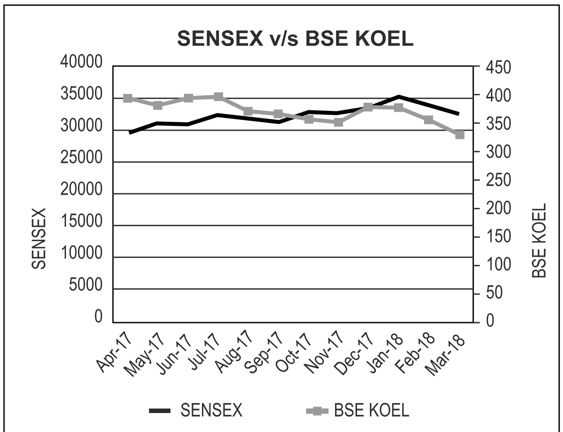
BSE

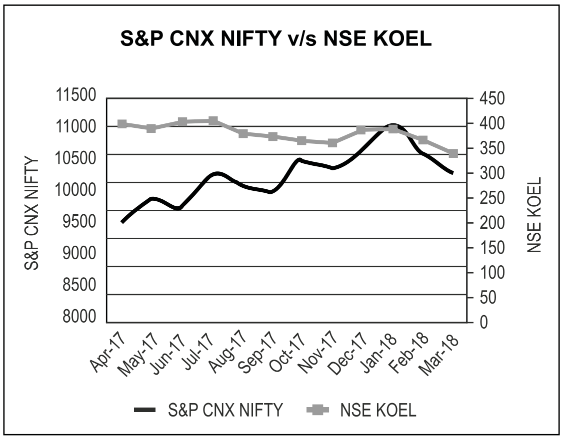
Month	High Price	Low Price
Apr-17	404.80	380.00
May-17	416.00	367.05
Jun-17	417.75	370.20
Jul-17	411.95	385.25
Aug-17	406.00	367.00
Sep-17	377.00	353.00
Oct-17	392.40	325.00
Nov-17	365.00	331.15
Dec-17	450.00	346.00
Jan-18	428.15	369.00
Feb-18	393.00	347.00
Mar-18	372.00	321.00

NSE

Month	High Price	Low Price
Apr-17	407.00	383.00
May-17	408.00	365.65
Jun-17	419.70	377.15
Jul-17	407.50	385.00
Aug-17	406.75	369.10
Sep-17	376.90	352.50
Oct-17	394.90	348.50
Nov-17	367.25	329.20
Dec-17	454.30	346.10
Jan-18	427.00	370.05
Feb-18	396.15	341.00
Mar-18	375.00	323.00

Performance of monthly close price of the Company's Scrip on the BSE and NSE as compared to the monthly close S&P SENSEX and S & P CNX Nifty for the year 2017-18





e. Share Transfer System

The applications for transfer of shares lodged at the Company's R & T Agent in physical form are processed within 15 days of receipt of the documents valid and complete in all respects. After such processing, the R & T Agent will issue share certificate to all other shareholders within 15 days of receipt of certificate for transfer. Shares under objection are returned within a stipulated period of time. The transfer applications are approved periodically by the senior management of the Company. The details of transfer/transmission of shares are placed before the Board on regular basis.

Pursuant to the SEBI Listing Regulations, 2015, a certificate on half yearly basis is issued by the Practicing Company Secretary for compliance with share transfer formalities by the Company.

The information on procedures and forms, which are being asked for by the members frequently, viz. Indemnity/Affidavit etc. for issue of duplicate certificates, transmission procedure, change of address, NECS form, Nomination Form, information about shares allotted pursuant to the

Scheme of Arrangement for Demerger/Composite Scheme etc. are uploaded on the Company's website under tab Investors' Relations.

f. Address for correspondence

Registrar and Share Transfer Agent

The Company had appointed Link Intime India Private Limited as Registrar & Share Transfer Agent (R & T Agent). All physical transfers, transmission, transposition, issue of duplicate share certificate/s, issue of demand drafts in lieu of dividend warrants, change of address etc. as well as requests for dematerialisation / rematerialisation are being processed at Link Intime India Private Limited.

The contact details are as follows –

Link Intime India Private Limited	Block No. 202, 2nd Floor, 'Akshay' Complex, Off Dhole Patil Road, Pune – 411 001 Tel: 91- 20 26161629 / 26160084 Email: - pune@linkintime.co.in

g. Plant Locations

Sr. No.	Location	Address	Products manufactured
1	Pune	Laxmanrao Kirloskar Road, Khadki, Pune – 411 003	Engines
2	Kagal	**Plant I-** Plot No. D1, 5star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur. Pin - 416236	Engines, Gensets and Pumpsets
		Plant II- Plot No. D1, 5star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur. Pin - 416236	Engines
		Plant III- (KMW Unit) Plot No. E-18, Opposite M/s. Soktas India Ltd., 5star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur. Pin - 416236	Power Tiller
		Spares Parts - Plot No. A-262, 5star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District - Kolhapur. Pin - 416236	Spares Packing & Distribution
3	Nasik	A-11/1, MIDC, Ambad, Nashik - 422 010	Engines and Gensets
4	Rajkot	**Engines Division -** Plot No. 2315/16,2330/31,GIDC, Lodhika Industrial Estate, D4 Almighty Gate Road, Village Metoda, Rajkot - 360 035	Engines, Gensets and Pumpsets
		Spares Parts – (upto 31 December 2017) Plot No. 2320/2/A, GIDC, Lodhika Industrial Estate, D4 Almighty Gate Road, Village Metoda, Rajkot - 360 035	
5	Bhare	Plot No. 10 A, Gat No. 405, Village – Bhare, Tal. Mulshi, Dist. Pune – 412115	Gensets and Pumpsets

H. DISCLOSURES

The Company has complied with all the mandatory requirements specified in Regulations 17 to 27 and clauses (b) to (i) of sub – regulation (2) of Regulation 46 of SEBI Listing Regulations.

This Corporate Governance Report of the Company for the Financial Year 2017-18 is in compliance with the requirements of Corporate Governance under SEBI Listing Regulations, 2015.

a. Related Party Transactions

There are no materially significant related party transactions during the financial year that have a potential conflict with the interests of the Company. Suitable disclosure as required by the Indian Accounting Standards (IND AS 24) has been made in note no. 39.5.12 to the Financial Statements in the Annual Report.

The Board of Directors had formulated a policy for dealing with related party transactions which is available on the website of the Company. (Web-link – http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/Policy_on_Related_Party_transaction.pdf)

b. Details of capital market non-compliance, if any

There have been no instances of non-compliances by the Company on any matters related to capital markets in the last three (3) years. Neither penalties have been imposed nor any strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets.

c. Vigil Mechanism / Whistle Blower Policy

The Company has a Vigil Mechanism / Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. This would inter alia provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit Committee any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. No person has been denied access to the Audit Committee in this regard. The policy is uploaded on the website of the Company.

d. Policy on material subsidiary

As on 31 March 2018, the Company's subsidiary is not a material subsidiary as per provisions of SEBI Listing Regulations, 2015. The Board of Directors had formulated a material subsidiary policy which is available on the website of the Company.

(Web-link – http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/ Policy_on_Material_Subsidiaries.pdf)

e. Dividend Distribution Policy

Pursuant to Regulation 43A of SEBI Listing Regulations, 2015, the Board of Directors had formulated a Dividend Distribution Policy which is available on the website of the Company.

(Web-link–http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/KOEL-Dividend-Distribution-Policy-25Jan2017.pdf)

f. Disclosure of commodity price risk and commodity hedging activities

The Company manages the foreign exchange risk and hedge to the extent considered necessary. The Company enters into forward contracts for hedging foreign exchange exposures against exports and imports. The details of foreign currency exposure are disclosed in Note No. 39.5.16 (a) to the financial statements in the Annual Report.

g. CEO/CFO Certification

The CEO/CFO Certificate signed by Nihal G. Kulkarni, Managing Director and T. Vinodkumar, Chief Financial Officer was placed before the meeting of the Board of Directors held on 18 May 2018.

h. Disclosure with respect to unclaimed shares

The Company has sent two reminders to those shareholders, whose share certificates have returned undelivered by the postal authorities due to insufficient / incorrect information and are lying with the Company. The Company will be sending third reminder letter in due course.

As on 31 March 2018, the total unclaimed equity shares are 5,22,384.

h. Non-Mandatory / discretionary requirements

The extent of adoption of non-mandatory / discretionary requirements is as follows:

i. The Board

The Chairman of the Company is an Executive Director. He maintains his office at the Company's expense and is also allowed reimbursement of expenses incurred in performance of his duties.

ii. Audit qualifications

There are no audit qualifications on the financial statements.

iii. Shareholder Rights

Since the Company publishes its quarterly results in newspapers (English and Marathi) having wide circulation, and the results are also displayed on the website of the Company and the Stock Exchanges, the Company does not send any declaration of half yearly performance to the shareholders.

iv. The position of Chairman and Managing Director is separate.

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

The members of Kirloskar Oil Engines Limited

I hereby declare that all Board members and senior management personnel have affirmed compliance with the Code of Conduct, applicable to them as laid down by the Board of Directors in terms of provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

For Kirloskar Oil Engines Limited

Sd/-

Place: Pune

Nihal G. Kulkarni

Date: 18 May 2018

Managing Director

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To

THE MEMBERS OF

KIRLOSKAR OIL ENGINE LIMITED

We have examined the compliance of conditions of Corporate Governance by **KIRLOSKAR OIL ENGINES LIMITED** ('the Company'), for the year ended 31 March 2018, as stipulated in the relevant provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') as referred to in regulation 15(2) of the Listing Regulations.

The compliance of conditions of Corporate Governance is the responsibility of management.

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

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

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

FOR **M/S P G BHAGWAT**
Chartered Accountants
Firm Registration Number 101118W

Nachiket Deo
Partner
Membership number 117695
Pune
Date: 18 May 2018

Business Responsibility Report for Financial Year 2017-18

OVERVIEW

Kirloskar Oil Engines Limited (KOEL or the Company) is a leading engineering conglomerate manufacturing internal combustion engines, generating sets and parts, which are used for various applications, such as agriculture, industrial, stationery power plants and construction equipment. The Company specializes in the manufacture of both air-cooled and liquid-cooled diesel engines and generating sets across a range of power output from 5 kilo-volt-ampere (kVA) to 1010 kVA. KOEL offers engines operating on alternative fuels, such as bio-diesel, natural gas, biogas and straight vegetable oil (SVO).

In keeping with the Company's commitment to responsibility and accountability towards all its stakeholders, KOEL is pleased to present its Business Responsibility Report in line with Regulation 34 (2)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations,2015. In line with SEBI's proposed structure for The Business Responsibility Report and the nine principles of the Government of India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business', this report delineates the Company's efforts to conduct Business with responsibility.

KOEL continues to publish its Sustainability Report, separately, in conformity to the Global Reporting Initiative (GRI) guidelines.

GENERAL INFORMATION

<table>
<tr><td>1</td><td>Corporate Identity Number (CIN) of the Company</td><td colspan="2">L29120PN2009PLC133351</td></tr>
<tr><td>2</td><td>Name of the Company</td><td colspan="2">Kirloskar Oil Engines Limited (KOEL)</td></tr>
<tr><td>3</td><td>Registered Address</td><td colspan="2">Laxmanrao Kirloskar Road, Khadki, Pune – 411 003</td></tr>
<tr><td>4</td><td>Website</td><td colspan="2">www.koel.co.in</td></tr>
<tr><td>5</td><td>Email</td><td colspan="2">sustainability@kirloskar.com</td></tr>
<tr><td>6</td><td>Financial Year of Reported</td><td colspan="2">2017 - 18</td></tr>
<tr><td rowspan="5">7</td><td rowspan="5">Sectors that the company is engaged in (Industrial Activity Code wise)</td><td colspan="2">Engineering</td></tr>
<tr><td>NIC Code</td><td>Product Description</td></tr>
<tr><td>281</td><td>Engines</td></tr>
<tr><td>271</td><td>Genset</td></tr>
<tr><td colspan="2">As per National Industrial Classification for India (NIC)</td></tr>
<tr><td rowspan="3">8</td><td rowspan="3">List three key products that company manufactures/ provides</td><td colspan="2">Engines</td></tr>
<tr><td colspan="2">Gensets</td></tr>
<tr><td colspan="2">Pumps Sets and Power Tillers</td></tr>
<tr><td rowspan="3">9</td><td colspan="3">Total number of locations where business activity is undertaken by the Company</td></tr>
<tr><td>i) International Locations</td><td colspan="2">None</td></tr>
<tr><td>ii) National Locations</td><td colspan="2">Bhare (Pune), Khadki (Pune), Kagal (Kolhapur), Nasik and Rajkot.</td></tr>
<tr><td>10</td><td>Markets served by the company</td><td colspan="2">India and some countries in North America, South America, Africa, Europe and Asia.</td></tr>
</table>

FINANCIAL DETAILS

1	Paid up capital (₹)	28.92 Crs.
2	Total turnover (₹)	2,804 Crs.
3	Total profit after taxes (₹)	150 Crs.
4	Total spending on Corporate Social Responsibility (CSR) as % of average profit for last 3 financial years (₹)	4.36 Crs.

5 Activities under which expenditure in 4 above has been incurred include:

a) Health: Health Check-up camps (HIV/AIDS awareness), Hygiene awareness programme WASH which includes clean drinking water, sanitation and hygiene.

b) Education: Financial assistance for education, vocational training programme for women on income generatiory etc.

c) Environment: Energy Conservation (ENCON) Initiatives for school children and Kirloskar Vasundhara Flim Festival.

d) Rural Development : Tribal village development programmes.

OTHER DETAILS

1	Does the Company have any Subsidiary Company/ Companies?	As on 31 March 2018, the Company has two subsidiaries viz. KOEL Americas Corp., USA and La-Gajjar Machineries Private Limited, Ahmedabad.
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with / participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities (less than 30%, 30-60%, more than 60%).	No

Business Responsibility Framework

BR INFORMATION

Responsibility for BR

Director/Directors responsible for implementation of BR Policy/Policies

Name	Designation	DIN	Telephone	Email ID
Rahul C. Kirloskar	Non-Executive Non Independent Director & Chairman of CSR Committee	00007319	020–25810341	Rahul.Kirloskar@kirloskar.com
Nihal G. Kulkarni	Managing Director & Member of CSR Committee	01139147	020–25810341	Nihal.Kulkarni@kirloskar.com
Pradeep R. Rathi	Non-Executive Independent Director & Member of CSR Committee	00018577	020–25810341	prrathi@sudarshan.com
Rajendra R. Deshpande	Joint Managing Director	00007439	020–25810341	Rajendra.Deshpande@kirloskar.com

BR Head

Name	Designation	Telephone No	Email ID
T. Vinodkumar	Chief Financial Officer & Chief Human Resource officer (CHRO)	020–25810341	T.Vinodkumar@kirloskar.com

BR Policies

At KOEL, Business Responsibility is guided by India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' which articulates nine principles as below:

Principle 1 (P1)	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
Principle 2 (P2)	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
Principle 3 (P3)	Businesses should promote the well-being of all employees.
Principle 4 (P4)	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
Principle 5 (P5)	Businesses should respect and promote human rights.
Principle 6 (P6)	Businesses should respect, protect, and make efforts to restore the environment.
Principle 7 (P7)	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
Principle 8 (P8)	Businesses should support inclusive growth and equitable development.
Principle 9 (P9)	Businesses should engage with and provide value to their customers and consumers in a responsible manner.

All nine principles as articulated in India's 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' are covered by policies of KOEL as outlined in the table below:

BR Policies and coverage of NVG nine principles

Sr No	Particulars	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Availability of Policy	Y	Y	Y	Y	N	Y	Y	Y	Y
2	Policy formulated in consultation with relevant stakeholders?	Y	N	Y	Y	NA	Y	Y	Y	Y
3	Conformity of policy to any national / international standards?	Y	Y	Y	Y	NA	Y	N	Y	Y
4	Policy approved by the Board #	Y	Y	Y	Y	NA	Y	Y	Y	Y
	Policy signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Specified committee of the Board / Director / Official appointed to oversee the implementation of the policy #	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	Y **	Y *	Y *	Y *	Y *	Y *	Y *	Y **	Y *
7	Policy communicated to all relevant internal and external stakeholders	Y	Y	Y	Y	NA	Y	Y	Y	Y
8	Existence of an in-house structure within the Company to implement the policy/policies	Y	Y	Y	Y	NA	Y	Y	Y	Y
9	Availability of a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies	Y	N	Y	N	NA	Y	N	N	Y
10	Assessment by an internal/external agency of the working of this policy	Y	Y	Y	Y	NA	Y	Y	Y	Y

Y Yes

N No

NA Not Applicable

Few Policies are adopted under the authority given by the Board

* Policies available on internal portal which is accessible only to employees

** Policies available on Company's website – www.koel.co.in

a) If answer to S. No. 2(a) above against any principle, is 'No', please explain why: (Tick up to 2 options)

	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	The company has not understood the Principles	-	-	-	-	-	-	-	-	-
2	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles	-	-	-	-	-	-	-	-	-
3	The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
6	Any other reason (please specify)	-	-	-	-	*	-	-	-	-

* Human Rights: The Company does not have a standalone Human Rights policy. Aspects of human rights such as child labour, forced labour, occupational safety, non-discrimination are covered by its various Human Resource policies.

Governance of BR

The Joint Managing Director and Senior Leadership Team review the BR performance of the Company periodically as part of the overall Management Review process. The Company has been publishing standalone Sustainability Report annually as per the Global Reporting Initiative's guidelines. What initially commenced as an annual reporting in 2010-11 and 2011-12 was subsequently changed to a bi-annual publication in 2012-14 and 2014-16. The latest report being that of 2016-17.

http://koel.kirloskar.com/Sustainability%20Report

NVG PRINCIPLE-WISE PERFORMANCE

ETHICS, TRANSPARENCY AND ACCOUNTABILITY

PRINCIPLE 1: BUSINESSES SHOULD CONDUCT AND GOVERN THEMSELVES WITH ETHICS, TRANSPARENCY AND ACCOUNTABILITY

KOEL believes in conducting its business in a fair and transparent manner.

Integrity is a core value at KOEL and the values are widely communicated to all relevant stakeholders. The Company has laid down a Code of Conduct (CoC), applicable to all employees, with the objective of establishing and upholding high ethical conduct with a utmost transparency and accountability. The Company does not follow any abusive, corrupt or anti-competitive behavior and is not complicit to violations of applicable regulations and ethical practices by its business partners.

The Company's Directors and Senior Management are additionally required to abide by a CoC adopted as per Companies Act, 2013 and SEBI Listing Regulations, 2015. Their affirmation to the CoC is communicated to all stakeholders by Managing Director, through a declaration in the Annual Report.

The Company's commitment towards doing business responsibly is built upon its CoC and is complemented by -

- Robust governance structure
- A well-articulated Enterprise level Risk Management Framework
- Well-structured internal control systems for regular assessment of effectiveness of Company's CoC policy and its adherence.

KOEL also has an effective vigil mechanism/whistle Blower policy in place, which enables employees and other stakeholders report instances on unethical behaviour and on any violation of the Company's CoC, observed. A Senior Company official is designated as Values Ombudsman and is entrusted with the responsibility to administer complaints related to violation of CoC and Values of the Company.

The Company has defined a separate Supplier Code of Conduct, which is communicated to the supplier community.

The Company also has an Internal Complaints Committee (ICC) to redress complaints received with respect to sexual harassment. There were no complaints received in 2017-18.

Under the Whistle Blower Policy of the Company, there were no complaints received in 2017-18.

PRODUCT STEWARDSHIP

PRINCIPLE 2: BUSINESSES SHOULD PROVIDE GOODS AND SERVICES THAT ARE SAFE AND CONTRIBUTE TO SUSTAINABILITY THROUGHOUT THEIR LIFECYCLE.

Through a sleuth of proactive measures, the Company ensures that its products are produced uphold the highest level of safety, quality and environment friendliness. KOEL is committed to minimizing any potential negative environmental and social impact of its products during manufacture, use and disposal. The Company believes in developing sustainable products with optimum uses of resources over the life-cycle of the product i.e. from design to disposal. The Company's standard operating practices, product information and labelling etc. are designed to ensure that everyone connected with products life cycle i.e. designers, producers, value chain members, customers and recyclers are aware of their responsibilities.

Right from research, product development, certifications and manufacturing and then moving to storage and final use and disposal, the Company continually strives to keep the emissions, noise and vibration well within specified limits. By focusing on key factors like fuel economy, the Company not only enables energy conservation and reduces associated emissions, but also helps customers to optimize their Total Cost of Ownership (TCO) by keeping operating costs to the bare minimum. The Company provides information on its products, spare parts & service to the customers through various display labels on the products & its packing as well as through Operations & Maintenance (O&M) manuals of the respective products in conformity with relevant & applicable labeling requirements. This information also covers health & safety guidance for the use & servicing of products. The Company has a well-established, Customer Care and Support Service team who ensure that products are well maintained through their life cycle and operating parameters are not allowed to deteriorate over time. This enables our customers to use & maintains our products in a responsible manner with minimal adverse impact on environment, health & safety during the life of the product. The Company obtains test certificates for engine worthiness and other safety related issues like emission; noise etc. through government authorized agencies before the product is marketed. The Company's products are also certified by BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or European Conformity label.

Product lifecycle management is core to the organization and commencing from producing super-silent gensets, gensets that can run on alternative fuels, the Company's concern for environment and customer health and safety, ensures minimize adverse impacts of the product during its use. Our products have received a variety of certification like FMUL (Factory Mutual Underwriters Laboratory). The Company's operations adhere to and are certified for ISO 9001 and all manufacturing units are certified for adherence to ISO 14001 and OHSAS 18001.

The resource consumption towards water and energy for the production is as under:

1) Specific energy consumption (SEC) of production

Plant	SEC (kWh/ BHP)		Highlight/ Remark
	2016-17	2017-18	
Kagal	2.87	2.46	14% lower than previous year
Nashik	16.21	11.82	27% lower than previous year

2) Specific water consumption of production

Plant	Specific water consumption (m3/ BHP)		Highlight/ Remark
	2016-17	2017-18	
Kagal	0.018	0.014	22% lower than previous year
Nashik	0.38	0.37	3% lower than previous year

The Company has an IT enabled legal compliance monitoring system that ensures compliance with all statutes and regulations. There are no incidents of non-compliance with regulations or voluntary codes resulting in fine, penalty or notice concerning emissions, health and safety impacts of its products and services during their life cycle.

The Company's wide range of products that include portable to large Gensets, industrial engines, agricultural pumps and engines, supports infrastructure, real estate construction, mining, industrial, retail, hospitality, telecom and also agriculture, defense and commercial marine segments. The Company's products are designed factoring various environmental and social norms and regulations restricting emissions & noise.

The Company has a well-defined Sourcing policy and Supplier Quality Manual which outlines the plans for supplier development. The policy elaborates on section of local supplier base and encouraging procurement from plant vicinity. Development and improvement in skills and competencies of our vendor partners is an ongoing structured activity.

The Company also has a defined Green Supply Chain Policy which helps align actions across various supply chain projects in an environmental friendly manner. It advocates judicious use of natural resources like wood, recycling of wastes and adoption of responsible business practices. As an outcome, the Company saved around 6371 trees during Financial Year 2017-18.

The Company's logistics service providers are selected through a defined process which amidst other criteria, lays emphasis on sustainability. Our logistics service providers are key partners in developing logistics solutions. The Company has initiated the usage of CNG Vehicles for Inbound transportation as well as use of multi axel vehicles for some of the finished products.

Our vendors comply with all local environmental regulations. The Company has conducted awareness programs for use of non-conventional sources of energy and encourages installation of solar power to improve the carbon footprint. The Company's suppliers are assessed periodically based on quality, environment and occupational health and safety management systems, among other deliverables. Forums are made available by the Company for vendors to share their best practices in EHS and process improvements.

Product recycling is not practiced in our industry. However, some of our products such as DG sets are reconditioned to improve efficiency and extend its serviceable life. In 2017-18, we have reconditioned 13 Chotta Chilli DG Sets.

Lube oil used in all our manufacturing facilities is recycled via certified oil recyclers. In 2017-18, we recycled 3,96,432 liters of lube oil.

The Company also recycles the plastic bags and plastic covers used in packaging. In 2017-18, the Company recycled packaging materials worth ₹ 1.5 Crores.

EMPLOYEE WELL - BEING

PRINCIPLE 3: BUSINESSES SHOULD PROMOTE THE WELL-BEING OF ALL EMPLOYEES

Guided by its core values, KOEL treats employees as their most valuable resource, who are key to the long-term sustainability of the Company. The Company's HR processes address well-being of its employees at all levels and offers equal opportunity to all without any discrimination. These processes are guided by the inherent values of the Company and are always in conformity with labour laws, human rights and other legislations promulgated from time to time. For example, in February 2014, KOEL evolved a comprehensive policy for Prevention of Sexual Harassment of Employees in line with the law passed by the Government of India in this regard. The broad objective of this policy is to ensure that the employees at all levels can work together in an environment free from gender discrimination, violence and harassment on the basis of gender and ensure that all are provided with equal opportunities for expression and progress. The Company strongly condemns any form of child labour and recruits employees only of employable age.

The Company constantly strives to address the issue of work life balance and encourages their employees to maintain the same. Measures taken towards this include provision of flexi time, compulsory availment of fifteen days leave annually, extended maternity leave for women, birthday leave provision etc. Employee health is critical for Company's sustainable growth and in keeping with this, annual health checkup is conducted for employees across the organization followed by necessary corrective and preventive action. Various facilities such as provision of medical services and scholarships for employee's children are offered.

Employee category	Number of Employees	% Trained on Safety	% Trained for Skill Up-gradation
Permanent	2412	52%	52%
Permanent Female	76	37%	58%
Temporary/Contractual	1602	90%	-
Disabled Employees	NIL	NIL	NIL

There were no complaints relating to child labour, forced labour, involuntary labour or sexual harassment in the last financial year and pending, as on the end of Financial Year 2017-18.

Collective Bargaining and Employee Engagement

The Company respects and is committed to right to freedom of association, participation and collective bargaining. At every manufacturing plant, a committee addresses the issues raised through the grievance redressal mechanism or otherwise.

The Company provides equal opportunity to each employee to learn, grow and develop, irrespective of religion, gender and caste. The Company conducts employee engagement survey (EES) to measure employee perceptions and has a SAY, STAY and STRIVE policy for employee engagement. Trends and results emanating from the EES survey are carefully analysed and worked upon for remedial and improvement actions.

Occupational Health & Safety

The Company provides safe workplace environment and imparts training to all its employees on regular basis as required. The Company has adopted variety of top-down, bottom-up and horizontal communication channels to effectively communicate with its employees which include: Daily Flow Meeting, Sun Rise Meeting, Gemba Meeting, myKOEL portal, Yammer etc.

Kaizens, ENCON, Quality Management, Safety Management and WASH Pledge are few forums and methods where initiatives to improve occupational health and safety are conceptualized, planned and deployed. The on-going tool box talks to the employees, explaining the existing manuals covering safety and machine handling related aspects is another method used to improve and address safety. There are also formal agreements with the trade union covering Health & Safety topics such as responsibility of the workers for using Personal Protective Equipment, compliance with provisions of the Factories Act etc.

STAKEHOLDER ENGAGEMENT

PRINCIPLE 4: BUSINESSES SHOULD RESPECT THE INTERESTS OF, AND BE RESPONSIVE TOWARDS ALL STAKEHOLDERS, ESPECIALLY THOSE WHO ARE DISADVANTAGED, VULNERABLE AND MARGINALISED

The Company considers stakeholders as partners in business and engages with internal and external stakeholder groups, beyond normal transactional engagement. This also ensures effective two way communications and also helps identify and address any concerns and creation of a shared value.

The Company's key stakeholder groups include customers, dealers and distributors, suppliers and vendors, shareholders, employees and the local communities around its manufacturing plants. The Company strongly believes in 'Enriching Lives' of the communities in which it operates.

KOEL identifies vulnerable and disadvantaged sections amongst the stakeholder group and takes special efforts to address their concerns. Amongst employees we address specific concerns of women and differently–abled. Amongst suppliers, KOEL hand holds small and medium sized enterprises. The Company’s community initiatives are addressed specifically to alleviate issues and problems of vulnerable and disadvantaged sections.

RESPECT FOR HUMAN RIGHTS

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

While the Company does not have a standalone Human Rights policy, different aspects of human rights such as child labour, forced labour, occupational safety, non-discrimination are covered by its various Human Resource Policies. These policies are restricted to Company employees.

KOEL recognizes that human rights as articulated in the Constitution of India and various other laws like International Bill of Human Rights are inherent, universal, indivisible and interdependent in nature. KOEL is not complicit in any human rights violations by its contractors or suppliers. Currently human rights aspects are a part of employee induction training. Whistle Blower, Ombudsman and Grievance Redressal mechanisms are in place for receiving and addressing complaints and feedback related to human right’s violations or process improvement.

There were no stakeholder complaints related to human rights violations during 2017-18.

PROTECTION AND RESTORATION OF ENVIRONMENT

PRINCIPLE 6: BUSINESSES SHOULD RESPECT, PROTECT, AND MAKE EFFORTS TO RESTORE THE ENVIRONMENT

The Company is committed to creating and preserving a clean environment and society. The Integrated Management Systems including ISO 14001 based Environmental Management System, is the main framework to address protection and restoration of environment.

The Company makes best efforts to minimise the environmental impacts due to its manufacturing activities as also due to use of its products. It makes efforts to restore and address some environmental problems in the neighbourhood of its manufacturing plants. The respect for and compliance with environmental requirements is also extended to its suppliers and contractors.

The Company directs commitment towards Environment through the mitigation of air and water pollution and management of hazardous waste and resource conservation.

The Company monitors its Green House Gas (GHG) emissions and related KPIs are part of its IMS monitoring system. Various energy efficiency initiatives in operations and products are planned by Company to reduce its carbon footprint.

During the year 2017-18, the total overall specific carbon emission was 3.15 kgs of CO2/BHP.

KOEL has purchased Renewable energy through OA (Open Access) for its Kagal & Pune Locations for improving its Carbon Offset during the year 2017-18.

The emissions / wastes generated are well within limits prescribed under consents of SPCB/CPCB. These are also reported to SPCB as per the process prescribed by them every year.

There were no show cause / legal notices received during the year under review from the CPCB or SPCB at any of KOELs operating locations.

PUBLIC POLICY ADVOCACY

PRINCIPLE 7: BUSINESSES, WHEN ENGAGED IN INFLUENCING PUBLIC AND REGULATORY POLICY, SHOULD DO SO IN A RESPONSIBLE MANNER

The Company participates in policy advocacy and discussions on issues relevant to its industry sector. The Company's Senior Leadership Team interacts with various professional bodies and organizations to anticipate and understand the economic scenario, industrial environment, future emission norms, government regulations and advancement of public goods and services. These inputs are used for defining future growth drivers and enabling new product development.

The Company is an active member of several industry and trade bodies and regularly participates in industry events and stakeholder consultation/ dialogue leading to policy formulation by various regulatory bodies. Some of the key associations of which the company is an active member include:

a) Bombay Chamber of Commerce and Industry

b) Confederation of Indian Industry (Western region)

c) Engineering Export Promotion Council

d) Federation of Indian Chamber of Commerce & Industry

e) Federation of Indian Export Organization

f) Mahratta Chamber of Commerce Industries and Agriculture

g) The Automotive Research Association of India

INCLUSIVE GROWTH

PRINCIPLE 8: BUSINESSES SHOULD SUPPORT INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

The Company believes and supports to the extent practicable that its activities contribute to inclusive growth and equitable development.

The Company has adopted a Corporate Social Responsibility policy and a CSR committee of the Board guides policy implementation, monitoring and reporting. The CSR policy is available on the website of the Company. CSR programmes are undertaken through employee volunteering led by an internal team and a few external NGOs. The CSR Report has been dealt with more exhaustively in the annexure to the Board's Report for FY 2017-18.

The CSR programme impact assessment is done from time to time and the number of beneficiaries and change in their livelihood and income levels is monitored.

DELIVERING VALUE TO CUSTOMERS

PRINCIPLE 9: BUSINESSES SHOULD ENGAGE WITH AND PROVIDE VALUE TO THEIR CUSTOMERS AND CONSUMERS IN A RESPONSIBLE MANNER

The Company has a dedicated 24 X 7 Helpdesk in place, with 90 customer care executives addressing customer concerns / queries for active resolution. All detractors are spoken with by a designated KOEL employee and issues are taken up with dealers where required to ensure speedy resolution of customer complaints.

The Company ensures that it creates social value by serving its customers through competitively superior value propositions and by innovating strategies that maximize sustainable livelihood creation. Some initiatives of the Company are Customer Connect and Engagement Programs like Customer Mela, Van Campaign and Customer and Operators training program.

Some digital initiatives implemented in Financial Year 2017-18 for proactively engaging with customers are:

1. **e-FSR**

   KOEL CARE has launched an Electronic Field Service Report (eFSR) system for their 3000 + Service Dealer Engineers PAN India in June 2017. The eFSR has replaced the erstwhile manual field service reporting system by a digital system which on real time is integrated with KOEL Dealer Management System – Pulse.

2. **SMS link Customer Delight Index (CDI)**

   The Company launched a SMS linked CDI for gauging the customer's overall satisfaction on services and loyalty with KOEL Care brand. Customers can visit the site through the SMS link sent to them after closure of Service Request and then provide their feedback to the Company.

   There are no cases filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as of the end of the financial year.

   The latest Customer Survey indicates excellent scores. (PY - 81 and CY - 82)

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LIMITED

Report on the Standalone Indian Accounting Standards (Ind AS) Financial Statements
Report on the Standalone Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Kirloskar Oil Engines Limited, ("the Company") comprising of the Balance Sheet as at 31 March 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement for the year then ended and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone Ind AS Financial Statements").

Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the preparation of these standalone Ind AS financial statements in terms of the requirements of the matters stated in Section 134(5) of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the standalone financial position, standalone financial performance, standalone cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. The Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of standalone Ind AS financial statements. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the standalone Ind AS financial statements by the Directors of the Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made there under including the accounting standards and matters which are required to be included in the audit report.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone 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 Board of Directors, as well as evaluating the overall presentation of the standalone 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 of the standalone state of affairs of the Company as at 31 March 2018, and their standalone profit (including other comprehensive income), their standalone cash flows and standalone 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 (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, 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 to the extent applicable 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 of the aforesaid standalone Ind AS financial statements;
    b. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
    c. The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Cash Flow Statement and the statement of Changes in Equity 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 specified under section 133 of the Companies Act, 2013, read with relevant rules thereunder;
    e. On the basis of the written representations received from the directors taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2018, from being appointed as a director in terms of Section 164 (2) of the Act;
    f. With respect to the existence of internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
    g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:
        i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements. Refer Note 39 (5.1) to the financial statements.
        ii. The Company did not have any long-term contracts including derivative contracts as at 31 March 2018.
        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year ended 31 March 2018.

FOR **M/S P G BHAGWAT**
Chartered Accountants
Firm Registration Number : 101118W

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 18 May 2018

ANNEXURE A

Referred to in paragraph 1 of our “Report on Other Legal and Regulatory Requirements” on even date

(i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management according to the phased programme of three years which is reasonable with regard to size of the company and nature of its assets.

(c) According to records of the company examined by us the title deeds of immovable properties are held in the name of the company.

(ii) The management has conducted physical verification of inventory (excluding stock with third parties) at reasonable Intervals. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable. As informed to us, the discrepancies noticed on verification between physical stock and book records were not material.

(iii) As informed to us, the company has not granted secured or unsecured loan to other companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a) (b) and (c) are not applicable to the company.

(iv) According to the information and explanations provided to us, there are no loans, guarantees and security given by the Company, covered under the provisions of section 185 of the Companies Act, 2013. According to the information and explanations provided to us, provisions of section 186 of the Companies Act, 2013 have been complied with respect to investment.

(v) In our opinion and according to information and explanation given to us, the Company has not accepted public deposits, hence the directive issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, are not applicable to it. According to information and explanation given to us, no order has been passed against the company by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under sub-section (l) of section 148 of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of records with a view to determine whether they are accurate and complete.

(vii) (a) According to information and explanation given to us and the records of the company examined by us, the company is generally regular in depositing with appropriate authorities undisputed statutory dues including income tax, service tax and other material statutory dues applicable to it.

According to the information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31 March 2018, for a period more than six months from the date they became payable.

(b) According to the information and explanations given to us, the particulars of dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess as at 31 March 2018 which has not been deposited on account of disputes are as follows:

Name of the Statue	Nature of dispute due	Amount under dispute not deposited (₹ In Crs.)	Period to which amount is related	Forum where the dispute is pending
Sales Tax	Sales tax and penalty for pump set	1.83	1990-1997, 2004-2005	High Court
	Demand for Disallowance of Claims	0.93	2006-2008, 2015-2017	Tribunal
	Non receipt of Forms & Disallowance of Credit	5.81	2004-2006, 2008-2009, 2010-2014	Appellate authority - Up to Commissioner level
Service Tax	Disallowance of credit	0.03	2007-2010	High Court
		0.02	2006	Tribunal
		0.54	2005-2007 2012-2016	Appellate authority - Up to Commissioner level
Excise Duty	Valuation & exemption disputes and disallowance of cenvat credit against the excise duty	5.38	1996-1997 1999-2002 2004-2013	Tribunal
		29.80	1996 2011-2016 2017-2018	Appellate authority - Up to Commissioner level
Customs Duty	Dispute related to exemption and other matters	0.86	1994-1997, 2011-2012	Appellate authority - Up to Commissioner level

(viii) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank as at the balance sheet date and also not issued debentures.

(ix) According to the information and explanation given to us, the company has not raised money by way of initial public offer or further public offer (including debt instrument) and not availed term loan during the year. Accordingly, the Provisions of clause 3(ix) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(x) During the course of our examination of the books & records of the company carried out in accordance with the generally accepted auditing Practices in India and according to the information and explanation given to us, we have neither come across any instances of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by Management.

(xi) According to the information and explanation given to us, the company has paid managerial remuneration within the limit prescribed under section 197 of the Companies Act, 2013. Accordingly no requisite approval is required to be sought.

(xii) In our opinion, the company is not a Nidhi company. Accordingly, the provisions specified in Paragraph 3(xii) of Companies (Auditor’s Report) order, 2016 are not applicable to the company.

(xiii) According to the information and explanation given to us and in our opinion transactions with the related parties are in compliance with section 177 and 188 of the Companies Act, 2013 and requisite details have been disclosed in the Financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanation given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures for raising funds during the year. Accordingly, the provisions of clause 3 (xiv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(xv) According to the information and explanation given to us, the company has not entered into a non-cash transaction with any of the directors or persons connected with directors. Accordingly, the provisions of clause 3 (xv) of the Companies (Auditor's Report) Order, 2016 are not applicable to the company.

(xvi) In our opinion, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions in Paragraph 3(xvi) of Companies (Auditor's Report) order, 2016 are not applicable.

FOR **M/S P G BHAGWAT**
Chartered Accountants
Firm Registration Number : 101118W

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 18 May 2018

Annexure B to the Independent Auditor’s Report of even date on the Standalone Financial Statements of Kirloskar Oil Engines Limited.

Report on the Internal Financial Controls with reference to Standalone Ind AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls with reference to Standalone Ind AS Financial Statements of Kirloskar Oil Engines Limited (“the Company”) as of 31 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the “Guidance Note”) and the Standards on Auditing deemed to be prescribed under Section 143(10) of the Act 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 ICAI. 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 internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the existence of internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting with reference to Standalone Ind AS Financial Statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to Standalone Ind AS Financial Statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to Standalone Ind AS Financial 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 internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 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**
Chartered Accountants
Firm Registration Number : 101118W

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 18 May 2018

BALANCE SHEET AS AT 31 MARCH 2018

₹ in Crs.

Particulars	Note No.	As at 31 March 2018	As at 31 March 2017
ASSETS			
I. Non-current assets		**792.96**	**536.10**
(a) Property, plant and equipment	1	382.92	384.95
(b) Capital work-in-progress	1	17.96	8.71
(c) Investment property	2	-	2.17
(d) Other Intangible assets	3	39.40	52.50
(e) Intangible assets under development	3	12.22	6.20
(f) Financial assets			
(i) Investments	4	255.38	4.29
(ii) Trade receivables	10	1.60	-
(iii) Loans	5	0.15	0.42
(iv) Other financial assets	6	44.19	41.77
(g) Other non-current assets	7	39.14	35.09
II. Current assets		**1,470.86**	**1,633.47**
(a) Inventories	8	264.59	226.09
(b) Financial assets			
(i) Investments	9	675.24	985.54
(ii) Trade receivables	10	325.99	200.97
(iii) Cash and cash equivalents	11a	55.98	11.01
(iv) Bank balance other than (iii) above	11b	9.23	7.03
(v) Loans	12	0.29	0.38
(vi) Other financial assets	13	39.14	65.70
(c) Assets held for sale	14	2.08	0.25
(d) Current tax assets (net)	15	4.67	1.41
(e) Other current assets	16	93.65	135.09
Total Assets		**2,263.82**	**2,169.57**
EQUITY AND LIABILITIES			
Equity		**1,637.34**	**1,616.71**
(a) Equity share capital	17	28.92	28.92
(b) Other equity			
Capital redemption reserve	18	0.20	0.20
General reserve	18	608.39	608.39
Retained earnings	18	999.83	979.20
Liabilities			
I. Non-current liabilities		**58.62**	**66.36**
(a) Financial liabilities			
Other financial liabilities	19	17.31	17.92
(b) Long-term provisions	20	29.79	31.50
(c) Deferred tax liabilities (net)	21	6.59	11.67
(d) Other non-current liabilities	22	4.93	5.27
II.Current liabilities		**567.86**	**486.50**
(a) Financial liabilities			
(i) Borrowings	23	16.50	12.45
(ii) Trade and other payables	24	419.57	354.98
(iii) Other financial liabilities	25	62.34	52.11
(b) Other current liabilities	26	16.08	18.07
(c) Short-term provisions	27	52.52	48.04
(d) Government grants	28	0.85	0.85
Total Equity and Liabilities		**2,263.82**	**2,169.57**

Significant accounting policies 39

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

As per our attached report of even date

For and on behalf of the Board of Directors

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Joint Managing Director
DIN: 00007439

NACHIKET DEO
Partner
Membership Number : 117695

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary

Pune : 18 May 2018

Pune : 18 May 2018

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2018

₹ in Crs.

Particulars	Note No.	2017-18	2016-17
Income			
Revenue from operations	29	2,887.22	2,875.15
Other income	30	69.33	83.07
Total Income		**2,956.55**	**2,958.22**
Expenses			
Cost of raw materials and components consumed	31	1,450.53	1,351.57
Purchase of traded goods	32	392.96	348.20
Changes in inventories of finished goods, work-in-progress and traded goods	33	(26.78)	(11.47)
Excise duty on sale of goods		55.33	204.73
Employee benefits expense	34	206.11	201.57
Finance costs	35	3.38	2.80
Depreciation and amortisation expense	36	108.58	110.68
Other Expenses	37	546.08	500.25
Expense capitalised		(2.12)	(2.41)
Total expenses		**2,734.07**	**2,705.92**
Profit before exceptional items and tax		**222.48**	**252.30**
Exceptional items		-	-
Profit before tax		**222.48**	**252.30**
Tax expense		**72.37**	**78.68**
Current tax	38	76.68	79.72
(Excess)/short provision related to earlier years		1.33	(0.04)
Deferred tax	38	(5.64)	(1.00)
Profit for the year		**150.11**	**173.62**
Other comprehensive income			
A. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		**1.06**	**(0.58)**
Re-measurement gains / (losses) on defined benefit plans		1.63	(0.88)
Income tax effect on above		(0.57)	0.30
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (A)		**1.06**	**(0.58)**
Total other comprehensive income for the year, net of tax [A]		**1.06**	**(0.58)**
Total comprehensive income for the year, net of tax		**151.17**	**173.04**
Earnings per equity share [nominal value per share ₹ 2/- (31 March 2017: ₹ 2/-)]			
Basic		10.38	12.01
Diluted		10.38	12.01
Significant accounting policies	39		

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

As per our attached report of even date

For and on behalf of the Board of Directors

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Joint Managing Director
DIN: 00007439

NACHIKET DEO
Partner
Membership Number : 117695

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary

Pune : 18 May 2018

Pune : 18 May 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

₹ in Crs.

Particulars	**2017-18**	**2016-17**
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	**222.48**	**252.30**
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
Depreciation and Amortisation	108.58	110.68
Inventories written down	9.50	4.15
Bad debts and irrecoverable balances written off	3.50	1.44
Allowances for Trade and Other Receivables (net)	6.25	0.41
Loss / (Profit) on Revalorisation on Imports	0.37	(0.00)
Loss / (Profit) on Revalorisation on Exports	(0.78)	0.36
Finance cost	3.38	2.80
Amortisation of rent expenses	1.07	1.07
	131.87	**120.91**
Less:		
Extended warranty revenue	2.04	2.57
Profit / (Loss) on sale of mutual fund investment at FVTPL (net)	51.21	62.22
Marked to Market gain on investments measured at Fair Value through Profit and Loss	2.79	3.14
Unwinding of interest on deposits	1.12	1.04
Surplus on sale of assets	0.20	(0.97)
Interest received	0.37	0.49
Sundry Credit Balances Appropriated	4.81	1.30
Provisions no longer required written back	1.80	1.90
Income from investment property	0.10	0.93
Dividend received	0.00	0.00
	64.44	**72.62**
Operating Profit before working capital changes	**289.91**	**300.59**
Working Capital Adjustments		
(Increase) / Decrease in Government Grant	29.10	(35.79)
(Increase) / Decrease in Trade and Other Receivables	(96.37)	(66.12)
(Increase) / Decrease in Inventories	(48.00)	(24.45)
Increase / (Decrease) in Trade and other Payables	68.98	17.48
Increase / (Decrease) in Provisions	6.21	8.76
	(40.08)	**(100.12)**
Net Cash generated from operations	**249.83**	**200.47**
Direct taxes paid	(83.25)	(28.22)
NET CASH FLOW FROM OPERATING ACTIVITIES	**166.58**	**172.25**

Particulars	2017-18	2016-17
		₹ in Crs.
CASH FLOW FROM INVESTING ACTIVITIES		
Add :		
Proceeds from Sale of Property, Plant and Equipment	0.99	0.89
Proceeds from Sale of investments (Net)	366.98	-
Interest received	0.37	0.49
Income from investment property	0.10	0.93
Dividend received	0.00	0.00
	368.44	**2.31**
Less :		
Purchase of investments (net)	-	134.12
Investment in subsidiary	252.93	-
Payments for Purchase of Property, Plant and Equipment	107.25	58.00
	360.18	**192.12**
NET CASH GENERATED FROM INVESTING ACTIVITIES	**8.26**	**(189.81)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bill discounting & borrowings	16.50	8.12
Interest paid (finance cost)	(3.38)	(2.80)
Proceeds from borrowing	-	4.33
Repayment of borrowing	(12.45)	(7.17)
Final and Interim Dividend Paid	(108.46)	-
Tax on Final and Interim Dividend	(22.08)	-
NET CASH USED IN FINANCING ACTIVITY	**(129.87)**	**2.48**
Net increase / (decrease) in cash and cash equivalents	**44.97**	**(15.08)**
Opening Cash and Cash equivalents	**11.01**	**26.09**
Closing Cash and Cash equivalents (Refer Note 11a)	**55.98**	**11.01**

Refer Note No 41

As per our attached report of even date

For and on behalf of the Board of Directors

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Joint Managing Director
DIN: 00007439

NACHIKET DEO
Partner
Membership Number : 117695

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary

Pune : 18 May 2018

Pune : 18 May 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

A. Equity Share Capital (Note 17)

₹ in Crs.

Equity Shares of ₹ 2 each issued, subscribed and fully paid	No. of Shares	Amount
At 1 April 2016	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
At 31 March 2017	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
At 31 March 2018	**14,46,14,326**	**28.92**

B. Other Equity (Note 18)

₹ 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 2016	**0.20**	**608.39**	**806.15**	**-**	**-**	**-**	**1,414.74**
Profit for the year	-	-	173.62	-	-	-	173.62
Other comprehensive income for the year	-	-	(0.58)	-	-	-	(0.58)
Total Comprehensive income for the year	**-**	**-**	**173.04**	**-**	**-**	**-**	**173.04**
Any other movement	-	-	-	-	-	-	-
At 31 March 2017	**0.20**	**608.39**	**979.20**	**-**	**-**	**-**	**1,587.79**
As at 1 April 2017	**0.20**	**608.39**	**979.20**	**-**	**-**	**-**	**1,587.79**
Profit for the year	-	-	150.11	-	-	-	150.11
Other comprehensive income for the year	-	-	1.06	-	-	-	1.06
Total Comprehensive income for the year	**-**	**-**	**151.17**	**-**	**-**	**-**	**151.17**
Final dividend for year ended 31 March 2017	-	-	(72.31)	-	-	-	(72.31)
Tax on final dividend for the year ended 31 March 2017	-	-	(14.72)	-	-	-	(14.72)
Interim dividend for year ended 31 March 2018	-	-	(36.15)	-	-	-	(36.15)
Tax on Interim dividend for the year ended 31 March 2018	-	-	(7.36)	-	-	-	(7.36)
At 31 March 2018	**0.20**	**608.39**	**999.83**	**-**	**-**	**-**	**1,608.42**

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

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 18 May 2018

For and on behalf of the Board of Directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Joint Managing Director
DIN: 00007439

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary

Pune : 18 May 2018

Notes to the Financial Statements

NOTE 1 : PROPERTY, PLANT AND EQUIPMENT

₹ in Crs.

Particulars	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
Gross Block												
As At 31 March 2016	**-**	**11.66**	**155.25**	**894.60**	**28.10**	**10.43**	**37.38**	**5.27**	**58.96**	**35.50**	**1,237.15**	**3.85**
Additions	-	-	3.95	27.31	1.16	0.90	5.27	0.05	3.01	1.12	42.77	47.63
Asset Held of Disposal	-	-	-	12.63	0.09	-	-	0.01	-	0.19	12.92	-
Deductions / Amortisation	-	0.14	-	11.21	0.07	0.83	-	-	0.02	0.34	12.61	42.77
As At 31 March 2017	**-**	**11.52**	**159.20**	**898.07**	**29.10**	**10.50**	**42.65**	**5.31**	**61.95**	**36.09**	**1,254.39**	**8.71**
Additions	-	-	20.14	62.27	1.52	0.18	-	0.09	5.57	1.99	91.76	101.00
Asset Held of Disposal	-	-	-	2.35	0.11	-	-	0.08	-	0.15	2.69	-
Deductions / Amortisation	-	0.14	-	3.25	0.16	0.07	-	0.02	2.39	0.05	6.08	91.75
As At 31 March 2018	**-**	**11.38**	**179.34**	**954.74**	**30.35**	**10.61**	**42.65**	**5.30**	**65.13**	**37.88**	**1,337.38**	**17.96**
Depreciation												
Upto 1 April 2016	**-**	**-**	**33.97**	**658.24**	**11.69**	**5.80**	**19.51**	**3.64**	**41.57**	**18.72**	**793.14**	**-**
For the year	-	-	6.41	73.36	2.84	1.47	3.22	0.58	7.91	4.00	99.79	-
Asset Held of Disposal	-	-	-	11.11	0.09	-	-	0.01	-	0.16	11.37	-
Deductions / Amortisation	-	-	-	10.96	0.07	0.74	-	-	0.02	0.34	12.13	-
As At 31 March 2017	**-**	**-**	**40.38**	**709.53**	**14.37**	**6.53**	**22.73**	**4.21**	**49.46**	**22.22**	**869.44**	**-**
For the year	-	-	6.45	68.22	2.73	1.33	2.95	0.49	7.01	3.91	93.09	-
Asset Held of Disposal	-	-	-	2.26	0.11	-	-	0.08	-	0.15	2.60	-
Deductions / Amortisation	-	-	-	2.77	0.16	0.07	-	0.02	2.39	0.05	5.47	-
As At 31 March 2018	**-**	**-**	**46.83**	**772.72**	**16.83**	**7.79**	**25.68**	**4.60**	**54.08**	**25.93**	**954.46**	**-**
Net Block												
As At 31 March 2016	-	11.66	121.28	236.36	16.41	4.63	17.87	1.63	17.39	16.78	444.02	3.85
As At 31 March 2017	**-**	**11.52**	**118.82**	**188.54**	**14.73**	**3.97**	**19.92**	**1.10**	**12.49**	**13.87**	**384.95**	**8.71**
As At 31 March 2018	**-**	**11.38**	**132.51**	**182.02**	**13.52**	**2.82**	**16.97**	**0.70**	**11.05**	**11.95**	**382.92**	**17.96**

Notes :

1. Gross block is at Cost except leasehold land which is net of amount written off.
2. For Depreciation and amortisation refer accounting policy (Note 39.4.3).
3. Capital work in progress: Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is ₹ 17.96 Crs. (31 March 2017 : ₹ 8.71 crs.).
4. The company had adopted deemed cost exemption under Ind AS 101, on transition date of 1 April 2015. The information of Gross block, and accumulated Depreciation as on 1 April 2015 is carried forward for disclosures.
5. Note 1 of Property, Plant and equipment includes assets at Research & Development facility, the details of which are as under.

Notes to the Financial Statements

Property, Plant and equipment : Research and Development facility (Below figures are included in Note 1: Property, Plant and equipment)

₹ in Crs.

Particulars	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block											
As At 31 March 2016	**-**	**-**	**-**	**61.86**	**5.13**	**-**	**-**	**0.12**	**1.15**	**1.99**	**70.25**
Additions	-	-	-	13.91	0.17	-	-	0.01	0.58	0.99	15.66
Inter transfers - Net	-	-	-	4.77	-	-	-	-	-	-	4.77
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortisation	-	-	-	-	-	-	-	-	-	-	-
As At 31 March 2017	**-**	**-**	**-**	**80.54**	**5.30**	**-**	**-**	**0.13**	**1.73**	**2.98**	**90.68**
Additions	-	-	-	17.23	-	-	-	-	-	0.55	17.78
Inter transfers - Net	-	-	-	(1.29)	-	-	-	-	-	-	(1.29)
Asset Held of Disposal	-	-	-	1.28	-	-	-	-	-	-	1.28
Deductions / Amortisation	-	-	-	0.45	-	-	-	-	0.05	-	0.50
As At 31 March 2018	**-**	**-**	**-**	**94.75**	**5.30**	**-**	**-**	**0.13**	**1.68**	**3.53**	**105.39**
Depreciation											
Upto 1 April 2016	-	-	-	33.55	0.53	-	-	0.11	1.12	0.80	36.11
For the year	-	-	-	5.75	0.68	-	-	-	0.12	0.23	6.78
Inter transfers - Net	-	-	-	3.56	-	-	-	-	-	-	3.56
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortisation	-	-	-	-	-	-	-	-	-	-	-
As At 31 March 2017	**-**	**-**	**-**	**42.86**	**1.21**	**-**	**-**	**0.11**	**1.24**	**1.03**	**46.45**
For the year	-	-	-	7.07	0.68	-	-	-	0.18	0.32	8.25
Inter transfers - Net	-	-	-	(0.63)	-	-	-	-	-	-	(0.63)
Asset Held of Disposal	-	-	-	1.24	-	-	-	-	-	-	1.24
Deductions / Amortisation	-	-	-	0.37	-	-	-	-	0.05	-	0.42
As At 31 March 2018	**-**	**-**	**-**	**47.69**	**1.89**	**-**	**-**	**0.11**	**1.37**	**1.35**	**52.41**
Net Block											
As At 31 March 2016	-	-	-	28.31	4.60	-	-	0.01	0.03	1.19	34.14
As At 31 March 2017	**-**	**-**	**-**	**37.68**	**4.09**	**-**	**-**	**0.02**	**0.49**	**1.95**	**44.23**
As At 31 March 2018	**-**	**-**	**-**	**47.06**	**3.41**	**-**	**-**	**0.02**	**0.31**	**2.18**	**52.98**

Notes to the Financial Statements

NOTE 2 : INVESTMENT PROPERTY

₹ in Crs.

Particulars	Land Leasehold	Buildings	Total
Gross Block			
As At 31 March 2016	**0.01**	**4.73**	**4.74**
Additions	-	-	-
Deductions / Amortisation	0.00	-	0.00
As At 31 March 2017	**0.01**	**4.73**	**4.74**
Additions	-	-	-
Asset held for Disposal	0.01	4.73	4.74
Deductions / Amortisation	0.00	-	0.00
As At 31 March 2018	**0.00**	**-**	**0.00**
Depreciation			
Upto 1 April 2016	**-**	**2.46**	**2.46**
For The Year	-	0.11	0.11
Asset held for Disposal	-	-	-
Deductions / Amortisation	-	-	-
As At 31 March 2017	**-**	**2.57**	**2.57**
For The Year	-	0.11	0.11
Inter Transfers - Net	-	-	-
Asset held for Disposal	-	2.68	2.68
Deductions / Amortisation	-	-	-
As At 31 March 2018	**-**	**-**	**-**
Net Block			
As At 31 March 2016	0.01	2.27	2.28
As At 31 March 2017	**0.01**	**2.16**	**2.17**
As At 31 March 2018	**0.00**	**-**	**0.00**

Notes :

1. Gross block is at Cost except leasehold land which is net of amount written off.
2. For Depreciation and amortisation refer accounting policy (Note 39.4.4).

Notes to the Financial Statements

Information regarding income and expenditure of Investment property

₹ in Crs.

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Rental income derived from Investment properties	0.10	0.93
Direct operating expenses (including repairs and maintenance) generating rental income	0.06	0.07
Direct operating expenses (including repairs and "maintenance) that did not generate rental income"	-	-
Profit arising from investment properties before depreciation and indirect expenses	**0.04**	**0.86**
Less : Depreciation	0.11	0.11
Profit arising from investment properties before indirect expenses	**(0.07)**	**0.75**

As at 31 March 2017, the fair values of the properties are based on valuations performed by an accredited independent valuer, who is a specialist in valuing these types of investment properties.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures for investment properties are in Note 39.5.15.

Fair value of the Investment properties are as under

₹ in Crs.

Fair value	Land Leasehold	Factory Building	Total
Balance as at 1 April 2016	**60.49**	**13.11**	**73.60**
Fair value difference for the year	-	0.63	0.63
Add : Purchases	-	-	-
Balance as at 31 March 2017	**60.49**	**13.74**	**74.23**
Fair value difference for the year	-	-	-
Add: Purchases	-	-	-
Less : Transfer	60.49	13.74	74.23
Balance as at 31 March 2018	**-**	**-**	**-**

Particulars	Valuation techniques	Significant unobservable inputs	Range of change in fair value per 5% (+/-) change in rate per sq. mtr.	
			31 March 2018	31 March 2017
Leasehold land	Direct Comparison Approach	Sales price of similar properties adjusted for peculiar factors of the property valued	N. A.	Rs 3 Crs.
Factory Building	Direct Comparison Approach	Sales price of similar properties adjusted for peculiar factors of the property valued	N. A.	Rs 0.70 Crs.

Direct Comparison Approach: The direct comparison approach involves a comparison of the subject property to similar properties that have actually been sold in arms-length distance from Subject Property or are offered for sale in the same region. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market, and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis. This approach leads to a reasonable estimation of the prevailing land price.

Notes to the Financial Statements

NOTE 3 : OTHER INTANGIBLE ASSETS

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Capital work-in-progress
Gross Block						
As At 31 March 2016	**35.70**	**11.12**	**3.74**	**18.58**	**69.14**	**25.41**
Additions	1.73	-	-	30.63	32.36	13.15
Deductions / Amortisation	-	-	-	0.31	0.31	32.36
As At 31 March 2017	**37.43**	**11.12**	**3.74**	**48.90**	**101.19**	**6.20**
Additions	2.14	-	-	-	2.14	8.17
Recoupment / Adjustment	(0.13)	-	-	-	(0.13)	-
Deductions / Amortisation	-	-	-	-	-	2.15
As At 31 March 2018	**39.44**	**11.12**	**3.74**	**48.90**	**103.20**	**12.22**
Depreciation						
Upto 1 April 2016	**18.35**	**11.12**	**3.74**	**4.95**	**38.16**	**-**
For The Year	5.18	-	-	5.46	10.64	-
Deductions / Amortisation	-	-	-	0.11	0.11	-
As At 31 March 2017	**23.53**	**11.12**	**3.74**	**10.30**	**48.69**	**-**
For The Year	5.57	-	-	9.67	15.24	-
Recoupment / Adjustment	(0.13)	-	-	-	(0.13)	-
Deductions / Amortisation	-	-	-	-	-	-
As At 31 March 2018	**28.97**	**11.12**	**3.74**	**19.97**	**63.80**	**-**
Net Block						
As At 31 March 2016	17.35	-	-	13.64	30.99	25.41
As At 31 March 2017	**13.90**	**-**	**-**	**38.60**	**52.50**	**6.20**
As At 31 March 2018	**10.47**	**-**	**-**	**28.93**	**39.40**	**12.22**

Notes :

1. Intangible Assets are amortised on Straight Line method.
2. For Depreciation and amortisation refer accounting policy (Note 39.4.5).
3. Capital work in progress:

   Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is ₹ 12.22 Crs. (31 March 2017: ₹ 6.20 crs.).
4. Note 3 of Other Intangible assets includes assets at Research & Development facility, the details of which are as under.

Notes to the Financial Statements

Other Intangible assets : Research and Development facility
(Below figures are included in Note 3 : Other Intangible assets)

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total
Gross Block					
As At 31 March 2016	**10.74**	**10.42**	**-**	**18.58**	**39.74**
Additions	1.08	-	-	30.63	31.71
Inter Transfers	1.85	-	1.50	-	3.35
Deductions / Amortisation	-	-	-	0.32	0.32
As At 31 March 2017	**13.67**	**10.42**	**1.50**	**48.89**	**74.48**
Additions	0.95	-	-	-	0.95
Inter Transfers	-	-	-	-	-
Deductions / Amortisation	-	-	-	-	-
As At 31 March 2018	**14.62**	**10.42**	**1.50**	**48.89**	**75.43**
Depreciation					
Upto 1 April 2016	**5.20**	**10.42**	**-**	**4.95**	**20.57**
For The Year	1.39	-	-	5.46	6.85
Inter Transfers	1.85	-	1.50	-	3.35
Deductions / Amortisation	-	-	-	0.10	0.10
As At 31 March 2017	**8.44**	**10.42**	**1.50**	**10.31**	**30.67**
For The Year	1.57	-	-	9.67	11.24
Inter Transfers	-	-	-	-	-
Deductions / Amortisation	-	-	-	-	-
As At 31 March 2018	**10.01**	**10.42**	**1.50**	**19.98**	**41.91**
Net Block					
As At 31 March 2016	5.54	-	-	13.63	19.17
As At 31 March 2017	**5.23**	**-**	**-**	**38.58**	**43.81**
As At 31 March 2018	**4.61**	**-**	**-**	**28.91**	**33.52**

Notes to the Financial Statements

NOTE 4 : NON-CURRENT INVESTMENTS

₹ in Crs

	Particulars	Par Value / Face Value Per Unit	As at 31 March 2018		As at 31 March 2017	
			Nos.	₹ in Crs	Nos.	₹ in Crs
(i)	**At Cost**					
	Investment					
	Investment In wholly owned Subsidiary					
	In Unquoted Equity Instruments					
	KOEL Americas Corp. Equity Instruments (Fully paid up)	0.001 $	50	1.59	50	1.59
	Investment In Subsidiary - Others					
	In Unquoted Equity Instruments					
	La-Gajjar Machineries Private Limited (LGM) Equity Shares (fully paid up)	10 ₹	8,17,760	253.78	-	-
(ii)	**At Fair value through Profit or Loss (FVTPL)**					
	Investment					
	In unquoted mutual fund					
	HDFC Group Unit Linked Plan (Debt Instrument)	10 ₹	-	-	13,55,118	2.69
(iii)	**At Fair value through Other Comprehensive Income (FVOCI)**					
	Investment					
	In Unquoted Equity Instruments					
	Kirloskar Proprietary Limited - Equity Share (Fully Paid up)	100 ₹	1	0.00	1	0.00
	S.L.Kirloskar CSR Foundation - Equity Shares (Fully paid up)	10 ₹	9,800	0.01	9,800	0.01
	Total			**255.38**		**4.29**

Notes :

1.	Aggregate amount of Unquoted Investments	255.38	4.29

2. Face value per unit in Rupees unless otherwise stated.
3. The Company has invested ₹ 253.78 Crs. in "La Gajjar Machineries Pvt. Ltd." (8,17,760 Shares of ₹ 10 each). With this, "La Gajjar Machineries Pvt. Ltd." is partly owned subsidiary of Kirloskar Oil Engines Limited with effect from 1 August 2017.
4. Refer Note 39.5.14 and 39.5.15 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments.
5. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

NOTE 5 : LOANS (NON CURRENT)

₹. in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Loans to employees (unsecured, considered good)	0.15	0.42
Total	**0.15**	**0.42**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

NOTE 6 : OTHER FINANCIAL ASSETS (NON CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Security deposits (Unsecured, considered good)	29.48	28.75
Subsidy receivable under PSI scheme, 2001	14.54	12.84
Others	0.17	0.18
Total	**44.19**	**41.77**

1. Other financial assets are measured at amortised cost.
2. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

NOTE 7 : OTHER NON-CURRENT ASSETS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Capital advances	4.27	1.76
Prepaid expenses	-	0.45
Tax paid in advance (net of provision) (Refer Note 15)	34.87	32.88
Other Advances to suppliers	**-**	**-**
Unsecured, considered good	-	-
Doubtful	0.21	0.14
Less : Provision for doubtful advances	(0.21)	(0.14)
Total	**39.14**	**35.09**

NOTE 8 : INVENTORIES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Raw materials	**134.44**	**120.28**
Raw materials and components	131.70	119.26
Raw materials in transit	2.74	1.02
Work-in-progress	20.20	18.07
Finished goods	63.81	57.38
Traded goods	33.30	17.22
Stores and spares	12.84	13.14
Total	**264.59**	**226.09**

Inventories written down to net realisable value during the year ended 31 March 2018 ₹ 9.50 Crs. (31 March 2017: ₹ 4.15 Crs.) were recognised as an expense in the statement of profit and loss during the year.

Notes to the Financial Statements

NOTE 9 : CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2018		As at 31 March 2017	
	In ₹	Nos.	₹ in Crs	Nos.	₹ in Crs
At fair value through Profit or Loss (FVTPL)					
Unquoted Investment					
Current Portion of Long Term Investment					
HDFC Group Unit Linked Plan (Debt Instrument)	10	-	-	6,73,238	1.34
			-		**1.34**
Other Current Investment					
Investments In Mutual Funds					
Fixed Maturity Plan - Growth Option					
HDFC FMP 92D February 2018 (1) - Regular - Growth Series - 39	10	1,50,00,000	15.11	-	-
ICICI Prudential Fixed Maturity Plan Series 82-103 days plan O Cumulative	10	2,00,00,000	20.13	-	-
Reliance Quarterly Interval Fund - Series II - Growth Plan Growth Option (K5RGG)	10	1,48,13,185	35.37	-	-
Reliance Fixed Horizon Fund - XXXVI - Series 4 - Growth Plan (N4GPG)	10	1,50,00,000	15.12	-	-
UTI-Fixed Income Interval Fund - V- Quarterly Interval Plan- Retail Option - Growth	10	71,61,203	15.15	-	-
			100.88		**-**
Liquid Scheme - Growth Option					
Axis Liquid Fund - Growth(CF-GP)	1,000	-	-	5,06,975	91.16
Baroda Pioneer Liquid Fund - Plan A Growth	1,000	1,59,053	31.64	-	-
Birla Sun life Cash Plus - Growth - Regular plan	100	-	-	16,89,447	44.01
Aditya Birla Sun life Savings Fund - Growth - Regular Plan	100	11,25,159	38.47	33,64,940	107.22
DHFL Pramerica Insta Cash Plus Fund - Growth	100	19,16,515	43.12	11,87,561	25.02
DSP Blackrock Liquidity Fund_Institutional Plan Growth	1,000	-	-	1,08,049	25.05
HDFC Liquid Fund Regular Plan - Growth	1,000	-	-	87,642	28.04
HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option - Regular plan-Growth	10	2,14,55,311	64.89	3,83,24,038	108.34
ICICI Prudential Liquid Plan - Growth	100	18,76,980	48.12	22,11,133	53.10
ICICI Prudential - Money Market Fund - Growth	100	8,36,346	20.03	16,05,182	36.02
ICICI Prudential Flexible Income - Growth	100	19,19,918	63.99	34,51,127	107.45
IDFC Cash Fund - Growth - (Regular Plan)	1,000	1,33,308	28.04	-	-
Invesco India Liquid Fund - Growth (LF-SG)	1,000	2,58,437	61.60	1,12,178	25.04
KOTAK Floater Short Term - Growth (Regular Plan)	1,000	1,23,238	35.06	-	-
L & T liquid fund - Regular Growth	1,000	1,22,372	29.07	1,12,583	25.05
Reliance Medium Term Fund - Growth Plan - Growth Option (IPGPG)	10	-	-	2,23,52,812	76.28
Reliance Liquid Fund - Treasury Plan - Growth Plan - Growth Option (LFIGG)	1,000	-	-	2,53,171	100.10
SBI Premier Liquid Fund - Regular Plan - Growth	1,000	1,84,429	50.08	-	-
UTI Liquid Cash Plan - Institutional - Growth	1,000	-	-	1,96,021	52.08
UTI Treasury Advantage Fund - Institutional Plan - Growth	1,000	2,51,545	60.25	3,57,952	80.24
			574.36		**984.20**
Total			**675.24**		**985.54**

Notes :

1. Aggregate amount of Unquoted Investments 675.24 985.54
2. Face value per unit in Rupees unless otherwise stated.
3. Fair value disclosures for financial assets and liabilities are stated in Note 39.5.14 and fair value hierarchy disclosures for investment are stated in Note 39.5.15.
4. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

NOTE 10 : TRADE RECEIVABLES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Total Trade Receivables	**325.99**	**200.97**
Trade receivables [Refer note (1) below]	325.99	200.97
Break-up for security details:	**325.99**	**200.97**
Secured, considered good	-	-
Unsecured, considered good	325.99	200.97
Doubtful	18.14	12.10
Impairment Allowance (allowance for bad and doubtful debts)	(18.14)	(12.10)
Total	**325.99**	**200.97**

1. Trade receivables are measured at amortised cost.
2. Trade receivable to the extend of ₹ 1.60 Crs (31 March 2017 : ₹ Nil) due to be settled after twelve months after the reporting period are shown under Non Current financial assets.
3. No trade or other receivable are due from directors or other officers of the Company either severally or jointly with any other person. Trade or other receivables due from firms or private companies respectively in which any director is a partner, a director or a member ₹ 7.86 Crs. (31 March 2017 : ₹ 7.86 Crs.)

   For terms and conditions relating to related party receivables, refer Note 39.5.12
4. Movement of impairment Allowance (allowance for bad and doubtful debts)

Particulars	₹ in Crs.
At 1 April 2016	**11.58**
Provided during the year	2.53
Amounts written off	(1.42)
Amount written back	(0.59)
At 31 March 2017	**12.10**
Provided during the year	6.06
Amounts written off	(0.02)
Amount written back	-
At 31 March 2018	**18.14**

5. Refer Note 39.5.16 on credit risk of trade receivables, which explains how the Company manages and measures credit quality of trade receivables that are neither past due nor impaired.
6. The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, the Company has retained late payment and credit risks.

The Company therefore continues to recognise these assets in the entirety in its balance sheet. The amount repayable under this arrangement is presented as secured borrowings.

The relevant carrying amounts are as follows:

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Total transferred receivables w.r.t. Bills discounted	16.50	8.13
Related secured borrowings (Refer Note 23)	16.50	8.13

Notes to the Financial Statements

NOTE 11a : CASH AND CASH EQUIVALENTS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Balance with Bank		
Current accounts and debit balance in cash credit accounts	55.96	10.99
Cash on hand	0.02	0.02
Total	**55.98**	**11.01**

NOTE 11b : OTHER BANK BALANCES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Unpaid dividend accounts	9.23	7.03
Total	**9.23**	**7.03**

1. Refer Note 39.5.16 for further details.

NOTE 12 : LOANS (CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Loans to employees (unsecured, considered good)	0.29	0.38
Total	**0.29**	**0.38**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

NOTE 13 : OTHER FINANCIAL ASSETS (CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Security deposits (Unsecured, considered good)	-	0.33
Subsidy receivable under PSI scheme, 2001	30.16	61.66
Export incentive receivable	4.56	3.54
Others	4.42	0.17
Total	**39.14**	**65.70**

1. Other financial assets are measured at amortised cost.
2. Others includes, Change in fair valuation of Derivatives (Foreign exchange forward contracts) designated as hedging instruments and intended to reduce the level of foreign currency risk for expected sales as of 31 March 2018 Nil (31 March 2017 : USD 9,76,726).
3. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements

NOTE 14 : ASSETS HELD FOR SALE (CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Property, plant and equipment (net)	2.08	0.25
Total	**2.08**	**0.25**

1. Fair value hierarchy disclosures for Assets held for sale are in Note 39.5.15.
2. Property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying value and fair value less cost to sale at the time of reclassification, resulted in the recognition of write down in the statement of profit and loss account ₹ 0.06 Crs. (31 March 2017 : ₹ 1.31 Crs.). The fair value of property, plant and equipment was determined based on its estimated realisable value.

NOTE 15 : CURRENT TAX ASSETS (NET)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Tax Paid in Advance (Net of Provision)	4.67	1.41
Total	**4.67**	**1.41**

Non-current Tax paid in advance included in Note 7.

NOTE 16 : OTHER CURRENT ASSETS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Advance to suppliers	14.99	7.77
Balance with collectorate of central excise and customs	-	15.07
Sales tax / VAT / GST receivable (net)	71.71	108.19
Prepaid expenses	6.91	3.94
Other Current Assets	0.04	0.12
Total	**93.65**	**135.09**

Notes to the Financial Statements

NOTE 17 : SHARE CAPITAL

Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
At 1 April 2016	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2017	**27,00,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2018	**27,00,00,000**	**54.00**

Terms/Rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- 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 ₹ 2 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2016	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2017	**14,46,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2018	**14,46,14,326**	**28.92**

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2016	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2017	**14,46,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2018	**14,46,13,861**	**28.92**

The Company has share suspense account which represents equity shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR), are kept in abeyance as per the Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.

Notes to the Financial Statements

Particulars	No. of shares	₹ in Crs.
As at 1 April 2016	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2017	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2018	**465**	**0.00**

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

Name of the Shareholder	As at 31 March 2018		As at 31 March 2017	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Atul Chandrakant Kirloskar	1,84,56,667	12.76	1,84,56,667	12.76
Gautam Achyut Kulkarni	-	-	1,83,98,233	12.72
Rahul Chandrakant Kirloskar	1,77,32,902	12.26	1,77,32,902	12.26
Nalanda India Fund Limited	1,08,96,124	7.53	1,08,96,124	7.53
Kirloskar Industries Limited	82,10,439	5.68	82,10,439	5.68
Alpana Rahul Kirloskar	77,11,817	5.33	77,11,817	5.33
Jyotsna Gautam Kulkarni	2,59,70,864	17.96	75,72,631	5.24

17.2 Scheme of Arrangement and amalgamation

"Hon’ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (The Composite Scheme) between Kirloskar Brothers Investments Limited ('KBIL' - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited ('KOEL' - Transferee Company) and their respective shareholders and creditors under Sections 391 to 394 and other relevant Sections of the Companies Act, 1956, and the relevant Sections of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company were cancelled on account of Cross holdings and same number of equity shares were allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Company pre and post the Composite Scheme."

Notes to the Financial Statements

NOTE 18 : OTHER EQUITY

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
CAPITAL REDEMPTION RESERVE	0.20	0.20
GENERAL RESERVE	608.39	608.39
RETAINED EARNINGS	**999.83**	**979.20**
Opening Balance	979.20	806.15
Add : Profit for the year	150.11	173.62
Add : Other Comprehensive income / (Loss)	1.06	(0.58)
	151.17	**173.04**
Less : Appropriations		
Final dividend	72.31	-
Tax on final dividend	14.72	-
Interim Dividend	36.15	-
Tax on Interim Dividend	7.36	-
	130.54	**-**
Total	**1,608.42**	**1,587.79**

Other reserves

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Retained Earnings	999.83	979.20
Total other reserves	**1,608.42**	**1,587.79**

1. Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.
2. General reserve is created by setting aside amount from the Retained Earnings of the company for general purposes which is freely available for distribution.
3. Dividend distribution made and proposed

₹ in Crs.

Particulars	2017-18	2016-17
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2017: ₹ 5 per share (31 March 2016: ₹ NIL per share)	72.31	-
Dividend distribution tax on final dividend	14.72	-
Interim dividend for year ended 31 March 2018: ₹ 2.5 per share (31 March 2017: ₹ NIL per share)	36.15	-
Dividend distribution tax on Interim dividend	7.36	-
	130.54	**-**
Proposed dividends on Equity shares		
Final cash dividend proposed for the year ended 31 March 2018: ₹ 2.5 per share (31 March 2017: ₹ 5 per share)	36.15	72.31
Dividend distribution tax on proposed dividend	7.43	14.72
	43.58	**87.03**

Proposed dividend on equity shares are subject to approval of the shareholders of the Company at the annual general meeting and are not recognised as a liability (including taxes thereon) as at 31 March.

Notes to the Financial Statements

NOTE 19 : OTHER FINANCIAL LIABILITIES (NON CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Deposits from customers and others	17.31	17.92
Total	**17.31**	**17.92**

1. Other financial liabilities are measured at amortised cost.
2. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

NOTE 20 : LONG-TERM PROVISIONS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits	**18.70**	**20.63**
Provision for leave encashment	15.92	18.08
Provision for pension and other retirement benefits	2.78	2.55
Other provisions	**11.09**	**10.87**
Provision for warranty	11.09	10.87
Total	**29.79**	**31.50**

Refer Note 27 Short-term provisions

NOTE 21: DEFERRED TAX LIABILITY (NET)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Deferred Tax Liability	**26.67**	**32.55**
Depreciation	21.52	29.97
Others	5.15	2.58
Less : Deferred Tax Assets	**20.08**	**20.88**
Disallowances u/s 43 B of Income Tax Act	9.06	9.93
Provision for Doubtful debts & advances	6.34	4.16
VRS Compensation	1.48	2.19
Amalgamation/Demerger Expenses	2.65	3.18
Others	0.55	1.42
Total	**6.59**	**11.67**

Notes to the Financial Statements

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

Particulars	As at 31 March 2018	As at 31 March 2017
Opening balance as of 1 April	**(11.67)**	**(12.97)**
Tax income/(expense) during the year recognised in profit or loss	5.64	1.00
Tax income/(expense) during the year recognised in OCI	(0.57)	0.30
Closing balance as at 31 March	**(6.59)**	**(11.67)**

2. Tax Losses ₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Unused tax losses for which no Deferred Tax Assets have been recognised- Long Term capital loss on sale of Mutual Fund units	5.06	0.61
Potential Tax benefit	1.18	0.14

3. 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.
4. During the year ended 31 March 2018 and 31 March 2017, the Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that dividend distribution tax represents additional payment to taxation authority on behalf of the shareholders. Hence dividend distribution tax paid is charged to equity.
5. There is change in the applicable tax rate of 34.944 % compared to the previous year (31 March 2017: 34.608%)
6. The unused tax losses were incurred by the company on sale on Long term units of Mutual Fund in which company is not likely to generate taxable income in the foreseeable future. The losses can be carried forward as per the provisions of Income Tax Act .

NOTE 22 : OTHER NON CURRENT LIABILITIES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Advance from customers	-	2.15
Deferred revenue	4.93	3.12
Total	**4.93**	**5.27**

Notes to the Financial Statements

NOTE 23 : BORROWINGS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Interest bearing borrowings From Banks		
Export Preshipment Loan in ₹	-	3.74
Loans: Export sales bill discounted	16.50	8.13
Cash credit	-	0.58
Total	**16.50**	**12.45**
Aggregate secured borrowings	**16.50**	**12.45**
Aggregate unsecured borrowings	-	-

1. Borrowings are measured at amortised cost.
2. Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crs. are secured to the extent of ₹ 410 Crs. by way of hypothecation (First Charge) on the whole of the current assets of the Company both present and future in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited, and The Hongkong and Shanghai Banking Corporation Limited (HSBC).
3. For explanations on the company's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

NOTE 24 : TRADE AND OTHER PAYABLES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Acceptances	23.40	22.10
Due to micro, small and medium enterprises	4.73	5.71
Due to other than micro, small and medium enterprises	391.44	327.17
Total	**419.57**	**354.98**

1. Trade and other payables are measured at amortised cost.
2. For terms and conditions with related parties, refer to Note 39.5.12
3. For explanations on the Company’s Foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

Notes to the Financial Statements

NOTE 25 : OTHER FINANCIAL LIABILITIES (CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Unclaimed dividends	9.23	7.03
Payable for capital purchases	19.29	14.86
Employee benefits payable	26.04	26.67
Others	7.78	3.55
Total	**62.34**	**52.11**

1. Other financial liabilities are measured at amortised cost except for ₹ 0.85 crs. measured at FVTPL, refer to Note 39.5.15
2. For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

NOTE 26 : OTHER CURRENT LIABILITIES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Advance from customers	**7.32**	**3.28**
Other payables	**8.76**	**14.79**
Statutory dues including provident fund and tax deducted at source	5.66	8.14
Other liabilities	0.08	3.91
Deferred revenue	3.02	2.74
Total	**16.08**	**18.07**

Notes to the Financial Statements

NOTE 27 : SHORT-TERM PROVISIONS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits	**10.52**	**9.66**
Provision for gratuity	-	0.40
Provision for leave encashment	10.09	8.98
Provision for pension and other retirement benefits	0.43	0.28
Others	**42.00**	**38.38**
Provision for warranty	26.54	23.33
Other Provision	15.46	15.05
Total	**52.52**	**48.04**

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 funded plan.

b. Pension, post retirement medical benefit and long term award benefits

The Company provides certain post-employment medical scheme and long term award benefits to employees (unfunded). For long-term award scheme, the Company has defined certain eligibility criteria and grade-wise benefit available to employees and is payable only at time of separation. Pension and medical benefits are payable to employees for 15 years after retirement.

c. Compensated absences

The leave obligation cover the Company's liability for earned leaves.

Also refer Note 39.5.10 for detailed disclosure.

2. Breakup of others Provision

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Current	42.00	38.38
Non-current	11.09	10.87
	53.09	**49.25**

3. Others

a. Warranty is given to customers at the time of sale of engines and generating sets manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts / engines and after sales services during warranty period which varies from 1 year to 4 years.

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of reporting period. It is expected that majority of these costs will be incurred in the next financial year and balance will be incurred in following years. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Notes to the Financial Statements

Particulars	₹ in Crs.
At 1 April 2016	**27.49**
Arising during the year	38.58
Utilised	31.13
Unused amount reversed	0.74
At 31 March 2017	**34.20**
Arising during the year	38.22
Utilised	34.67
Unused amount reversed	0.12
At 31 March 2018	**37.63**

b. The Company has preferred an Appeal bearing No. 125 of 2016 before the Chief Controlling Revenue Authority (CCRA) against the Stamp Duty Adjudication Order dated 2 May 2016 bearing ADJ/188/2015 passed by Collector of Stamps, Enforcement – II, Mumbai levying a total stamp duty amount of ₹ 14.94 Crs. on the Company for amalgamation of KBIL with the Company. For securing a Stay Order against the said Stamp duty Adjudication being ADJ/188/2015 dated 2 May 2016, the Company has deposited 50% of the stamp duty amount of ₹ 7.47 Crs. on protest on 30 June 2016. Considering the payment of 50% of stamp duty amount, through its Order dated 22 September 2016, CCRA has passed an Order granting stay on the effect and operation of said Stamp Duty Adjudication Order bearing ADJ/188/2015 dated 2 May 2016. Company's Appeal bearing No. 125 of 2016 is still pending and listing for final hearing is awaited. Accordingly, provision for Stamp duty of ₹ 14.94 Crs. has been made.

c. Provision for stamp duty and liquidated damages has been made and same is disclosed as Short-term provision as under:

Particulars	₹ in Crs.
At 1 April 2016	**15.46**
Arising during the year	0.09
Utilised	0.50
Unused amount reversed	-
At 31 March 2017	**15.05**
Arising during the year	0.48
Utilised	0.07
Unused amount reversed	-
At 31 March 2018	**15.46**

Notes to the Financial Statements

NOTE 28 : GOVERNMENT GRANT

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Eligible incentives under Export Promotion Capital Goods Scheme	0.85	0.85
Total	**0.85**	**0.85**

Note :

1. The company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods.
2. For unfulfilled obligation related to the scheme refer Note 39.5.1(B).
3. **Government grant**

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
As at 1 April	**0.85**	**0.85**
Availed during the year	-	-
Released to statement of profit and loss	-	-
As at 31 March	**0.85**	**0.85**

NOTE 29 : REVENUE FROM OPERATIONS

₹ in Crs.

Particulars	2017-18	2016-17
Sales and services	**2,859.70**	**2,818.41**
Sale of products	2,794.36	2,761.68
Sale of services	65.34	56.73
Operating income	**27.52**	**56.74**
Sale of scrap	9.24	7.67
Government grant income	-	36.58
Commission received	1.39	0.80
Export incentives	7.97	6.23
Sundry credit balances written back	4.81	1.30
Provisions no longer required written back	1.80	1.90
Miscellaneous receipts	2.31	2.26
Total	**2,887.22**	**2,875.15**

1. Government grant income accrued for the year relates to the Industrial Promotion Subsidy under the Packaged Scheme of Incentives, 2001 ₹ Nil (Previous year ₹ 36.58 Crs.). Refer Note 39.3.1.
2. Sale of products includes excise duty collected from customers of ₹ 55.33 Crs. (Previous year ₹ 204.73 Crs.). Sale of products net of excise duty is ₹ 2,739.03 Crs. (Previous year ₹ 2,556.95 Crs.).
3. Excise Duty was applicable till 30 June 2017.
4. Export incentives includes incentive under EPCG scheme amounting to ₹ 0.01 Crs (Previous year ₹ Nil)

Notes to the Financial Statements

NOTE 30 : OTHER INCOME

₹ in Crs.

Particulars	2017-18	2016-17
Interest	**13.83**	**17.03**
On Income Tax and Sales Tax Refund	12.34	15.34
On Bank Deposits	-	0.16
Unwinding of interest on security deposits	1.12	1.04
On others	0.37	0.49
Dividend income from equity investments designated at fair value through other comprehensive income	-	-
Net gain on financial instruments mandatorily measured at fair value through profit or loss	2.79	3.14
Gain on Sale of Mutual Fund (mandatorily measured at fair value through profit or loss)	**51.21**	**62.22**
On current investments (net)	51.00	62.18
On non-current investments	0.21	0.04
Net Gain on assets sold, demolished, discarded and scrapped	0.20	(0.97)
Gain on Exchange difference	0.14	(0.48)
Income from investment property	0.10	0.93
Miscellaneous income	1.06	1.20
Total	**69.33**	**83.07**

Fair value gain/(loss) on financial instruments at fair value through profit or loss relates to the gain/(loss) arising on fair value restatements of investment in mutual funds at balance sheet dates which are held as current or non-current investments.

NOTE 31 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED

₹ in Crs.

Particulars	2017-18	2016-17
Raw materials and components consumed	1,427.00	1,328.86
Freight, octroi and entry tax	23.53	22.71
Total	**1,450.53**	**1,351.57**

Notes to the Financial Statements

NOTE 32 : PURCHASES OF TRADED GOODS

₹ in Crs.

Particulars	2017-18	2016-17
Engines and Gensets	55.14	9.74
K-Oil	105.22	109.58
Alternators, Batteries and Others	232.60	228.88
Total	**392.96**	**348.20**

NOTE 33 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

₹ in Crs.

Particulars	2017-18	2016-17
Opening inventory	**92.67**	**81.34**
Work-in-process	18.07	23.61
Finished goods	57.38	48.84
Traded goods	17.22	8.89
Closing Inventory	**117.31**	**92.67**
Work-in-process	20.20	18.07
Finished goods	63.81	57.38
Traded goods	33.30	17.22
Changes in inventory	**(24.64)**	**(11.33)**
Increase/(decrease) in excise duty of finished goods	**(2.14)**	**(0.14)**
Total	**(26.78)**	**(11.47)**

NOTE 34 : EMPLOYEE BENEFITS EXPENSE

₹ in Crs.

Particulars	2017-18	2016-17
Salaries, wages, bonus, commission, etc.	170.92	165.90
Gratuity (Refer Note 39.5.10)	3.50	3.54
Contribution to provident and other funds	11.71	11.86
Welfare and training expenses	19.58	19.74
Provident and other funds' expenses	0.40	0.53
Total	**206.11**	**201.57**

Notes to the Financial Statements

NOTE 35 : FINANCE COSTS

₹ in Crs.

Particulars	2017-18	2016-17
Interest and Bill discounting charges	1.41	0.63
Interest expense - others	1.05	1.03
Other Bank charges	0.92	1.14
Total	**3.38**	**2.80**

NOTE 36 : DEPRECIATION AND AMORTIZATION EXPENSE

₹ in Crs.

Particulars	2017-18	2016-17
Depreciation and amortization expense	**108.44**	**110.54**
Depreciation on Tangible assets	93.09	99.79
Depreciation on Investment properties	0.11	0.11
Amortization on Intangible assets	15.24	10.64
Amount written off against leasehold land	**0.14**	**0.14**
Total	**108.58**	**110.68**

Notes to the Financial Statements

NOTE 37 : OTHER EXPENSES

₹ in Crs.

Particulars	2017-18	2016-17
Manufacturing expenses	**215.12**	**196.38**
Stores consumed	72.87	64.65
Power and fuel	21.52	19.77
Machinery spares	8.05	8.57
Repairs to machinery	7.64	6.89
Job work charges	34.70	32.38
Labour charges	11.86	9.27
Cost of services	43.31	39.70
Others manufacturing expenses	15.17	15.15
Selling expenses	**145.32**	**134.92**
Commission	10.58	11.43
Freight and forwarding	63.65	56.40
Warranty	38.17	38.59
Royalty	7.40	6.37
Advertisement and publicity	11.90	15.59
Provision for doubtful debts (net)	6.15	0.62
Others selling expenses	7.47	5.92
Administration expenses	**185.64**	**168.95**
Rent	44.09	44.88
Rates and taxes	1.47	0.66
Insurance	0.83	0.77
Repairs to building	2.92	1.93
Other repairs and maintenance	33.00	28.20
Travelling and conveyance	25.07	26.23
Communication expenses	4.44	4.46
Printing and stationery	1.61	1.37
Professional charges	37.85	37.67
Auditor's remuneration	0.62	0.52
Donations	0.30	0.05
Spend on CSR activities (Refer Note 39.5.18)	4.36	4.15
Non executive directors' fees / commission	2.41	1.26
Miscellaneous expenses	23.17	15.36
Bad debts and irrecoverable balances written off	3.50	1.44
Total	**546.08**	**500.25**

Notes to the Financial Statements

NOTE 38 : INCOME TAX

The note below details the major components of income tax expenses for the year ended 31 March 2018 and 31 March 2017. 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	2017-18	2016-17
Current tax	**78.01**	**79.68**
Current income tax	76.68	79.72
MAT credit utilised	-	-
(Excess)/short provision related to earlier years	1.33	(0.04)
Deferred tax	**(5.64)**	**(1.00)**
Relating to origination and reversal or temporary difference	(5.64)	(1.00)
Income tax expense reported in the statement of profit and loss	**72.37**	**78.68**

Other Comprehensive Income (OCI)

₹ in Crs.

Particulars	2017-18	2016-17
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	0.57	(0.30)
Deferred tax charged to OCI	**0.57**	**(0.30)**

Reconciliation of tax expense and the accounting profit multiplied by applicable tax rate as notified under Income Tax Act, 1961 enacted in India for the years ended 31 March 2018 and 31 March 2017.

Current tax

₹ in Crs.

Particulars	2017-18	2016-17
Accounting profit before income tax expense	222.48	252.30
Tax @ 34.608% (31 March 2017 : 34.608%)	**77.00**	**87.32**
Tax effect of adjustments in calculating taxable income:	**(4.63)**	**(8.64)**
Corporate Social Responsibility expenses/Donations (net)	0.86	0.86
Other Disallowances/(allowances)	1.71	6.30
Debit Balances written Off	2.13	0.13
Interest on MSMED	0.00	0.00
Dividend	0.00	0.00
Weighted Deduction of research & development expenditure (net)	(10.63)	(15.88)
Profit on Sale of Investment	(0.03)	(0.01)
(Excess)/short provision related to earlier years	1.33	(0.04)
At the effective income tax rate of 32.63 % (31 March 2017 : 31.18%)	**72.37**	**78.68**

NOTE 39: NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 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 Laxmanrao Kirloskar Road, Khadki, Pune – 411003. The equity shares of the Company are listed on two recognised stock exchanges in India i.e. BSE Limited and National Stock Exchange of India Limited.

The Company is engaged in the business of manufacturing of engines, generating sets, pump sets and power tillers and spares thereof.

The financial statements were approved by the Board of Directors and authorized for issue on 18 May 2018.

2. Basis of preparation of Financial Statements

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

The standalone financial statements have been prepared to comply in all material respects with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the said Act and the guidelines issued by the Securities and Exchange Board of India.

The standalone financial statements have been prepared on a historical cost basis, except for the investments which have been measured at fair value as they are classified as fair value through profit or loss or fair value through other comprehensive income.

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 future periods.

3.1. Judgements

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

Government grant

The Company was eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001 from 1 April 2008 to 31 March 2017. Further the company had determined the grant as grant related to income based on the evaluation of terms and conditions attached to the eligibility of grant and the Company accounts for the grant as Income in statement of profit and loss at the time when the sale was recognised.

Operating lease

The Company had entered into commercial property leases on its investment property portfolio. 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 commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties 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 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 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 39.5.10

Development costs

The Company capitalises development costs for a project in accordance with its accounting policy. Initially, capitalisation of costs is based on management's judgement that the technological and economic feasibility is confirmed when a product development project has reached a defined milestone, according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

For further details about the carrying amount of development costs capitalised as Internally generated intangible assets and as intangible assets under development, refer Note 3.

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.

Business combinations

In accounting of Business Combinations, estimation is involved in recognizing contingent consideration. This measurement is based on information available at the acquisition date and is based on expectations and assumptions that have been deemed reasonable by management.

Any subsequent changes to the fair value of contingent consideration classified as liabilities, other than measurement period adjustments, are recognized in the standalone statement of profit and loss.

4. Significant Accounting Policies

4.1. Current Vs Non Current Classification

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

An asset is current when it is:

a. Expected to be realised or intended to be sold or consumed in normal operating cycle.

b. Held primarily for the purpose of trading.

c. Expected to be realised within twelve months after the reporting period, or

d. Cash or cash equivalents 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 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the 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.

4.3. Property , Plant and Equipment

a. Property, plant and equipment; and construction in progress are stated at cost, 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 as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Standalone Statement of Profit and Loss as incurred.

b. Capital work-in-progress comprises cost of fixed assets 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 share of allocable expenses.

Depreciation and Amortization

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**
Land Leasehold and Leasehold improvements	Lease Period	Amortised over lease period.
Factory Buildings	30	Life as prescribed under Schedule-II of Companies Act, 2013.
Building- Non Factory		
RCC Frame Structure	60	
Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
Building – Roads		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	
Building - Temporary Shed	3	
Plant & Equipment other than Pattern Tooling	7.5 to 15	Useful life based on Number of Shifts as prescribed under Schedule-II of Companies Act, 2013.
Plant & Equipment - Pattern Tooling	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation.
Computers		
Network	6	Life as prescribed under Schedule-II of Companies Act, 2013.
End user devices, such as, desktops, laptops, etc.	3	
Servers	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation.
Electrical Installations	10	Life as prescribed under Schedule-II of Companies Act, 2013.
Furniture & Fixture		
Furniture, Fixtures and Electrical Fittings	10	Life as prescribed under Schedule-II of Companies Act, 2013.
Furniture, AC, Refrigerators and Water coolers - Residential Premises	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation.
AC, Refrigerators and Water coolers - Company and Guest House Premises	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation.
Office Equipment	5	Life as prescribed under Schedule-II of Companies Act, 2013.
Vehicles		Lower useful life considered based on past history of usage and supported by Technical Evaluation.
Motorcars, Jeep	5	
Trucks	5	
Other Vehicles	5	
Aircrafts	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation.

- Depreciation on additions is provided from the beginning of the month in which the asset is added.

- Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.

Foreign exchange fluctuation gain/ loss on imported plant and equipment were 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.

The Company, based on technical assessments made by technical experts and management estimates, depreciates certain items of plant and equipment; computers; furniture and fixtures; vehicles and aircraft over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Standalone 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. Investment properties

Investment properties were measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties were stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

Depreciation & Amortisation

Depreciation on investment property was calculated on a straight-line basis over the estimated useful life of assets as follows:

Asset Category	Life in Years	Basis for charging Depreciation
Land Leasehold and Leasehold improvements	Lease Period	Amortised over lease period.
Factory Buildings	30	Life as prescribed under Schedule-II of Companies Act, 2013.
Building- Non Factory		
RCC Frame Structure	60	
Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
Building - Roads		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	

An investment property is derecognised on disposal or on permanent withdrawal from use or when no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition 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.

Transfers are made to (or from) investment property only when there is a change in use. Transfers between investment property, owner-occupied property and inventories are at carrying amount of the property transferred.

4.5. 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.

Internally generated intangibles, excluding capitalised developments costs, are not capitalised and the related expenditure is reflected in the statement of profit and loss for the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The amortisation period and amortisation method for an intangible asset with a finite useful life 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 with finite useful lives 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
2	Drawings & Designs	10 years
3	Technical Knowhow - acquired	6 years
4	Technical Knowhow - Internally generated	3 to 5 years

Intangible assets with indefinite useful lives, if any are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition 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. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses.

4.6. 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 that asset. Other borrowing costs are recognized as expenses in the period in which these are incurred.

4.7. 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.

4.8. 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 (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

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

  - the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
  - the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income except for interest income, impairment gains or losses 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 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.

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(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.
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 following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost.
- Financial assets that are debt instruments and are measured as at FVOCI.
- Lease receivables under Ind AS 17.
- Trade receivables under Ind AS 18.

The Company follows ‘simplified approach’ for recognition of impairment loss allowance on:

- Trade receivables resulting from transactions within the scope of Ind-AS 18, if they do not contain a significant financing component.
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 18 that contain a significant financing component, if the Company applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 17.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Company is required to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss. This amount is reflected in a separate line in the P&L as an impairment gain or loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not derecognize impairment allowance from the gross carrying amount.

- Loan commitments: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

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 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. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

  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. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Company has not designated any financial liability as at fair value through profit and loss.

- 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.

  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) 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.

4.9. 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 or cost to the Company. Derivative contracts are not used for trading or speculation purpose.

All derivatives are measured at fair value through the profit or loss unless they form part of a qualifying cash flow hedge, in which case the fair value is taken to reserves and released into the statement of profit and loss at the same time as the risks on the hedged instrument are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value remaining in the statement of profit and loss. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third-party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. All hedging activity is explicitly identified and documented by the Company.

4.10. 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 revalorized at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c. Exchange Differences

Exchange differences 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 the corresponding asset. Further, as per extant circulars issued by the Ministry of Corporate Affairs, eligible exchange difference on foreign currency loans utilized for acquisition of assets, was adjusted in the cost of the asset to be depreciated over the balance life of the asset up to transition date of Ind AS.

4.11. Leases

a. **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.

b. **Where the Company is a lessor** - Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the statement of profit and loss on straight line basis.

4.12. Inventories

a. Raw materials, components, stores and spares are valued at cost or net realizable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition. Cost is ascertained using weighted average method.

b. Work-in-process including finished components and finished goods are valued at cost or realisable value whichever is lower. Cost includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity.

c. Materials-in-transit and materials in bonded warehouse are valued at actual cost incurred up to the date of balance sheet.

d. Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.

e. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.13. 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.

4.14. 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

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- 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:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- 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 profits 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 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.

Sales tax / GST

Expenses and assets are recognised net of the amount of sales tax / GST, except:

- When the sales tax/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax/GST included.

The net amount of sales tax/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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. 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, and:

(i) Represents a separate major line of business or geographical area of operations,

(ii) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

Or

(iii) Is a subsidiary acquired exclusively with a view to resale.

An entity does not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

4.16. Employee Benefits

a. Short Term Employee Benefits

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

b. Post-Employment Benefits

(i) Defined contribution plan

The Company makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the statement of profit and loss during the period in which the employee renders the related service. The Company has no further obligations under these schemes beyond its periodic contributions.

(ii) Defined benefit plan

The employee's gratuity fund scheme, pension, post-retirement medical and long term service award benefit schemes are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on a 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 or 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 case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

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

d. Termination Benefits :

Termination benefits such as compensation under voluntary retirement scheme 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.

4.17. 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.

4.18. Revenue Recognition

a. Revenue from sale of goods is recognised when all 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. It also includes excise duty and excludes Value added tax / Sales Tax. Sales are stated net of discounts, rebates and returns.

b. The Company normally sells extended warranty as separate product and revenue from sale of extended warranty is recognised on the straight line basis over the period of contract.

c. Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim is fulfilled.

d. Income from services is generally recognized on completion of performance of determinable significant act as per terms of specific contracts when no significant uncertainty exists regarding the amount of consideration that will be derived from the completion of said act.

e. Income from dividend on investments is accrued in the year in which it is authorized, whereby right to receive is established.

f. Profit / loss on sale of investments is recognized on the contract date.

g. Rental income arising from operating leases on investment properties 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.

4.19. Government Grant

Grants and subsidies from the government are recognized if the following conditions are satisfied,

- There is reasonable assurance that the Company will comply with the conditions attached to it.

- Such benefits are earned and reasonable certainty exists of the collection.

a. Export Incentives

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.

b. Industrial Promotion Subsidy

Government grants received with reference to Industrial Promotion Subsidy under Packaged Scheme of Incentives, 2001 was treated as grant related income and was recognized as other operating income in the statement of profit and loss as and when the Company made the sales.

c. Export Promotion Capital Goods

Government grants received with reference to export promotion capital goods scheme are initially recognised as deferred revenue and grant in proportion of export obligation achieved during the year is reduced from deferred revenue and recognized as other operating income in the statement of profit and loss.

4.20. 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. A corresponding amount is recognised directly in equity.

Non-cash distributions, if any , are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit and loss.

4.21. 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.

4.22. 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.

4.23. Segment Reporting

a. Identification of Segments

The Company's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof (Engine Business Segment) used for various applications such as Agriculture, Industrial, Stationery Power Plants, Construction Equipment, etc.

b. Allocation of common costs

Common allocable costs are allocated to the Engine Segment based on sales of engine segment to the total sales of the Company.

c. Unallocated items

Corporate assets and liabilities, income and expenses which relate to the Company as a whole and are not allocable to segments, are included under other reconciling items.

5. Additional Notes to the Financial Statements

5.1. Contingent Liabilities **(₹ in Crs.)**

	As at 31 Mar 2018	As at 31 Mar 2017
(A) Contingent Liabilities not provided for		
a. Disputed Central Excise Demands	33.74	33.62
b. Disputed Sales Tax & Octroi Demands	9.37	16.92
c. Disputed Customs Duty Demands	0.86	0.86
d. Disputed Income Tax Liability – matter under appeal	12.84	13.54
e. Claims against Company not acknowledged as debts	60.28	59.05
	117.09	**123.99**

(B) The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which, remaining future obligations aggregates USD 0.75 million (PY - USD 1.04 million). Non fulfillment of export obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the company is not achieve2d by the company under the said scheme, for the year ended 31 March 2018.

5.2.	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	30.11	9.33
5.3.	Other Commitments		
	Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis	22.36	34.23
5.4.	Charge of Hypothecation referred to in Note no. 23 for working capital facilities extends to letter of credit issued by the Company's bankers		
	Aggregate amount of such letters of credit outstanding	8.26	9.06

5.5. Commitments and contingencies

a. Leases

Operating lease commitments- Company as a lessee

The Company has not entered into non-cancellable operating leases and there are no minimum rental payables.

Operating lease commitments- Company as lessor

The Company was entered into operating leases on its investment property consisting of land and building till 30 April 2017.

b. Acquisitions

The Company, on 21 June 2017 executed definitive share purchase agreement for acquisition of 100 % equity shares in La-Gajjar Machineries Private Limited (LGM). On 1st August 2017 the company acquired 76% of equity shares of LGM as per the terms of share purchase agreement for consideration of ₹ 252.93 crs. Further, as per the said agreement, the company agreed to pay additional consideration with respect to certain identified projects, linked to EBITDA achieved up to 31 December 2018. As per extant guidelines of Ind AS 103, 'Business combination', this additional consideration being contingent in nature is to be fair valued. Accordingly, the fair value is estimated at ₹ 0.85 crs by applying the discounted cash flow approach to the expected EBITDA. This additional consideration, is capitalized as investment by creating corresponding financial liability in the standalone financials.

Further, the company has entered into a shareholders agreement on 21 June 2017 to purchase remaining 24% equity shares. The Company has a call option to acquire and simultaneously, shareholders of LGM have put option to sell the remaining 24% equity shares, to be exercised after holding period at a price based on mutually agreed upon formula. However, if the options are not exercised in the given option period, the company has to purchase remaining equity shares at the end of the option period by applying same formula agreed for at the time of exercising options.

The company has evaluated agreed upon formula to arrive at the purchase price of remaining 24% equity shares and concluded that it reasonably represents fair value from the point of view of average market participants. Hence, the option does not carry any intrinsic value.

5.6. Payment to Auditors (Net of taxes) **(₹ in Crs.)**

Sr. No.	Particulars	2017-18	2016-17
A	Statutory Auditors		
	a. As Auditors	**0.41**	**0.40**
	Audit Fees	0.31	0.30
	Tax Audit Fees	0.05	0.05
	Limited Review	0.05	0.05
	b. Certification fees & Assurance Services	0.12	0.03
	c. Reimbursement of expenses	0.01	0.01
	TOTAL (A)	**0.54**	**0.44**
B	Cost Auditors		
	a. As auditors	0.08	0.08
	b. In other capacity		
	Certification fees	0.00	-
	Reimbursement of expenses	0.00	-
	TOTAL (B)	**0.08**	**0.08**
	Grand Total (A+B)	**0.62**	**0.52**

5.7. The Sales for the current year includes an amount of ₹ 15.45 Crs (PY ₹ Nil) on account of supplies to SEZ.

5.8. The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2018.The disclosure pursuant to the said Act is as under.

(₹ in Crs.)

Particulars	**2017-18**	**2016-17**
Total outstanding to MSME suppliers	4.62	5.61
Payment made to suppliers (other than interest) beyond the appointed day, during the year	0.29	2.03
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.00	0.01
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.11	0.10

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

5.9. Research and Development Expenditure eligible for deduction under section 35(2AB) of Income Tax Act, 1961:

(₹ in Crs.)

No.	**Particulars**	**2017-18**	**2016-17**
A	**Revenue Expenditure**		
	Manufacturing Expenses :		
	Raw Material, Store, Spares & Tools Consumed	23.03	7.67
	Machinery Repairs	0.86	0.84
	Payments to & Provision for Employees :		
	Salaries, Wages, Bonus, Allowances, etc.	10.99	10.06
	Contribution to Provident & Other Funds & Schemes	0.77	0.74
	Other Benefits	0.05	0.01
	Utilities :		
	Power Charges	3.56	2.41
	Helper Charges	0.31	0.41
	Water Charges	0.02	0.10
	Other Expenses :		
	EDP Expenses	1.79	1.92
	Travelling & Conveyance Expenses	0.71	0.99
	Other Expense (net)	1.14	6.85
	Repairs	0.68	0.95
	Sub Total (A)	**43.91**	**32.95**
B	**Capital Expenditure**	**17.78**	**15.58**
C	**Less: Amount received from sale of Prototypes / Cost (whichever is higher)**	**0.00**	**1.31**
D	**Total Eligible Research & Development Expenditure (A+B-C)**	**61.69**	**47.22**

Approval for weighted deduction received from DSIR for the period 1 April 2017 to 31 March 2019.

5.10. Disclosure pursuant to Employee benefits:

A. Defined contribution plans:

Amount of ₹ 11.71 Crs. (31 March 2017: ₹ 11.86 Crs.) is recognised as expenses and included in Note No. 34 "Employee benefit expense"

B. Defined benefit plans:

The Company has following post employment benefits which are in the nature of defined benefit plans:

(a) Gratuity

(b) Pension, Post retirement medical scheme and Long-term award scheme

31 March 2018 : Changes in defined benefit obligation and plan assets (₹ In Crs)

		Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income						
	1 April 2017	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 34)	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31 March 2018
Gratuity												
Defined benefit obligation	(39.05)	(3.60)	(2.62)	(6.22)	4.18	-	0.17	1.38	0.90	2.45	-	(38.64)
Fair value of plan assets	38.65	-	2.72	2.72	(3.88)	-	-	(0.27)	0.04	(0.23)	3.16	40.43
Benefit liability	(0.40)	(3.60)	0.10	(3.50)	0.30	-	0.17	1.11	0.94	2.22	3.16	1.79
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(2.83)	(0.04)	(0.19)	(0.23)	0.44	-	(0.18)	0.14	(0.55)	(0.59)	-	(3.21)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(2.83)	(0.04)	(0.19)	(0.23)	0.44	-	(0.18)	0.14	(0.55)	(0.59)	-	(3.21)
Total benefit liability	**(3.23)**	**(3.64)**	**(0.09)**	**(3.73)**	**0.74**	**-**	**(0.01)**	**1.25**	**0.39**	**1.63**	**3.16**	**(1.42)**

31 March 2017 : Changes in defined benefit obligation and plan assets (₹ In Crs)

		Cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income						
	1 April 2016	Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 34)	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI	Contributions by employer	31 March 2017
Gratuity												
Defined benefit obligation	(34.80)	(3.54)	(2.62)	(6.16)	2.39	-	0.06	(1.57)	1.04	(0.47)	-	(39.05)
Fair value of plan assets	30.98	-	2.62	2.62	(2.24)	-	-	(0.23)	0.14	(0.09)	7.39	38.65
Benefit liability	(3.82)	(3.54)	(0.00)	(3.54)	0.14	-	0.06	(1.80)	1.18	(0.57)	7.39	(0.40)
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(2.61)	(0.04)	(0.19)	(0.24)	0.33	-	(0.01)	(0.28)	(0.04)	(0.31)	-	(2.83)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(2.61)	(0.04)	(0.19)	(0.24)	0.33	-	(0.01)	(0.28)	(0.04)	(0.31)	-	(2.83)
Total benefit liability	**(6.43)**	**(3.58)**	**(0.19)**	**(3.78)**	**0.47**	**-**	**0.05**	**(2.08)**	**1.14**	**(0.88)**	**7.39**	**(3.23)**

C. Other long-term employment benefits

The Company has Compensated Absences plan which is covered by other long-term employment benefits

31 March 2018 : Changes in defined benefit obligation and plan assets of Compensated absences (₹ In Crs.)

Particulars	1 April 2017	Cost charged to statement of profit and loss				Benefit paid	Contributions by employer	31 March 2018
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 34)			
Compensated absences								
Defined benefit obligation	(27.06)	(3.33)	(1.78)	2.28	(2.83)	3.88	-	(26.01)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	**(27.06)**	**(3.33)**	**(1.78)**	**2.28**	**(2.83)**	**3.88**	**-**	**(26.01)**

31 March 2017 : Changes in defined benefit obligation and plan assets of Compensated absences (₹ In Crs.)

Particulars	1 April 2016	Cost charged to statement of profit and loss				Benefit paid	Contributions by employer	31 March 2017
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 34)			
Compensated absences								
Defined benefit obligation	(22.41)	(3.09)	(1.67)	(1.80)	(6.56)	1.92	-	(27.06)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	**(22.41)**	**(3.09)**	**(1.67)**	**(1.80)**	**(6.56)**	**1.92**	**-**	**(27.06)**

The major categories of plan assets of the fair value of the total plan assets of Gratuity are as follows:

(₹ In Crs.)

Particulars	**Year ended 31 March 2018** (₹ In Crs.)	**Year ended 31 March 2017** (₹ In Crs.)
Special Deposit Scheme	7.28	6.96
(%) of total plan assets	18%	18%
Insured managed funds	0.81	0.77
(%) of total plan assets	2%	2%
Others	32.34	30.92
(%) of total plan assets	80%	80%

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

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Discount rate	7.80%	7.10%
Future salary increase	7.50%	7.50%
Expected rate of return on plan assets	7.10%	7.80%
Expected average remaining working lives (in years)		
Gratuity	7.84	8.45
Pension, Post retirement medical scheme and Long-term award scheme	6.42 - 10.42	7.61 - 11.15
Compensated Absences	7.84	8.45
Withdrawal rate (based on grade and age of employees)		
Gratuity	11.00%	9.00%-12.00%
Pension, Post retirement medical scheme and Long-term award scheme	11.00%	9.00%-12.00%
Compensated Absences	11.00%	9.00%-12.00%

A quantitative sensitivity analysis for significant assumption is as shown below:

Gratuity

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2018 (₹ In Crs.)	Year ended 31 March 2017 (₹ In Crs.)
Discount rate	1% increase	2.00	2.20
	1% decrease	(2.22)	(2.48)
Future salary increase	1% increase	(1.84)	(2.08)
	1% decrease	1.69	1.88
Withdrawal rate	1% increase	(0.03)	(0.07)
	1% decrease	0.03	(0.05)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Pension, Post retirement medical scheme and Long-term award scheme

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended 31 March 2018 (₹ In Crs.)	Year ended 31 March 2017 (₹ In Crs.)
Discount rate	1% increase	0.18	0.18
	1% decrease	(0.20)	(0.20)
Withdrawal rate	1% increase	0.09	0.00
	1% decrease	(0.08)	(0.03)

The sensitivity analyse above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected future benefit payments for the defined benefit plan :

Particulars	**Year ended 31 March 2018 (₹ In Crs.)**	**Year ended 31 March 2017 (₹ In Crs.)**
Within the next 12 months (next annual reporting period)		
Gratuity	7.10	5.60
Pension, Post retirement medical scheme and Long-term award scheme	0.40	0.40
Between 2 and 5 years	-	-
Gratuity	22.22	21.57
Pension, Post retirement medical scheme and Long-term award scheme	1.81	1.51
Beyond 5 years	-	-
Gratuity	17.42	18.15
Pension, Post retirement medical scheme and Long-term award scheme	2.29	1.74
Total expected payments	51.24	48.97

Weighted average duration of defined plan obligation (based on discounted cash flows)

Particulars	**Year ended 31 March 2018 Years**	**Year ended 31 March 2017 Years**
Gratuity	7.64	7.38
Pension, Post retirement medical scheme and Long-term award scheme	10.49-14.04	11.37-15.99

The followings are the expected contributions to planned assets for the next year:

Particulars	**Year ended 31 March 2018** (₹ In Crs.)	**Year ended 31 March 2017** (₹ In Crs.)
Gratuity	3.00	7.00

5.11. The Company's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof and hence the Company has considered "Engines" as the single reportable segment. As per Ind AS 108 "Operating Segments", company is required to disclose required segment details in consolidated financial statement. Hence, these details are disclosed under consolidated financial statement.

5.12. 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
1	Companies controlled by KOEL (KOEL controlling > 50% of voting power)	KOEL Americas Corp.USA
		La-Gajjar Machineries Private Limited (w.e.f. 1 August 2017)
2	Entity controlled by Key Managerial Personnel	Achyut & Neeta Holdings & Finance Private Limited
		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
3	Entity controlled by Close Member of Key Managerial Personnel	Alpak Investment Private Limited
		Snow Leopard Technology Ventures LLP

(ii) Key Management Personnel and their relatives:

Sr. No.	Name	Name of Relatives	Relationship
a	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
b	Gautam A. Kulkarni (Executive Vice Chairman) (upto 14 September 2017)	Jyotsna G. Kulkarni	Wife
		Ambar G. Kulkarni	Son
c	Nihal G. Kulkarni (Managing Director)	Shruti N. Kulkarni	Wife
		Ambar G. Kulkarni	Brother
		Jyotsna G. Kulkarni	Mother
d	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	2017-18		2016-17	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Gross Sales**				
	Subsidiary Company	**19.83**		**6.96**	
	KOEL Americas Corp.		19.83		6.96
	Total	**19.83**	**19.83**	**6.96**	**6.96**
2	**Purchases of Fixed Assets**				
	Entity controlled by Key Managerial Personnel	**24.92**		**-**	**-**
	Kirloskar Solar Technologies Private Limited	-	24.92	-	-
	Total	**-**	**-**	**-**	**-**
3	**Purchases of goods**				
	Subsidiary Company	**0.09**			
	La-Gajjar Machineries Private Limited		0.09		
	Entity controlled by Key Managerial Personnel	**2.53**		**1.61**	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		2.53		1.61
	Total	**2.62**	**2.62**	**1.61**	**1.61**
4	**Rendering of Services from**				
	Key Management Personnel	**13.46**		**15.00**	
	Atul C. Kirloskar		4.43		3.25
	Gautam A. Kulkarni		1.11		4.00
	Nihal G. Kulkarni		4.30		4.13
	Rajendra R. Deshpande		3.62		3.62
	Close member of Key Managerial Personnel	**0.28**		**0.23**	
	Rahul C. Kirloskar		0.18		0.17
	Gauri A. Kirloskar (Kolenaty)		0.10		0.06
	Entity controlled by Key Managerial Personnel	**21.82**		**19.32**	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		21.82		19.32
	Total	**35.56**	**35.56**	**34.55**	**34.55**
5	**Expenses paid to**				
	Subsidiary Company	**-**		**-**	
	KOEL Americas Corp.		-		-
	Total	**-**	**-**	**-**	**-**
6	**Reimbursement / (recovery) of Expenses**				
	Subsidiary Company	**0.43**		**0.13**	
	KOEL Americas Corp.		0.49		0.13
	La-Gajjar Machineries Private Limited		(0.06)		
	Total	**0.43**	**0.43**	**0.13**	**0.13**

(₹ in Crs.)

Sr. No.	Nature of the transaction / relationship / major parties	2017-18		2016-17	
		Amount	Amount from major parties	Amount	Amount from major parties
7	**Payables written back**				
	Subsidiary Company	**-**		**0.02**	
	KOEL Americas Corp.		-		0.02
	Total	**-**	**-**	**0.02**	**0.02**
8	**Interim Dividend and Final Dividend Paid**				
	Key Management Personnel	**23.17**		**-**	
	Atul C. Kirloskar		13.84		-
	Gautam A. Kulkarni		9.20		-
	Nihal G. Kulkarni		0.12		-
	Rajendra R. Deshpande		0.01		-
	Close member of Key Managerial Personnel	**28.93**		**-**	
	Rahul C. Kirloskar		13.30		-
	Arti A.Kirloskar		5.30		-
	Jyotsna G. Kulkarni		10.28		-
	Suman C. Kirloskar		0.05		-
	Entity controlled by Key Managerial Personnel	**0.06**		**-**	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.		0.05		-
	Navsai Investments Pvt. Ltd.		0.00		-
	Entity controlled by Close Member of Key Managerial Personnel	**0.00**		**-**	
	Alpak Investments Private Limited		0.00		-
	Total	**52.16**	**52.16**	**-**	**-**
9	**Investment made**				
	Subsidiary Company	**253.78**		**-**	
	La-Gajjar Machineries Private Limited		253.78		-
	Total	**253.78**	**253.78**	**-**	**-**

(₹ in Crs.)

Sr. No.	Nature of the transaction / relationship / major parties	As at 31st March 2018		As at 31st March 2017	
	Outstanding				
1	**Accounts Payable**				
	Subsidiary Company	**0.16**		**0.33**	
	KOEL Americas Corp.		0.09		0.33
	La-Gajjar Machineries Private Limited		0.07		
	Key Management Personnel				
	Commission	**7.20**		**7.30**	
	Atul C. Kirloskar		2.40		1.20
	Gautam A. Kulkarni		-		1.20
	Nihal G. Kulkarni		2.40		2.50
	Rajendra R. Deshpande		2.40		2.40
	Close member of Key Managerial Personnel	**0.18**		**0.16**	
	Rahul C. Kirloskar		0.12		0.12
	Gauri A. Kirloskar (Kolenaty)		0.06		0.04
	Superannuation	**0.13**		**0.31**	
	Atul C. Kirloskar		0.05		0.09
	Gautam A. Kulkarni		-		0.09
	Nihal G. Kulkarni		0.05		0.07
	Rajendra R. Deshpande		0.03		0.06
	Other Allowances	**0.04**		**-**	
	Atul C. Kirloskar		-		-
	Gautam A. Kulkarni		-		-
	Nihal G. Kulkarni		0.02		-
	Rajendra R. Deshpande		0.02		-
	Entity controlled by Key Managerial Personnel	**4.99**		**0.01**	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		1.45		0.01
	Kirloskar Solar Technologies Private Limited		3.54		
	Total	**12.70**	**12.70**	**8.11**	**8.11**
2	**Accounts Receivable**				
	Subsidiary Company	**10.68**		**1.58**	
	KOEL Americas Corp.		10.68		1.58
	Total	**10.68**	**10.68**	**1.58**	**1.58**
3	**Investment**				
	Subsidiary Company	**255.37**		**1.59**	
	KOEL Americas Corp.		1.59		1.59
	La-Gajjar Machineries Private Limited		253.78		
	Total	**255.37**	**255.37**	**1.59**	**1.59**

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. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2017: ₹ Nil). 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 2018 (31 March 2017: ₹ Nil)

Transactions with key management personnel

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

Particulars	**2017-18**	**2016-17**
Short-term employee benefits	12.91	14.38
Post employment benefits	0.55	0.62
Other long-term employment benefits	-	-
Termination benefits	-	-
Total compensation paid to key management personnel	13.46	15.00

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

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.

5.13. Earnings Per Share (Basic and Diluted)

Particulars	**2017-18**	**2016-17**
Profit for the year after taxation (₹ in Crs.)	150.11	173.62
Total number of equity shares at the end of the year	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Earning Per Share	14,46,14,326	14,46,14,326
Basic and Diluted Earnings Per Share (in ₹)	10.38	12.01

Earnings per share are calculated in accordance with Accounting Standard (Ind AS 33) "Earnings Per Share".

5.14. Fair value disclosures for financial assets and financial liabilities

The management believes that the fair values of non-current financial assets (e.g., Investments at FVPL, loans and others),current financial assets (e.g., cash and cash equivalents, trade and other receivables, loans), non-current financial liabilities and current financial liabilities(e.g. Trade payables and other payables and others) approximate their carrying amounts.

The Company has not performed a fair valuation of its investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 4), as the Company believes that impact of change on account of fair value is insignificant.

Fair value of unquoted investment in Mutual fund is determined by reference to Net Asset Value ('NAV') available from respective Assets Management Companies ('AMC').

5.15. 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 2018 and 31 March 2017 **(₹ In Crs.)**

Particulars	Fair value measurement using			
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
As at 31 March 2018				
Assets measured at fair value				
Investments				
Fair value through profit or loss				
Unquoted mutual fund (Note 9)	675.24	-	675.24	-
Fair value through OCI			-	
Unquoted equity shares (Note 4)	0.01	-	-	0.01
Assets held for disposal (Note 14)	2.08	-	-	2.08
Assets for which fair values are disclosed				
Investment property (Note 2)	-	-	-	-
Liabilities measured at fair value				
Contingent consideration for acquisition of Investment in subsidiary company *	0.85	-	-	0.85
As at 31 March 2017				
Assets measured at fair value				
Investments				
Fair value through profit or loss				
Unquoted mutual fund (Note 9)	988.23	-	988.23	-
Fair value through OCI				
Unquoted equity shares (Note 4)	0.01	-	-	0.01
Assets held for disposal (Note 14)	0.25	-	-	0.25
Assets for which fair values are disclosed				
Investment property (Note 2)	74.23	-	-	74.23

* The company has used the discounted cash flow approach for calculating fair value of contingent consideration for acquisition of investment in subsidiary company based on unobservable inputs of estimated revenues and earnings achievement. The company does not expect any material variation in these unobservable inputs.

5.16. Financial instruments risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Company's operations to support its operations. The Company's principal financial assets include Investments, loans, trade and other receivables, cash and short-term deposits and other financial assets that derive directly from its operations. The Company also enters into derivative transactions.

The company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Audit Committee and Board review financial risks and the appropriate risk governance framework for the company's financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below :

a. 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: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, deposits, Investments, trade and other receivables, trade and other payables and derivative financial instruments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2018 and 31 March 2017.

The analysis exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant statement of profit and loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2018 and 31 March 2017 including the effect of hedge accounting.

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. The Company' does not have any long term borrowings with floating interest rate. Thus the Company does not have any interest rate risk at present.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's net investments in foreign subsidiaries.

Amounts in Foreign Currencies in 000's

Nature of exposure	Currency	31 March 2018	31 March 2017
Receivable	USD	5,140	2,053
	EUR	-	-
	GBP	-	-
Payable	USD	2,371	1,658
	EUR	813	457
	GBP	120	13
	SEK	250	511
	CHF	0	4

The Company manages its foreign currency risk by hedging transactions related to sales & purchases.

At 31 March 2018 and 31 March 2017, the Company has hedged Nil and 976,726 USD, for 2-4 months, respectively, of its total foreign currency exposure. This foreign currency risk is hedged by using foreign currency forward contracts.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and GBP exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Company's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Company's exposure to foreign currency changes for all other currencies is not material.

(₹ in Crs.)

As at	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2018	+5%	0.90	0.90
	-5%	(0.90)	(0.90)
31 March 2017	+5%	0.13	0.13
	-5%	(0.13)	(0.13)

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2018	+5%	(0.33)	(0.33)
	-5%	0.33	0.33
31 March 2017	+5%	(0.16)	(0.16)
	-5%	0.16	0.16

As at	Change in GBP rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2018	+5%	(0.06)	(0.06)
	-5%	0.06	0.06
31 March 2017	+5%	(0.01)	(0.01)
	-5%	0.01	0.01

Commodity price risk

The Company is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase and manufacture of engines and therefore require a continuous supply of copper and steel. However, Company being the indirect user of these commodities, volatility in price of such commodity does not have direct or immediate impact on the profitability of the Company. Hence, the Company do not forsee any direct or immediate risk with respect to such commodity price fluctuation.

Other Price Risk

The company's portfolio of investments mainly consists of debt mutual fund with short term maturity. Hence management believes that this portfolio is not significantly susceptible to market risk.

b. **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 financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Receivables are reviewed, managed and controlled for each class of customers separately. Credit exposure risk is mainly influenced by class /type of customers, depending upon their characteristics. Credit risk is managed through credit approval process by establishing credit limits alongwith continuous monitoring of credit worthiness of customers to whom credit terms are granted. Wherever required, credit risk of receivables is further covered through letter of credit, bank guarantee, business deposits and such other forms of credit assurance schemes.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are combined into homogenous category and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are spread over vast spectrum.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made as per the approved investment policy. Investment limits are set to minimise the concentration of risks and therefore mitigate financial loss if any.

c. **Liquidity risk**

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Company has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Company to manage risk concentrations at both the relationship and industry levels.

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

(₹ in Crs.)

Particulars	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total
Year ended 31 March 2018						
Interest bearing borrowings	-	16.50	-	-	-	**16.50**
Other financial liabilities	21.71	8.21	32.42	0.23	17.08	**79.65**
Trade payables	0.11	411.26	8.20	-	-	**419.57**
Derivatives						
	21.82	**435.97**	**40.62**	**0.23**	**17.08**	**515.72**
Year ended 31 March 2017						
Interest bearing borrowings	-	12.45	-	-	-	**12.45**
Other financial liabilities	8.56	4.19	39.35	0.75	17.17	**70.02**
Trade payables	0.11	350.22	4.65	-	-	**354.98**
Derivatives	-	-	-	-	-	**-**
	8.67	**366.87**	**44.00**	**0.75**	**17.17**	**437.46**

5.17. 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.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

5.18. Expenditure on CSR Activities **(₹ in Crs.)**

1	Gross amount required to be spent by the company during the year	4.26
2	Amount spent during the year	4.36

40. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Ministry of Corporate Affairs (MCA) notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 on 28 March 2018. The Rules shall be effective from reporting period beginning on or after 1 April 2018 and cannot be early adopted.

a. Ind AS 115 - Revenue from contracts with customers

Ind AS 115, Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised goods or services and thus has the ability to direct the use and obtain the benefits from the goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard replaces Ind AS 18 Revenue and Ind AS 11 Construction contracts and related appendices.

A new five-step process must be applied before revenue can be recognised:

(i) Identify contracts with customers.

(ii) Identify the separate performance obligation.

(iii) Determine the transaction price of the contract.

(iv) Allocate the transaction price to each of the separate performance obligations, and

(v) Recognise the revenue as each performance obligation is satisfied.

The new standard is mandatory for financial years commencing on or after 1 April 2018 and early application is not permitted. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

There are consequential amendments to other Ind AS due to notification of Ind AS 115. The Company is in the process of evaluating the impact on the financial statements in terms of the amount and timing of revenue recognition under the new standard.

b. Ind AS 21 - The Effects of changes in foreign exchange rates

The MCA has notified Appendix B to Ind AS 21, Foreign currency transactions and advance consideration. The appendix clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, date of transaction should be determined as above for each payment or receipt.

The appendix can be applied:

(i) Retrospectively for each period presented applying Ind AS 8;

(ii) Prospectively to items in scope of the appendix that are initially recognized

- On or after the beginning of the reporting period in which the appendix is first applied (i.e. 1 April 2018); or

- From the beginning of a prior reporting period presented as comparative information (i.e. 1 April 2017).

The Company is in the process of evaluating the impact on the financial statements in terms of the amount and timing of revenue recognition under the new standard.

c. Ind AS 40 – Investment property

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was re-characterized as a non-exhaustive list of examples and scope of these examples have been expanded to include assets under construction / development and not only transfer of completed properties.

The amendment provides two transition options. Entities can choose to apply the amendment:

(i) Retrospectively without the use of hindsight; or

(ii) Prospectively to changes in use that occur on or after the date of initial application (i.e. 1 April 2018). At that date, an entity shall reassess the classification of properties held at that date and, if applicable, reclassify properties to reflect the conditions that exist as at that date.

There is no impact of this amendment to the Company.

d. Ind AS 12 – Income taxes

The amendments clarify the accounting for deferred taxes where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets set out below:

A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.

The estimate of future taxable profit may include the recovery of some of an entity's assets for more than its carrying amount if it is probable that the entity will achieve this. For example, when a fixed-rate debt instrument is measured at fair value, however, the entity expects to hold and collect the contractual cash flows and it is probable that the asset will be recovered for more than its carrying amount.

Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.

Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. This is to avoid double counting the deductible temporary differences in such assessment.

An entity shall apply the amendments to Ind AS 12 retrospectively in accordance with Ind AS 8. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

There is company is in process of evaluation the impact on financial statements.

e. Ind AS 28 – Investment in Associates and Ind AS 112 – Disclosure of Interest in other entities

Amendment clarifies that:

(i) Disclosure requirements of Ind AS 112 are applicable to interest in other entities classified as held for sale except for summarized financial information.

(ii) The option available with venture organizations, mutual funds, unit trusts and similar entities to measure their investments in associate or joint ventures at fair value through profit or loss (FVTPL) is available for each investment in an associate or joint venture.

There is no impact of this amendment to the Company.

41. Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2018

(₹ In Crs.)

Particulars	31 March 2018	31 March 2017
Cash and Cash Equivalents	55.98	11.01
Current Borrowings	(16.50)	(12.45)
Non-Current Borrowings	-	-
Net Debt	**39.48**	**(1.44)**

(₹ In Crs.)

Particulars	Cash and Cash Equivalents	Borrowings	Total
Net Debt as on 1st April 2017	**11.01**	**(12.45)**	**(1.44)**
Cash Flows	44.97	(4.05)	40.92
Other non-cash movement	-	-	-
Fair Value Adjustment	-	-	-
Net Debt as on 31st March 2018	**55.98**	**(16.50)**	**39.48**

42. Salient features of the financial statements of subsidiary for the year ended 31 March 2018

Form AOC-1

In accordance with section 129(3) of the Companies Act, 2013, the salient features of the financial statements of subsidiaries is given below:

(₹ in Crs.)

Particulars	KOEL Americas Corp.	La-Gajjar Machineries Private Limited
a The date since when subsidiary was Acquired / Incorporated	23 June 2015	1 August 2017
a Reporting period for the subsidiary concerned, if different from the holding company's reporting period	N. A.	N. A.
b Reporting currency as on the last date of the relevant financial year in the case of foreign subsidiaries	USD	INR
c Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	65.17	-
d Share capital	1.59	1.08
e Reserves and surplus	1.22	31.75
f Total assets	14.01	244.62
g Total liabilities	11.20	211.79
h Investments	-	-
i Turnover	24.06	219.92
j Profit / (Loss) before tax	0.98	(10.93)
k Provision for tax	0.25	(2.81)
l Profit / (Loss) after tax	0.73	(8.11)
m Proposed dividend	-	-
n % of shareholding	100%	76%

43. Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is as follows:

Subsidiary Company

1. KOEL Americas Corp.

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

There are no loans and advances in the nature of loans to Subsidiary companies.

There are no Investments in the firms/companies in which Directors are interested except as disclosed in Note 4(i) and (iii).

2. La-Gajjar Machineries Private Limited

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

There are no loans and advances in the nature of loans to Subsidiary companies.

There are no Investments in the firms/companies in which Directors are interested except as disclosed in Note 4(i) and (iii).

44. Previous year's figures have been re-grouped wherever considered necessary to make them comparable with those of the current year.

Signatures to Note 1 to 44, forming part of the Financial Statements.

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 18 May 2018

For and on behalf of the Board of Directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Joint Managing Director
DIN: 00007439

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary

Pune : 18 May 2018

CONSOLIDATED FINANCIAL REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LIMITED

Report on the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **Kirloskar Oil Engines Limited** (hereinafter referred to as "the Holding Company"), **KOEL Americas Corp. and La-Gajjar Machineries Private Limited** ("the subsidiaries"), (the Holding Company and its subsidiaries together referred to as "the Group") comprising of the Consolidated Balance Sheet as at 31 March 2018, the Consolidated Statement of Profit and Loss (including other comprehensive income), the Consolidated Cash Flow Statement and the consolidated statement of changes in equity for the year then ended, and a summary of the significant accounting policies and other explanatory information prepared based on the relevant records. (hereinafter referred to as "the consolidated Ind AS financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and changes in equity of the Group in accordance with accounting principles generally accepted in India including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules, 2015 (as amended) under Section 133 of the Act. The Holding Company's Board of Directors is also responsible for ensuring accuracy of records including financial information considered necessary for the preparation of consolidated Ind AS financial statements. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which has been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act and the Rules made thereunder including the accounting standards and matters which are required to be included in the audit report.

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated 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 Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us other than the unaudited financial statements as certified by the management and referred to in Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated 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 consolidated 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 Ind AS, of the consolidated state of affairs of the Group as at 31 March 2018, and its consolidated profit including other comprehensive income, their consolidated cash flows and consolidated changes in equity for the year ended on that date.

Other Matters

We did not audit the financial statements of overseas subsidiary i.e. KOEL Americas Corp. whose financial statements reflect total assets of ₹ 14.01 Crores and net assets of ₹ 2.81 Crores as at 31 March 2018, total revenue of ₹ 24.06 Crores, net profit of ₹ 0.73 Crores and net cash flows amounting to ₹ 2.33 Crores for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements are unaudited and have been furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements insofar as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-section (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiary is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work and the financial statements certified by the Management.

The financial information of Indian subsidiary for the year ended 31 March 2017 and the transition date opening balance sheet as at 1 April 2016, were based on the previously issued statutory financial statements for the years ended 31 March 2017 and 31 March 2016 prepared in accordance with the Companies (Accounting Standards) Rules, 2006 (as amended) which were audited by the predecessor auditor, who expressed an unmodified opinion vide reports dated 29 July 2017 and 7 September 2016 respectively. The adjustments to those financial statements for the differences in accounting principles adopted by the subsidiary on transition to the Ind AS have been audited by us, on which we have expressed an unmodified opinion vide our report dated, 27 April 2018.

Report on Other Legal and Regulatory Requirements

1. As required by Section143(3) of the Act, we report, to the extent applicable, 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 of the aforesaid consolidated Ind AS financial statements.

   b. In our opinion, proper books of account as required by law are maintained by the Holding Company and its subsidiaries included in the Group including relevant records relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and records of the Holding Company.

   c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained by the Holding Company and its subsidiaries included in the Group including relevant records relating to the preparation of the consolidated Ind AS financial statements.

   d. In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act read with relevant rules issued thereunder.

   e. On the basis of the written representations received from the directors of the Holding Company and its subsidiaries taken on record by the Board of Directors of the Holding Company none of the directors of the Group companies are disqualified as on 31 March 2018 from being appointed as a director in terms of Section 164 (2) of the Act.

   f. With respect to existence of internal financial controls with reference to financial statements of the Holding Company and its subsidiary companies and the operating effectiveness of such controls, refer to our separate Report in Annexure A.

   g. With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditor’s) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated Ind AS financial statements disclose the impact of pending litigations as at 31 March 2018 on the consolidated financial position of the Group. Refer Note 40 (5.1) to the consolidated Ind AS financial statements.

ii. The Group did not have any long-term contracts including derivative contracts as at 31 March 2018.

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies during the year ended 31 March 2018.

FOR **M/S P G BHAGWAT**
Chartered Accountants
Firm Registration Number : 101118W

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 18 May 2018

Annexure A to the Independent Auditor's Report of even date on the Consolidated Financial Statements of Kirloskar Oil Engines Limited.

Report on the Internal Financial Controls with reference to Consolidated Ind AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls with reference to Consolidated Ind AS Financial Statements of Kirloskar Oil Engines Limited ("the Holding Company") and its subsidiary company incorporated in India as of 31 March 2018 in conjunction with our audit of the Consolidated Ind AS Financial Statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding company and its subsidiary company incorporated in India are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 respective 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to financial statements of the Holding company and its subsidiary company incorporated in India 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 deemed to be prescribed under Section 143(10) of the Act 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 ICAI. 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 internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the existence of internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained in respect of Holding company and its subsidiary company incorporated in India, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system with reference to Consolidated Ind AS financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Holding and its subsidiary company incorporated in India, have, in all material respects, internal financial Control with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

FOR **M/S P G BHAGWAT**
Chartered Accountants
Firm Registration Number : 101118W

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 18 May 2018

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2018

₹ in Crs.

Particulars	Note No.	As at 31 March 2018	As at 31 March 2017
ASSETS			
I. Non-current assets		**808.48**	**522.99**
(a) Property, plant and equipment	1	407.21	385.12
(b) Capital work-in-progress	1	17.96	8.71
(c) Investment property	2	-	2.17
(d) Goodwill	3	224.59	-
(e) Other Intangible assets	3	39.48	52.50
(f) Intangible assets under development	3	12.22	6.20
(g) Financial assets			
(i) Investments	4	0.01	2.70
(ii) Trade receivables	10	1.60	-
(iii) Loans	5	0.17	0.42
(iv) Other financial assets	6	59.26	41.77
(h) Deferred tax assets (net)	22	2.75	(11.69)
(i) Other non-current assets	7	43.23	35.09
II. Current assets		**1,663.54**	**1,635.65**
(a) Inventories	8	344.57	226.09
(b) Financial assets			
(i) Investments	9	675.24	985.54
(ii) Trade receivables	10	401.65	201.26
(iii) Cash and cash equivalents	11a	60.53	12.96
(iv) Bank balance other than (iii) above	11b	9.79	7.03
(v) Loans	12	0.34	0.38
(vi) Other financial assets	13	41.01	65.70
(c) Assets held for sale	14	2.09	0.25
(d) Current tax assets (net)	15	4.32	1.34
(e) Other current assets	16	124.00	135.10
Total Assets		**2,472.02**	**2,158.64**
EQUITY AND LIABILITIES			
Equity		**1,569.54**	**1,617.17**
(a) Equity share capital	17	28.92	28.92
(b) Other equity			
Capital redemption reserve	18	0.20	0.20
General reserve	18	608.39	608.39
Retained earnings	18	931.93	979.57
Reserves representing unrealised gains/ losses	18	0.10	0.09
Equity attributable to equity holders of the parent		**1,569.54**	**1,617.17**
Non-controlling interests	18	-	-
Liabilities			
I. Non-current liabilities		**129.42**	**54.69**
(a) Financial liabilities			
(i) Borrowings	19	5.47	-
(ii) Other financial liabilities	20	88.64	17.92
(b) Long-term provisions	21	30.38	31.50
(c) Other non-current liabilities	23	4.93	5.27
II. Current liabilities		**773.06**	**486.78**
(a) Financial liabilities			
(i) Borrowings	24	134.01	12.45
(ii) Trade and other payables	25	488.66	354.87
(iii) Other financial liabilities	26	68.38	52.10
(b) Other current liabilities	27	19.50	18.47
(c) Short-term provisions	28	61.66	48.04
(d) Government grants	29	0.85	0.85
Total Equity and Liabilities		**2,472.02**	**2,158.64**
Significant accounting policies	40		

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

As per our attached report of even date	For and on behalf of the Board of Directors	
FOR M/S. P. G. BHAGWAT	NIHAL G. KULKARNI	R. R. DESHPANDE
Chartered Accountants	Managing Director	Joint Managing Director
Firm Registration Number : 101118W	DIN: 01139147	DIN: 00007439
NACHIKET DEO	T. VINODKUMAR	SMITA RAICHURKAR
Partner	Chief Financial Officer	Company Secretary
Membership Number : 117695		
Pune : 18 May 2018		Pune : 18 May 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2018

₹ in Crs.

Particulars	Note No.	2017-18	2016-17
Income			
Revenue from operations	30	3,110.79	2,878.34
Other income	31	71.80	84.04
Total Income		**3,182.59**	**2,962.38**
Expenses			
Cost of raw materials and components consumed	32	1,573.40	1,351.57
Purchase of traded goods	33	403.74	348.21
Changes in inventories of finished goods, work-in-progress and traded goods	34	(21.80)	(11.47)
Excise duty on sale of goods		55.33	204.73
Employee benefits expense	35	222.24	202.34
Finance costs	36	11.55	2.81
Depreciation and amortisation expense	37	111.93	110.72
Other Expenses	38	615.79	503.23
Expense capitalised		(2.12)	(2.41)
Total expenses		**2,970.06**	**2,709.73**
Profit before exceptional items and tax		**212.53**	**252.65**
Exceptional items		-	-
Profit before tax		**212.53**	**252.65**
Tax expense		**69.81**	**78.76**
Current tax	39	76.95	79.78
(Excess)/short provision related to earlier years		1.33	(0.04)
Deferred tax	39	(8.47)	(0.98)
Profit for the year		**142.72**	**173.89**
Other comprehensive income			
A. Other comprehensive income to be reclassified to profit or loss in subsequent periods:		**0.01**	**0.02**
Exchange differences in translating the financial statements of a foreign operation	18	0.01	0.02
Income tax effect		-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods (A)		0.01	0.02
B. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		**0.92**	**(0.57)**
Re-measurement gains / (losses) on defined benefit plans		1.41	(0.87)
Income tax effect on above		(0.49)	0.30
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (B)		0.92	(0.57)
Total other comprehensive income for the year, net of tax [A+B]		**0.93**	**(0.55)**
Total comprehensive income for the year, net of tax		**143.65**	**173.34**
Profit for the year attributable to:			
Owners of the Company		144.66	173.89
Non-controlling interest		(1.94)	-
		142.72	**173.89**
Other comprehensive income attributable to:			
Owners of the Company		0.97	(0.55)
Non-controlling interest		(0.04)	-
		0.93	**(0.55)**
Total comprehensive income attributable to:			
Owners of the Company		145.63	173.34
Non-controlling interest		(1.98)	-
		143.65	**173.34**
Earnings per equity share [nominal value per share ₹ 2/- (31 March 2017: ₹ 2/-)]			
Basic		10.00	12.02
Diluted		10.00	12.02
Significant accounting policies	40		

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

As per our attached report of even date

For and on behalf of the Board of Directors

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Joint Managing Director
DIN: 00007439

NACHIKET DEO
Partner
Membership Number : 117695
Pune : 18 May 2018

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary
Pune : 18 May 2018

STATEMENT OF CONSOLIDATED CASH FLOW THE YEAR ENDED 31 MARCH 2018

₹ in Crs.

Particulars	2017-18	2016-17
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	**212.53**	**252.65**
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
Depreciation and Amortisation	111.93	110.72
Loss on disposal of assets & Others	1.16	0.97
Inventories written down	12.58	4.15
Bad debts and irrecoverable balances written off	3.75	1.44
Allowance for Trade and Other Receivables (net)	9.34	0.41
Loss / (Profit) on Revalorisation on Imports	0.37	0.00
Loss / (Profit) on Revalorisation on Exports	(1.03)	0.36
Unrealised gains / losses on translation of foreign operation	0.01	0.02
Finance cost	11.55	2.81
Amortisation of rent expenses	1.07	1.07
	150.73	**121.95**
Less:		
Extended warranty revenue	2.04	2.57
Profit / (Loss) on sale of mutual fund investment at FVTPL (net)	51.21	62.22
Marked to Market gain on investment measured at FVTPL	2.78	3.14
Unwinding of interest on deposits	1.78	1.04
Interest received	1.18	0.49
Income from investment property	0.10	0.93
Sundry Credit Balances Appropriated	4.95	1.30
Provisions no longer required written back	1.80	1.90
Dividend received	0.00	0.00
	65.84	**73.59**
Operating Profit before working capital changes	**297.42**	**301.01**
Working Capital Adjustments		
(Increase) / Decrease in Government Grant	29.10	(35.79)
(Increase) / Decrease in Trade and Other Receivables	(79.98)	(67.14)
(Increase) / Decrease in Inventories	(52.77)	(24.45)
Increase / (Decrease) in Trade and other Payables	21.59	17.22
Increase / (Decrease) in Provisions	5.34	8.76
	(76.72)	**(101.40)**
Net Cash generated from operations	**220.70**	**199.61**
Direct taxes paid	(84.22)	(28.23)
NET CASH FLOW FROM OPERATING ACTIVITIES	**136.48**	**171.38**

		₹ in Crs.
Particulars	**2017-18**	**2016-17**
CASH FLOW FROM INVESTING ACTIVITIES		
Add :		
Proceeds from Sale of Property, Plant and Equipment	1.07	0.89
Proceeds from Sale of investments (Net)	366.98	-
Interest received (finance income)	1.18	0.49
Income from investment property	0.10	0.93
Dividend received	0.00	0.00
	369.33	**2.31**
Less :		
Purchase of investments (net)	-	134.12
Purchase consideration paid for acquisition of Subsidiary, net of cash (Refer Note 40.5.19)	251.29	-
Payment for Purchase of Property, Plant and Equipment	111.35	58.00
	362.64	**192.12**
NET CASH GENERATED FROM INVESTING ACTIVITIES	**6.69**	**(189.81)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bill discounting & borrowings (Net)	45.83	5.28
Interest paid (finance cost)	(10.89)	(2.80)
Final and Interim Dividend Paid	(108.46)	-
Tax on Final and Interim Dividend	(22.08)	-
NET CASH USED IN FINANCING ACTIVITY	**(95.60)**	**2.48**
Net increase / (decrease) in cash and cash equivalents	**47.57**	**(15.95)**
Opening Cash and Cash equivalents	**12.96**	**28.91**
Closing Cash and Cash equivalents (Refer Note 11a)	**60.53**	**12.96**

Refer Note No 42

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 18 May 2018

For and on behalf of the Board of Directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Joint Managing Director
DIN: 00007439

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary

Pune : 18 May 2018

Statement of changes in Equity for the year ended 31 March 2018

A. Equity Share Capital (Note 17)

₹ in Crs.

Equity Shares of ₹ 2 each issued, subscribed and fully paid	No. of Shares	Amount
At 1 April 2016	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
At 31 March 2017	**14,46,14,326**	**28.92**
Issue/Reduction, if any during the year	-	-
As at 31 March 2018	**14,46,14,326**	**28.92**

B. Other Equity (Note 18)

₹ in Crs.

Particulars	Attributable to the owners of the Company					Non-controlling interests	Total equity
	Reserves and Surplus			Items of OCI	Total		
	Capital Redemption Reserve	General Reserve	Retained Earnings	Foreign currency translation reserve			
At 1 April 2016	**0.20**	**608.39**	**806.25**	**0.07**	**1,414.91**	**-**	**1,414.91**
Profit for the year	-	-	173.89	-	173.89	-	173.89
Other comprehensive income for the year	-	-	(0.57)	0.02	(0.55)	-	(0.55)
Total Comprehensive income for the year	**-**	**-**	**173.32**	**0.02**	**173.34**	**-**	**173.34**
Any other movement	-	-	-	-	-	-	-
As at 31 March 2017	**0.20**	**608.39**	**979.57**	**0.09**	**1,588.25**	**-**	**1,588.25**
As at 1 April 2017	**0.20**	**608.39**	**979.57**	**0.09**	**1,588.25**	**-**	**1,588.25**
Additions during the year	-	-	-	-	-	9.86	9.86
Profit for the year	-	-	144.66	-	144.66	(1.94)	142.72
Other comprehensive income for the year	-	-	0.96	0.01	0.97	(0.04)	0.93
Total Comprehensive income for the year	**-**	**-**	**145.62**	**0.01**	**145.63**	**7.88**	**153.51**
Final dividend for year ended 31 March 2017	-	-	(72.31)	-	(72.31)	-	(72.31)
Tax on final dividend for the year ended 31 March 2017	-	-	(14.72)	-	(14.72)	-	(14.72)
Interim dividend for year ended 31 March 2018	-	-	(36.15)	-	(36.15)	-	(36.15)
Tax on Interim dividend for the year ended 31 March 2018	-	-	(7.36)	-	(7.36)	-	(7.36)
Adjustment towards Present value of future purchase consideration payable	-	-	(62.73)	-	(62.73)	(7.88)	(70.61)
As at 31 March 2018	**0.20**	**608.39**	**931.93**	**0.10**	**1,540.62**	**-**	**1,540.62**

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

As per our attached report of even date

For and on behalf of the Board of Directors

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Joint Managing Director
DIN: 00007439

NACHIKET DEO
Partner
Membership Number : 117695

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary

Pune : 18 May 2018

Pune : 18 May 2018

Notes to the Consolidated Financial Statements

NOTE 1 : PROPERTY, PLANT AND EQUIPMENT

₹ in Crs.

Particulars	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
Gross Block												
As At 31 March 2016	**-**	**11.66**	**155.24**	**894.65**	**28.11**	**10.61**	**37.38**	**5.28**	**58.96**	**35.50**	**1,237.39**	**3.85**
Additions	-	-	3.95	27.31	1.16	0.90	5.27	0.05	3.01	1.12	42.77	47.63
Asset Held of Disposal	-	-	-	12.63	0.09	-	-	0.01	-	0.19	12.92	-
Deductions / Amortization / Other adjustments	-	0.14	-	11.23	0.07	0.83	-	-	0.02	0.34	12.63	42.77
As At 31 March 2017	**-**	**11.52**	**159.19**	**898.10**	**29.11**	**10.68**	**42.65**	**5.32**	**61.95**	**36.09**	**1,254.61**	**8.71**
Additions	-	0.59	20.14	65.55	2.31	0.19	-	1.00	5.78	1.99	97.55	106.79
Acquisition through business combination (Refer Note 40.5.19)	-	0.74	-	38.83	3.99	3.54	-	4.49	3.42	-	55.01	
Asset Held of Disposal	-	-	-	2.35	0.11	-	-	0.08	-	0.15	2.69	-
Deductions / Amortization / Other adjustments	-	0.14	-	3.30	0.17	0.23	-	0.02	2.39	0.05	6.30	97.55
As At 31 March 2018	**-**	**12.71**	**179.33**	**996.83**	**35.13**	**14.18**	**42.65**	**10.71**	**68.76**	**37.88**	**1,398.18**	**17.96**
Depreciation												
Upto 1 April 2016	**-**	**-**	**33.97**	**658.24**	**11.69**	**5.80**	**19.52**	**3.64**	**41.58**	**18.72**	**793.16**	**-**
For the year	-	-	6.41	73.36	2.84	1.51	3.22	0.58	7.91	4.00	99.83	-
Asset Held of Disposal	-	-	-	11.11	0.09	-	-	0.01	-	0.16	11.37	-
Deductions / Amortization / Other adjustments	-	-	-	10.96	0.07	0.74	-	-	0.02	0.34	12.13	-
As At 31 March 2017	**-**	**-**	**40.38**	**709.53**	**14.37**	**6.57**	**22.74**	**4.21**	**49.47**	**22.22**	**869.49**	**-**
For the year	-	0.43	6.45	70.59	2.62	1.69	2.95	0.69	7.10	3.91	96.43	-
Acquisition through business combination (Refer Note 40.5.19)	-	0.30	-	19.74	3.37	2.12	-	3.25	3.10	-	31.88	-
Asset Held of Disposal	-	-	-	2.26	0.11	-	-	0.08	-	0.15	2.60	-
Deductions / Amortization / Other adjustments	-	-	-	2.28	(0.30)	0.21	-	(0.30)	2.29	0.05	4.23	-
As At 31 March 2018	**-**	**0.73**	**46.83**	**795.32**	**20.55**	**10.17**	**25.69**	**8.37**	**57.38**	**25.93**	**990.97**	**-**
Net Block												
As At 31 March 2016	-	11.66	121.27	236.41	16.42	4.81	17.86	1.64	17.38	16.78	444.23	3.85
As At 31 March 2017	**-**	**11.52**	**118.81**	**188.57**	**14.74**	**4.11**	**19.91**	**1.11**	**12.48**	**13.87**	**385.12**	**8.71**
As At 31 March 2018	**-**	**11.98**	**132.50**	**201.51**	**14.58**	**4.01**	**16.96**	**2.34**	**11.38**	**11.95**	**407.21**	**17.96**

Notes :

1. Gross block is at Cost except leasehold land which is net of amount written off.
2. For Depreciation and amortisation refer accounting policy (Note 40.4.3).
3. Capital work in progress: Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is ₹ 17.96 Crs. (31 March, 2017: ₹ 8.71 Crs.).
4. The company had adopted deemed cost exemption under Ind AS 101, on transition date of 1 April 2015. The information of Gross block, and accumulated Depreciation as on 1 April 2015 is carried forward for disclosures.
5. Note 1 of Property, Plant and equipment includes assets at Research & Development facility, the details of which are as under.

Notes to the Consolidated Financial Statements

Property, Plant and equipment : Research and Development facility (Below figures are included in Note 1: Property, Plant and equipment)

₹ in Crs.

Particulars	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block											
As At 31 March 2016	**-**	**-**	**-**	**61.86**	**5.13**	**-**	**-**	**0.12**	**1.15**	**1.99**	**70.25**
Additions	-	-	-	13.91	0.17	-	-	0.01	0.58	0.99	15.66
Inter transfers - Net	-	-	-	4.77	-	-	-	-	-	-	4.77
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization / Other adjustments	-	-	-	-	-	-	-	-	-	-	-
As At 31 March 2017	**-**	**-**	**-**	**80.54**	**5.30**	**-**	**-**	**0.13**	**1.73**	**2.98**	**90.68**
Additions	-	-	-	17.23	-	-	-	-	-	0.55	17.78
Inter transfers - Net	-	-	-	(1.29)	-	-	-	-	-	-	(1.29)
Asset Held of Disposal	-	-	-	1.28	-	-	-	-	-	-	1.28
Deductions / Amortization / Other adjustments	-	-	-	0.45	-	-	-	-	0.05	-	0.50
As At 31 March 2018	**-**	**-**	**-**	**94.75**	**5.30**	**-**	**-**	**0.13**	**1.68**	**3.53**	**105.39**
Depreciation											
Upto 1 April 2016	-	-	-	33.55	0.53	-	-	0.11	1.12	0.80	36.11
For the year	-	-	-	5.75	0.68	-	-	-	0.12	0.23	6.78
Inter transfers - Net	-	-	-	3.56	-	-	-	-	-	-	3.56
Asset Held of Disposal	-	-	-	-	-	-	-	-	-	-	-
Deductions / Amortization / Other adjustments	-	-	-	-	-	-	-	-	-	-	-
As At 31 March 2017	**-**	**-**	**-**	**42.86**	**1.21**	**-**	**-**	**0.11**	**1.24**	**1.03**	**46.45**
For the year	-	-	-	7.07	0.68	-	-	-	0.18	0.32	8.25
Inter transfers - Net	-	-	-	(0.63)	-	-	-	-	-	-	(0.63)
Asset Held of Disposal	-	-	-	1.24	-	-	-	-	-	-	1.24
Deductions / Amortization / Other adjustments	-	-	-	0.37	-	-	-	-	0.05	-	0.42
As At 31 March 2018	**-**	**-**	**-**	**47.69**	**1.89**	**-**	**-**	**0.11**	**1.37**	**1.35**	**52.41**
Net Block											
As At 31 March 2016	-	-	-	28.31	4.60	-	-	0.01	0.03	1.19	34.14
As At 31 March 2017	**-**	**-**	**-**	**37.68**	**4.09**	**-**	**-**	**0.02**	**0.49**	**1.95**	**44.23**
As At 31 March 2018	**-**	**-**	**-**	**47.06**	**3.41**	**-**	**-**	**0.02**	**0.31**	**2.18**	**52.98**

Notes to the Consolidated Financial Statements

NOTE 2 : INVESTMENT PROPERTY

₹ in Crs.

Particulars	Land Freehold	Land Leasehold	Buildings	Total
Gross Block				
As At 1 April 2016	**-**	**0.01**	**4.73**	**4.74**
Additions	-	-	-	-
Asset held for Disposal	-	-	-	-
Deductions / Amortization / Other adjustments	-	0.00	-	0.00
As At 31 Mar 2017	**-**	**0.01**	**4.73**	**4.74**
Additions	-	-	-	-
Asset held for Disposal	-	0.01	4.73	4.74
Deductions / Amortization / Other adjustments	-	0.00	-	0.00
As At 31 Mar 2018	**-**	**0.00**	**-**	**0.00**
Depreciation				
Upto 1 April 2016	**-**	**-**	**2.46**	**2.46**
For The Year	-	-	0.11	0.11
Asset held for Disposal	-	-	-	-
Deductions / Amortization / Other adjustments	-	-	-	-
As At 31 Mar 2017	**-**	**-**	**2.57**	**2.57**
For The Year	-	-	0.11	0.11
Asset held for Disposal	-	-	2.68	2.68
Deductions / Amortization / Other adjustments	-	-	-	-
As At 31 Mar 2018	**-**	**-**	**-**	**-**
Net Block				
As At 1 April 2016		0.01	2.27	2.28
As At 31 Mar 2017	**-**	**0.01**	**2.16**	**2.17**
As At 31 Mar 2018	**-**	**0.00**	**-**	**0.00**

Notes :

1. Gross block is at Cost except leasehold land which is net of amount written off.
2. For Depreciation and amortisation refer accounting policy (Note 40.4.4).

Notes to the Consolidated Financial Statements

NOTE 2 : INVESTMENT PROPERTY

Information regarding income and expenditure of Investment property

₹ in Crs.

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Rental income derived from Investment properties	0.10	0.93
Direct operating expenses (including repairs and maintenance) generating rental income	0.06	0.07
Direct operating expenses (including repairs and "maintenance) that did not generate rental income"	-	-
Profit arising from investment properties before depreciation and indirect expenses	**0.04**	**0.86**
Less : Depreciation	0.11	0.11
Profit arising from investment properties before indirect expenses	**(0.07)**	**0.75**

As at 31 March 2017, the fair values of the properties are based on valuations performed by an accredited independent valuer, who is a specialist in valuing these types of investment properties.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value hierarchy disclosures for investment properties are in Note 40.5.15.

Fair value of the Investment properties are as under

₹ in Crs.

Fair value	Land Leasehold	Factory Building	Total
Balance as at 1 April 2016	**60.49**	**13.11**	**73.60**
Fair value difference for the year	-	0.63	0.63
Add : Purchases	-	-	-
Balance as at 31 March 2017	**60.49**	**13.74**	**74.23**
Fair value difference for the year	-	-	-
Add: Purchases	-	-	-
Less : Transfer	60.49	13.74	74.23
Balance as at 31 March 2018	**-**	**-**	**-**

Particulars	Valuation techniques	Significant unobservable inputs	Range of change in fair value per 5% (+/-) change in rate per sq. mtr.	
			31 March 2018	31 March 2017
Leasehold land	Direct Comparison Approach	Sales price of similar properties adjusted for peculiar factors of the property valued	N.A.	₹ 3 Crs.
Factory Building	Direct Comparison Approach	Sales price of similar properties adjusted for peculiar factors of the property valued	N.A.	₹ 0.70 Crs.

Direct Comparison Approach: The direct comparison approach involves a comparison of the subject property to similar properties that have actually been sold in arms-length distance from Subject Property or are offered for sale in the same region. This approach demonstrates what buyers have historically been willing to pay (and sellers willing to accept) for similar properties in an open and competitive market, and is particularly useful in estimating the value of the land and properties that are typically traded on a unit basis. This approach leads to a reasonable estimation of the prevailing land price.

Notes to the Consolidated Financial Statements

NOTE 3 : OTHER INTANGIBLE ASSETS AND GOODWILL

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow-Acquired	Technical Knowhow-Internally generated	Total	Goodwill	Capital work-in-progress
Gross Block							
As At 1 April 2016	**35.70**	**11.12**	**3.74**	**18.58**	**69.14**	**-**	**25.41**
Additions	1.73	-	-	30.63	32.36	-	13.15
Recoupment / Adjustment	-	-	-	-	-	-	-
Deductions / Amortization / Other adjustments	-	-	-	0.31	0.31	-	32.36
As At 31 Mar 2017	**37.43**	**11.12**	**3.74**	**48.90**	**101.19**	**-**	**6.20**
Additions	2.25	-	-	-	2.25	-	8.26
Acquisition through business combination (Refer Note 40.5.19)	-	-	-	-	-	227.30	
Recoupment / Adjustment	(0.13)	-	-	-	(0.13)	-	-
Deductions / Amortization / Other adjustments	-	-	-	-	-	-	2.24
As At 31 Mar 2018	**39.55**	**11.12**	**3.74**	**48.90**	**103.31**	**227.30**	**12.22**
Depreciation							
Upto 1 April 2016	**18.35**	**11.12**	**3.74**	**4.95**	**38.16**	**-**	**-**
For The Year	5.18	-	-	5.46	10.64	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-
Deductions / Amortization / Other adjustments	-	-	-	0.11	0.11	-	-
As At 31 Mar 2017	**23.53**	**11.12**	**3.74**	**10.30**	**48.69**	**-**	**-**
For The Year	5.58	-	-	9.67	15.25	-	-
Acquisition through business combination (Refer Note 40.5.19)	0.02	-	-	-	0.02	2.71	
Recoupment / Adjustment	(0.13)	-	-	-	(0.13)	-	-
Deductions / Amortization / Other adjustments	-	-	-	-	-	-	-
As At 31 Mar 2018	**29.00**	**11.12**	**3.74**	**19.97**	**63.83**	**2.71**	**-**
Net Block							
As At 1 April 2016	17.35	-	-	13.64	30.99	-	25.41
As At 31 Mar 2017	**13.90**	**-**	**-**	**38.60**	**52.50**	**-**	**6.20**
As At 31 Mar 2018	**10.55**	**-**	**-**	**28.93**	**39.48**	**224.59**	**12.22**

Notes :

1. Intangible Assets are amortised on Straight Line method.
2. For Depreciation and amortisation refer accounting policy (Note 40.4.5).
3. Capital work in progress: Capital work-in-progress comprises cost of assets that are not yet installed and ready for their intended use at the balance sheet date. Total amount of CWIP is ₹ 12.22 Crs. (31 March, 2017: ₹ 6.20 Crs.).
4. Note 3 of Other Intangible assets includes assets at Research & Development facility, the details of which are as under.
5. Goodwill includes ₹ 222.56 Crs. arising on account of consolidation.

Notes to the Consolidated Financial Statements

Other Intangible assets : Research and Development facility
(Below figures are included in Note 3 : Other Intangible assets)

₹ in Crs.

Particulars	Computer Software	Drawings & Designs	Technical Knowhow Acquired	Technical Knowhow Internally generated	Total
Gross Block					
As At 1 April 2016	**10.74**	**10.42**	**-**	**18.58**	**39.74**
Additions	1.08	-	-	30.63	31.71
Inter Transfers	1.85	-	1.50	-	3.35
Recoupment / Adjustment	-	-	-	-	-
Deductions / Amortization / Other adjustments	-	-	-	0.32	0.32
As At 31 Mar 2017	**13.67**	**10.42**	**1.50**	**48.89**	**74.48**
Additions	0.95	-	-	-	0.95
Inter Transfers	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions / Amortization / Other adjustments	-	-	-	-	-
As At 31 Mar 2018	**14.62**	**10.42**	**1.50**	**48.89**	**75.43**
Depreciation					
Upto 1 April 2016	**5.20**	**10.42**	**-**	**4.95**	**20.57**
For The Year	1.39	-	-	5.46	6.85
Inter Transfers	1.85	-	1.50	-	3.35
Recoupment / Adjustment	-	-	-	-	-
Deductions / Amortization / Other adjustments	-	-	-	0.10	0.10
As At 31 Mar 2017	**8.44**	**10.42**	**1.50**	**10.31**	**30.67**
For The Year	1.57	-	-	9.67	11.24
Inter Transfers	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-
Deductions / Amortization / Other adjustments	-	-	-	-	-
As At 31 Mar 2018	**10.01**	**10.42**	**1.50**	**19.98**	**41.91**
Net Block					
As At 1 April 2016	5.54	-	-	13.63	19.17
As At 31 Mar 2017	**5.23**	**-**	**-**	**38.58**	**43.81**
As At 31 Mar 2018	**4.61**	**-**	**-**	**28.91**	**33.52**

Notes to the Consolidated Financial Statements

NOTE 4 : NON-CURRENT INVESTMENTS

₹ in Crs.

Particulars	Par Value / Face Value Per Unit	As at 31 March 2018		As at 31 March 2017	
		Nos.	₹ in Crs	Nos.	₹ in Crs
(i) At Fair value through Profit or Loss (FVTPL)					
Investment					
In unquoted mutual fund					
HDFC Group Unit Linked Plan (Debt Instrument)	10 ₹	-	-	13,55,118	2.69
(ii) At Fair value through Other Comprehensive Income (FVOCI)					
Investment					
In Unquoted Equity Instruments					
Kirloskar Proprietary Limited - Equity Share (Fully Paid up)	100 ₹	1	0.00	1	0.00
S.L.Kirloskar CSR Foundation - Equity Shares (Fully paid up)	10 ₹	9,800	0.01	9,800	0.01
Total			**0.01**		**2.70**

Notes :

1.	Aggregate amount of Unquoted Investments	0.01	2.70

2. Face value per unit in Rupees unless otherwise stated.
3. Refer Note 40.5.14 and 40.5.15 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments.
4. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

NOTE 5 : LOANS (NON CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Loans to employees (unsecured, considered good)	0.17	0.42
Total	**0.17**	**0.42**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

NOTE 6 : OTHER FINANCIAL ASSETS (NON CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Security deposits (Unsecured, considered good)	44.54	28.76
Subsidy receivable under PSI scheme, 2001	14.55	12.83
Others	0.17	0.18
Total	**59.26**	**41.77**

1. Other financial assets are measured at amortised cost.
2. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

NOTE 7 : OTHER NON-CURRENT ASSETS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Capital advances	4.66	1.76
Prepaid expenses	1.83	0.45
Tax paid in advance (net of provision) (Refer Note 15)	36.49	32.88
Statutory dues paid under dispute	0.25	-
Other Advances to suppliers	**-**	**-**
Unsecured, considered good	-	-
Doubtful	0.21	0.14
Less : Provision for doubtful advances	(0.21)	(0.14)
Total	**43.23**	**35.09**

NOTE 8 : INVENTORIES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Raw materials	**154.09**	**120.28**
Raw materials and components	150.88	119.26
Raw materials in transit	3.21	1.02
Work-in-progress	41.55	18.07
Finished goods	95.30	57.38
Traded goods	38.72	17.22
Stores and spares	14.91	13.14
Total	**344.57**	**226.09**

Inventories written down to net realisable value during the year ended 31 March 2018 ₹ 12.58 Crs. (31 March 2017: ₹ 4.15 Crs.) were recognised as an expense in the statement of profit and loss during the year.

Notes to the Consolidated Financial Statements

NOTE 9 : CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2018		As at 31 March 2017	
	In ₹	Nos.	₹ in Crs.	Nos.	₹ in Crs.
At Fair value through Profit or Loss (FVTPL)					
Unquoted Investment					
Current Portion of Long Term Investment					
HDFC Group Unit Linked Plan (Debt Instrument)	10	-	-	6,73,238	1.34
			-		**1.34**
Other Current Investment					
Investments In Mutual Funds					
Fixed Maturity Plan - Growth Option					
HDFC FMP 92D February 2018 (1) - Regular - Growth Series - 39	10	1,50,00,000	15.11	-	-
ICICI Prudential Fixed Maturity Plan Series 82-103 days plan O Cumulative	10	2,00,00,000	20.13	-	-
Reliance Quarterly Interval Fund - Series II - Growth Plan Growth Option (K5RGG)	10	1,48,13,185	35.37	-	-
Reliance Fixed Horizon Fund - XXXVI - Series 4 - Growth Plan (N4GPG)	10	1,50,00,000	15.12	-	-
UTI-Fixed Income Interval Fund - V- Quarterly Interval Plan- Retail Option - Growth	10	71,61,203	15.15	-	-
			100.88		-
Liquid Scheme - Growth Option					
Axis Liquid Fund - Growth (CF-GP)	1,000	-	-	5,06,975	91.16
Baroda Pioneer Liquid Fund - Plan A Growth	1,000	1,59,053	31.64	-	-
Birla Sun life Cash Plus - Growth - Regular plan	100	-	-	16,89,447	44.01
Aditya Birla Sun life Savings Fund - Growth - Regular Plan	100	11,25,159	38.47	33,64,940	107.22
DHFL Pramerica Insta Cash Plus Fund - Growth	100	19,16,515	43.12	11,87,561	25.02
DSP Blackrock Liquidity Fund - Institutional Plan - Growth	1,000	-	-	1,08,049	25.05
HDFC Liquid Fund Regular Plan - Growth	1,000	-	-	87,642	28.04
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Regular plan - Growth	10	2,14,55,311	64.89	3,83,24,038	108.34
ICICI Prudential Liquid Plan - Growth	100	18,76,980	48.12	22,11,133	53.10
ICICI Prudential - Money Market Fund - Growth	100	8,36,346	20.03	16,05,182	36.02
ICICI Prudential Flexible Income - Growth	100	19,19,918	63.99	34,51,127	107.45
IDFC Cash Fund - Growth - (Regular Plan)	1,000	1,33,308	28.04	-	-
Invesco India Liquid Fund - Growth (LF-SG)	1,000	2,58,437	61.60	1,12,178	25.04
KOTAK Floater Short Term - Growth (Regular Plan)	1,000	1,23,238	35.06	-	-
L & T liquid fund - Regular Growth	1,000	1,22,372	29.07	1,12,583	25.05
Reliance Medium Term Fund - Growth Plan - Growth Option (IPGPG)	10	-	-	2,23,52,812	76.28
Reliance Liquid Fund - Treasury Plan - Growth Plan - Growth Option (LFIGG)	1,000	-	-	2,53,171	100.10
SBI Premier Liquid Fund - Regular Plan - Growth	1,000	1,84,429	50.08	-	-
UTI Liquid Cash Plan - Institutional - Growth	1,000	-	-	1,96,021	52.08
UTI Treasury Advantage Fund - Institutional Plan - Growth	1,000	2,51,545	60.25	3,57,952	80.24
			574.36		**984.20**
Total			**675.24**		**985.54**

Notes :

1. Aggregate amount of Unquoted Investments 675.24 985.54
2. Face value per unit in Rupees unless otherwise stated.
3. Fair value disclosures for financial assets and liabilities are stated in Note 40.5.14 and fair value hierarchy disclosures for investment are stated in Note 40.5.15.
4. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

NOTE 10 : TRADE RECEIVABLES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Total Trade Receivables	**401.65**	**201.26**
Trade receivables [Refer note (1) below]	401.65	201.26
Break-up for security details:	**401.65**	**201.26**
Secured, considered good	-	-
Unsecured, considered good	401.65	201.26
Doubtful	23.16	12.10
Impairment Allowance (allowance for bad and doubtful debts)	(23.16)	(12.10)
Total	**401.65**	**201.26**

1. Trade receivables are measured at amortised cost.
2. Trade receivable to the extend of ₹ 1.60 Crs (31 March 2017 : ₹ Nil) due to be settled after twelve months after the reporting period are shown under Non Current financial assets.
3. No trade or other receivable are due from directors or other officers of the Group either severally or jointly with any other person. Trade or other receivables due from firms or private companies respectively in which any director is a partner, a director or a member ₹ 8.41 Crs. (31 March 2017 : ₹ 7.86 Crs)

   For terms and conditions relating to related party receivables, refer Note 40.5.12
4. Movement of impairment Allowance (allowance for bad and doubtful debts)

Particulars	₹ in Crs.
At 1 April 2016	**11.58**
Provided during the year	2.53
Amounts written off	(1.42)
Amount written back	(0.59)
At 31 March 2017	**12.10**
Provided during the year	9.16
Acquisition through business combination (Refer Note 40.5.19)	1.92
Amounts written off	(0.02)
Amount written back	-
At 31 March 2018	**23.16**

5. Refer Note 40.5.16 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.
6. The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, the Group has retained late payment and credit risks.
   The Group therefore continues to recognise these assets in the entirety in its balance sheet. The amount repayable under this arrangement is presented as secured borrowings.

Notes to the Consolidated Financial Statements

The relevant carrying amounts are as follows:-

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Total transferred receivables w.r.t. Bills discounted	16.50	8.13
Related secured borrowings (Refer Note 24)	16.50	8.13

NOTE 11a : CASH AND CASH EQUIVALENTS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Balance with Bank		
Current accounts and debit balance in cash credit accounts	60.50	12.31
Cash in transit	-	0.63
Cash on hand	0.03	0.02
Total	**60.53**	**12.96**

NOTE 11b : OTHER BANK BALANCES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Unpaid dividend accounts	9.23	7.03
Deposits with original maturity of more than three months but less than 12 months	0.56	-
Total	**9.79**	**7.03**

1. Refer Note 40.5.16 for further details
2. Fixed Deposits are pledged with the banks as margin money against Letter of Credit / Bank Guarantee.

NOTE 12 : LOANS (CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Loans to employees (unsecured, considered good)	0.34	0.38
Total	**0.34**	**0.38**

1. Loans are measured at amortised cost.
2. Loans are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Company. The carrying value may be affected by changes in the credit risk of the counterparties.
3. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

NOTE 13 : OTHER FINANCIAL ASSETS (CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Security deposits (Unsecured, considered good)	0.02	0.33
Subsidy receivable under PSI scheme, 2001	30.16	61.66
Export incentive receivable	6.08	3.54
Others	4.75	0.17
Total	**41.01**	**65.70**

1. Other financial assets are measured at amortised cost.
2. Others includes, Change in fair valuation of Derivatives (Foreign exchange forward contracts) designated as hedging instruments and intended to reduce the level of foreign currency risk for expected sales as of 31 March 2018 Nil (31 March 2017 : USD 9,76,726) & Interest Receivable on FDR and Insurance claim receivable.
3. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

NOTE 14 : ASSETS HELD FOR SALE (CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Property, plant and equipment (net)	2.09	0.25
Total	**2.09**	**0.25**

1. Fair value hierarchy disclosures for Assets held for sale are in Note 40.5.15.
2. Property, plant and equipment classified as held for sale during the reporting period was measured at the lower of its carrying value and fair value less cost to sale at the time of reclassification, resulted in the recognition of write down in the statement of profit and loss account ₹ 0.06 Crs. (31 March 2017 : ₹ 1.31 Crs.). The fair value of property, plant and equipment was determined based on its estimated realisable value.

NOTE 15 : CURRENT TAX ASSETS (NET)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Tax Paid in Advance (Net of Provision)	4.32	1.34
Total	**4.32**	**1.34**

Non-current Tax paid in advance included in Note 7.

Notes to the Consolidated Financial Statements

NOTE 16 : OTHER CURRENT ASSETS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Advance to suppliers	18.81	7.76
Balance with collectorate of central excise and customs	5.96	15.07
Sales tax / VAT / service tax receivable (net)	89.97	108.19
Prepaid expenses	8.99	3.96
Other Current Assets	0.27	0.12
Total	**124.00**	**135.10**

NOTE 17 : SHARE CAPITAL

Authorised share capital

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
At 1 April 2016	**2700,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2017	**2700,00,000**	**54.00**
Increase/(decrease) during the year	-	-
At 31 March 2018	**2700,00,000**	**54.00**

Terms/Rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹ 2/- 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 ₹ 2 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2016	**1446,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2017	**1446,14,326**	**28.92**
Changes during the year	-	-
As at 31 March 2018	**1446,14,326**	**28.92**

Notes to the Consolidated Financial Statements

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2016	**1446,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2017	**1446,13,861**	**28.92**
Changes during the year	-	-
As at 31 March 2018	**1446,13,861**	**28.92**

The Company has share suspense account which represents equity shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by Board of Industrial and Financial Reconstruction (BIFR), are kept in abeyance as per the Scheme of Arrangement approved by Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with order dated 19 March 2010.

Particulars	No. of shares	₹ in Crs.
As at 1 April 2016	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2017	**465**	**0.00**
Changes during the year	-	-
As at 31 March 2018	**465**	**0.00**

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

Name of the Shareholder	As at 31 March 2018		As at 31 March 2017	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Atul Chandrakant Kirloskar	184,56,667	12.76	184,56,667	12.76
Gautam Achyut Kulkarni	-	-	183,98,233	12.72
Rahul Chandrakant Kirloskar	177,32,902	12.26	177,32,902	12.26
Nalanda India Fund Limited	108,96,124	7.53	108,96,124	7.53
Kirloskar Industries Limited	82,10,439	5.68	82,10,439	5.68
Alpana Rahul Kirloskar	77,11,817	5.33	77,11,817	5.33
Jyotsna Gautam Kulkarni	259,70,864	17.96	75,72,631	5.24

17.2 Scheme of Arrangement and amalgamation

Hon’ble High Court of Judicature at Bombay vide its order dated 30 April 2015 had approved the Composite Scheme of Arrangement and Amalgamation (The Composite Scheme) between Kirloskar Brothers Investments Limited ('KBIL' - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited ('KOEL' - Transferee Company) and their respective shareholders and creditors under Sections 391 to 394 and other relevant Sections of the Companies Act, 1956, and the relevant Sections of the Companies Act, 2013, to the extent applicable. The said Scheme has been effective from 30 June 2015.

Pursuant to the said Composite Scheme, 8,03,88,514 equity shares held by KBIL in the Company were cancelled on account of Cross holdings and same number of equity shares were allotted to the shareholders of KBIL on 14 July 2015. In view of the same there is no change in the paid-up capital of the Company pre and post the Composite Scheme.

Notes to the Consolidated Financial Statements

NOTE 18 : OTHER EQUITY

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
CAPITAL REDEMPTION RESERVE	0.20	0.20
GENERAL RESERVE	608.39	608.39
FOREIGN CURRENCY TRANSLATION RESERVE	**0.10**	**0.09**
Opening Balance	0.09	0.07
Add : For the year	0.01	0.02
RETAINED EARNINGS	**931.93**	**979.57**
Opening Balance	979.57	806.25
Add : Profit for the year	144.66	173.89
Add : Other Comprehensive income / (Loss)	0.96	(0.57)
	145.62	**173.32**
Less : Appropriations		
Adjustment towards Present value of future purchase consideration payable	62.73	-
Final dividend for year ended 31 March 2017	72.31	-
Tax on final dividend for the year ended 31 March 2017	14.72	-
Interim dividend for year ended 31 March 2018	36.15	-
Tax on Interim dividend for the year ended 31 March 2018	7.36	-
	193.26	-
Total	**1,540.62**	**1,588.25**

Other reserves

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Foreign currency translation reserve	0.10	0.09
Retained Earnings	931.93	979.57
Total other reserves	**1,540.62**	**1,588.25**

1. Capital redemption reserve is created out of General reserve being nominal value of shares bought back in terms of erstwhile section 77A of the Companies Act, 1956 for equity shares buy back in the year 2012-13.
2. General reserve is created by setting aside amount from the Retained Earnings of the company for general purposes which is freely available for distribution.
3. Dividend distribution made and proposed

Notes to the Consolidated Financial Statements

₹ in Crs.

Particulars	2017-18	2016-17
Cash dividends on Equity shares declared and paid		
Final dividend for the year ended 31 March 2017: ₹ 5 per share (31 March 2016: ₹ NIL per share)	72.31	-
Dividend distribution tax on final dividend	14.72	-
Interim dividend for year ended 31 March 2018: ₹ 2.5 per share (31 March 2017: ₹ NIL per share)	36.15	-
Dividend distribution tax on Interim dividend	7.36	-
	130.54	**-**
Proposed dividends on Equity shares		
Final cash dividend proposed for the year ended 31 March 2018: ₹ 2.5 per share (31 March 2017: ₹ 5 per share)	36.15	72.31
Dividend distribution tax on proposed dividend	7.43	14.72
	43.58	**87.03**

Proposed dividend on equity shares are subject to approval of the shareholders of the Company at the annual general meeting and are not recognised as a liability (including taxes thereon) as at 31 March.

NOTE 19 : NON-CURRENT BORROWINGS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Interest bearing borrowings From Banks		
Term Loan	4.96	-
Vehicle Loan	0.23	-
Interest bearing borrowings From NBFC		
Vehicle Loan	0.28	-
Total	**5.47**	**-**
Aggregate secured borrowings	5.47	-

1. Borrowings are measured at amortised cost.
2. **Term Loans from Banks**
   2.1. The term Loans availed from Federal Bank are secured by a First Pari Passu charge by way of Hypothecation of Plant & Machinery and other assets purchased out of the term loan and second charge on entire current assets of the subsidiary La Gajjar Machineries Private Limited.

Notes to the Consolidated Financial Statements

2.2. Term Loan of ₹ 300 Lakhs to be repaid in 60 monthly installments of ₹ 5 Lakhs each starting from July 2016 at rate of interest 11.81%.

2.3. Term Loan of ₹ 700 Lakhs to be repaid in 60 monthly installments of ₹ 11.67 Lakhs each starting from November 2016 at rate of interest 10.73%.

3. Loan for Purchase of Vehicles - Banks

Loans for purchase of vehicles are secured against Hypothication of vehicles.

4. Loan for Purchase of Vehicles - NBFC

Loans for purchase of vehicles are secured against Hypothication of vehicles.

5. Above Loan for Purchase of Vehicles are to be repayed in 36 to 60 monthly installments at an agreed installment rates as per respective sanction terms

6. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

NOTE 20 : OTHER FINANCIAL LIABILITIES (NON CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Deposits from customers and others	18.03	17.92
Other financial liabilities	70.61	-
Total	**88.64**	**17.92**

1. Other financial liabilities are measured at amortised cost.
2. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

NOTE 21 : LONG-TERM PROVISIONS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits	**18.70**	**20.63**
Provision for leave encashment	15.92	18.08
Provision for pension and other retirement benefits	2.78	2.55
Other provisions	**11.68**	**10.87**
Provision for warranty	11.68	10.87
Total	**30.38**	**31.50**

Refer Note 28 Short-term provisions

Notes to the Consolidated Financial Statements

NOTE 22: DEFERRED TAX ASSETS (NET)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Deferred Tax Assets	**28.58**	**20.88**
Disallowances u/s 43 B of Income Tax Act	9.46	9.93
Provision for Doubtful debts & advances	8.09	4.16
VRS Compensation	1.47	2.19
Amalgamation/Demerger Expenses	2.65	3.18
Carried Forward Business Loss	5.76	-
Others	1.15	1.42
Less : Deferred Tax Liability	**25.83**	**32.57**
Depreciation	20.68	29.99
Others	5.15	2.58
Total	**2.75**	**(11.69)**

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

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Opening balance as of 1 April	**(11.69)**	**(12.97)**
Tax income/(expense) during the year recognised in profit or loss	8.47	0.98
Acquisition through business combination (Refer Note 40.5.19)	6.46	-
Tax income/(expense) during the year recognised in OCI	(0.49)	0.30
Closing balance as at 31 March	**2.75**	**(11.69)**

2. **Tax Losses**

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Unused tax losses for which no Deferred Tax Assets have been recognised - Long Term capital loss on sale of Mutual Fund units	17.93	0.61
Potential Tax benefit	4.18	0.14

3. The Group 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.

4. During the year ended 31 March 2018 and 31 March 2017, the Parent Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Company believes that dividend distribution tax represents additional payment to taxation authority on behalf of the shareholders. Hence dividend distribution tax paid is charged to equity.

5. There is change in the applicable tax rate of 34.944 % compared to the previous year (31 March 2017: 34.608%).

6. The unused tax losses were incurred by the company on sale on Long term units of Mutual Fund and sale of land in which company is not likely to generate taxable income in the foreseeable future. The losses can be carried forward as per the provisions of Income Tax Act .

7. The deferred tax liability is not recognized by temporary difference between carrying amount and tax base of investments in subsidiary as the parent company is able to control the timing of reversal of temporary difference and it is probable that the difference will not reverse in the forseeable future. Hence, the Group has not recognized any deferred tax liability for taxes on undistributed profits.

Notes to the Consolidated Financial Statements

NOTE 23 : OTHER NON CURRENT LIABILITIES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Advance from customers	-	2.15
Deferred revenue	4.93	3.12
Total	**4.93**	**5.27**

NOTE 24 : BORROWINGS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Secured interest bearing borrowings From Banks		
Export Preshipment Loan in INR	-	3.74
Loans: Export sales bill discounted	16.50	8.13
Cash credit	16.19	0.58
Working Capital Demand Loan	37.00	-
Unsecured loans		
From Bank	29.50	-
From NBFC	34.82	-
Total	**134.01**	**12.45**
Aggregate secured borrowings	**69.69**	**12.45**
Aggregate unsecured borrowings	**64.32**	**-**

1. Borrowings are measured at amortised cost.
2. Parent Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crs. are secured to the extent of ₹ 410 Crs. by way of hypothecation (First Charge) on the whole of the current assets of the Company both present and future in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited, and The Hongkong and Shanghai Banking Corporation Limited (HSBC).
3. Indian Subsidiary's fund and non fund based working capital facilities of ₹ 135 Crs are secured by first charge by way of hypothecation on the whole of the current assets of the Company both present and future and also the second charge on the whole of the movable Plant and machinery and other fixed assets of the Company in favour of the consortium of banks (Federal Consortium) comprising of The Federal Bank Limited, Ahmedabad (Lead Bank), Yes Bank Limited, Pune and HDFC Bank Limited, Ahmedabad.
4. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

NOTE 25 : TRADE AND OTHER PAYABLES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Acceptances	23.40	22.10
Due to micro, small and medium enterprises	43.32	5.71
Due to other than micro, small and medium enterprises	421.94	327.06
Total	**488.66**	**354.87**

1. Trade and other payables are measured at amortised cost.
2. For terms and conditions with related parties, refer to Note 40.5.12
3. Due to Mico, Small and Medium Entrprises includes provision for Interest to MSME of ₹ 1.1 Crs.
4. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

NOTE 26 : OTHER FINANCIAL LIABILITIES (CURRENT)

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Unclaimed dividends	9.23	7.03
Payable for capital purchases	19.96	14.86
Employee benefits payable	28.41	26.67
Current Maturities of Non-Current Borrowings	2.26	-
Interest Accrued but Not Due	0.74	-
Others	7.78	3.54
Total	**68.38**	**52.10**

1. Other financial liabilities are measured at amortised cost except for ₹ 0.85 Crs. measured at FVTPL, refer to Note 40.5.15
2. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

Notes to the Consolidated Financial Statements

NOTE 27 : OTHER CURRENT LIABILITIES

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Advance from customers	**8.60**	**3.66**
Other payables	**10.90**	**14.81**
Statutory dues including provident fund and tax deducted at source	6.90	8.16
Other liabilities	0.08	3.91
Deferred revenue	3.92	2.74
Total	**19.50**	**18.47**

NOTE 28 : SHORT-TERM PROVISIONS

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Provision for employee benefits	**11.44**	**9.66**
Provision for gratuity	0.57	0.40
Provision for leave encashment	10.44	8.98
Provision for pension and other retirement benefits	0.43	0.28
Others	**50.22**	**38.38**
Provision for warranty	34.76	23.33
Other Provision	15.46	15.05
Total	**61.66**	**48.04**

Note :

1. Employee benefits obligations

a. Gratuity

The Group provides gratuity for employees as per the Gratuity Act, 1972 and 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 funded plan.

b. Pension, post retirement medical benefit and long term award benefits

The Parent Company provides certain post-employment medical scheme and long term award benefits to employees (unfunded). For long-term award scheme, the Company has defined certain eligibility criteria and grade-wise benefit available to employees and is payable only at time of separation. Pension and medical benefits are payable to employees for 15 years after retirement.

c. Compensated absences

The leave obligation cover the Parent Company's liability for earned leaves.

Also refer Note 40.5.10 for detailed disclosure.

Notes to the Consolidated Financial Statements

2. Breakup of others Provision

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Current	50.22	38.38
Non-current	11.68	10.87
	61.90	**49.25**

3. Others

a. Warranty is given to customers at the time of sale of goods manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts / engines and after sales services during warranty period which varies from 1 year to 4 years.

Provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of reporting period. It is expected that majority of these costs will be incurred in the next financial year and balance will be incurred in following years. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

Particulars	₹ in Crs.
At 1 April 2016	**27.49**
Arising during the year	38.58
Utilised	31.13
Unused amount reversed	0.74
At 31 March 2017	**34.20**
Arising during the year	46.87
Acquisition through business combination (Refer Note 40.5.19)	9.28
Utilised	43.79
Unused amount reversed	0.12
At 31 March 2018	**46.44**

b. The Parent Company has preferred an Appeal bearing No. 125 of 2016 before the Chief Controlling Revenue Authority (CCRA) against the Stamp Duty Adjudication Order dated 2 May 2016 bearing ADJ/188/2015 passed by Collector of Stamps, Enforcement – II, Mumbai levying a total stamp duty amount of ₹ 14.94 Crs. on the Company for amalgamation of KBIL with the Company. For securing a Stay Order against the said Stamp duty Adjudication bearing ADJ/188/2015 dated 2 May 2016, the Company has deposited 50% of the stamp duty amount of ₹ 7.47 Crs. on protest on 30 June 2016. Considering the payment of 50% of stamp duty amount, through its Order dated 22 September 2016, CCRA has passed an Order granting stay on the effect and operation of said Stamp Duty Adjudication Order bearing ADJ/188/2015 dated 2 May 2016. Company's Appeal bearing No. 125 of 2016 is still pending and listing for final hearing is awaited. Accordingly, provision for Stamp duty of ₹ 14.94 Crs. has been made.

Notes to the Consolidated Financial Statements

c. Provision for stamp duty and liquidated damages has been made and same is disclosed as Short-term provision as under:

Particulars	₹ in Crs.
At 1 April 2016	**15.46**
Arising during the year	0.09
Utilised	0.50
Unused amount reversed	-
At 31 March 2017	**15.05**
Arising during the year	0.48
Utilised	0.07
Unused amount reversed	-
At 31 March 2018	**15.46**

NOTE 29 : GOVERNMENT GRANT

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
Eligible incentives under Export Promotion Capital Goods Scheme	0.85	0.85
Total	**0.85**	**0.85**

Note :

1. The parent company has availed the incentives under EPCG by way of reduction in customs duty on import of capital goods.
2. For unfulfilled obligation related to the scheme refer Note 40.5.1(B).
3. Government grant

₹ in Crs.

Particulars	As at 31 March 2018	As at 31 March 2017
As at 1 April	**0.85**	**0.85**
Availed during the year	-	-
Released to statement of profit and loss	-	-
As at 31 March	**0.85**	**0.85**

Notes to the Consolidated Financial Statements

NOTE 30 : REVENUE FROM OPERATIONS

₹ in Crs.

Particulars	2017-18	2016-17
Sales and services	**3,077.26**	**2,821.63**
Sale of products	3,011.92	2,764.90
Sale of services	65.34	56.73
Operating income	**33.53**	**56.71**
Sale of scrap	12.85	7.66
Government grant income	-	36.58
Commission received	1.39	0.80
Export incentives	10.20	6.23
Sundry credit balances written back	4.95	1.28
Provisions no longer required written back	1.80	1.90
Miscellaneous receipts	2.34	2.26
Total	**3,110.79**	**2,878.34**

1. Government grant income accrued for the year relates to the Industrial Promotion Subsidy under the Packaged Scheme of Incentives, 2001.
2. Sale of products includes excise duty collected from customers of ₹ 55.33 Crs. (Previous year ₹ 204.73 Crs.). Sale of products net of excise duty is ₹ 2,956.59 Crs. (Previous year ₹ 2,560.17 Crs.).
3. Excise Duty was applicable till 30 June 2017.
4. Export incentives includes incentive under EPCG scheme amounting to ₹ 0.01 Crs. (Previous year ₹ Nil.)

NOTE 31 : OTHER INCOME

₹ in Crs.

Particulars	2017-18	2016-17
Interest	**15.48**	**17.03**
On Income Tax and Sales Tax Refund	12.34	15.34
On Bank Deposits	0.18	0.16
Unwinding of interest on security deposits	1.78	1.04
On others	1.18	0.49
Dividend income from equity investments designated at fair value through other comprehensive income	-	-
Net gain on financial instruments mandatorily measured at fair value through profit or loss	2.78	3.14
Gain on Sale of Mutual Fund (mandatorily measured at fair value through profit or loss)	**51.21**	**62.22**
On current investments (net)	51.00	62.18
On non-current investments	0.21	0.04
Gain on Exchange difference	0.99	(0.48)
Income from investment property	0.10	0.93
Miscellaneous income	1.24	1.20
Total	**71.80**	**84.04**

Notes to the Consolidated Financial Statements

Fair value gain/(loss) on financial instruments at fair value through profit or loss relates to the gain/(loss) arising on fair value restatements of investment in mutual funds at balance sheet dates which are held as current or non-current investments.

NOTE 32 : COST OF RAW MATERIALS AND COMPONENTS CONSUMED

₹ in Crs.

Particulars	2017-18	2016-17
Raw materials and components consumed	1,547.75	1,328.86
Freight, octroi and entry tax	25.65	22.71
Total	**1,573.40**	**1,351.57**

NOTE 33 : PURCHASES OF TRADED GOODS

₹ in Crs.

Particulars	2017-18	2016-17
Engines and Gensets	55.23	9.74
K-Oil	105.22	109.59
Alternators, Batteries and Others	243.29	228.88
Total	**403.74**	**348.21**

NOTE 34 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND TRADED GOODS

₹ in Crs.

Particulars	2017-18	2016-17
Opening inventory	**155.91**	**81.34**
Work-in-process	36.28	23.61
Finished goods	98.33	48.84
Traded goods	21.30	8.89
Closing Inventory	**175.57**	**92.67**
Work-in-process	41.55	18.07
Finished goods	95.30	57.38
Traded goods	38.72	17.22
Changes in inventory	**(19.66)**	**(11.33)**
Increase/(decrease) in excise duty of finished goods	**(2.14)**	**(0.14)**
Total	**(21.80)**	**(11.47)**

Notes to the Consolidated Financial Statements

NOTE 35 : EMPLOYEE BENEFITS EXPENSE

₹ in Crs.

Particulars	2017-18	2016-17
Salaries, wages, bonus, commission, etc.	185.41	166.46
Gratuity (Refer Note 40.5.10)	3.58	3.54
Contribution to provident and other funds	12.48	11.86
Welfare and training expenses	20.25	19.95
Provident and other funds' expenses	0.52	0.53
Total	**222.24**	**202.34**

NOTE 36 : FINANCE COSTS

₹ in Crs.

Particulars	2017-18	2016-17
Interest and Bill discounting charges	6.61	0.63
Interest expense - others	3.11	1.03
Other Bank charges	1.83	1.15
Dividend on preference shares	0.00	-
Total	**11.55**	**2.81**

NOTE 37 : DEPRECIATION AND AMORTIZATION EXPENSE

₹ in Crs.

Particulars	2017-18	2016-17
Depreciation and amortization expense	**111.79**	**110.58**
Depreciation on Tangible assets	96.43	99.83
Depreciation on Investment properties	0.11	0.11
Amortization on Intangible assets	15.25	10.64
Amount written off against leasehold land	**0.14**	**0.14**
Total	**111.93**	**110.72**

Notes to the Consolidated Financial Statements

NOTE 38 : OTHER EXPENSES

₹ in Crs.

Particulars	2017-18	2016-17
Manufacturing expenses	**252.84**	**196.38**
Stores consumed	81.61	64.65
Power and fuel	22.74	19.77
Machinery spares	8.05	8.57
Repairs to machinery	8.48	6.89
Job work charges	61.43	32.38
Labour charges	11.86	9.27
Cost of services	43.31	39.70
Others manufacturing expenses	15.36	15.15
Selling expenses	**162.75**	**135.20**
Commission	12.86	11.61
Freight and forwarding	67.87	56.54
Warranty	46.81	38.59
Royalty	7.39	6.37
Advertisement and publicity	10.99	15.53
Provision for doubtful debts (net)	9.25	0.62
Others selling expenses	7.58	5.94
Administration expenses	**200.20**	**171.65**
Rent	47.31	44.96
Rates and taxes	1.51	0.66
Insurance	1.20	0.92
Repairs to building	3.18	1.93
Other repairs and maintenance	35.98	28.20
Travelling and conveyance	28.67	26.37
Communication expenses	4.87	4.49
Printing and stationery	1.72	1.37
Professional charges	40.28	38.99
Auditor's remuneration	0.74	0.52
Donations	0.30	0.05
Spend on CSR activities (Refer Note 40.5.18)	4.53	4.15
Non executive directors' fees / commission	2.42	1.26
Miscellaneous expenses	22.58	15.37
Loss on assets sold, demolished, discarded and scrapped	1.16	0.97
Bad debts and irrecoverable balances written off	3.75	1.44
Loss on Exchange difference	-	-
Total	**615.79**	**503.23**

Notes to the Consolidated Financial Statements

NOTE 39 : INCOME TAX

The note below details the major components of income tax expenses for the year ended 31 March 2018 and 31 March 2017. 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	2017-18	2016-17
Current tax	**78.28**	**79.74**
Current income tax	76.95	79.78
MAT credit utilised	-	-
(Excess)/short provision related to earlier years	1.33	(0.04)
Deferred tax	**(8.47)**	**(0.98)**
Relating to origination and reversal or temporary difference	(8.47)	(0.98)
Income tax expense reported in the statement of profit and loss	**69.81**	**78.76**

Other Comprehensive Income (OCI)

₹ in Crs.

Particulars	2017-18	2016-17
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	0.49	(0.30)
Deferred tax charged to OCI	**0.49**	**(0.30)**

Reconciliation of tax expense and the accounting profit multiplied by applicable tax rate as notified under Income Tax Act, 1961 enacted in India for the years ended 31 March 2018 and 31 March 2017.

Current tax

₹ in Crs.

Particulars	2017-18	2016-17
Accounting profit before income tax expense	212.53	252.65
Tax @ 34.608% (31 March 2017 : 34.608 %)	**73.55**	**87.44**
Tax effect of adjustments in calculating taxable income:	**(3.74)**	**(8.68)**
Corporate Social Responsibility expenses/Donations (net)	0.88	0.86
Debit Balances written Off	2.13	0.13
Interest on MSMED	0.02	0.00
Dividend Received	0.00	0.00
Weighted Deduction of research & development expenditure (net)	(10.63)	(15.88)
Profit on Sale of Investment	(0.03)	(0.01)
(Excess)/short provision related to earlier years	1.33	(0.04)
Difference in overseas tax rate	(0.07)	(0.06)
Other Disallowances/(allowances)	2.63	6.32
At the effective income tax rate of 32.84% (31 March 2017 : 31.18%)	**69.81**	**78.76**

NOTE 40: NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2018

1. Corporate Information

The consolidated financial statements comprise the financial statements of Kirloskar Oil Engines Limited ('The Company') and its subsidiaries (collectively 'the Group'). The parent 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 parent company is located at Laxmanrao Kirloskar Road, Khadki, Pune – 411003. The equity shares of the parent company are listed on two recognised stock exchanges in India i.e. BSE Limited and National Stock Exchange of India Limited.

The Group is engaged in the business of manufacturing of diesel engines, agricultural pump sets, electric pump sets, power tiller, generating sets and spares thereof.

During FY 2015-16, the parent had invested USD 250,000 in "KOEL Americas Corp." (50 Shares of USD 5000 each), incorporated under State of Delaware laws, United States of America and based in Houston, Texas. With this, "KOEL Americas Corp." is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 23 June 2015.

During FY 2017-18, the parent has invested Rs 253.78 Crores in "La Gajjar Machineries Private Limited." to acquire the 76% share in its equity from its promoters. With this, "La Gajjar Machineries Private Limited" is subsidiary of Kirloskar Oil Engines Limited, India with effect from 1 August 2017.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 18 May 2018.

2. Basis of preparation of Financial Statements

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

The consolidated financial statements have been prepared to comply in all material respects with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the said Act and the guidelines issued by the Securities and Exchange Board of India.

The consolidated financial statements have been prepared on a historical cost basis, except for the investments which have been measured at fair value as they are classified as fair value through profit or loss or fair value through other comprehensive income.

2 a. Basis of Consolidation

(i) Basis of Accounting and Preparation of the Consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the Indian Accounting standards (Ind AS) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the 2013 Act") and the relevant provisions of the 1956 Act / 2013 Act, including rules thereunder as applicable and guidelines issued by Securities and Exchange Board of India (SEBI). The accounting policies adopted in the preparation of the consolidated financial statements are consistent. All assets and liabilities have been classified as current or non-current as per the respective Company's normal operating cycle and other criteria set out in Schedule III to the 2013 Act.

(ii) Principles of Consolidation

The consolidated financial statements have been prepared on the following basis:

a. The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Ind AS 110, "Consolidated Financial Statements”.

b. The financial statements of the company and its subsidiary company have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-company balances and intra-company transactions and resulting unrealised profit or losses, unless cost cannot be recovered, as per the applicable Accounting Standard in India.

c. The consolidated financial statements are presented, to the extent applicable, in accordance with the requirements of Schedule III of the 2013 Act as applicable to the Group’s separate financial statements. Differences if any, in accounting policies have been disclosed separately.

d. Particulars of subsidiary have been considered in the preparation of the consolidated financial statements:

Name of Company	Country of incorporation	% of Shareholding of Kirloskar Oil Engines Ltd.	Consolidated As
KOEL Americas Corp.	State of Delaware Laws, United States of America based in Houston, Texas	100%	Subsidiary
La Gajjar Machineries Pvt. Ltd.	India	76%	Subsidiary

e. The accounting policies of the parent are best viewed in its independent financial statements. Differences in accounting policies followed by the KOEL Americas Corp. and La Gajjar Machineries Pvt Ltd. have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

3. Significant accounting judgments, estimates and assumptions

The preparation of the Group’s financial statements requires management to make judgments, 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 future periods.

3.1. Judgments

In the process of applying the Group’s accounting policies, the management has made the following judgments, which have the most significant effect on the amounts recognised in the standalone financial statements:

Government grant

The Group was eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001 from 1 April 2008 to 31 March 2017. Further the Group had determined the grant as grant related to income based on the evaluation of terms and conditions attached to the eligibility of grant and the Group’s accounts for the grant as Income in statement of profit and loss at the time when the sale was recognised.

Operating lease

The Group had entered into commercial property leases on its investment property portfolio. The Group 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 commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Lease arrangements under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating lease. Lease rental under operating lease are recognised in the Statement of Profit and Loss on a straight line basis over the lease term.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity of subsidiaries.

The cost of an acquisition also includes the estimated fair value of any contingent consideration measured as at the date of acquisition. This measurement is based on information available at the acquisition date and is based on expectations and assumptions that have been deemed reasonable by management. Any subsequent changes to the fair value of contingent consideration classified as liabilities, other than measurement period adjustments, are recognized in the consolidated statement of profit and loss.

Business combinations arising from transfers of interests in entities that are under the common control are accounted at historical cost. The difference between any consideration given and the aggregate historical carrying amounts of assets and liabilities of the acquired entity are recorded in shareholders' equity.

Acquisition of some or all of the non-controlling interest ("NCI") is accounted for as a transaction with equity holders in their capacity as equity holders. Consequently, the difference arising between the fair value of the purchase consideration paid and the carrying value of the NCI is recorded as an adjustment to retained earnings that is attributable to the parent company. The associated cash flows are classified as financing activities. No goodwill is recognised as a result of such transactions.

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 Group 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 Group. 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 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 40.5.10

Development costs

The Group capitalises development costs for a project in accordance with its accounting policy. Initially, capitalisation of costs is based on management's judgment that the technological and economic feasibility is confirmed when a product development project has reached a defined milestone, according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits.

For further details about the carrying amount of development costs capitalised as Internally generated intangible assets and as intangible assets under development, refer Note 3.

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 Group 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 equivalents 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 Group measures financial instruments such as Investments 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 Group.

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the standalone financial statements on a recurring basis, the Group 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 Group'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.

4.3. Property , Plant and Equipment

a. Property, plant and equipment; and construction in progress are stated at cost, 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 Group 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 as a replacement 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 cost of fixed assets 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 share of allocable expenses.

Depreciation and Amortization

Group charges Depreciation on the basis of useful life of assets on straight line method except for La Gajjar Machineries Pvt. Ltd. where Written Down Value method is used.

Useful life of assets considered as follows:

Asset Category	Life in Years	Basis for useful life
Land Leasehold and Leasehold improvements	Lease Period	Amortised over lease period
Factory Buildings	30	Life as prescribed under Schedule-II of Companies Act, 2013.
Building- Non Factory		
RCC Frame Structure	60	
Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
Building – Roads		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	
Building - Temporary Shed	3	
Plant & Equipment other than Pattern Tooling	7.5 - 15	Useful life based on Number of Shifts as prescribed under Schedule-II of Companies Act, 2013.
Plant & Equipment - Pattern Tooling	4 - 8	Lower useful life considered based on past history of usage and supported by Technical Evaluation.
Computers		
Network	6	Life as prescribed under Schedule-II of Companies Act, 2013.
End user devices, such as, desktops, laptops, etc.	3	

Asset Category	Life in Years	Basis for useful life
Servers	4 - 6	Lower useful life considered based on past history of usage and supported by Technical Evaluation.
Electrical Installations	10	Life as prescribed under Schedule-II of Companies Act, 2013.
Furniture, Fixtures and Electrical Fittings	10	Life as prescribed under Schedule-II of Companies Act, 2013.
Furniture , AC , Refrigerators and Water coolers - Residential Premises	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation.
AC, Refrigerators and Water coolers - Company and Guest House Premises	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation.
Office Equipment	5	Life as prescribed under Schedule-II of Companies Act, 2013.
Vehicles		Lower useful life considered based on past history of usage and supported by Technical Evaluation.
Motorcars, Jeep	5 - 8	
Trucks	5	
Other Vehicles	5 - 10	
Aircrafts	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation.

- Depreciation on additions is provided from the beginning of the month in which the asset is added.

- Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.

- Foreign exchange fluctuation gain/ loss on imported plant and equipment were 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.

The Group, based on technical assessments made by technical experts and management estimates, depreciates certain items of plant and equipment; computers; furniture and fixtures; vehicles and aircraft over estimated useful lives which are different from the useful life prescribed in Schedule II to the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

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 derecognition 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.

Security:

As at 31st March 2018, properties, Plant & Equipment with a carrying amount of ₹ 19.48 Crs (31st March 2017 ₹ Nil) are subject to first charge to secure bank loan. Refer note 19 “Borrowings”

4.4. Investment properties

Investment properties were measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties were stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost includes the cost of replacing parts and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of the property are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in the statement of profit and loss as incurred.

Depreciation & Amortisation

Depreciation on investment property was calculated on a straight-line basis over the estimated useful life of assets as follows:

Asset Category	Life in Years	Basis for charging Depreciation
Land Leasehold and Leasehold improvements	Lease Period	Amortised over lease period.
Factory Buildings	30	Life as prescribed under Schedule-II of Companies Act, 2013.
Building- Non Factory		
RCC Frame Structure	60	
Other than RCC Frame Structure	30	
Fence, Wells, Tube wells	5	
Building - Roads		
Carpeted Roads- RCC	10	
Carpeted Roads- Other than RCC	5	
Non Carpeted Roads	3	

An investment property is derecognised on disposal or on permanent withdrawal from use or when no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition 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.

Transfers are made to (or from) investment property only when there is a change in use. Transfers between investment property, owner-occupied property and inventories are at carrying amount of the property transferred.

4.5. 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 Group and the cost of the asset can be measured reliably.

Internally generated intangibles, excluding capitalised developments costs, are not capitalised and the related expenditure is reflected in the statement of profit and loss for the period in which expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. The amortisation period and amortisation method for an intangible asset with a finite useful life 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 with finite useful lives are amortised by using straight line method except for La Gajjar Machineries Pvt. Ltd where written down value method is used 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
2	Drawings & Designs	10 years
3	Technical Knowhow - acquired	6 years
4	Technical Knowhow - Internally generated	3 to 5 years

Intangible assets with indefinite useful lives, if any are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition 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. In case of internally generated intangible assets, expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Group, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses.

4.6. 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 that asset. Other borrowing costs are recognized as expenses in the period in which these are incurred.

4.7. Impairment of Assets

The Group 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 Group 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.

4.8. 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 (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

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, such financial assets, until they are derecognised or reclassified, are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income except for interest income, impairment gains or losses 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 Group 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 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 derecognised when:

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

  or

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

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(iv) Reclassification of financial assets

The Group 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 Group's senior management determines change in the business model as a result of external or internal changes which are significant to the Group's operations. Such changes are evident to external parties. A change in the business model occurs when the Group either begins or ceases to perform an activity that is significant to its operations. If the Group 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 Group 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.

Original classification	Revised classification	Accounting treatment
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.
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 Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- Financial assets that are debt instruments, and are measured at amortised cost.
- Financial assets that are debt instruments and are measured as at FVOCI.
- Lease receivables under Ind AS 17.
- Trade receivables under Ind AS 18.

The Group follows ‘simplified approach’ for recognition of impairment loss allowance on:

- Trade receivables resulting from transactions within the scope of Ind-AS 18, if they do not contain a significant financing component.
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 18 that contain a significant financing component, if the Group applies practical expedient to ignore separation of time value of money, and
- All lease receivables resulting from transactions within the scope of Ind AS 17.

The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events on a financial instrument that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e., all cash shortfalls), discounted at the original EIR. When estimating the cash flows, an entity is required to consider:

- All contractual terms of the financial instrument (including prepayment, extension, call and similar options) over the expected life of the financial instrument. However, in rare cases when the expected life of the financial instrument cannot be estimated reliably, then the Group is required to use the remaining contractual term of the financial instrument.

- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in the statement of profit and loss. This amount is reflected in a separate line in the P&L as an impairment gain or loss. The balance sheet presentation for various financial instruments is described below:

- Financial assets measured as at amortised cost, contract assets and lease receivables: ECL is presented as an allowance, i.e. as an integral part of the measurement of those assets in the balance sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Group does not derecognize impairment allowance from the gross carrying amount.

- Loan commitments: ECL is presented as a provision in the balance sheet, i.e. as a liability.

For assessing increase in credit risk and impairment loss, the Group combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Group does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/ origination.

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 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. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by Ind AS 109.

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. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risks are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Group may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognised in the statement of profit and loss. The Group has not designated any financial liability as at fair value through profit and loss.

- Loans and Borrowings at amortised Cost

  This is the category most relevant to the Group. 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.

  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) 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.

4.9. Derivatives

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

All derivatives are measured at fair value through the profit or loss unless they form part of a qualifying cash flow hedge, in which case the fair value is taken to reserves and released into the statement of profit and loss at the same time as the risks on the hedged instrument are recognised therein. Any hedge ineffectiveness will result in the relevant proportion of the fair value remaining in the statement of profit and loss. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third-party quotes. Derivatives are carried as assets when their fair values are positive and as liabilities when their fair values are negative. All hedging activity is explicitly identified and documented by the Group.

4.10. 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 revalorized at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c. Exchange Differences

Exchange differences 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 the corresponding asset. Further, as per extant circulars issued by the Ministry of Corporate Affairs, eligible exchange difference on foreign currency loans utilized for acquisition of assets, was adjusted in the cost of the asset to be depreciated over the balance life of the asset up to transition date of Ind AS.

4.11. Leases

a. **Where the Group 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.

b. **Where the Group is a lessor -** Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the statement of profit and loss on straight line basis.

4.12. Inventories

a. Raw materials, components, stores and spares are valued at cost or net realizable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition. Cost is ascertained using weighted average method except La Gajjar Machineries Private Limited at First in first out.

b. Work-in-process including finished components and finished goods are valued at cost or realisable value whichever is lower. Cost includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity.

c. Materials-in-transit and materials in bonded warehouse are valued at actual cost incurred up to the date of balance sheet.

d. Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.

e. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.13. 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.

4.14. 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

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- 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:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- 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 profits 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 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.

Sales tax / GST

Expenses and assets are recognised net of the amount of sales tax / GST, except:

- When the sales tax/GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax/GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

- When receivables and payables are stated with the amount of sales tax/GST included.

The net amount of sales tax/GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

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. 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, and:

(i) Represents a separate major line of business or geographical area of operations,

(ii) Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

(iii) Is a subsidiary acquired exclusively with a view to resale

An entity does not depreciate (or amortise) a non-current asset while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

4.16. 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 Group makes payment to approved superannuation schemes, state government provident fund scheme and employee state insurance scheme which are defined contribution plans. The contribution paid/payable under the schemes is recognised in the statement of profit and loss during the period in which the employee renders the related service. The Group has no further obligations under these schemes beyond its periodic contributions.

(ii) Defined benefit plan

The employee's gratuity fund scheme, pension, post-retirement medical and long term service award benefit schemes are Group's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on a 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 or 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 Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group 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 Group'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 case of funded plans, the fair value of plan asset is reduced from the gross obligation, to recognise the obligation on a net basis.

In regard to other long term employment benefits, the Group recognises the net total of service costs; net interest on the net defined benefit liability (asset); and remeasurements of the net defined benefit liability (asset) in the statement of profit and loss.

d. Termination Benefits :

Termination benefits such as compensation under voluntary retirement scheme are recognised in the statement of profit and loss in the year in which termination benefits become payable or when the Group determines that it can no longer withdraw the offer of those benefits, whichever is earlier.

4.17. 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.

4.18. Revenue Recognition

a. Revenue from sale of goods is recognised when all 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. It also includes excise duty and excludes Value added tax / Sales Tax. Sales are stated net of discounts, rebates and returns.

b. The Group normally sells extended warranty as separate product and revenue from sale of extended warranty is recognised on the straight line basis over the period of contract.

c. Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim is fulfilled.

d. Income from services is generally recognized on completion of performance of determinable significant act as per terms of specific contracts when no significant uncertainty exists regarding the amount of consideration that will be derived from the completion of said act.

e. Income from dividend on investments is accrued in the year in which it is authorized, whereby right to receive is established.

f. Profit / loss on sale of investments is recognized on the contract date.

g. Rental income arising from operating leases on investment properties 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.

4.19. Government Grant

Grants and subsidies from the government are recognized if the following conditions are satisfied,

- There is reasonable assurance that the Group will comply with the conditions attached to it.

- Such benefits are earned and reasonable certainty exists of the collection.

a. Export Incentives

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.

b. Industrial Promotion Subsidy

Government grants received with reference to Industrial Promotion Subsidy under Packaged Scheme of Incentives, 2001 was treated as grant related income and was recognized as other operating income in the statement of profit and loss as and when the Group made the sales.

c. Export Promotion Capital Goods

Government grants received with reference to export promotion capital goods scheme are initially recognised as deferred revenue and grant in proportion of export obligation achieved during the year is reduced from deferred revenue and recognized as other operating income in the statement of profit and loss.

4.20. Cash dividend

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

Non-cash distributions, if any , are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit and loss.

4.21. 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.

4.22. 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 Group are segregated.

4.23. Segment Reporting

a. Identification of Segments

The Group's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof (Engine Business Segment) used for various applications such as Agriculture, Industrial, Stationery Power Plants, Construction Equipment, etc.

b. Allocation of common costs

Common allocable costs are allocated to the Engine Segment based on sales of engine segment to the total sales of the Group.

c. Unallocated items

Corporate assets and liabilities, income and expenses which relate to the Group as a whole and are not allocable to segments, are included under other reconciling items.

5. Additional Notes to the Financial Statements

5.1. Contingent Liabilities **(₹ in Crs.)**

	As at 31 Mar 2018	As at 31 Mar 2017
(A) Contingent Liabilities not provided for		
a. Disputed Central Excise Demands	33.74	33.62
b. Disputed Sales Tax & Octroi Demands	10.58	16.92
c. Disputed Customs Duty Demands	0.86	0.86
d. Disputed Income Tax Liability – matter under appeal	12.84	13.54
e. Claims against Group not acknowledged as debts	60.28	59.05
f. Disputed ESI Demands	0.35	
	118.65	**123.99**

(B) The Group has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which, remaining future obligations aggregates USD 0.75 million (PY - USD 1.04 million). Non fulfillment of export obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export obligation to be fulfilled by the Group is not achieved by the Group under the said scheme, for the year ended 31 March 2018.

5.2.	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	30.70	9.33
5.3.	Other Commitments Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis	22.36	34.23
5.4.a	Charge of Hypothecation referred to in Note no. 24 for working capital facilities extends to letter of credit issued by the Group's bankers Aggregate amount of such letters of credit outstanding	8.26	9.06
b	Aggregate amount of Bank Guarantees outstanding (related to Subsidiary)	27.19	-

5.5. Commitments and contingencies

a. Leases

Operating lease commitments- Group as a lessee

The Subsidiary company La Gajjar Machineries Pvt. Ltd. has entered into a non-cancellable operating lease of 3 years valid till 31st July, 2020 and Rs. 1.00 Crore per annum are payable as minimum rental.

Commitments for minimum lease payments in relation to non-cancellable operating leases (including sale & lease back) are payable as follows:

(₹ in Crs.)

Particulars	**31st March 2018**	**31st March 2017**	**1st April 2016**
Within One year	1.00	-	-
Less than one year but not later than Five Year	1.33	-	-
Later than Five Year	-	-	-
Total	2.33	-	-

During the year La Gajjar Machineries Pvt. Ltd. has sold its Land & Building and same has been taken on Lease for a non-cancellable period of three years. The major manufacturing activities of La Gajjar Machineries Pvt. Ltd are operated in the said premises.

a. The existing contract is valid for the period of 5 years with an initial lock-in period of 3 years.

b. At the end of the lock-in period, the license fees is subject to revision as per the mutual agreement between the Lessor and the Lessee.

Operating lease commitments- Group as lessor

The Group entered into operating leases on its investment property consisting of land and building till 30 April 2017.

5.6. Payment to Auditors (Net of Taxes) **(₹ in Crs.)**

Sr. No.	**Particulars**	**2017-18**	**2016-17**
A	Statutory Auditors		
	a. As Auditors	**0.55**	**0.40**
	Audit and assurance Fees	0.43	0.30
	Tax Audit Fees	0.07	0.05
	Limited Review	0.05	0.05
	b. Certification fees & Assurance Services	0.12	0.03
	c. Reimbursement of expenses	0.01	0.01
	Total (A)	**0.68**	**0.44**
B	Cost Auditors		
	a. As auditors	0.09	0.08
	b. In other capacity		
	Certification fees	0.00	-
	Reimbursement of expenses	0.00	-
	Total (B)	**0.09**	**0.08**
	Grand Total (A+B)	**0.77**	**0.52**

5.7. The Sales for the current year includes an amount of ₹ 15.45 Crores (PY ₹ Nil) on account of supplies to SEZ.

5.8. The Group has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2018. The disclosure pursuant to the said Act is as under.

(₹ in Crs.)

Particulars	**2017-18**	**2016-17**
Total outstanding to MSME suppliers	43.21	5.61
Payment made to suppliers (other than interest) beyond the appointed day, during the year	32.90	2.03
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.93	0.01
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	1.17	0.10

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

5.9. Research and Development Expenditure eligible for deduction under section 35(2AB) of Income Tax Act, 1961:

(₹ in Crs.)

No.	**Particulars**	**2017-18**	**2016-17**
A	**Revenue Expenditure**		
	Manufacturing Expenses :		
	Raw Material, Store, Spares & Tools Consumed	23.03	7.67
	Machinery Repairs	0.86	0.84
	Payments to & Provision for Employees :		
	Salaries, Wages, Bonus, Allowances, etc.	10.99	10.06
	Contribution to Provident & Other Funds & Schemes	0.77	0.74
	Other Benefits	0.05	0.01
	Utilities :		
	Power Charges	3.56	2.41
	Helper Charges	0.31	0.41
	Water Charges	0.02	0.10
	Other Expenses :		
	EDP Expenses	1.79	1.92
	Travelling & Conveyance Expenses	0.71	0.99
	Other Expense (net)	1.14	6.85
	Repairs	0.68	0.95
	Sub Total (A)	**43.91**	**32.95**
B	**Capital Expenditure**	**17.78**	**15.58**
C	**Less: Amount received from sale of Prototypes / Cost (whichever is higher)**	**0.00**	**1.31**
D	**Total Eligible Research & Development Expenditure (A+B-C)**	**61.69**	**47.22**

Approval for weighted deduction received from DSIR for the period 01 April 2017 to 31st March 2019.

5.10. Disclosure pursuant to Employee benefits:

A. Defined contribution plans:

Amount of ₹ 12.48 Crs. (31 March 2017: ₹ 11.86 Crs.) is recognised as expenses and included in Note No. 35 "Employee benefit expense"

B. Defined benefit plans:

The Company has following post employment benefits which are in the nature of defined benefit plans:

(a) Gratuity

(b) Pension, Post retirement medical scheme and Long-term award scheme

31 March 2018 : Changes in defined benefit obligation and plan assets **(₹ In Crs)**

Particulars	1 April 2017	Acquired in businesss combination 1 August 2017	Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income					Contributions by employer	31 March 2018
			Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 35)	Benefit paid	Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI		
Gratuity													
Defined benefit obligation	(39.05)	(1.82)	(3.66)	(2.70)	(6.36)	4.42	-	0.12	1.40	0.72	2.24	-	(40.57)
Fair value of plan assets	38.65	1.31	-	2.78	2.78	(4.13)	(0.01)	-	(0.27)	0.04	(0.24)	3.42	41.79
Benefit liability	(0.40)	(0.51)	(3.66)	0.08	(3.58)	0.29	(0.01)	0.12	1.13	0.76	2.00	3.42	1.22
Pension, Post retirement medical scheme and Long-term award scheme													
Defined benefit obligation	(2.83)	-	(0.04)	(0.19)	(0.23)	0.44	-	(0.18)	0.14	(0.55)	(0.59)	-	(3.21)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(2.83)		(0.04)	(0.19)	(0.23)	0.44	-	(0.18)	0.14	(0.55)	(0.59)	-	(3.21)
Total benefit liability	**(3.23)**	**(0.51)**	**(3.70)**	**(0.11)**	**(3.81)**	**0.73**	**(0.01)**	**(0.06)**	**1.26**	**0.22**	**1.41**	**3.42**	**(1.99)**

31 March 2017 : Changes in defined benefit obligation and plan assets **(₹ In Crs)**

Particulars	1 April 2016	Cost charged to statement of profit and loss			Benefit paid	Remeasurement gains/(losses) in other comprehensive income					Contributions by employer	31 March 2017
		Service cost	Net interest expense	Sub-total included in statement of profit and loss (Note 35)		Return on plan assets (excluding amounts included in net interest expense)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Sub-total included in OCI		
Gratuity												
Defined benefit obligation	(34.80)	(3.54)	(2.62)	(6.16)	2.39	-	0.06	(1.57)	1.04	(0.47)	-	(39.05)
Fair value of plan assets	30.98	-	2.62	2.62	(2.24)	-	-	(0.23)	0.14	(0.09)	7.39	38.65
Benefit liability	(3.82)	(3.54)	(0.00)	(3.54)	0.14	-	0.06	(1.80)	1.18	(0.57)	7.39	(0.40)
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(2.61)	(0.04)	(0.19)	(0.24)	0.33	-	(0.01)	(0.28)	(0.04)	(0.31)	-	(2.83)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(2.61)	(0.04)	(0.19)	(0.24)	0.33	-	(0.01)	(0.28)	(0.04)	(0.31)	-	(2.83)
Total benefit liability	**(6.43)**	**(3.58)**	**(0.19)**	**(3.78)**	**0.47**	**-**	**0.05**	**(2.08)**	**1.14**	**(0.88)**	**7.39**	**(3.23)**

C. Other long-term employment benefits

The Company has Compensated Absences plan which is covered by other long-term employment benefits

31 March 2018 : **Changes in defined benefit obligation and plan assets of Compensated absences**

(₹ In Crs)

Particulars	Cost charged to statement of profit and loss							
	1 April 2017	**Service cost**	**Interest cost**	**Actuarial changes arising from various assumption**	**Sub-total included in statement of profit and loss (Note 35)**	**Benefit paid**	**Contributions by employer**	**31 March 2018**
Compensated absences								
Defined benefit obligation	(27.06)	(3.33)	(1.78)	2.28	(2.83)	3.88	-	(26.01)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	**(27.06)**	**(3.33)**	**(1.78)**	**2.28**	**(2.83)**	**3.88**	**-**	**(26.01)**

31 March 2017 : **Changes in defined benefit obligation and plan assets of Compensated absences** **(₹ In Crs)**

Particulars	Cost charged to statement of profit and loss							
	1 April 2016	**Service cost**	**Interest cost**	**Actuarial changes arising from various assumption**	**Sub-total included in statement of profit and loss (Note 35)**	**Benefit paid**	**Contributions by employer**	**31 March 2017**
Compensated absences								
Defined benefit obligation	(22.41)	(3.09)	(1.67)	(1.80)	(6.56)	1.92	-	(27.06)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	**(22.41)**	**(3.09)**	**(1.67)**	**(1.80)**	**(6.56)**	**1.92**	**-**	**(27.06)**

The major categories of plan assets of the fair value of the total plan assets of Gratuity are as follows: **(₹ In Crs)**

Particulars	**Year ended 31 March 2018**	**Year ended 31 March 2017**
Special Deposit Scheme	7.28	6.96
(%) of total plan assets	17%	18%
Insured managed funds	2.18	0.77
(%) of total plan assets	5%	2%
Others	32.34	30.92
(%) of total plan assets	77%	80%

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

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Discount rate	7.78% - 7.8%	7.10%
Future salary increase	6.50% - 7.50%	7.50%
Expected rate of return on plan assets	7.10% - 7.78%	7.80%
Expected average remaining working lives (in years)		
Gratuity	7.84 - 15	8.45
Pension, Post retirement medical scheme and Long-term award scheme	6.42 - 10.42	7.61 - 11.15
Compensated Absences	7.84	8.45
Withdrawal rate (based on grade and age of employees)		
Gratuity	4% - 11%	9.00%-12.00%
Pension, Post retirement medical scheme and Long-term award scheme	11.00%	9.00%-12.00%
Compensated Absences	11.00%	9.00%-12.00%

A quantitative sensitivity analysis for significant assumption is as shown below:

Gratuity

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact) Year ended 31 March 2018 (₹ In Crs)	(increase) / decrease in defined benefit obligation (Impact) Year ended 31 March 2017 (₹ In Crs)
Discount rate	1% increase	2.14	2.20
	1% decrease	(2.39)	(2.48)
Future salary increase	1% increase	(2.00)	(2.08)
	1% decrease	1.82	1.88
Withdrawal rate	1% increase	(0.05)	(0.07)
	1% decrease	0.06	(0.05)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on defined benefit obligations as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Pension, Post retirement medical scheme and Long-term award scheme

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact) Year ended 31 March 2018 (₹ In Crs)	(increase) / decrease in defined benefit obligation (Impact) Year ended 31 March 2017 (₹ In Crs)
Discount rate	1% increase	0.18	0.18
	1% decrease	(0.20)	(0.20)
Withdrawal rate	1% increase	0.09	0.00
	1% decrease	(0.08)	(0.03)

The sensitivity analyse above have been determined based on a method that extrapolates the impact on defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The followings are the expected future benefit payments for the defined benefit plan :

Particulars	Year ended 31 March 2018 (₹ In Crs)	Year ended 31 March 2017 (₹ In Crs)
Within the next 12 months (next annual reporting period)		
Gratuity	7.60	5.60
Pension, Post retirement medical scheme and Long-term award scheme	0.40	0.40
Between 2 and 5 years		
Gratuity	22.70	21.57
Pension, Post retirement medical scheme and Long-term award scheme	1.81	1.51
Beyond 5 years		
Gratuity	21.09	18.15
Pension, Post retirement medical scheme and Long-term award scheme	2.29	1.74
Total expected payments	**55.89**	**48.97**

Weighted average duration of defined plan obligation (based on discounted cash flows)

Particulars	Year ended 31 March 2018 Years	Year ended 31 March 2017 Years
Gratuity	7.64 - 10	7.38
Pension, Post retirement medical scheme and Long-term award scheme	10.49-14.04	11.37-15.99

The followings are the expected contributions to planned assets for the next year:

Particulars	Year ended 31 March 2018 (₹ In Crs)	Year ended 31 March 2017 (₹ In Crs)
Gratuity	3.60	7.00

5.11. The Group's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof and hence the Group has considered "Engines" as the single reportable segment..

A. Profit (before exceptional items and tax) of reportable segment **(₹ in Crs)**

Particulars	2017-18			
	Engine Business segment	Other Segments	Other Reconciling amounts	Consolidated Total
Segment Revenue	2,741.72	364.27	4.80	3,110.79
Total revenue	**2,741.72**	**364.27**	**4.80**	**3,110.79**
Profit before exceptional items and tax	**198.33**	**(20.85)**	**35.05**	**212.53**
Depreciation and Amortisation	101.47	6.75	3.71	111.93
Interest expense	3.29	8.26	-	11.55

(₹ in Crs.)

Particulars	2016-17		
	Engine Business segment	Other Reconciling amounts	Consolidated Total
Segment Revenue	2,778.52	99.82	2,878.34
Total revenue	**2,778.52**	**99.82**	**2,878.34**
Profit before exceptional items and tax	**207.23**	**45.42**	**252.65**
Depreciation and Amortisation	106.82	3.90	110.72
Interest expense	2.70	0.11	2.81

B. Capital employed of reportable segment **(₹ in Crs)**

Particulars	As at 31st March 2018			
	Engine Business segment	Other Segments	Other Reconciling amounts	Consolidated Total
Assets	1,127.20	266.69	1,078.13	2,472.02
Total Assets (I)	**1,127.20**	**266.69**	**1,078.13**	**2,472.02**
Liabilities	552.68	233.17	116.63	902.48
Total Liabilities (II)	**552.68**	**233.17**	**116.63**	**902.48**

(₹ in Crs.)

Particulars	As at 31 March 2017		
	Engine Business segment	Other Reconciling amounts	Consolidated Total
Assets	1,068.62	1,101.71	2,170.33
Total Assets (I)	**1,068.62**	**1,101.71**	**2,170.33**
Liabilities	480.01	60.70	540.71
Total Liabilities (II)	**480.01**	**60.70**	**540.71**

C. Geographical based bifurcation of operating segment revenue (₹ in Crs.)

Geographical Area	2017-18	2016-17
Domestic	2863.80	2619.88
Export	242.19	158.64
Total	3105.99	2778.52

D. The Group do not have transaction with single customer amounting to 10 percent or more of Group's revenues.

E. Other segments include revenue from sale of farm equipment and electric pumps, electric motors and spares thereof.

5.12. 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	Group
1	Entity controlled by Key Managerial Personnel	Achyut & Neeta Holdings & Finance Private Limited
		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
2	Entity controlled by Close Member of Key Managerial Personnel	Alpak Investment Private Limited Snow Leopard Technology Ventures LLP

(ii) Key Management Personnel and their relatives:

Sr. No.	Name	Name of Relatives	Relationship
a	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
b	Gautam A. Kulkarni (Executive Vice Chairman) (upto 14 September 2017)	Jyotsna G. Kulkarni	Wife
		Ambar G. Kulkarni	Son
c	Nihal G. Kulkarni (Managing Director)	Shruti N. Kulkarni	Wife
		Ambar G. Kulkarni	Brother
		Jyotsna G. Kulkarni	Mother
d	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	2017-18		2016-17	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Gross Sales**				
	Entity controlled by Key Managerial Personnel	**0.01**			
	Kirloskar Solar Technologies Pvt. Ltd.		0.00		
	Kloudq Technologies Limited		0.00		
	Total	**0.01**	**0.01**		
2	**Purchases of Fixed Assets**				
	Entity controlled by Key Managerial Personnel	**24.92**			
	Kirloskar Solar Technologies Private Limited		24.92		
	Total	**24.92**	**24.92**	**-**	**-**
3	**Purchases of goods**				
	Entity controlled by Key Managerial Personnel	**2.53**		**1.61**	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		2.53		1.61
	Total	**2.53**	**2.53**	**1.61**	**1.61**
4	**Rendering of Services from**				
	Key Management Personnel	**13.46**		**15.00**	
	Atul C. Kirloskar		4.43		3.25
	Gautam A. Kulkarni		1.11		4.00
	Nihal G. Kulkarni		4.30		4.13
	Rajendra R. Deshpande		3.62		3.62
	Close member of Key Managerial Personnel	**0.28**		**0.23**	
	Rahul C. Kirloskar		0.18		0.17
	Gauri A. Kirloskar (Kolenaty)		0.10		0.06
	Entity controlled by Key Managerial Personnel	**21.82**		**19.32**	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		21.82		19.32
	Total	**35.56**	**35.56**	**34.55**	**34.55**
5	**Interim Dividend and Final Dividend Paid**				
	Key Management Personnel	**23.17**		**-**	
	Atul C. Kirloskar		13.84		-
	Gautam A. Kulkarni		9.20		-
	Nihal G. Kulkarni		0.12		-
	Rajendra R. Deshpande		0.01		-
	Close member of Key Managerial Personnel	**28.93**		**-**	
	Rahul C. Kirloskar		13.30		-
	Arti A.Kirloskar		5.30		-
	Jyotsna G. Kulkarni		10.28		-
	Suman C. Kirloskar		0.05		-
	Entity controlled by Key Managerial Personnel	**0.06**		**-**	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.		**0.05**		**-**
	Navsai Investments Pvt. Ltd.		0.00		-
	Entity controlled by Close Member of Key Managerial Personnel	0.00		-	
	Alpak Investments Private Limited		0.00		-
	Total	**52.16**	**52.16**	**-**	**-**

(₹ in Crs.)

Sr. No.	Nature of the transaction / relationship / major parties	As at 31st March 2018		As at 31st March 2017	
	Outstanding				
1	**Accounts Payable**				
	Key Management Personnel				
	Commission	**7.20**		**7.30**	
	Atul C. Kirloskar		2.40		1.20
	Gautam A. Kulkarni		-		1.20
	Nihal G. Kulkarni		2.40		2.50
	Rajendra R. Deshpande		2.40		2.40
	Close member of Key Managerial Personnel	**0.18**		**0.16**	
	Rahul C. Kirloskar		0.12		0.12
	Gauri A. Kirloskar (Kolenaty)		0.06		0.04
	Superannuation	**0.13**		**0.31**	
	Atul C. Kirloskar		0.05		0.09
	Gautam A. Kulkarni		-		0.09
	Nihal G. Kulkarni		0.05		0.07
	Rajendra R. Deshpande		0.03		0.06
	Other Allowances	**0.04**		**0.00**	
	Atul C. Kirloskar		-		-
	Gautam A. Kulkarni		-		-
	Nihal G. Kulkarni		0.02		-
	Rajendra R. Deshpande		0.02		-
	Entity controlled by Key Managerial Personnel	**4.99**		**0.01**	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		1.45		0.01
	Kirloskar Solar Technologies Private Limited		3.54		
	Total	**12.54**	**12.54**	**7.78**	**7.78**
2	**Accounts Receivable**				
	Entity controlled by Key Managerial Personnel	**0.00**			
	Kirloskar Solar Technologies Pvt. Ltd.		0.00		
	Total	**0.00**	**0.00**		

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. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2017: ₹ Nil). 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 Group has not provided any commitment to the related party as at 31 March 2018 (31 March 2017 : NIL)

Transactions with key management personnel

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

Particulars	**2017-18**	**2016-17**
Short-term employee benefits	12.91	14.38
Post employment benefits	0.55	0.62
Other long-term employment benefits	-	-
Termination Benefits	-	-
Total compensation paid to key management personnel	**13.46**	**15.00**

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

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.

5.13. Earnings Per Share (Basic and Diluted)

Particulars	**2017-18**	**2016-17**
Profit for the year after taxation attributable to Owners of the Company (₹ in Crs.)	144.66	173.89
Total number of equity shares at the end of the year	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Earning Per Share	14,46,14,326	14,46,14,326
Basic and Diluted Earnings Per Share (in ₹)	10.00	12.02

Earnings per share are calculated in accordance with Accounting Standard (Ind AS 33) "Earnings Per Share".

5.14. Fair value disclosures for financial assets and financial liabilities

The management believes that the fair values of non-current financial assets (e.g., Investments at FVPL, loans and others), current financial assets (e.g., cash and cash equivalents, trade and other receivables, loans), non-current financial liabilities and current financial liabilities(e.g. Trade payables and other payables and others) approximate their carrying amounts.

The Group has not performed a fair valuation of its investment in unquoted ordinary shares other than subsidiary, which are classified as FVOCI (refer Note 4), as the Group believes that impact of change on account of fair value is insignificant.

Fair value of unquoted investment in Mutual fund is determined by reference to Net Asset Value ('NAV') available from respective Assets Management Companies ('AMC').

5.15. Fair value hierarchy

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

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 March 2018 and 31 March 2017

₹ In Crs.

Particulars	**Fair value measurement using**			
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
As at 31 March 2018				
Assets measured at fair value				
Investments				
Fair value through profit or loss				
Unquoted mutual fund (Note 9)	675.24	-	675.24	-
Fair value through OCI				
Unquoted equity shares (Note 4)	0.01	-		0.01
Assets held for disposal (Note 14)	2.09	-	-	2.09
Assets for which fair values are disclosed				
Investment property (Note 2)	-	-	-	-
Liabilities measured at fair value				
Contingent consideration for acquisition of Investment in subsidiary company *****	0.85	-	-	0.85
As at 31 March 2017				
Assets measured at fair value				
Investments				
Fair value through profit or loss				
Unquoted mutual fund (Note 9)	988.23	-	988.23	-
Fair value through OCI				
Unquoted equity shares (Note 4)	0.01	-	-	0.01
Assets held for disposal (Note 14)	0.25	-	-	0.25
Assets for which fair values are disclosed				
Investment property (Note 2)	74.23	-	-	74.23

***** The company has used the discounted cash flow approach for calculating fair value of contingent consideration for acquisition of investment in subsidiary company based on unobservable inputs of estimated revenues and earnings achievement. The company does not expect any material variation in these unobservable inputs.

5.16. Financial instruments risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables and other financial liabilities. The main purpose of these financial liabilities is to finance the Group's operations to support its operations. The Group's principal financial assets include Investments, loans, trade and other receivables, cash and short-term deposits and other financial assets that derive directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Audit Committee and Board review financial risks and the appropriate risk governance framework for the Group's financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below :

a. 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: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include borrowings, deposits, Investments, trade and other receivables, trade and other payables and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 March 2018 and 31 March 2017.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity, pension and other post-retirement obligations and provisions.

The following assumption has been made in calculating the sensitivity analyses:

The sensitivity of the relevant statement of profit and loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2018 and 31 March 2017 including the effect of hedge accounting.

Interest rate risk

a. Exposure

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. **(₹ in Crs.)**

Particulars	As at 31st March 2018	As at 31st March 2017
Long Term Fixed Interest Loans	0.76	-
Short Term Fixed Interest Loans	-	-
Long Term Floating Interest Loans	6.97	-
Short Term Floating Interest Loans	134.01	-

b. Interest Rate Sensitivity **(₹ in Crs.)**

Financial Year	Change in Interest rate	Effect on profit before tax	Effect on pre-tax equity
March 31, 2018	+50 bps	(0.56)	(0.56)
	-50 bps	0.56	0.56
March 31,2017	+50 bps	-	-
	-50 bps	-	-

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Amounts in Foreign Currencies in 000's

Nature of exposure	Currency	31-March-2018	31-March-2017
Receivable	USD	7918	2,053
	EUR	-	-
	GBP	-	-
Payable	USD	2415	1,658
	EUR	813	457
	GBP	120	13
	SEK	250	511
	CHF	0	4

The Group manages its foreign currency risk by hedging transactions related to sales & purchases.

At 31 March 2018 and 31 March 2017, the Group has hedged NIL and 976,726 USD, for 2-4 months, respectively, of its total foreign currency exposure. This foreign currency risk is hedged by using foreign currency forward contracts.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD, EUR and GBP exchange rates, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Group's exposure to foreign currency changes for all other currencies is not material.

(₹ in Crs.)

As at	Change in USD rate	Effect on profit before tax	Effect on pre-tax equity
31-March-18	+5%	1.79	1.79
	-5%	(1.79)	(1.79)
31-March-17	+5%	0.13	0.13
	-5%	(0.13)	(0.13)

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31-March-18	+5%	(0.33)	(0.33)
	-5%	0.33	0.33
31-March-17	+5%	(0.16)	(0.16)
	-5%	0.16	0.16

As at	Change in GBP rate	Effect on profit before tax	Effect on pre-tax equity
31-March-18	+5%	(0.06)	(0.06)
	-5%	0.06	0.06
31-March-17	+5%	(0.01)	(0.01)
	-5%	0.01	0.01

Commodity price risk

The Group is affected by the price volatility of certain commodities. Its operating activities require the on-going purchase and manufacture of engines and therefore require a continuous supply of copper, steel and iron. However, Group being the indirect user of these commodities, volatility in price of such commodity does not have direct or immediate impact on the profitability of the Group. Hence, the Group do not foresee any direct or immediate risk with respect to such commodity price fluctuation.

Other Price Risk

The Group's portfolio of investments mainly consists of debt mutual fund with short term maturity. Hence management believes that this portfolio is not significantly susceptible to market risk.

b. 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 Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Trade receivables

Receivables are reviewed, managed and controlled for each class of customers separately. Credit exposure risk is mainly influenced by class /type of customers, depending upon their characteristics. Credit risk is managed through credit approval process by establishing credit limits alongwith continuous monitoring of credit worthiness of customers to whom credit terms are granted. Wherever required, credit risk of receivables is further covered through letter of credit, bank guarantee, business deposits and such other forms of credit assurance schemes.

An impairment analysis is performed at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are combined into homogenous category and assessed for impairment collectively. The calculation is based on actual incurred historical data. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are spread over vast spectrum.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made as per the approved investment policy. Investment limits are set to minimise the concentration of risks and therefore mitigate financial loss if any.

c. Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments: **(₹ in Crs.)**

Particulars	**On demand**	**Less than 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Total**
Year ended 31 March 2018						
Interest bearing borrowings	117.51	17.07	1.69	5.47	-	**141.74**
Other financial liabilities	21.71	11.09	33.32	70.84	17.80	**154.76**
Trade payables	19.20	461.03	8.43	-	-	**488.66**
Derivatives	-	-	-	-	-	**-**
	158.42	**489.19**	**43.44**	**76.31**	**17.80**	**785.16**
Year ended 31 March 2017						
Interest bearing borrowings	-	12.45	-	-	-	**12.45**
Other financial liabilities	8.56	4.20	39.34	0.75	17.17	**70.02**
Trade payables	0.11	350.23	4.53	-	-	**354.87**
Derivatives	-	-	-	-	-	**-**
	8.67	**366.88**	**43.87**	**0.75**	**17.17**	**437.34**

5.17. Capital management

For the purpose of the Group's capital management, capital includes issued equity capital and all other equity reserves attributable to the equity holders of the Group. The primary objective of the Group'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.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

5.18. Expenditure on CSR Activities **(₹ in Crs.)**

1	Gross amount required to be spent by the Group during the year	4.40
2	Amount spent during the year	4.53

5.19. Acquisitions (Business Combination)

La Gajjar Machineries Private Ltd

The Company, on 21 June 2017 executed definitive share purchase agreement for acquisition of 100 % equity shares in La-Gajjar Machineries Private Limited (LGM). LGM is engaged in the business of manufacturing and sales of Submersible Pumps, Electric Motors, Electrical Switches and spares thereof. The acquisition has provided the Company with the access to electric pump set market.

On 1 August 2017 the company acquired 76% of equity shares of LGM as per the terms of share purchase agreement for consideration of ₹ 252.93 crs. This purchase consideration is paid in cash. Further, as per the said agreement, the company agreed to pay additional consideration with respect to certain identified projects, linked to EBITDA achieved up to 31 December 2018. As per extant guidelines of Ind AS 103, 'Business combination', this additional consideration being contingent in nature is to be fair valued. Accordingly, the fair value is estimated at ₹ 0.85 crs by applying the discounted cash flow approach to the expected EBITDA. This additional consideration, is capitalized as investment by creating corresponding financial liability in the consolidated financials.

For period ended 31 March 2018, LGM contributed revenue of ₹ 291.92 crores and loss (before tax) of ₹10.93 crores to the Group's results

If the acquisition had occurred on 1 April 2017, management estimates that consolidated revenue would have been ₹ 3,270.29 crores and consolidated profit (before tax) would have been ₹ 197.26 crores

Considering the time involved in valuation and complexities involved in the acquired business the management is still in the process of finalising the fair valuation. As a result, the initial accounting for business combination was incomplete by the end of the reporting period. Thus, the company availed the option of measurement period as provided by Ind AS 103.

In pursuance of above, purchase consideration paid for this acquisition has been provisionally allocated as follows:

Particulars	**Amount in ₹ Crs.**
Non-Current Assets	
Property, plant & equipment and Intangibles including capital work in progress	25.77
Other Non-Current Assets	25.97
Current Assets	
Trade Receivables	99.68
Cash and Cash Equivalent	1.64
Other Bank Balance	7.67
Other current assets	97.21
Non-Current Liabilities	
Borrowings	6.69
Other non-current liabilities and Provisions	1.14
Current Liabilities	
Borrowings	74.51
Trade and other payables	117.29
Other current liabilities and Provisions	17.24
Provisional Fair value of net assets as on date of acquisition	**41.07**
Non-controlling interest	**9.86**
Provisional Goodwill	**222.56**
Purchase Consideration	**253.78**

The purchase consideration has been allocated on a provisional basis based on management's estimates. Provisional Goodwill of ₹ 222.56 crores and measurement of assets and liabilities will be adjusted in the year of acquisition after Completion of Purchase price Allocation (PPA) exercise as per provisions of Ind AS.

Further, the company has entered into a shareholders agreement on 21 June 2017 to purchase remaining 24% equity shares. The Company has a call option to acquire and simultaneously, shareholders of LGM have put option to sell the remaining equity shares to be exercised after holding period at a price based on mutually agreed upon formula. However, if the options are not exercised in the given option period, the company has to purchase remaining equity shares at the end of the option period by applying same formula agreed at the time of exercising options.

The company has evaluated agreed upon formula to arrive at the purchase price of remaining 24% equity shares and concluded that it reasonably represents fair value from the point of view of average market participants.

Based on above and as per the terms of shareholders agreement, the company does not have present access to the returns associated with the ownership for such remaining 24% of shares. Hence, non-controlling interest (NCI) has been initially recognised at the acquisition date in the consolidated financials in accordance with provisions of Ind AS 110 Consolidated Financial Statements. NCI has been initially measured at proportionate share in the provisionally recognised amounts of LGM's identifiable net assets in accordance with provisions of Ind AS 103 Business Combinations.

The company is obliged to purchase remaining 24% equity shares. Hence, NCI is recognized as a non-current financial liability for future purchase consideration payable.

This future purchase consideration payable has been measured at the fair value in accordance with Ind AS 109 Financial Instruments which is estimated by applying the discounted cash flow approach to probable adjusted revenue and earnings estimates. The balance appearing in the non-controlling interest is derecognized and transferred to the future purchase consideration payable and the difference between the NCI and fair value of future purchase consideration payable is adjusted to equity in accordance with Ind AS 110 Consolidated Financial Statements.

5.20. Disclosure in terms of Schedule III of the Companies Act, 2013 **(₹ in Crs.)**

Particulars	Net Assets (i.e. Total assets minus total liabilities)		Share in profit/(loss)		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit/loss Amount	Amount	As a % of consolidated other comprehensive income	Amount	As a % of total comprehensive income	Amount
F.Y. 2017-18								
1. Parent:								
Kirloskar Oil Engines Ltd.	104.32%	1,637.34	103.77%	150.11	109.28%	1.06	103.80%	151.17
2. Subsidiary (Foreign):								
KOEL Americas Corp.	0.18%	2.81	0.50%	0.73	1.03%	0.01	0.51%	0.74
3. Subsidiary (Domestic):								
La-Gajjar Machineries Pvt. Ltd.	2.09%	32.83	(5.60%)	(8.10)	(14.43%)	(0.14)	(5.66%)	(8.24)
Add/(Less): Minority interests in all subsidiaries	(0.50%)	(7.88)	1.34%	1.94	4.12%	0.04	1.36%	1.98
Add/(Less): Inter-company eliminations	(6.09%)	(95.56)	(0.02%)	(0.02)	(0.00%)	-	(0.01%)	(0.02)
Total	**100.00%**	**1,569.54**	**100.00%**	**144.66**	**100.00%**	**0.97**	**100.00%**	**145.63**
F.Y. 2016-17								
1. Parent:								
Kirloskar Oil Engines Ltd.	99.97%	1,616.71	99.84%	173.62	105.86%	(0.58)	99.83%	173.04
2. Subsidiary (Foreign):								
KOEL Americas Corp.	0.13%	2.07	0.16%	0.27	(5.86%)	0.03	0.17%	0.30
Add/(Less): Minority interests in all subsidiaries		-		-		-		-
Add/(Less): Inter-company eliminations	(0.10%)	(1.61)	(0.00%)	(0.00)	-	-	-	-
Total	**100.00%**	**1,617.17**	**100.00%**	**173.89**	**100.00%**	**(0.55)**	**100.00%**	**173.34**

5.21. Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 as applicable to the Company are disclosed under standalone financials statements.

5.22. Disclosure of interest in Subsidiaries and interest of Non Controlling Interest:

a. Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of Subsidiary	Place of Incorporation and Place of Operation	Proportion of ownership interest and voting power	
		2017-18	2016-17
KOEL Americas Corp.	U.S.A.	100%	100%
La-Gajjar Machineries Pvt. Ltd.	India	76%	N.A.

b. Details of Non-Wholly Owned subsidiaries that have material Non-controlling interest:

Name of Subsidiary	Place of Incorporation and Place of Operation	Proportion of ownership interest and voting rights held by Non-controlling interests		Profit / (Loss) allocated to Non-controlling interest (₹ in Crs)		Accumlated Non-controlling interest (₹ in Crs)	
		2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
La-Gajjar Machineries Pvt. Ltd.	India	24%	N.A.	(1.94)	N.A.	7.88	N.A.

La Gajjar Machineries Private Limited's principal activity - Manufacturing and selling of Submersibles, monoblock pumps, Stainless steel pumps and pumpsets in the domestic and export markets.

c. Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations and are based on their standalone financial statements.

(₹ in Crs)

Particulars	La-Gajjar Machineries Pvt. Ltd.
	2017-18
Current Assets	189.83
Non Current Assets	54.80
Current Liabilities	205.01
Non Current Liabilities	6.79
Equity Interest attributable to the owners	24.95
Non-controlling interest	7.88
Total Income	222.74
Expenses	230.85
Profit / (Loss) for the year	(8.11)
Profit / (Loss) attributable to the owners of the company	(6.17)
Profit / (Loss) attributable to the Non-controlling interest	(1.94)
Dividends paid to Non-controlling interest	-
Opening Cash & Cash Equivalents	1.64
Closing Cash & Cash Equivalents	0.90
Net Cash inflow/(outflow)	(0.74)

41. Standards issued but not yet effective

Standards issued but not effective

The Ministry of Corporate Affairs (MCA) notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 on 28 March 2018. The Rules shall be effective from reporting period beginning on or after 1 April 2018 and cannot be early adopted.

a. Ind AS 115 - Revenue from contracts with customers

Ind AS 115, Revenue from contracts with customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a promised good or service and thus has the ability to direct the use and obtain the benefits from the good or service in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The standard replaces Ind AS 18 Revenue and Ind AS 11 Construction contracts and related appendices

A new five-step process must be applied before revenue can be recognised:

(i) identify contracts with customers.

(ii) identify the separate performance obligation.

(iii) determine the transaction price of the contract.

(iv) allocate the transaction price to each of the separate performance obligations, and

(v) recognise the revenue as each performance obligation is satisfied.

The new standard is mandatory for financial years commencing on or after April 1, 2018 and early application is not permitted. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

There are consequential amendments to other Ind AS due to notification of Ind AS 115. The Group is in the process of evaluating the impact on the financial statements in terms of the amount and timing of revenue recognition under the new standard.

b. Ind AS 21 - The Effects of changes in foreign exchange rates

The MCA has notified Appendix B to Ind AS 21, Foreign currency transactions and advance consideration. The appendix clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, date of transaction should be determined as above for each payment or receipt.

The appendix can be applied:

(i) retrospectively for each period presented applying Ind AS 8;

(ii) prospectively to items in scope of the appendix that are initially recognised

- on or after the beginning of the reporting period in which the appendix is first applied (i.e. 1 April 2018); or
- from the beginning of a prior reporting period presented as comparative information (i.e. 1 April 2017).

The Group is in the process of evaluating the impact on the financial statements in terms of the amount and timing of revenue recognition under the new standard.

c. Ind AS 40 – Investment property

The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was re-characterized as a non-exhaustive list of examples and scope of these examples have been expanded to include assets under construction/ development and not only transfer of completed properties.

The amendment provides two transition options. Entities can choose to apply the amendment:

(i) Retrospectively without the use of hindsight; or

(ii) Prospectively to changes in use that occur on or after the date of initial application (i.e. 1 April 2018). At that date, an entity shall reassess the classification of properties held at that date and, if applicable, reclassify properties to reflect the conditions that exist as at that date.

There is no impact of this amendment to the Group.

d. Ind AS 12 – Income taxes

The amendments clarify the accounting for deferred taxes where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets set out below:

A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.

The estimate of future taxable profit may include the recovery of some of an entity's assets for more than its carrying amount if it is probable that the entity will achieve this. For example, when a fixed-rate debt instrument is measured at fair value, however, the entity expects to hold and collect the contractual cash flows and it is probable that the asset will be recovered for more than its carrying amount.

Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.

Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. This is to avoid double counting the deductible temporary differences in such assessment.

An entity shall apply the amendments to Ind AS 12 retrospectively in accordance with Ind AS 8. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

The Group is in the process of evaluating the impact on the financial statements in terms of the amount and timing of revenue recognition under the new standard.

e. Ind AS 28 – Investment in Associates and Ind AS 112 – Disclosure of Interest in other entities

Amendment clarifies that:

(i) Disclosure requirements of Ind AS 112 are applicable to interest in other entities classified as held for sale except for summarized financial information.

(ii) The option available with venture organizations, mutual funds, unit trusts and similar entities to measure their investments in associate or joint ventures at fair value through profit or loss (FVTPL) is available for each investment in an associate or joint venture.

There is no impact of this amendment to the Company.

42. Net Debts Reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2018

(₹ in Crs.)

Particulars	31 March 2018	31 March 2017
Cash and Cash Equivalents	60.53	12.96
Current Borrowings	(134.01)	(12.45)
Non Current Borrowings	(5.47)	-
Net Debt	**(78.95)**	**0.51**

(₹ in Crs.)

Particulars	Cash and Cash Equivalents	Borrowings	Total
Net Debt as on 1st April 2017	**12.96**	**(12.45)**	**0.51**
Cash Flows (Including acquisition of Subsidiary)	47.57	(127.03)	(79.46)
Net Debt as on 31st March 2018	**60.53**	**(139.48)**	**(78.95)**

43. Previous year's figures have been re-grouped wherever considered necessary to make them comparable with those of the current year.

Signatures to Note 1 to 43, forming part of the Financial Statements.

As per our attached report of even date

FOR M/S. P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 18 May 2018

For and on behalf of the Board of Directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Joint Managing Director
DIN: 00007439

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary

Pune : 18 May 2018

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Notes

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KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

CIN: L29120PN2009PLC133351

Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune – 411 003 (Maharashtra)

Tel.: 020-25810341 Fax: 020-25813208 website: www.koel.co.in E-mail: investors@kirloskar.com

ATTENDANCE SLIP

(Please complete this attendance slip and hand over at the entrance of the meeting venue)

Registered Folio No. / DP ID & Client ID	
Name and address of the Member(s)	
Joint Holder 1 **Joint Holder 2**	
No. of Shares	

I/We hereby record my/our presence at the Annual General Meeting of the Company to be held on Friday, 10 August 2018 at 12.15 p.m. at Hotel Sheraton Grand Pune (Erstwhile Le Meridien), Raja Bahadur Mill Road, Pune – 411001.

-- --

Member's / Proxy's name in Block Letters Member's / Proxy's Signature

--- **TEAR HERE** ---

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

CIN: L29120PN2009PLC133351

Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune – 411 003 (Maharashtra)

Tel.: 020-25810341 Fax: 020-25813208 website: www.koel.co.in E-mail: investors@kirloskar.com

PROXY FORM

Name of the member(s):
Registered address:
E-mail Id:
Folio No/ DP ID-Client ID:

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

2. Name: ......………………………………………........... Address: ……………………………………………….........................

   E-mail Id: ………………………………….................. Signature: ……………………………………………, or failing him

3. Name: ......………………………………………........... Address: ……………………………………………….........................

   E-mail Id: ………………………………….................. Signature: ……………………………………………, or failing him

P. T. O.

--- **TEAR HERE** --

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Friday, 10 August 2018 at 12.15 p.m.at Hotel Sheraton Grand Pune (Erstwhile Le Meridien), Raja Bahadur Mill Road, Pune – 411 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Item No.	**Description of Resolution**	**Optional***	
Ordinary Business		For	Against
1.	Adoption of Audited Standalone Financial Statements and the Consolidated Financial Statements of the Company for the Financial Year ended 31 March 2018 together with the Reports of the Directors and the Auditors thereon.		
2.	Declaration of dividend on equity shares for the Financial Year ended 31 March 2018.		
3.	Re-Appointment of Mr. Mahesh R. Chhabria who retires by rotation.		
Special Business			
4.	Re-appointment of Mr. Rajendra R. Deshpande as an Whole Time Director with designation as the Joint Managing Director.		
5.	Approval of remuneration of the Cost Auditors.		
6.	Continuation of present second term of appointment of Mr. R. Srinivasan as an Independent Director of the Company.		

Signed this…… day of……… 2018

Signature of Member(s) …………………………..

Please affix Revenue Stamp

Signature of Proxy holder(s) ………………………….

Note:

1. This form of proxy in order to be effective should be duly completed 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 'X' 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.

Innovative Product
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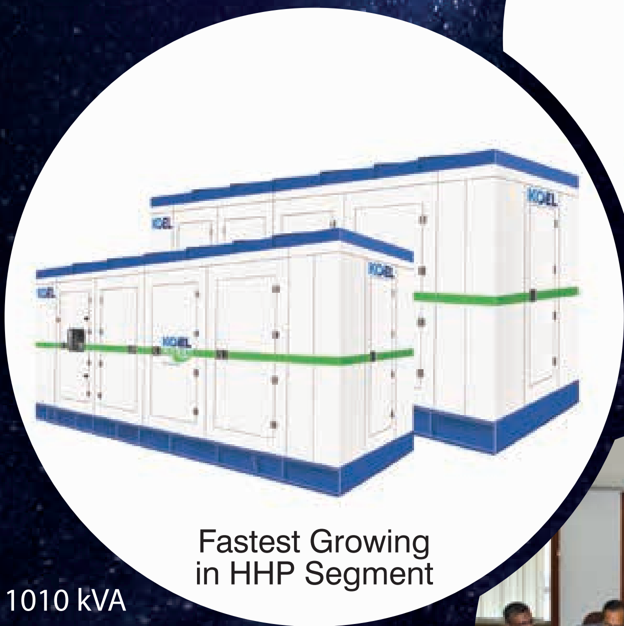

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Registered Address – Laxmanrao Kirloskar Road,
Khadki, Pune – 411 003

Tel.:+91 (20) 25810341 Fax: +91 (20) 25813208/25810209

Email: investors@kirloskar.com Website: www.koel.co.in

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