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KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

12 July 2019

BSE Scrip Code: **533293**

NSE Scrip Code: **KIRLOSENG**

To
Corporate Relationship Department
BSE Limited
1st Floor, Rotunda Building,
Dalal Street, Fort,
Mumbai – 400 001

To
The Manager
Listing Department
National Stock Exchange of India
Ltd.
Exchange Plaza, C -1, Block G,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051

Dear Sir/Madam,

Subject: Notice of Annual General Meeting and Annual Report for the FY 2018-19

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, please find enclosed herewith copy of Notice of Annual General Meeting of the Company to be held on 9 August 2019 and Annual Report for the FY 2018-19.

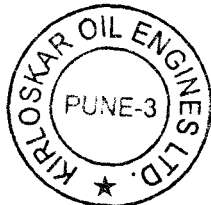
You are kindly requested to take the same on your record.

Thanking you.

Yours Faithfully,
For Kirloskar Oil Engines Limited

S. A. Raichurkar

Smita Raichurkar
Company Secretary



Encl.: As above.



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NOTICE

Notice is hereby given that 10th Annual General Meeting of Kirloskar Oil Engines Limited will be held on Friday, the 9th day of August 2019 at 12.15 p.m. at Sheraton Grand Pune Bund Garden Hotel, Raja Bahadur Mill Road, 211/212, Pune – 411 001, to transact the following business:

ORDINARY BUSINESS

ITEM NO.1

To receive, consider and adopt the Audited Standalone Financial Statements and the Consolidated Financial Statements of the Company for the Financial Year ended 31 March 2019 together with the Reports of the Directors and Auditors thereon.

ITEM NO.2

To declare final dividend of ₹ 2.50/- per equity share (125%) and to confirm the interim dividend of ₹ 2.50/- per equity share (125%), already paid during the year, for the financial year ended 31 March 2019.

ITEM NO.3

To appoint a director in place of Mr. Vinesh Kumar Jairath (DIN 00391684) who retires by rotation and being eligible, offers himself for re-appointment.

ITEM NO.4

To appoint a director in place of Ms. Gauri Kirloskar (DIN 03366274) who retires by rotation and being eligible, offers herself for re-appointment.

SPECIAL BUSINESS

ITEM NO.5

To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT further to the approval of members of the Company in its meeting held on 10 August 2018, for re-appointment of Mr. Rajendra R. Deshpande (DIN 00007439) as a Whole Time Director with designation as ‘Joint Managing Director’, based on recommendation of the Board of Directors, the consent of the members of the Company be and is hereby given for re-designation of Mr. Rajendra R. Deshpande (DIN 00007439) as ‘Managing Director and Chief Executive Officer’ from ‘Joint Managing Director’ with effect from 26 October 2018 till expiry of his present term of appointment of 2 years i.e. 28 April 2020.

RESOLVED FURTHER THAT the rest of terms of his re-appointment as approved by the members of the Company in its meeting held on 10 August 2018 remains unchanged.”

ITEM NO. 6

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder and Regulation 16(1)(b) and 25(8) including such other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory amendment, modification(s) or re-enactment thereof for the time being in force), Mrs. Mrunalini Deshmukh (DIN 07092728), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 12 September 2018 and who holds office of Director up to the date of



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this Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing her candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years with effect from 12 September 2018."

ITEM NO. 7

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder and Regulation 16 (1) (b) and 25(8) including such other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory amendment, modification(s) or re-enactment thereof for the time being in force), Mr. Sunil Shah Singh (DIN 00233918), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 12 September 2018 and who holds office of Director up to the date of this Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years with effect from 12 September 2018.

RESOLVED FURTHER THAT pursuant to the provisions of Regulation 17(1A) of amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory amendments, modification(s) or re-enactment thereof for the time being in force), approval be and is hereby also granted for the continuation of first term of Mr. Sunil Shah Singh (DIN 00233918) who will attain the age of 75 years, during a first term of his appointment as Non-Executive Independent Director."

ITEM NO. 8

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder and Regulation 16 (1) (b) and 25(8) including such other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (including any statutory amendment, modification(s) or re-enactment thereof for the time being in force), Mr. M. Lakshminarayan (DIN 00064750) whose period of office is liable to expire on 11 August 2019 and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby re-appointed as an Independent Director of the Company to hold office for a second term of three consecutive years with effect from 12 August 2019."

ITEM NO. 9

To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory amendment, modification(s) or re-enactment thereof, for the time being in force), the remuneration upto ₹ 8,00,000/- plus applicable taxes thereon and the reimbursement of out of pocket expenses on actual basis as approved by the Board of Directors of the Company, payable to M/s. Parkhi Limaye and Co., Cost Accountants, for conducting the audit of the Cost records maintained by the Company for the financial year ended 31 March 2020, be and is hereby ratified and confirmed."



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ITEM NO. 10

To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013 and rules made thereunder, (including any statutory modification(s) or any substitution or re-enactment thereof for the time being in force) and in accordance with the Memorandum of Association and Articles of Association of the Company, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the Regulations), provisions of Regulation 6 of the Securities Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 and relevant provisions of Circular No. CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 issued by the Securities and Exchange Board of India (collectively hereinafter referred to as "SEBI SBEB Regulations") and to such other applicable Regulations which may be issued and / or amended from time to time by the SEBI or any other relevant authority, from time to time, to the extent applicable and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the members' of the Company be and is hereby accorded to introduce and implement the "Kirloskar Oil Engines Limited - Employees Stock Option Plan 2019" (hereinafter referred to as "KOEL ESOP 2019") and authorise the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee, including the Nomination and Remuneration Committee which the Board has constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, grant, issue and allot from time to time, in one or more tranches, not exceeding 14,00,000 (Fourteen Lakhs) employee stock options to or for the benefit of such person(s) who are in permanent employment of the Company, whether working in India or out of India, including any director of the Company, whether whole time or otherwise (other than Promoters or Promoter Group of the Company, Independent Directors and Directors holding directly or indirectly more than 10% of the outstanding equity shares of the Company), as may be decided under KOEL ESOP 2019, exercisable into not more than 14,00,000 (Fourteen Lakhs) equity shares of the Company, of face value of ₹ 2/- each fully paid up (0.97% of the paid-up equity share capital of the Company as on 31 March 2019), where one employee stock option would convert in to one equity share upon exercise, in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the KOEL ESOP 2019 and in due compliance with the applicable laws and regulations or guidelines issued by the relevant Authority.

RESOLVED FURTHER THAT in case of any corporate action (s) such as rights issues, bonus issues, change in capital structure, merger and sale of division / undertaking or other reorganization and others, if any additional equity shares are to be issued by the Company to the option grantees, the ceiling as aforesaid of 14,00,000 (Fourteen Lakhs) equity shares, shall be deemed to increase in proportion of such additional equity shares issued to facilitate making fair and reasonable adjustment.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot equity shares upon exercise of options from time to time in accordance with the KOEL ESOP 2019 and such equity shares shall rank *pari passu* in all respects with the then existing equity shares of the Company.

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

RESOLVED FURTHER THAT the Board be and is hereby authorised to formulate, evolve, decide upon and implement the KOEL ESOP 2019 as per the terms approved in this resolution and at any time to modify, change, vary, alter, amend, suspend or terminate the KOEL ESOP 2019, subject to the compliance with



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the applicable laws and regulations and to do all such acts, deeds, matters and things as may be at its absolute discretion deems fit, for such purpose and also to settle any issues, questions, difficulties or doubts that may arise in this regard without being required to seek any further consent or approval of the members and further to execute all such documents, writings and to give such directions and / or instructions as may be necessary or expedient to give effect to such modification, change, variation, alteration, amendment, suspension or termination of the KOEL ESOP 2019 and to do all other things incidental and ancillary thereof in conformity with the provisions of the Companies Act, 2013, the Memorandum of Association and Articles of Association of the Company, SEBI SBEB Regulations and any other applicable laws in force.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take requisite steps for listing of the equity shares allotted under KOEL ESOP 2019 on the stock exchange(s) where the equity shares of the Company are listed and also to do all such acts, deeds, and things, as it may in its absolute discretion deem necessary including authorizing or directing to appoint merchant Bankers, brokers, solicitors, registrars, compliance officer, investors service centre, various intermediaries, advisors, consultants or representatives for effective implementation and administration of the KOEL ESOP 2019 as also to make applications to the appropriate authorities for obtaining their requisite approvals as also to initiate all necessary actions for and all other documents required to be filed in the above connection and to settle all such questions, difficulties or doubts whatsoever that may arise and take all such steps and decisions in this regard.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all acts, matters, deeds and things and to take all steps and to do all things and give such directions as may be necessary, expedient, or desirable and also to settle any question or difficulties that may arise in such manner and the Board / such authorised person in its/ his absolute discretion may deem fit and take steps which are incidental and ancillary in this connection."

Place: Pune

By Order of the Board of Directors

Date: 17 May 2019

Sd/-
Smita Raichurkar
Company Secretary



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NOTES

- i. A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

- ii. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours before the time fixed for holding the meeting. Proxies submitted on behalf of the Companies, Societies etc., must be supported by appropriate resolution / authority, as applicable.
- iii. The statement pursuant to Section 102 of the Companies Act, 2013, relating to the special business to be transacted at the meeting is annexed hereto.
- iv. Details pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder, in respect of directors seeking appointment / re-appointment at Annual General Meeting forms part of the notice.
- v. The Register of Members and Share Transfer Books of the Company will remain closed from **3 August 2019** to **9 August 2019** both days inclusive.
- vi. Dividend on shares as recommended by the Directors, if declared, at this Annual General Meeting, will be paid to those members
- a. whose names appears as beneficial owners as at the end of Business hours on **2 August 2019**, in the list of beneficial owners made available by National Securities Depository Limited and Central Depository Services (India) Limited in respect of shares held in dematerialised form; and
- b. whose names appears as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with Company / Registrar and Share Transfer Agent (R & T Agent) on or before **2 August 2019**.
- vii. Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013, any money transferred to the unpaid dividend account, which remains unpaid or unclaimed for a period of 7 years from the date of such transfer is required to be transferred to the 'Investor Education and Protection Fund (IEPF)'.

Pursuant to the provisions of IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016 and its amendments thereon, all shares in respect of which the dividend has not been paid or claimed for 7 consecutive years or more, are required to be transferred to IEPF.

Accordingly, the unpaid / unclaimed dividend for the years 2010-11, along with 37,258 equity shares of ₹ 2/- each has been transferred to the said Fund, after following the prescribed procedure.

Shareholders are requested to send their claims to the Company/ R & T Agent, if any, before the amount becomes due for transfer to the above Fund. Shareholders are requested to encash the dividend warrants immediately on their receipt by them.



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The details of unclaimed and unpaid amount of Dividend for the years 2009-10 onwards, due to the shareholders of the Company as on 10 August 2018, are available on the Company's website viz. www.koel.co.in.

Shareholders can claim the unclaimed dividend and the shares transferred to the IEPF including all benefits accruing on such shares, if any, from IEPF Authority after following the procedure prescribed by the Rules.

viii. Register National Electronic Clearing Service (NECS) Mandate

Regulation 12 and Schedule I of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires all companies to use the facilities of electronic clearing services for payment of dividend. In order to get your dividend through NECS, members who are holding shares in physical form are requested to inform their bank account details such as the name of the bank, branch, its address, account number, 9 digit MICR code, IFSC code and type of account i.e. Savings or Current or Cash Credit etc. to **Link Intime India Private Limited, R & T Agent** of the Company having its office at 'Akshay' Complex, Block No. 202, 2nd Floor, Off Dhole Patil Road, Near Ganesh Temple, Pune – 411 001. **(Ph. No. 020-26161629)**.

Shareholders holding shares in dematerialised form are requested to inform their bank account particulars to their respective Depository Participant (DP) and not to the R & T Agent of the Company. Those shareholders who do not opt for NECS facility may inform only bank account number and bank name for printing the same on the dividend warrant to ensure safety. Members who wish to avail the above facility are requested to submit required information to R & T Agent on or before the closing hours on **2 August 2019**. As per SEBI circular dated 20 April 2018, unpaid/unclaimed dividend will be processed through electronic mode only.

ix. Permanent Account Number (PAN)

Securities and Exchange Board of India (SEBI) has mandated the submission of PAN by every participant in securities market. Members are requested to submit their PAN to their DPs (in case of shares held in dematerialised form) or to the Company / R & T Agent (in case of shares held in physical form).

x. Members are requested to immediately notify the R & T Agent (DP in case of shares held in dematerialised form) of any change in their correspondence address.

xi. In case members wish to ask for any information about accounts and operations of the Company, they are requested to send their queries in writing at least 7 days in advance of the date of the meeting so that the information can be made available at the time of the meeting.

xii. Dematerialisation of Shares

Trading in the shares of the Company can be done in dematerialized form only. Members are requested to avail the facility of dematerialisation by opening Depository accounts with the DPs of either National Securities Depository Limited or Central Depository Services (India) Limited and get the equity share certificates held by them dematerialised to ensure safe and speedy transaction in securities.

xiii. Share Transfer permitted only in Demat

Securities and Exchange Board of India has amended relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to disallow listed companies from accepting request for transfer of securities which are held in physical form, with effect from 1 April 2019. The shareholders who continue to hold shares of listed companies in physical form



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even after this date, will not be able to lodge the shares with Company / its R & T Agent for further transfer. They will need to convert them to demat form compulsorily if they wish to effect any transfer. Only the requests for transmission and transposition of securities in physical form, will be accepted by the Company / its R & T Agent.

xiv. To prevent fraudulent transactions, members are advised to exercise due diligence and notify the Company of any change in address or demise of any member as soon as possible. Members are also advised not to leave their demat account(s) dormant for long. Periodic statement of holdings should be obtained from the concerned Depository Participant and holdings should be verified.

xv. Members having multiple folios are requested to intimate to the Company / R & T Agent such folios, to consolidate all shareholdings into one folio.

xvi. **Nomination**

Members are requested to submit Nominations in prescribed Form SH-13 to R & T Agent in case of holding of shares in physical form and with their respective DPs, in case of shares held in dematerialised form. The Nomination Form SH-13 is available with R & T Agent of the Company and also on the website of the Company www.koel.co.in.

xvii. **Register E-mail Address**

To support Green Initiative, Members are requested to register their e-mail addresses with the Company / R & T Agent viz. Link Intime India Private Limited, in case of holding of shares in physical form and with concerned DPs in case of shares held in dematerialised form.

xviii. Members may also note that the **Notice of the 10th Annual General Meeting and Annual Report for 2018-19** will also be available on the Company's website www.koel.co.in. The relevant documents referred to in the Notice will be open for inspection by the members at the Registered Office of the Company, Laxmanrao Kirloskar Road Khadki, Pune 411003 on all working days of the Company during business hours.

xix. Electronic copy of the Notice of the 10th Annual General Meeting and Annual Report for 2018-19 will be sent to all the members whose email IDs are registered with the Company / R & T Agent / Depository Participant(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their e-mail IDs, physical copy of the Notice of the 10th Annual General Meeting and Annual Report for 2018-19 will be sent in the permitted mode.

xx. Members are requested to bring their attendance slip and copy of the annual report at the meeting.

xxi. Route Map showing directions to reach the venue of the 10th Annual General Meeting is given at the end of this Notice as per requirement of the Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India.

xxii. **Voting through electronic means**

- I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and as amended from time to time, Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Secretarial Standard on General Meetings (SS2) issued by the Institute of Company Secretaries of India, the Company is pleased to provide to the members the facility to exercise their right to vote on resolutions proposed to be considered at the 10th Annual General Meeting (AGM) by electronic means and the



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business may be transacted through e-voting services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

- II. The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.
- III. The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.
- IV. The remote e-voting period commences on **6 August 2019 (9:00 am) and ends on 8 August 2019 (5:00 pm)**. During this period members of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of **2 August 2019**, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.
- V. The instructions for Remote e-voting through electronic means are as under:
 - A. **Member whose email IDs are registered with the Company/ R & T Agent viz. Link Intime India Private Limited / Depository Participant(s)** will receive an email from NSDL informing them of their User-ID and Password. Once the Members receive the email, he or she will need to go through the following steps to complete the remote e-voting process:

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

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

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

Details on Step 1 are mentioned below:

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

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

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

4. Your User ID details are given below :



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

5. Your password details are given below:

- a) If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.
- b) If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need to enter the 'initial password' and the system will force you to change your password.
- c) How to retrieve your 'initial password'?
 - (i) If your email ID is registered in your demat account or with the company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the attachment i.e. a .pdf file. Open the .pdf file. The password to open the .pdf file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The .pdf file contains your 'User ID' and your 'initial password'.
 - (ii) If your email ID is not registered, your 'initial password' is communicated to you on your postal address.

6. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

- a) Click on "**Forgot User Details/Password?**"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.
- b) "**Physical User Reset Password?**" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.
- c) If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

7. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

8. Now, you will have to click on "Login" button.

9. After you click on the "Login" button, Home page of e-Voting will open.



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Details on Step 2 are given below:

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

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

B. In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company / R & T Agent / Depository Participants(s) or requesting physical copy]:

1. Initial password will be provided separately:

EVEN (E-Voting Event Number) USER ID PASSWORD/PIN

2. Please follow all steps from Sr. No. A above, to cast vote.

VI. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail at csmsp.office@gmail.com with a copy marked to evoting@nsdl.co.in

VII. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password?" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

VIII. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and remote e-voting user manual for members available on the website www.evoting.nsdl.com under the 'Downloads section'. You can also contact NSDL via email at evoting@nsdl.co.in or call on toll free no. **1800-222-990**.

IX. If you are already registered with NSDL for e-voting, then you can use your existing User ID and Password for casting your vote.

X. You can also update your mobile number and e-mail ID in the user profile details of the Folio, which may be used for sending future communication(s).



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- XI. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on **2 August 2019**.
- XII. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. **2 August 2019**, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com or call on toll free no. **1800-222-990**.
- XIII. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.
- XIV. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e. **2 August 2019** only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.
- XV. A person who is not a member as on the cut-off date should treat this notice for information purpose only.
- XVI. Manasi Paradkar, Practicing Company Secretary, Pune, (Membership No. FCS 5447 CP No. 4385) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.
- XVII. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "Ballot Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.
- XVIII. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.
- XIX. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.koel.co.in and on the website of NSDL www.evoting.nsdl.com immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the Stock Exchanges viz. BSE Limited and National Stock Exchange of India Limited.



KIRLOSKAR OIL ENGINES LIMITED

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ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 AND REGULATION 36 (3) OF SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015 INCLUDING AMENDMENTS THEREUNDER AND REGULATION 6 OF THE SEBI (SHARE BASED EMPLOYEE BENEFITS) REGULATIONS, 2014.

ITEM NO. 3 OF THE NOTICE

Mr. Vinesh Kumar Jairath retires by rotation and being eligible offers himself for re-appointment.

He does not hold any equity shares in the Company.

Mr. Vinesh Kumar Jairath joined the Indian Administrative Service in 1982 and worked in various positions in the Government of Maharashtra and Government of India. Some of the positions he held during his career in the IAS are Secretary to the Governor of Maharashtra, MD SICOM and Principal Secretary Industries Maharashtra. He took voluntary retirement in March 2008 and since then has been working as an independent consultant in areas of infrastructure, industry and real estate development. He holds a Master's Degree in Development Economics from the University of Manchester, U.K. He holds Bachelor of Arts Degree in Public Administration and Bachelor of Laws Degree, both, from the Punjab University, Chandigarh. He is an independent director on the Boards of Tata Motors Limited, Bombay Dyeing & Manufacturing Company Ltd, Go Air Ltd and Wockhardt Ltd. He has over 35 years of experience in public administration, infrastructure planning and development and infrastructure financing, finance, industry, urban development, environmental management, while occupying various important positions in the Government and post voluntary retirement on boards of various companies.

He is a member of the Audit Committee of the Company.

He is a director in the following other companies:

Tata Motors Limited*	TML Distribution Company Limited@
Tata Motors Finance Solutions Limited@	The Bombay Dyeing & Manufacturing Co. Ltd.*
Wockhardt Limited*\$	Kirloskar Industries Limited*
Go Airlines (India) Limited*	The Bombay Burmah Trading Corporation Limited*

*Audit Committee – Member

@ Audit Committee – Chairman

\$ Stakeholder Relationship Committee - Chairman

Except Mr. Vinesh Kumar Jairath and his relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise in this resolution.

ITEM NO. 4 OF THE NOTICE

Ms. Gauri Kirloskar retires by rotation and being eligible offers herself for re-appointment.

She does not hold any equity shares in the Company.

Ms. Gauri Kirloskar attended Carnegie Mellon's Tepper School of Business, where she received a BSc. in Business Administration with a concentration in Finance. Previously she attended Phillips Academy, Andover, near Boston. After graduation, Gauri worked as an investment banking analyst at Merrill Lynch in their Mergers and Acquisitions group where she analyzed the impact of proposed mergers, acquisitions, spin-offs and various restructuring alternatives on earnings, credit profile and value creation of various clients across the technology, real estate and retail industries. She then moved on to Pearson's Corporate Finance and Strategy group where she looked at bolt on acquisitions for their education business.



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Since moving back to India in 2010, Gauri has been focusing her efforts on strategic initiatives for the Kirloskar Group into infrastructure and investments as well as functioning as a director and observer at several Kirloskar Group companies. Her primary role is establishment of the Group's real estate business in Pune. This involves strategic alternatives analysis of value creation opportunities around the sale and development of the group's land banks. She has been involved in title clearance and land approvals, building up of the design brief and working closely with the IPCs. She is also strategically involved in the team hiring and overall business plan of Kirloskar Capital Limited, the Group's foray into the financial services business. She was an active participant in the process of filing for the RBI license for this business. She leads the Group's efforts on branding, corporate communications and shared services.

As a board member on Kirloskar Oil Engines Limited since 2014, she is involved in regular compliance and performance reviews. She is also an active member of the committee that looks at new investments initiatives in the energy space.

She is a member of the Stakeholders Relationship Committee of the Company.

She is a director in the following other companies:

Kirloskar Integrated Technologies Private Limited	GreenTek Systems (India) Private Limited
Navsai Investments Private Limited	Indo Global Hinjewadi Software Park Private Limited
The Bombay Burmah Trading Corporation Limited*	The Bombay Dyeing and Manufacturing Company Limited*
Beluga Whale Capital Management Pte. Ltd.	

*Audit Committee – Member

Mr. Atul C. Kirloskar, Director of the Company, being father and other relatives of Ms. Gauri Kirloskar, to the extent of their shareholding in the Company, may be deemed to be concerned or interested in this resolution.

Except above, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise in this resolution.

ITEM NO. 5 OF THE NOTICE

The members of the Company in its meeting held on 10 August 2018 re-appointed Mr. Rajendra R. Deshpande as 'Whole-time Director' with designation as 'Joint Managing Director' of the Company with effect from 29 April 2018 for a term of 2 years.

Considering significant contribution by Mr. Rajendra R. Deshpande towards directing the Company on various strategic, financial and business issues, the Board of Directors in its meeting held on 26 October 2018, based on recommendation of Nomination and Remuneration Committee, re-designated Mr. Rajendra R. Deshpande from 'Joint Managing Director' to 'Managing Director & CEO' with effect from 26 October 2018 till expiry of his present term of appointment for 2 years i.e. 28 April 2020, subject to the approval of the members of the Company.

Rajendra R. Deshpande (age 65), who is a Graduate in Mechanical Engineering, joined erstwhile Kirloskar Oil Engines Limited in July 1977. He has worked for the Small, Medium and Large Engines Business Groups of the Company. He started the Ancillary Development Department in the Company. During his tenure as a Business Unit Head, Medium Engines Business Group became the largest Strategic Business Unit amongst the Kirloskar Group. He has also played a vital role in commencement of plant at Kagal.



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He holds 11,250 (0.01%) equity shares in the Company.

He is a Member of Stakeholders Relationship Committee of the Company.

He is a director in the following other companies:

Swaraj Engines Limited	KOEL Americas Corp. USA
Kirloskar Kenya Limited	

He is neither a Member nor a Chairman of the Committees in the other Public Limited Companies.

Except Mr. Rajendra R. Deshpande and his relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested, financially or otherwise in this resolution.

The Board recommends resolution set out at Item no. 5 of the notice for approval of members of the Company.

ITEM NO. 6 OF THE NOTICE

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013, and the Articles of Association of the Company, the Board of Directors of the Company appointed, Mrs. Mrunalini Deshmukh as an Additional Director of the Company with effect from 12 September 2018.

In terms of the provisions of Section 161(1) of the Companies Act, 2013, Mrs. Mrunalini Deshmukh would hold office up to the date of this Annual General Meeting. She is also proposed to be appointed as an Independent Director for a term of 5 (Five) consecutive years with effect from 12 September 2018, pursuant to Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder. The Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing the candidature of Mrs. Mrunalini Deshmukh for the office of Director of the Company.

Mrs. Mrunalini Deshmukh (age 61) is an alumna of the St. Xavier's College and the Government Law College, Mumbai, and holds an LLM from the University of Mumbai in Commercial Law and Matrimonial Law. She is a renowned lawyer with over 15 years of experience and a special expertise in Family Law. A dedicated advocate of gender equality, Mrs. Mrunalini Deshmukh often participates and addresses domestic and international conferences on issues relating to family law, structuring of wealth and alimony issues, and the laws governing women. She addressed an International Conference on Wealth Planning for Global Indian Families in Dubai, U.A.E.

She does not hold any equity shares in the Company.

She is neither a member nor a chairman of any committee of the Company.

She is a director in the following other companies:

Kirloskar Industries Limited	Talwalkars Better Value Fitness Limited
Forbes Facility Services Private Limited	

She is neither a Member nor a Chairman of the Committees in the other Public Limited Companies.

She is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and has given her consent to act as director.

The Company has also received declaration from Mrs. Mrunalini Deshmukh that she meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder and Regulation 16 (1)(b) and 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.



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The Board is of the opinion that Mrs. Mrunalini Deshmukh fulfills the conditions specified in the said Act and the rules made thereunder and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and she is independent of the management.

The Board considers that her experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Mrs. Mrunalini Deshmukh as an Independent Director for a term of 5 (Five) consecutive years with effect from 12 September 2018.

The draft letter for the appointment of Mrs. Mrunalini Deshmukh as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

Except Mrs. Mrunalini Deshmukh and her relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise in this resolution.

The Board recommends resolution set out at Item no. 6 of the notice for approval of members of the Company.

ITEM NO. 7 OF THE NOTICE

Pursuant to the provisions of Section 161(1) of the Companies Act, 2013, and the Articles of Association of the Company, the Board of Directors of the Company appointed, Mr. Sunil Shah Singh as an Additional Director of the Company with effect from 12 September 2018.

In terms of the provisions of Section 161(1) of the Companies Act, 2013, Mr. Sunil Shah Singh would hold office up to the date of this Annual General Meeting. He is also proposed to be appointed as an Independent Director for a term of 5 (Five) consecutive years with effect from 12 September 2018, pursuant to Section 149 (including other applicable provisions if any) of the Companies Act, 2013 and rules made thereunder. The Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing the candidature of Mr. Sunil Shah Singh for the office of Director of the Company.

The Board of Directors based on recommendation of Nomination and Remuneration Committee, considered waiver of upper age limit of 75 years as specified in the Nomination and Remuneration Policy of the Company for appointment of Mr. Sunil Shah Singh as an Independent Director for a term of 5 (Five) consecutive years with effect from 12 September 2018.

Pursuant to Regulation 17(1A) of amended SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board also recommends the resolution in relation to the continuation of directorship of Mr. Sunil Shah Singh as Non-Executive Independent Director, even after he attains the age of 75 years, till the expiry of his term of appointment.

Mr. Sunil Shah Singh (age 72) did his graduation B. Tech from Indian Institute of Technology, Delhi. He has experience in varied fields such as purchase, materials management, manufacturing, marketing and overall business operations. He has held many key positions like, Managing Director of ITD Cementation India Ltd., President of Tetra Pak processing, Country Head of Energy works India, Board member of Mather Platt India Ltd. He was also a member of Construction Federation of India, Construction Industry Development Council, National Institute of Construction Management and Research.

He does not hold any equity shares in the Company.

He is neither a member nor a chairman of any committee of the Company.



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He is a director in the following other companies:

Kirloskar Industries Limited@#	Kirloskar Pneumatic Company Limited@#
ITD Cementation (India) Limited@	Kirloskar Chillers Private Limited
La-Gajjar Machinerries Private Limited*	

@ Audit Committee – Chairman

*Audit Committee - Member

#Stakeholder Relationship Committee – Member

He is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as director.

The Company has also received declaration from Mr. Sunil Shah Singh that he meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder and Regulation 16 (1)(b) and 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board is of the opinion that Mr. Sunil Shah Singh fulfills the conditions specified in the said Companies Act and the rules made thereunder and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and he is independent of the management.

The Board considers that his experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Mr. Sunil Shah Singh as an Independent Director for a term of 5 (Five) consecutive years with effect from 12 September 2018.

The draft letter for the appointment of Mr. Sunil Shah Singh as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

Except Mr. Sunil Shah Singh and his relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise in this resolution.

In terms of Section 149 of the Companies Act, 2013, including rules thereof and SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, the resolution set out at Item no. 7 of the Notice requires approval of the members of the Company by passing special resolution.

ITEM NO. 8 OF THE NOTICE

The members of the Company in its meeting held on 12 August 2014, appointed Mr. M. Lakshminarayan as an Independent Director for a term of 5 years by the members of the Company. His term is valid upto 11 August 2019.

Mr. M. Lakshminarayan is associated with Kirloskar Oil Engines Limited for over 10 years (including pre and post demerger period) as a Board Member, he made significant contribution towards guiding the Company on various strategic, financial and business issues and that the Company benefited immensely because of his vast experience.

The Board of Directors based on recommendation of Nomination and Remuneration Committee, considered reappointment of Mr. M. Lakshminarayan as an Independent Director for a second term of 3 (three) consecutive years with effect from 12 August 2019, pursuant to Section 149 of the Companies Act, 2013 (including other applicable provisions if any) and rules made thereunder.



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Mr. M. Lakshminarayan (age 72) holds a Masters degree in Technology from the Indian Institute of Technology, Mumbai. After working in Tata Motors for 16 Years in the Pune plant, he moved to Bosch Ltd (MICO). He has served in various capacities before joining the Board as Joint Managing Director in 2000. He was the Managing Director of Harman International India Private Limited, a 100% subsidiary of Harman International USA from 2009 till 2017. He is deeply connected with the activities of CII and was the past Chairman, CII Southern Region. He is a Director in Kirloskar Oil Engines Limited, Carborumdum Universal Limited, Rane (Madras) Limited, apart from being the Chairman of WABCO India.

He does not hold any equity shares in the Company.

He is Chairman of the Nomination and Remuneration Committee and Chairman of Risk Management Committee of the Company.

He is a director in the following other companies:

Rane (Madras) Limited@	WABCO India Limited*
TVS Automobile Solutions Private Ltd.	TVS Electronics Limited@
Jannadhar (India) Private Limited	Dickinson Fowler Private Limited
ASM Technologies Ltd*	Invest Karnataka Forum
Kostal India Private Limited	Wendt (India) Ltd
Sansera Engineering Limited	Suprajit Engineering Limited

@ Audit Committee – Chairman

* Audit Committee – Member

He is not disqualified from being appointed as director in terms of Section 164 of the Companies Act, 2013 and has given his consent to act as director.

The Company has also received declaration from Mr. M. Lakshminarayan that he meet with the criteria of Independence as prescribed under sub-section (6) of Section 149 of the Companies Act, 2013 and rules made thereunder and Regulation 16(1)(b) and 25(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereunder. The Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing the candidature of Mr. M. Lakshminarayan for the office of Director of the Company.

The Board is of the opinion that Mr. M. Lakshminarayan fulfills the conditions specified in the said Act and the rules made thereunder and also possess appropriate balance of skills, experience and knowledge so as to enable the Board to discharge its functions and duties effectively and he is independent of the management.

The Board considers that his experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Mr. M. Lakshminarayan as an Independent Director for a second term of 3 (three) consecutive years with effect from 12 August 2019.

The draft letter for the re-appointment of Mr. M. Lakshminarayan as an Independent Director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

Except Mr. M. Lakshminarayan and his relatives, none of the other Directors or Key Managerial Personnel of the Company or their relatives are concerned or interested financially or otherwise in this resolution.



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In terms of Section 149 of the Companies Act, 2013, including rules thereof and SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, the resolution set out at Item no. 8 of the Notice requires approval of the members of the Company by passing special resolution.

ITEM NO. 9 OF THE NOTICE

The Board of Directors on the recommendation of Audit Committee has approved the appointment of M/s. Parkhi Limaye and Co., Cost Accountants to conduct the audit of the cost records of the Company for Financial Year ended 31 March 2020, at the remuneration upto ₹ 8,00,000/- plus applicable taxes thereon and reimbursement of out of pocket expenses on actual basis.

Pursuant to provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory amendment, modification(s) or re-enactment thereof for the time being in force), the remuneration payable to the Cost Auditor has to be ratified by the members of the Company.

The Board recommends resolution set out at Item no. 9 of the notice for approval and ratification by the members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their relatives are concerned or interested in this resolution.

ITEM NO. 10 OF THE NOTICE

Employee stock options (ESOP's) are considered as an effective tool to attract and retain the best talent and also serve to attract, incentivize and motivate professionals and reward exceptional performance.

Stock options in the hands of the employees have long been recognized as an effective instrument to align the interests of the employees with that of the Company and its shareholders, providing an opportunity to the employees to share in the growth of the Company and to create wealth in the hands of the employees.

Accordingly, the Company intends to reward, attract, motivate and retain employees and directors of the Company for their high level of individual performance and for their efforts to improve the financial performance of the Company. The Board of Directors in its meeting held on 17 May 2019, based on the recommendation of the Nomination and Remuneration Committee in its meeting held on 17 May 2019 considered and approved "Kirloskar Oil Engines Limited – Employee Stock Option Plan 2019" ("KOEL ESOP 2019") and proposed the same to the members for their approval.

In terms of Section 62(1)(b) of the Companies Act, 2013 read with Regulation 6 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations"), the Company seeks your approval as regards implementation of the KOEL ESOP 2019 and grant of options thereunder to the eligible employees of the Company as decided from time to time as per provisions of the KOEL ESOP 2019 read with provisions of SEBI SBEB Regulations.

The main features of the KOEL ESOP 2019 are as under:

1. Brief description of the KOEL ESOP 2019:

The Company recognizes and appreciates the critical role played by the employees of the Company in bringing about growth of the organization. It strongly feels that the value created by them should be shared with them. To promote the culture of employee ownership in the Company, approval of the shareholders is being sought for issue of stock options under the "Kirloskar Oil Engines Limited - Employee Stock Option Plan 2019" ("KOEL ESOP 2019") to the employees of the Company.

After vesting of options, the eligible employees earn a right, but not obligation, to exercise the vested options within the exercise period and obtain equity shares of the Company subject to payment of exercise price and satisfaction of any tax obligation arising thereon.



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The Nomination and Remuneration Committee ('Committee') shall act as Compensation Committee for the administration of KOEL ESOP 2019. All questions of interpretation of the KOEL ESOP 2019 shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in KOEL ESOP 2019.

2. Total number of options to be granted:

The total number of options granted under the KOEL ESOP 2019 shall not exceed 14,00,000 (Fourteen Lakhs) number of options convertible into equivalent number of equity shares of the Company, of face value of ₹ 2 each fully paid equity share capital of the Company. (0.97% of paid-up equity share capital of the Company as on 31 March 2019)

Further, SEBI SBEB Regulations require that in case of any corporate action(s) such as rights issue, bonus issue, merger, sale of division etc., a fair and reasonable adjustment needs to be made to the options granted. In this regard, the Committee shall adjust the number and price of the options granted in such a manner that the total value of the options granted under the KOEL ESOP 2019 remain the same after any such corporate action. Accordingly, if any additional options are issued by the Company to the option grantees for making such fair and reasonable adjustment, the ceiling of 14,00,000 (Fourteen Lakhs), shall be deemed to be increased to the extent of such additional options issued.

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

3. Identification of classes of employees entitled to participate in the KOEL ESOP 2019:

Persons who are permanent employees of the Company, working in or out of India, including managing or whole-time directors of the Company, will be entitled to participate in the KOEL ESOP 2019, subject to fulfilment of the eligibility criteria as may be decided by the Nomination and Remuneration Committee, from time to time, in terms of the SEBI SBEB Regulations.

The following category of employees/directors shall not be eligible to participate in the KOEL ESOP 2019:

- a. a promoter or a person belonging to the promoter group;
- b. a director who either by himself/ herself or through his / her relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company;
- c. an Independent Director within the meaning of the Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations, 2015 (hereinafter referred to as "SEBI LODR Regulations").

4. Requirements of vesting and period of vesting:

The options granted shall vest so long as the employee continues to be in the employment of the Company. The Board or Nomination and Remuneration Committee may at its discretion, lay down criteria including, but not limited to, the performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting and the proportion in which options granted would vest (subject to the maximum vesting period as specified below).

The options have a minimum vesting period of not earlier than 1 (one) year and not later than 4 (four) years from the date of Grant of option or such other period as may be determined by the Board or Nomination and Remuneration Committee.



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The Options granted under the KOEL ESOP 2019 may vest in one or more tranches.

5. Maximum Period within which the option shall be vested:

Option granted on any date shall vest not later than a maximum of 4 (four) years from the date of grant of options as may be determined by the committee.

6. Exercise Price or pricing formula:

The options will be granted at a discount of up to a maximum of 40% as decided by the Nomination and Remuneration Committee, to the latest available closing price, prior to the date of the meeting of the Nomination and Remuneration Committee, in which options are granted on the stock exchange on which the shares of the Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.

7. Exercise Period and the process of Exercise:

The Exercise period would commence from the date of vesting of Options and would expire not more than 3 (three) years from the date of Vesting of the respective Employee Stock Options or such other period as may be determined by the Board or Nomination and Remuneration Committee as the case may be.

The vesting options will be exercisable by the employees by a written application to the Company to exercise the options in such manner and on execution of such documents, as may be prescribed by the Nomination and Remuneration Committee or Board of the Company from time to time. The options will lapse if not exercised within the specified exercise period.

8. Appraisal Process for determining the eligibility of the employees under KOEL ESOP 2019:

The appraisal process for determining the eligibility of the employees will be specified by the Board or the Nomination and Remuneration Committee and will be based on criteria, such as role / criticality of the employee, length of service with the Company, work performance, technical knowledge, managerial level, future potential and such other criteria that may be determined by the Board or the Nomination and Remuneration Committee at its sole discretion as applicable.

The Board or the Nomination and Remuneration Committee may decide to extend the benefits of the KOEL ESOP 2019 to new entrants or to existing employees on such basis as it may deem fit, in accordance with applicable law.

9. Maximum number of options to be issued per employee and in aggregate:

The quantum of employees stock options to be granted per employee under the KOEL ESOP 2019 in any financial year and in aggregate shall not exceed 3,00,000 (Three Lakhs) options.

10. Maximum quantum of benefits to be provided per employee under the KOEL ESOP 2019:

Apart from grant of options as stated above, no monetary benefits are contemplated under the KOEL ESOP 2019.

11. Whether the scheme is to be implemented and administered directly by the Company or through a Trust:

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



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12. Whether the scheme involves new issue of shares by the company or secondary acquisition by the trust or both:

The KOEL ESOP 2019 involves new issue of shares against exercise of options. There is no involvement of trust and therefore, there will not be any secondary acquisition.

13. Accounting and Disclosure Policies:

The Company shall comply with the IND AS 102 on Share based Payments and/ or any relevant Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India (ICAI) from time to time, applicable disclosure and the accounting policies as prescribed under Regulation 15 of the SEBI SBEB Regulations and those prescribed by the concerned authorities from time to time.

14. Source of acquisition of shares under the KOEL ESOP 2019:

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

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

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

16. Maximum percentage of secondary acquisition:

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

17. Lock-in:

The shares arising out of exercise of Vested Option shall not be subject to any lock-in period from the date of allotment of such shares under the KOEL ESOP 2019.

Provided that the Shares allotted on such Exercise cannot be sold for such further period or intermittently as required under the terms of Code of Conduct for Prevention of Insider Trading of the Company framed under Securities and Exchange Board of India (Prohibition of Insider Trading), Regulation, 2015, including amendment thereunder.

18. Method of Stock Option's Valuation:

To calculate the employee compensation cost, the Company shall use the Fair Value Method for valuation of the Options granted or such valuation method as may be prescribed from time to time in accordance with applicable laws.

19. Statement:

In case, the Company opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options and the impact of this difference on profits and on Earning Per Share (EPS) of the Company shall also be disclosed in the Directors' Report.

A draft scheme of KOEL ESOP 2019 is available for inspection by the members at the registered office of the Company on all working days of the Company during business hours.



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Consent of the members is being sought pursuant to Section 62(1)(b) and all other applicable provisions, if any, of the Companies Act, 2013, and as per Regulation 6 of the SEBI SBEB Regulations.

None of the Directors, Key Managerial Personnel of the Company and their relatives are concerned or interested in this resolution, except to the extent of their entitlements, if any, under KOEL ESOP 2019 and to the extent of their shareholding, if any.

The Board recommends special resolution set out at Item no. 10 of the notice for approval of members of the Company.

By Order of the Board of Directors

Sd/-

Smita Raichurkar

Company Secretary

Place: Pune

Date: 17 May 2019

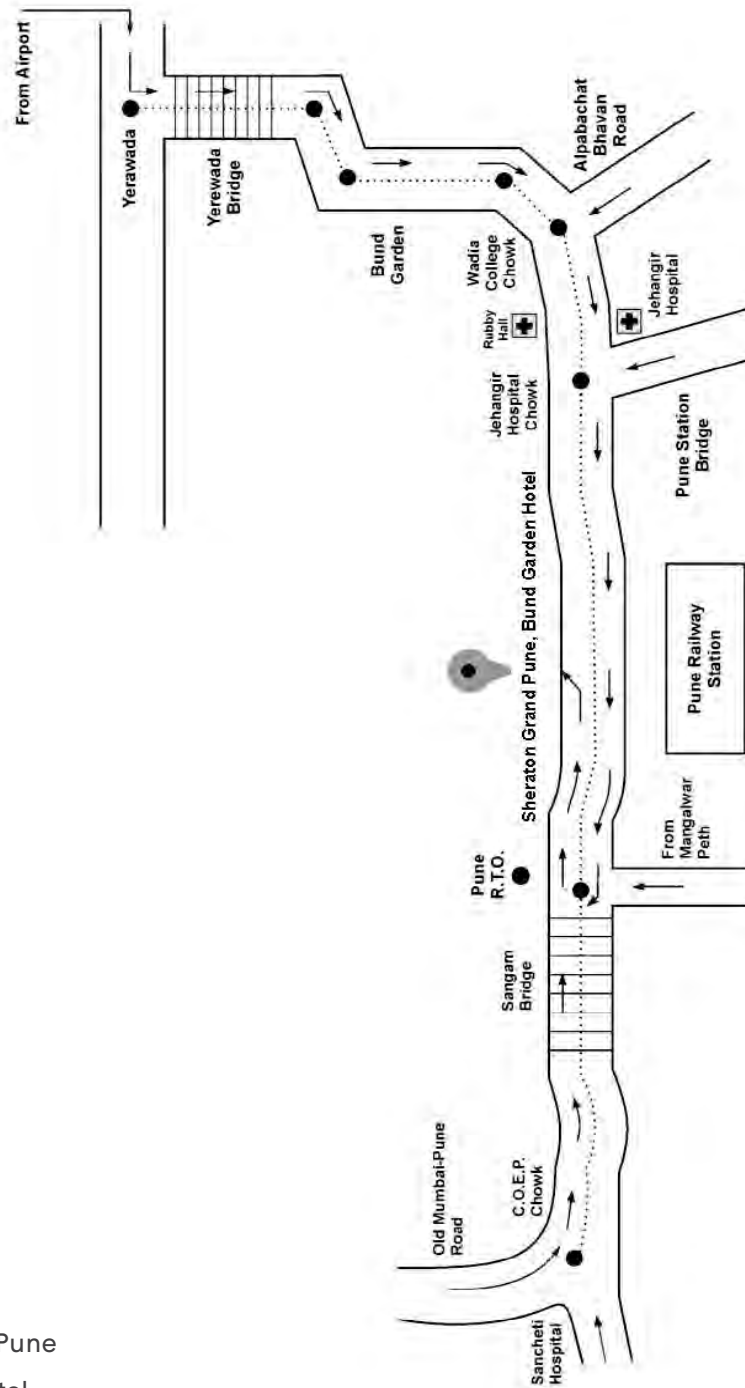


KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

Enriching Lives

ROUTE MAP OF VENUE OF ANNUAL GENERAL MEETING



Venue Address:

Sheraton Grand Pune
Bund Garden Hotel,
Raja Bahadur Mill Road,
211/212, Pune – 411 001



Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2018-2019



BRINK  F NEXT

KAIROS

(καιρός) 'Circumstances that open moments of opportunity'

Customer-Centricity

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

Kirloskar Oil Engines Limited (KOEL)'s FY19 performance is the culmination of the groundwork laid in previous years, and stands out as the year it breached the ₹ 3000 cr turnover barrier. The development of the iGreen range paid rich dividends. The acquisition of new customers like the Railways and the use of technology like the KOEL app to build a new customer connect paradigm were some of our new initiatives and gateway into new areas of business during FY19.

KOEL has taken many steps towards transformation, to build upon its strengths encompassing products, processes, people and performance. FY19 was truly a remarkable year with significant achievements across the KOEL ecosystem.





Products

1. In FY19, KOEL changed the narrative around small and medium gensets by revolutionising their design, calling it the iGreen range. KOEL recognised that modernisation doesn't mean keeping up with the times, but staying ahead of them. The iGreen range of engines is
 - i. IoT enabled
 - ii. Green
 - iii. Sustainable

Its Standard Automatic Mains Failure (AMF) feature has been a winner. Sales of gensets, a category with many small players in the unorganised sector, grew significantly. No longer did price dictate sales. KOEL won in the market on fundamentals, the fundamentals of the best quality at the right price. The sales in the category grew by 10%.
2. The iGreen technology, with its IoT platform, is futuristic.
3. In keeping with the ethos of a company that put a seat on a power tiller to relieve the farmer's discomfort, this technology puts the user at the centre.
4. The Railways Powercar business is another area where KOEL's technological depth yielded results. The company entered this segment in late FY18, and has already become the second largest player, with a robust order book and a positive outlook for this year. KOEL anticipates a leading role in the Indian Railways growth story.
5. The introduction of the High Horsepower (HHP) engines was well received in the market with sales immediately jumping by 50%.
6. Riding on the back of these developments, for the first time KOEL's share of revenue from new products and applications grew to 25%.





Processes

KOEL is the only company of its kind to become future-ready with the Bharat Stage IV (BS-IV) emission standards as part of its off-highway engine technology.

KOEL's process and technology strength has many testimonials, foremost amongst which is the Platinum Certification for Supplier Quality Excellence Process (SQEP) by the world's largest Construction Equipment Manufacturing Company - Caterpillar Inc. for its Nashik plant. Caterpillar's SQEP is a key factor in the Company's "zero-defect" culture and is only awarded to suppliers who meet a stringent list of global performance standards. Caterpillar's SQEP certification levels are Platinum, Gold, Silver and Bronze. **KOEL is the only supplier globally to receive the Platinum status in the engine category till date.**

Moving towards a sustainable and community-enabling future is one of the cornerstones of KOEL's philosophy. It has embraced its role of a forward-thinking, environmentally sensitive corporation by making many of its processes green. A landmark achievement has been the installation of a 5.5 MW solar power plant at its Kagal unit, which is now sourcing 37% of its electricity requirement from solar energy. Another source of energy in which considerable investment has been made is windmill power. Both Kagal and Pune plants are sourcing third party renewable-generated electricity to the tune of ₹ 8.22 lakhs, a share of 3 %. & 5.5MWp Solar captive power plant at Kagal uses solar generated electricity to the tune of ₹ 5.35 Crs contributing to a share of 37% w.r.t electrical energy.

People

The Company's customer-centric approach to business has enhanced its new service initiatives, especially:

1. The KOEL Connect Self Service Mobile App was launched to enable customers to enrol their machines and register a service request on their own. The app has been available to KOEL Green Genset and Kirloskar Engine users on both Android and iOS phones since July 2018. Customers may add more machines under their name, register and check the status of their service request, view service history of the machines and get new updates from KOEL, as well as other information through this mobile app.
2. Online customer portal for KOEL AMC corporate customers by the KOEL CARE team has provided an online portal that provides direct access to customers for raising a service request. They can also view real-time status of all service requests for registered machines under KOEL AMC.
3. The Maximum Time To Restore (MaxTTR) has been reduced to 24 hours by improving response time and increasing customer satisfaction.
4. @koelcare.com email ID's are provided to all KOEL CARE touch points for a unified customer experience.
5. Bandhan, a unique and best-in-class AMC service, specifically designed for KOEL Green Genset customers (a single machine owner), is getting momentum. Thousands of customers have registered for 3 to 5 year contracts with KOEL directly.
6. The Company now also offers a digital invoicing facility to all its customers to facilitate efficiencies.
7. KOEL also has a 'No-compromise' service policy under which all complaints of small 4hp electrical pumpsets are given replacements, and all other service requests are handled in the shortest possible time through the Company's over 470 strong PAN India dealership network.

All these are above par service initiatives that are unique to the industry, and create a new benchmark in customer support. Customers are naturally repaying the Company with positive feedback and customer loyalty. Independently measured Customer Delight Index (CDI) for KOEL stands at 90 plus.



Performance

With its exceptional focus on products, processes and people, the Company's performance touched a new high. Sales in FY19 touched ₹ 3100 cr. KOEL is proud to present some of the key figures.

1

Sales 3119 Cr

2

Unit sales increased by 38%

3

AMC's signed 23342

4

Energy savings 5.8 Crs
including benefits of 5.5 MWp
Solar captive power plant

5

Railways market share 25%

6

Awards received over 33

7

Percentage change in service
response time 84% within 48
hrs maxTTR

The Story Behind the Story

**- R.R. Deshpande
(MD & CEO)**

"We are committed to building long-term relationships with our customers through our reliable products and superior service quality. Through these measures we aim to ensure that our customers' needs are met at every stage."

"For us at KOEL Customer centricity and market orientation are the qualifying criteria for any decisions. This reflects in our industry first offerings of "7 days delivery of any engine", connecting all sales, service dealers on-line with koel branches, daily replenishment of spares to all outlets, i-Green futuristic Gensets or user friendly power tillers. Customer at our heart is making us a preferred choice at the market place"

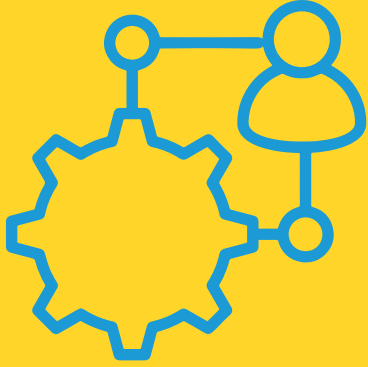
**- Sanjeev Nimkar
(COO)**

**- Dr. M.N Kumar
(Head-Corporate
Research Engineering)**

"As a part of our customer-centric strategy, R&D actions are aligned with short term and long term technology & product needs of the customers. Strong focus on providing innovative solutions & core engineering capabilities has enabled KOEL to bring out latest state of art products that compete with global players in global and domestic markets."

"Our strategies in KOEL will continue to revolve around sustainable and profitable growth across business segments. We will continue to embrace technology for further improving efficiencies and enhancing customer delight. Our workforce is our strength and we are confident that they will continue to adopt and hone new skill sets, that helps us remain competitive in the market place."

**- T Vinod Kumar
(CFO & CHRO)**



Conclusion

The story of KOEL is the story of steadfastness and commitment. KOEL has, time after time, embraced technology with customer-centricity to deliver best-in-class products. FY19 continued upon this path with a changed mindset, a mindset focused on being future-ready. Whether it is telecom, railways, the metro train network, or the Indian farmer, KOEL has demonstrated a renewed commitment to building technologies that are smart, sustainable and customer-centric.



BOARD OF DIRECTORS

Atul C. Kirloskar
Executive Chairman

Nihal G. Kulkarni
Managing Director

Rajendra R. Deshpande
Managing Director and Chief Executive Officer
(Re-designated w.e.f. 26 October 2018)

Rahul C. Kirloskar

Pratap G. Pawar

R. Srinivasan

M. Lakshminarayan

Mahesh R. Chhabria

Gauri Kirloskar

Pradeep R. Rathi

Vinesh Kumar Jairath

Satish Jamdar

Sunil Shah Singh
Additional Director
(co-opted w.e.f. 12 September 2018)

Mrunalini Deshmukh
Additional Director
(co-opted w.e.f. 12 September 2018)

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 and Kagal

CIN: L29120PN2009PLC133351

Information for shareholders

Annual General Meeting

Date : Friday, 9 August 2019
Time : 12.15 P.M.
Venue : Sheraton Grand Pune Bund
Garden Hotel,
Raja Bahadur Mill Road,
211/212, Pune – 411 001
Dates of Book Closure : 3 August 2019 to
9 August 2019
(both days inclusive)

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DECADE AT A GLANCE

₹ in Crs.

Sr No	Particulars	Ind AS				Indian GAAP					
		2018-19	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
1	Gross Sales	3119	2,860*	2,818	2,587	2,641	2,475	2,521	2,446	2,537	2,346
2	Net Sales	3119	2,804	2,614	2,406	2,473	2,287	2,320	2,276	2,364	2,219
3	Profit Before Tax	336	222	252	205	205	243	271	281	244	263
4	Profit After Tax	225	150	174	165	143	178	199	192	174	164
5	Dividend (%)	250	250	250	250	250	250	250	200	200	200
6	Dividend per share (₹)	5	5	5	5	5	5	5	4	4	4
7	Dividend Amount	72	72	72	72	72	72	72	58	58	58
8	Earning Per Share (₹)	16	10	12	11	10	12	14	13	12	11
9	Book Value Per Share (₹)	123	113	112	100	93	88	80	71	61	47
10	Share Capital	29	29	29	29	29	29	29	29	29	29
11	Reserves and Surplus	1746	1,608	1,588	1,415	1,313	1,238	1,125	1,004	860	651
12	Shareholders' Funds	1775	1,637	1,617	1,444	1,341	1,267	1,154	1,033	889	680
13	Loan Funds	13	17	12	7	-	-	-	169	249	270
14	Total Capital Employed	1,788	1,654	1,629	1,451	1,341	1,267	1,154	1,202	1,138	950
15	Net Block	399	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

- Register your email addresses to ensure prompt receipt of communication and avoid any loss during postal transit.
- Convert your shares held in physical mode into dematerialized mode to ensure safe and speedy transaction in securities. No requests for effecting transfer of securities held in physical format shall be processed from 1 April 2019. However, there is no restriction on transmission/ transposition of securities held in physical form.
- Register your NECS facility (National Electronic Clearing System) for crediting your Dividend directly to your Bank Account. As per SEBI circular dated 20 April 2018, unpaid/unclaimed dividend will be processed through electronic mode only.

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

KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company



REPORT OF THE DIRECTORS

TO THE MEMBERS
OF KIRLOSKAR OIL ENGINES LIMITED

The Directors are pleased to present the 10th Annual Report together with the Audited Statement of Accounts for the year ended 31 March 2019.

FINANCIAL RESULTS (STANDALONE)

(₹ in Crores)

Particulars	2018-19	2017-18
Total Income	3,265.88	2,956.35
Profit before exceptional items and tax	335.54	222.48
Exceptional Items	-	-
Profit before tax	335.54	222.48
Tax Expense (Current & Deferred Tax)	110.56	72.37
Net Profit for the Period	224.98	150.11
Other Comprehensive Income	(0.03)	1.06
Total Comprehensive Income for the year, net of tax	224.95	151.17
Profit Brought Forward	999.83	979.20
Profit Available for Appropriation	1,224.81	1,129.31
Transfer to General Reserve	-	-
Dividend and dividend distribution tax	87.17	130.54
Balance of the Profit carried forward	1,137.61	999.83

COMPANY'S FINANCIAL PERFORMANCE

Your Company posted sales of ₹ 3119 Crores an increase of 11% as compared to the previous year of ₹ 2804 Crores. Profit from operations was ₹ 336 Crores as against ₹ 222 Crores in the previous year.

The Company was eligible for Industrial Promotion Subsidy (IPS) under the Packaged Scheme of Incentives-2001 ('Scheme') from 1 April 2008 to 31 March 2017. The eligibility period of the said Scheme was extended for further period of 2 years till 31 March 2019. The receivables under the said Scheme for the extended period are fair valued at ₹ 51.52 Crores and are included in the total income for the year ended 31 March 2019.

The Profit After Tax was ₹ 225 Crores as against ₹ 150 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 final dividend of 125% (₹ 2.50/- per share), a total of 250% for the year (PY Interim Dividend 125% and Final Dividend 125%, ₹ 5 per share). Total dividend payout for the year was ₹ 72.31 Crores, and payment of ₹ 14.86 Crores, as dividend distribution tax.

The Dividend Distribution Policy of the Company is enclosed in **Annexure A**.

SUBSIDIARY COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

As on 31 March 2019, the Company had the following three subsidiaries:

1. KOEL Americas Corp., USA (KOEL Americas)

For the fiscal ended 31 March 2019, the Sales Revenue was \$ 21,67,916 (₹ 15 Crores.) [Previous Year \$ 37,30,142]. The Profit after Tax was \$ 65,999 (₹ 0.46 Crores) [Previous Year \$ 112,221].

During the year under review, in Latin America the Company has entered into two new markets i.e. Mexico & Dominican Republic and also established one new Original Equipment Manufacturer (OEM) for generator sets which has contributed revenue of US\$ 361,479. The revenue of US\$ 910,560 from sale in the Central American Region came from Agricultural & Industrial Engines segment. Revenue generated from Power Generation segment and sale of FM & UL Listed Fire Pump engines, was sustained at similar levels as compared to previous fiscal year.

The Company has also started stocking Generator sets in Miami, Florida. Nearly 1/5th of the total current year's revenue was achieved from sales of this inventory.

Severe economic conditions in some markets viz. Argentina, Nicaragua and Venezuela and time taken for establishing the brand in new markets viz. Peru, Argentina, Ecuador, Colombia, Venezuela and Caribbean islands are reasons attributed for lower revenue in the Financial Year 2018-19.

In 2018-19, of the 3 targeted engine families, two engine families have been certified by Environment Protection Agency (EPA). This certification is a pre-condition for sale of diesel engines in North America. We are hopeful that EPA approval for the one remaining engine family will be obtained in the Financial Year 2019-20.

2. La-Gajjar Machinerics Private Limited (LGM)

For the fiscal ended 31 March 2019, the Sales Revenue was ₹ 414 Crores. (PY for the Period 1 August 2017 to 31 March 2018, ₹ 214 Crores). Net Profit was ₹ 11.5 Crores (PY for the Period 1 August 2017 to 31 March 2018, Net loss of ₹ 8 Crores).

During the year under review, LGM have leveraged the strengths and expertise of KOEL in areas of lean manufacturing, procurement and sourcing, financial restructuring, Employee Health & Safety (EHS), Production, Purchase and other related backend operations to bring synergies through structured processes and systems.

3. Kirloskar Capital Limited (KCL)

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 a financial services business. Kirloskar Capital Limited has received a Certificate of Registration (CoR) dated 29 October 2018 to carry on the business of a Non-Banking Financial Institution from Reserve Bank of India.

KCL commenced its business operations in April 2019.

During the year under review, the Company invested ₹ 27 Crores in equity shares of KCL.

For the period ended 20 April 2018 to 31 March 2019, Net Loss was ₹ 7.50 Crores.

During Financial Year 2019-20, the Company further invested ₹ 499.50 Crores towards Rights Issue of KCL.

The consolidated financial statements of the Company and its three subsidiaries, prepared in accordance with IND-AS 110, issued by Ministry of Corporate Affairs, forms part of this Annual Report. A statement containing the salient features of the financial statements of the subsidiary company 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 subsidiary are available on the Company's website.

The annual accounts of the subsidiary 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.

DETAILS OF SIGNIFICANT CHANGES IN KEY FINANCIAL RATIOS:

Pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the Regulations) including amendments thereunder:

a) Details of Key Financial Ratios of the Company as under:

Sr. No.	Particulars	Ratio as on 31 March 2019	Ratio as on 31 March 2018
i.	Debtors' Turnover	9.1	10.8
ii.	Inventory Turnover	12.3	11.7
iii.	Interest Coverage Ratio	97.4	99.0
iv.	Current Ratio	2.7	2.6
v.	Debt Equity Ratio	0.01	0.01
vi.	Operating Profit Margin (%)	8.7%	5.5%
vii.	Net Profit Margin (%)	7.0%	5.3%

Reason for significant change (more than 25%) in the Operating Profit Margin and Net Profit Margin:

Operating Profit for the Financial Year 2018-19 was increased due to the contribution on increased sales, lower depreciation and extension of eligibility period of IPS scheme for further period of 2 years till 31 March 2019.

There are no sector specific equivalent ratios for disclosure by the Company.

b) Return on Net Worth:

Details of change in Return on Net Worth as compared to the immediately previous Financial Year as follows:

Sr. No.	Particulars	As on 31 March 2019	As on 31 March 2018	Reason for significant change more than 25%
1	Return on Net worth	12.7%	9.2%	Increase in Net Profit.

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

During the year under review,

- i. Mr. Vinesh Kumar Jairath resigned as an Independent Director and was appointed as a Non-Executive Director and Advisor of Kirloskar Industries Limited with effect from 14 June 2018. Consequent to this, he ceased to be Independent Director of the Company but continued as Non-Independent Director of the Company with effect from 14 June 2018.
- ii. In compliance with Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company appointed Mrs. Mrunalini Deshmukh as Additional Director of the Company in the capacity of "Non-Executive Independent Director" with effect from 12 September 2018. In accordance with Section 161 of the Companies Act, 2013, she will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing her candidature for office of Director. The resolution seeking approval of the Members for the appointment of Mrs. Mrunalini Deshmukh for a term of 5 consecutive years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.
- iii. In compliance with Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company appointed Mr. Sunil Shah Singh as Additional Director of the Company in the capacity of "Non-Executive Independent Director" with effect from 12 September 2018. In accordance with Section 161 of the Companies Act, 2013, he will hold office of Director up to date of ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for office of Director. The resolution seeking approval of the Members by special resolution for the appointment of Mr. Sunil Shah Singh for a term of 5 consecutive years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.
- iv. The Board of Directors of the Company in its meeting held on 26 October 2018, re-designated Mr. Rajendra R. Deshpande as 'Managing Director & CEO' from 'Joint Managing Director' subject to the members' approval. A proposal for his change in designation, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.
- v. In compliance with Section 149 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors of the Company re-appointed Mr. M. Lakshminarayan as "Non-Executive Independent Director" with effect from 12 August 2019. The Company has received requisite notice in writing from a member proposing his candidature for office of Director. The resolution seeking approval of the Members by special resolution for the re-appointment of Mr. M. Lakshminarayan for a second term of 3 consecutive years, has been incorporated in the notice of the forthcoming Annual General Meeting of the Company.
- vi. Mr. Vinesh Kumar Jairath retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
- vii. Ms. Gauri Kirloskar retires by rotation at the ensuing Annual General Meeting and being eligible, offers herself 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:

There are no changes in Key Managerial Personnel appointed by the Company in Financial Year 2018-19.

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 and Regulation 16(1)(b) & 25(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Company has also received declarations from all the Independent Directors of the Company confirming that they have complied with the Code for Independent Directors as prescribed in Schedule IV to the Act. The said Code is available on the Company's website.

d) Board Evaluation:

The Board of Directors 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, was 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 the website of the Company. (Web – link <http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2019/Nomination%20and%20Remuneration%20Policy.pdf>)

f) Number of meetings of the Board:

During the period under review, five (5) Board Meetings were held, the details of which form part of the Report on Corporate Governance.

g) Composition of Audit Committee and other Committees of the Board:

The Composition of Committees of the Board including Audit Committee and Stakeholder Relationship 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 Kirloskar Capital Limited. The details 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 2018-19 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

The Company is aware of the need to recognize and identify emerging risks that have to be managed and mitigated to protect stakeholders' interests and achieve business growth.

The risk management process of the Company is designed to facilitate identification, evaluation, mitigation and review of risks which may affect achievement of objectives. Further, it is embedded in the strategy deployment processes for all businesses and functions.

The risk management process is guided by a framework formulated by the Internal Audit Department (IAD) which is in line with size, scale and nature of the Company's operations. The risk management process which works at various levels across the organization, addresses major types of risks which are at enterprise and business level. The risks are reviewed with respect to the likelihood and impact following a balanced bottom-up and top-down approach covering all businesses and functions of the Company.

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 has in place adequate internal financial controls with reference to the Financial Statements commensurate with the size, scale and complexity 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 uplift of society. Corporate Social Responsibility (CSR) has been practiced and ingrained 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 B**.

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 Policy has been amended with effect from 1 April 2019 to include instances of leakage of Unpublished Price Sensitive Information. 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 C** 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 D** 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 E** 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. The Company has complied with the provisions relating to the constitution of internal complaints committee under the Sexual Harassment of Women at work place (Prevention, Prohibition and Redressal) Act, 2013.

GENERAL

During Financial Year 2018-19:

- 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 the subsidiary.
- d. There was no instance of frauds during the year under review which required the statutory Auditors to Report to the Audit Committee and/or Board under section 143(12) of the Act and rules framed thereunder.
- e. There was no instance of fraud during the year under review which required the Statutory Auditors to Report to the Audit Committee and/or Board under section 143(12) of act and rules framed thereunder.
- f. The Company complies with all applicable mandatory Secretarial Standards issued by the Institute of Company Secretaries of India.

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 held on 5 August 2016 till the conclusion of the Annual General Meeting to be held in the year 2021.

The Company has received from them the requisite certificate pursuant to Section 139 of the Companies Act, 2013.

There are no adverse remarks / qualifications of Statutory Auditors on financial statements for the year ended 31 March 2019.

b) Cost Auditors

The Company has appointed M/s. Parkhi Limaye & Co. as Cost Auditors of the Company for the Financial Year 2019-20 under section 148 of the Companies Act, 2013 and rules thereof.

c) Secretarial Audit Report

The Company has appointed Mr. M. J. Risbud, Practising 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 F**.

There are no adverse remarks / qualifications of Secretarial Auditors in the Secretarial Audit Report for the year ended 31 March 2019.

Mr. Mahesh J. Risbud, Practising Company Secretary, Pune, has submitted Secretarial Compliance Report as laid down in SEBI Circular CIR/CFD/CMD1/27/2019 dated 8 February 2019, and has also confirmed that the Company has complied with of all applicable SEBI Regulations and circulars / guidelines issued thereunder, for the Financial Year 2018-19.

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, including amendments thereunder, 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, including amendments thereunder, 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, including amendments thereunder, forms part of this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 of the Companies Act, 2013, including amendments thereunder, 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 2019 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 its shareholders, employees, bankers, suppliers and customers.

For and on behalf of the Board of Directors

Sd/-

ATUL C. KIRLOSKAR
EXECUTIVE CHAIRMAN

Date: 17 May 2019

Place: Pune

ANNEXURE 'A' TO THE DIRECTORS' REPORT

DIVIDEND DISTRIBUTION POLICY

1. PREAMBLE

The Securities Exchange Board of India vide its Notification No. SEBI/LAD-NRO/GN/2016-17/008 dated July 08, 2016, inserted Regulation 43A in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 [LODR] mandating the formulation of a Dividend Distribution Policy for the top 500 listed entities based on their market capitalisation calculated on March 31 of every financial year.

2. OBJECTIVE

In compliance with Regulation 43A of the LODR, the Company is required to frame a Dividend Distribution Policy. The objective of this policy is to enumerate the details of the parameters based upon which the decisions on dividend distribution will be made and provide clarity to the stakeholders on the same.

3. EFFECTIVE DATE

The Policy shall become effective from the date of its adoption by the Board i.e. 25 January 2017.

4. DEFINITIONS

- a) 'Act' means the Companies Act, 2013 and Rules made thereunder, including any amendments or modifications thereof.
- b) 'Board of Directors' or 'Board' means the collective body of the Directors of the Company.
- c) 'Company' means KIRLOSKAR OIL ENGINES LIMITED.
- d) 'Policy' means 'Dividend Distribution Policy'.

5. PARAMETERS THAT SHALL BE CONSIDERED WHILE DECLARING DIVIDEND

- 5.1 The Company shall pay dividend (including interim dividend) in compliance with the provisions of Section 123 of the Act and Companies (Declaration and Payment of Dividend) Rules, 2014.
- 5.2 The Board of Directors will refer to this policy for declaration of interim dividend and for recommendation of dividend to shareholders for their approval in the Annual General Meetings.
- 5.3 The Company has only one class of shareholders i.e. equity shareholders. Therefore dividend declared will be distributed equally among all shareholders, based on their shareholding as on the record date.
- 5.4 The decision on the distribution of dividend will consider the following parameters:

A. FINANCIAL PARAMETERS

- i. The operating and financial performance of the Company
- ii. Earnings Per Share (EPS)
- iii. Operating cash flow of the Company
- iv. Cost of borrowings and Obligation to Lenders/financial institutions/ Banks

B. INTERNAL FACTORS

- i. Proposals for major capital expenditures
- ii. Proposals for inorganic growth
- iii. Contingent Liabilities, under exceptional circumstances
- iv. Past Dividend trends
- v. Providing for unforeseen events and contingencies with financial implications

C. EXTERNAL FACTORS

- i. Economic environment
- ii. Government Policies
- iii. Taxation
- iv. Such other factors which can have financial impact on the Company.

6. UTILISATION OF RETAINED EARNINGS

The Board may retain its earnings in order to make better use of the available funds and increase the value of the stakeholders in the long run. The decision of utilization of the retained earnings of the Company shall be based on Market / Product expansion plan, Increase in production capacity, Diversification of business and such other criteria as the Board may deem fit from time to time.

7. TARGET DIVIDEND PAYOUT RATIO

Taking the above parameters and criteria into account, the Company shall strive to distribute at least 10% of its Post-Tax Profits as dividend including interim dividends in each financial year. The distribution shall include dividends and tax on such dividends as per relevant regulations. Special Dividends, if any may be declared in addition to the regular dividend payout.

8. CIRCUMSTANCES UNDER WHICH THE SHAREHOLDERS OF THE LISTED ENTITIES MAY OR MAY NOT EXPECT DIVIDEND

The shareholders of the Company may not expect dividend in the following circumstances, subject to discretion of the Board of Directors:

- i. Proposed expansion plans requiring higher capital allocation
- ii. Decision to undertake any acquisitions, amalgamation, merger, joint ventures, new product launches etc. which requires significant capital outflow
- iii. Requirement of higher working capital for the purpose of business of the Company
- iv. The company has implemented, or intends to implement, a share buyback scheme or any other alternate profit distribution measure
- v. In the event of loss or inadequacy of profit

9. DISCLOSURES

- i. If the company does not declare any dividend or if the final payout for the year is lower than the target percentage referred in Clause 7, the Board will provide a rationale for the deviation from the policy in the annual report.
- ii. If the Company declares dividend on the basis of parameters not enumerated in this policy or changes the dividend distribution policy contained in any of the parameters, it shall disclose such changes along with the rationale for the same in the annual report.
- iii. This Policy will be available on the Company's website at www.koel.co.in

10. AMENDMENT

In case of any subsequent changes in the provisions of Act / Regulation, which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act/ Regulation would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

For Kirloskar Oil Engines Limited
Sd/-
Atul C. Kirloskar
Executive Chairman

Date: 25 January 2017

ANNEXURE 'B' TO THE DIRECTORS' REPORT
ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2018-19

[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.	<ol style="list-style-type: none"> 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	₹ 223.77 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 ₹ 4.48 crores
5.	Details of CSR spent for the financial year: a. Total amount spent for the financial year b. Amount unspent, if any c. Manner in which the amount spent during the financial year	₹ 4.59 crores Nil 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 Financial Year 2018-19:

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, Career Guidance programme for youth, Workshop on Computer programming etc.	Education	Pune, Kagal, Nasik (Maharashtra)	Amount not specified	4.25	4.25	4.25 Partially direct and partially through implementation agency
2	Programmes on energy conservation, Kirloskar Vasundhara film festival, etc.	Environment	Pune, Kagal, Nasik (Maharashtra)	Amount not specified	0.11	0.11	0.11 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	0.14	0.14	0.14 Partially direct and partially through implementation agency
4	Community Development Project – Rural Area	Rural Development	Pune (Maharashtra)	Amount not specified	0.09	0.09	0.09 Partially direct and partially through implementation agency
TOTAL					4.59	4.59	4.59

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/-
Rajendra R. Deshpande
Managing Director & CEO

ANNEXURE 'C' TO THE DIRECTORS' REPORT**Form No. MGT-9****EXTRACT OF ANNUAL RETURN****as on the financial year ended on 31 March 2019**

[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	72.00%
2	Genset	271	25.50%

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. Suite 4 Tamina Business Park 32407 Tamina Road, Magnolia 77354, Texas, United States of America	-	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)
3	Kirloskar Capital Limited One Indiabulls Centre, 12B Floor, Tower 2B, Jupiter Mills Compound, SB Marg, Lower Parel, Mumbai - 400 013	U65993MH2018PLC308329	Subsidiary	100	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(i) Category-wise Share Holding

Category of Share-holders	No. of Shares held at the beginning of the year (1 April 2018)				No. of Shares held at the end of the year (31 March 2019)				% 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	83,35,162	0	83,35,162	5.76	0.01
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	8,58,12,905	0	8,58,12,905	59.34	0.01
(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	8,58,12,905	0	8,58,12,905	59.34	0.01
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	96,25,844	39,375	96,65,219	6.68	92,78,070	39,375	93,17,445	6.44	(0.24)
b) Banks / FI	56,13,351	1,32,257	57,45,608	3.97	56,30,130	1,32,257	57,62,387	3.98	0.01
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	42,73,475	0	42,73,475	2.96	42,37,573	0	42,37,573	2.93	(0.02)
g) FIs	0	6,375	6,375	0.00	0	6,375	6,375	0.00	0.00
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)	1,47,64,574	0	1,47,64,574	10.21	1,47,61,709	0	1,47,61,709	10.21	0.00

Category of Shareholders	No. of Shares held at the beginning of the year (1 April 2018)				No. of Shares held at the end of the year (31 March 2019)				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
k) Alternate Investment Funds	1,11,521	0	1,11,521	0.08	1,11,521	0	1,11,521	0.08	0.00
l) Government Companies	3,66,952	0	3,66,952	0.25	404,210	0	4,04,210	0.28	0.03
m) NBFCs Registered with RBI	0	0	0	0.00	11,750	0	11,750	0.01	0.01
Sub-total (B)(1):-	3,47,55,717	1,78,007	3,49,33,724	24.16	3,44,34,963	1,78,007	3,46,12,970	23.93	(0.23)
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	1,542,664	129,840	1,672,504	1.16	1,689,585	29,318	1,718,903	1.19	0.03
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	12,693,612	6,149,635	18,843,247	13.03	13,260,328	5,517,686	18,778,014	12.98	(0.05)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	2,692,714	217,841	2,910,555	2.01	3,006,131	217,841	3,223,972	2.23	0.22
c) Others (specify)									
i) Clearing Members	81,413	0	81,413	0.06	66,127	0	66,127	0.05	(0.01)
ii) Foreign Company	0	0	0	0.00	0	0	0	0.00	0.00
iii) Market Maker	0	0	0	0.00	0	0	0	0.00	0.00
iv) Foreign Nationals	11,392	0	11,392	0.01	1,132	0	1,132	0.00	(0.01)
v) NRI (Repatriate)	70,244	43,725	113,969	0.08	94,133	43,410	1,37,543	0.10	0.02
vi) NRI (Non-Repatriate)	1,75,561	54,534	2,30,095	0.16	1,98,204	54,534	252,738	0.17	0.02
vii) OCB's	0	0	0	0.00	0	0	0	0.00	0.00
viii) Office Bearers	0	14,057	14,057	0.01	0	9,557	9,557	0.01	0.00
Sub-total (B)(2):-	1,72,67,600	66,09,632	2,38,77,232	16.51	1,83,15,640	58,72,346	2,41,87,986	16.73	0.22
Total Public Shareholding (B)=(B)(1)+ (B)(2)	5,20,23,317	67,87,639	5,88,10,956	40.67	5,27,50,603	60,50,353	5,88,00,956	40.66	0.01
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0	0
Grand Total (A+B+C)	13,78,26,222	67,87,639	14,46,13,861	100.00	13,85,63,508	60,50,353	14,46,13,861	100.00	(0.01)

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the end of the year (1 April 2018)			Shareholding at the end of the year (31 March 2019)			% 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	8,210,439	5.68	-	8,210,439	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	-	50,000	0.03	-	0.01
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	18,456,667	12.76	-	18,456,667	12.76	-	-
7	Rahul Chandrakant Kirloskar	17,732,902	12.26	-	17,732,902	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	140,655	0.10	-	140,655	0.10	-	-
11	Mrinalini Shreekant Kirloskar	101,800	0.07	-	101,800	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	Jyostna Gautam Kulkarni*#	25,970,864	17.96	-	12,985,432	8.98	-	(8.98)
15	Arti Atul Kirloskar	7,065,174	4.89	-	7,065,174	4.89	-	-
16	Nihal Gautam Kulkarni*	159,756	0.11	-	6,652,472	4.60	-	4.49
17	Alpana Rahul Kirloskar	7,711,817	5.33	-	7,711,817	5.33	-	-
18	Akshay Sahni	100	0.00	-	100	0.00	-	-
19	Alok Kirloskar	6,262	0.00	-	6,262	0.00	-	-
20	Pratima Sanjay Kirloskar	1,520	0.00	-	1,520	0.00	-	-
21	Ambar Kulkarni#	-	-	-	6,492,716	4.49	-	4.49
	Total	85,802,905	59.33	-	85,812,905	59.34	-	0.01

Notes:

- Amounts shown as "0.00" above are not Nil, but rounded off to 2 decimals.
- In case of joint holding, the name of the first holder is considered.
- No shares of promoters have been pledged or encumbered as of 01/04/2018 or 31/03/2019 or during the year ended 31/03/2019.
- \$Kirloskar Chillers Private Limited had purchased 4,306 equity shares and 5,694 equity shares on 08/10/2018 and 09/10/2018 respectively from open market.
- *6,492,716 equity shares are transferred by Jyostna Kulkarni to Nihal Kulkarni as a gift without consideration through inter-se transfer on 21/02/2019.
- #6,492,716 equity shares are transferred by Jyostna Kulkarni to Ambar Kulkarni as a gift without consideration through inter-se transfer on 21/02/2019.

(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	Kirloskar Chillers Private Limited				
	At the beginning of the year	40,000	0.03		
	4306 equity shares acquired through open market on 8 October 2018	4,306	0.00	44,306	0.03
	5694 equity shares acquired through open market on 9 October 2018	5,694	0.00	50,000	0.03
	At the End of the year	-	-	50,000	0.03
2	Jyotsna Gautam Kulkarni				
	At the beginning of the year	25,970,864	17.96		
	64,92,716 equity shares are given to Nihal Kulkarni as a gift without consideration through inter-se transfer on 21/02/2019.	(6,492,716)	(4.49)	19,478,148	13.47
	64,92,716 equity shares are given to Ambar Kulkarni as a gift without consideration through inter-se transfer on 21/02/2019.	(6,492,716)	(4.49)	12,985,432	8.98
	At the End of the year	-	-	12,985,432	8.98
3	Nihal Gautam Kulkarni				
	At the beginning of the year	159,756	0.11		
	64,92,716 equity shares are given by Jyotsna Kulkarni as a gift without consideration through inter-se transfer on 21/02/2019.	6,492,716	4.49	6,652,472	4.60
	At the End of the year	-	-	6,652,472	4.60
4	Ambar Gautam Kulkarni				
	At the beginning of the year	-	-	-	-
	64,92,716 equity shares are given by Jyotsna Kulkarni as a gift without consideration through inter-se transfer on 21/02/2019.	6,492,716	4.49	6,492,716	4.49
	At the End of the year	-	-	6,492,716	4.49

Except for the above there is no change in the holdings of the Promoter & Promoter Group during FY 2018-19

(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	10,896,124	7.53		
	No change during the year	-	-	-	-
	At the End of the year			10,896,124	7.53
2	General Insurance Corporation of India				
	At the beginning of the year	3,198,832	2.21		
	No change during the year	-	-	-	-
	At the End of the year			3,198,832	2.21
3	SBI Emerging Business Fund (now known as SBI Focused Equity Fund)				
	At the beginning of the year	3,100,000	2.14		
	No change during the year	-	-	-	-
	At the End of the year			3,100,000	2.14
4	Nalanda India Equity Fund Limited				
	At the beginning of the year	3,013,690	2.08		
	No change during the year	-	-	-	-
	At the End of the year			3,013,690	2.08
5	The New India Assurance Company Limited				
	At the beginning of the year	2,491,907	1.72		
	Decrease as on 2 November 2018	(2,862)	(0.00)	2,489,045	1.72
	Decrease as on 9 November 2018	(17,513)	(0.01)	2,471,532	1.71
	Decrease as on 16 November 2018	(5,795)	(0.00)	2,465,737	1.71
	Decrease as on 18 January 2019	(9,732)	(0.01)	2,456,005	1.70
At the End of the year			2,456,005	1.70	
6	Life Insurance Corporation of India				
	At the beginning of the year	2,263,109	1.56		
	Increase as on 10 August 2018	202	0.00	22,63,311	1.57
	Increase as on 17 August 2018	1,000	0.00	2,264,311	1.57
	Increase as on 24 August 2018	3,458	0.00	2,267,769	1.57
	Increase as on 31 August 2018	5,577	0.00	2,273,346	1.57
At the End of the year			2,273,346	1.57	
7	SBI Magnum Multiplier Fund (now known as SBI Large and Mid Cap Fund)				
	At the beginning of the year	1,598,303	1.11		
	Decrease as on 14 September 2018	(36,465)	(0.03)	1,561,838	1.08
	At the End of the year			1,561,838	1.08
8	The Oriental Insurance Company Limited				
	At the beginning of the year	1,507,562	1.04		
	No change during the year	-	-	-	-
	At the End of the year			1,507,562	1.04

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
9	Kotak Emerging Equity Scheme				
	At the beginning of the year	11,94,474	0.83		
	Increase as on 20 April 2018	21512	0.01	12,15,986	0.84
	Increase as on 11 May 2018	15673	0.01	12,31,659	0.85
	Increase as on 18 May 2018	8615	0.01	12,40,274	0.86
	Increase as on 25 May 2018	13035	0.01	12,53,309	0.87
	At the End of the year			12,53,309	0.87
10	SBI Small and Midcap Fund (now known as SBI Small Cap Fund)				
	At the beginning of the year	11,94,000	0.83		
	Increase as on 10 August 2018	80,000	0.06	12,74,000	0.88
	Increase as on 9 November 2018	2,15,000	0.15	14,89,000	1.03
	At the End of the year			14,89,000	1.03

Notes

- In case of joint holding, the name of the first holder is considered.
- 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.
- 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 Personnel:

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 Chandrakant 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	Nihal G. Kulkarni				
	At the beginning of the year	159,756	0.11		
	64,92,716 equity shares are given by Jyotsna Kulkarni as a gift without consideration through inter-se transfer on 21/02/2019.	64,92,716	4.49	66,52,472	4.60
	At the End of the year	-	-	66,52,472	4.60
3	Rajendra R. Deshpande				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
4	Rahul Chandrakant 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
5	Pratap G. Pawar				
	At the beginning of the year	5,355	0.00		
	At the End of the year	-	-	5,355	0.00

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
6	R. Srinivasan				
	At the beginning of the year	3,750	0.00		
	At the End of the year	-	-	3,750	0.00
7	M. Lakshminarayan				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
8	Gauri Kirloskar				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
9	Pradeep R. Rathi				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
10	Mahesh Chhabria				
	At the beginning of the year	11,552	0.01		
	At the End of the year	-	-	11,552	0.01
11	Vinesh Kumar Jairath				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
12	Satish Jamdar				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
13	Sunil Shah Singh				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00
14	Mrunalini Deshmukh				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-	0	0.00

Notes:

1. The above details are based on the legal ownership and not on beneficial ownership.
2. 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 Chandrakant 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

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
2	Nihal G. Kulkarni				
	At the beginning of the year	159,756	0.11		
	64,92,716 equity shares are given by Jyotsna Kulkarni as a gift without consideration through inter-se transfer on 21/02/2019.	64,92,716	4.49	66,52,472	4.60
	At the End of the year	-	-	66,52,472	4.60
3	Rajendra R. Deshpande				
	At the beginning of the year	11,250	0.01		
	At the End of the year	-	-	11,250	0.01
4	T. Vinodkumar				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-		0.00
5	Smita A. Raichurkar				
	At the beginning of the year	-	0.00		
	At the End of the year	-	-		0.00

Notes:

- The above details are based on the legal ownership and not on beneficial ownership.
- 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	16.49	-	-	16.49
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	16.49	-	-	16.49
Change in Indebtedness during the financial year				
Addition	-	-	-	-
Post shipment loan INR	-	-	-	-
Reduction	(3.42)	-	-	(3.42)
Net Change	(3.42)	-	-	(3.42)
Indebtedness at the end of the financial year				
i) Principal Amount	13.07	-	-	13.07
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	13.07	-	-	13.07

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	Nihal G. Kulkarni	Rajendra R. Deshpande	
1	Gross salary	4.22	4.24	3.72	12.18
a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	3.85	3.71	3.67	11.23
b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.37	0.53	0.05	0.95
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)	4.22	4.24	3.72	12.18
	Ceiling as per the Act				35.23

Note:

Commission 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
	R. Srinivasan	M. Lakshminarayan	Pratap G. Pawar	Pradeep R. Rathi	Satish Jamdar	Mrunalini Deshmukh	Sunil Shah Singh	
Fee for attending board / committee meetings	0.04	0.03	0.04	0.03	0.04	0.02	0.01	0.22
Commission	0.10	0.25	0.10	0.08	0.15	0.02	0.02	0.71
Others, please specify								-
Total (1)	0.14	0.28	0.14	0.11	0.19	0.04	0.03	0.93
Other Non-Executive Directors	Rahul C. Kirloskar	Gauri Kirloskar	Mahesh Chhabria	Vinesh Kumar Jairath				
Fee for attending board / committee meetings	0.03	0.03	0.05	0.04				0.15
Commission	0.06	0.29	0.86	0.20				1.41
Others, please specify								-
Total (2)	0.09	0.32	0.91	0.24	-			1.56
Total (B)=(1+2)	0.23	0.60	1.05	0.35	0.19	0.04	0.03	2.49
Total Managerial Remuneration								
Overall Ceiling as per the Act (Excluding Sitting Fees)								3.52

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

(₹ In Crs.)

Sr. no.	Particulars of Remuneration	CFO	Company Secretary	Total
1	Gross salary	1.93	0.21	2.14
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1.93	0.21	2.14
(b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.00	-	0.00
(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	1.93	0.21	2.14

VII PENALTIES/PUNISHMENT /COMPOUNDING OF THE 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 'D' 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.

Business entities can no longer afford to ignore their carbon footprint. The planet and profitability have to go hand in hand if a business has to prosper. KOEL has been a frontrunner in energy conservation, both in its processes and products. The movement gained momentum in FY 18, when a line of green and sustainable products was introduced.

The two-pronged approach of energy conservation and alternate sources has yielded significant benefits.

I. The steps taken for energy conservation and its impact

Khadki Plant

- Energy Efficient LED lights installed
- Installation of occupancy sensors for toilets
- Installed 3 kWp solar system with existing solar panels. 1455 units generated and utilised
- AppScope make Energy Management System is installed for effective monitoring of energy consumption & related parameters and achieving optimum utilization through implementation of ENCON projects based on data

Main Kagal Plant

- Commissioning 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
- Installation of wind ball for powering streetlights
- Replacement of high bay Metal halide lamps with LED lamps at Genset plant
- Celebration of ENCON day & ENCON week by arranging various awareness initiatives
- Conversion of Diesel operated forklift to battery operated forklift
- Installation of High Tension (HT) capacitor for HT compressor motor to improve Power factor

KMW Kagal Plant

Installation of Capacitor for power factor improvement

Installation of Water Saver Taps

Nasik Plant

- Installation of Energy efficiency motors at Machine Shop
- Installation of Variable Frequency Drive for cranes for energy saving
- Installation of hi-bay LED lamps in place of metal halide lamps at stores section

Bhare Plant

- Energy Efficient LED lighting in test bed cell and office areas

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

During the year under review, 37% of total electricity energy consumption with an approximate savings of ₹ 5.35 Crores. was through units generated from Solar Captive Power Plant installed at Kagal plant.

Also, Third Party Windmill Units were purchased from independent Windmill generators under open access policy. Windmill Units were consumed through this arrangement, which resulted in maintaining 0.53% of Green Energy share of total electrical energy consumption at Kagal plant, and 3% 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 ₹ 0.37 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.

- New application development in High Horse Power (HHP) power segment like power car, fire pump
- FM/UL certified product range launched in global market
- Product development for 'Make In India' initiative
- Import substitutes developed for Fuel Injection Pump, Injector etc.
- EPA certification for emergency standby application
- Developing engine technologies for alternate fuels
- Enhancing features of products for domestic PG market

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 Crores)

Sr. No.	Particulars	2018-19	2017-18
1	Revenue Expenditure	83.19	89.09
2	Capital Expenditure	9.09	18.73
3	Total R & D expenditure	92.28	107.82
4	Total R&D expenditure as % to sales	3.0%	3.8%

C. Foreign exchange earnings and outgoes

Total foreign exchange used and earned

(₹ In Crores)

Total Foreign Exchange used & earned	2018-19	2017-18
Used	117.45	105.32
Earned	214.29	186.88

ANNEXURE 'E' 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 'E-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 'E-2'
3	The percentage increase in the median remuneration of employees in the financial year	8.59%
4	The number of permanent employees on the rolls of company	2443
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	<p>Average percentile increase in salaries of managerial personnel: 8.72 percentile</p> <p>Average percentile increase in salaries of non-manual personnel: 11.83 percentile</p> <p>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.</p>
6	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.
7	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 "E-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	168.62
2	Nihal G. Kulkarni	85.56
3	Rajendra R. Deshpande	144.98
4	Rahul C. Kirloskar	2.47
5	Pratap G. Pawar	3.80
6	R. Srinivasan	3.80
7	M. Lakshminarayan	7.53
8	Mahesh R. Chhabria	24.33
9	Gauri Kirloskar	8.33
10	Pradeep R. Rathi	2.93
11	Vinesh Kumar Jairath	6.47
12	Satish Jamdar	5.13
13	Sunil Shah Singh *	NA
14	Mrunalini Deshmukh*	NA

Note:

- Median is computed on the basis of permanent employees on the rolls of the Company for the full financial year 2018-19.
- * Director was appointed during the year ended 31/03/2019. As such the remuneration of these Directors is not considered.

ANNEXURE TO BOARD REPORT- Annexure "E-2"

Sr. No.	Name of the Director/KMP	Designation	% Increase/ (decrease) in the Remuneration
1	Atul C. Kirloskar	Director & KMP	42.82
2	Nihal G. Kulkarni	Director & KMP	(25.25)
3	Rajendra R. Deshpande	Director & KMP	50.37
4	Rahul C. Kirloskar	Director	(48.61)
5	Pratap G. Pawar	Director	(43.00)
6	R. Srinivasan	Director	(40.63)
7	M. Lakshminarayan	Director	22.83
8	Mahesh R. Chhabria	Director	18.51
9	Gauri Kirloskar	Director	220.51
10	Pradeep R. Rathi	Director	12.82
11	Vinesh Kumar Jairath	Director	(44.57)
12	Satish Jamdar	Director	79.07
13	Sunil Shah Singh *	Additional Director	NA
14	Mrunalini Deshmukh*	Additional Director	NA
15	T. Vinodkumar	CFO & CHRO & KMP	8.18
16	Smita A. Raichurkar	CS & KMP	16.01

Note: * Director was appointed during the year ended 31/03/2019. As such the remuneration of these Directors is not considered.

ANNEXURE 'F' TO THE DIRECTORS' REPORT

SECRETARIAL AUDIT REPORT

[Pursuant to section 204(1) of the Companies Act, 2013 read with rule No.9 of the Companies (Appointment and Remuneration Of Managerial Personnel) Rules, 2014] and pursuant to Regulation 24A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

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, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

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, 2019 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 and approved by the Central Government under Section 118(10) of the Companies Act, 2013.
- (ii) Listing Agreement under the SEBI [(Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations)] entered into by the Company with the BSE Ltd. & National Stock Exchange of India 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. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All 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 was no event / action having a major bearing on the Company's affairs.

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

Date: 17 May 2019

Place: Pune

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY AND MARKETS

Despite softer growth, the Indian economy remains one of the fastest growing and possibly the least affected by global turmoil. The country is taking giant strides to further improve its standing in the world. The improving macroeconomic fundamentals have further been supported by the implementation of reform measures and policy changes such as amendments to the policy/code related to insolvency and bankruptcy, bank recapitalization and foreign direct investment, which have helped foster an environment to boost investments and ease banking sector concerns. Together, these augur well for a healthy growth path for the economy. The Indian rupee suffered because of the crude price shock and conditions were exacerbated as recovery in some advanced economies caused faster investment outflows.

In the last five years, that is from 2014-15 to 2018-19, the average growth rate of GDP has been at 7.7%. This has made India the fastest moving emerging economy in the world.

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 2018-19 with a brief outlook for the Financial Year 2019-20.

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 establishments 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 the main business driver. Urbanization, automation and infrastructure development are driving the growth in this sector. KOEL is rapidly transitioning from being a source of Reliable products to Complete Power back-up solution provider offering turn-key solutions for diverse customer applications.

In the Financial Year 2018-19, the market witnessed single digit growth with many customer segments deferring purchases on the back of finance availability. Steep rise in Commodity prices impacted price flexibility.

Business Overview

The Company's revenue in Financial Year 2018-19 from Power Generation Business stood at ₹ 1222 Crores, as compared to ₹ 1155 Crores in Financial Year 2017-18.

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.

Launch of iGreen range

The Company has launched the new iGreen gensets in Low and Medium kVA ranges, offering an array of customer-centric features. Features such as Automatic Mains Failure (AMF), remote annunciation, new aesthetics and several class-leading features in canopies have received excellent response from customers across segments. The range now called as KOEL iGreen is the first to offer the IOT-enabled Genset as a standard feature. The new iGreen range promises to further strengthen KOEL's position in respective segments.



iGreen Genset

Major gains in 750 - 1010kVA Gensets

The new 750 - 1010kVA range continues to wow customers and win market share. Having won orders in many customer segments such as data centres, metro rail, commercial and residential realty, industrial applications, into its fold, the new range has already established itself as a formidable force in the market.

Railways Powercar business

Having entered this segment in late FY18, the Company's Power Generation business made strong strides in this application with a robust order book and large supply & installation base. This segment promises to be a growth driver in times to come.

In addition to conventional on-board gensets, KOEL has successfully demonstrated its capabilities in rapid development of the emerging Underslung Genset version. KOEL is now poised to make strong contributions in the growth story of Indian Railways.

Telecom business

Having re-entered this segment, the Company's Power Generation business has made rapid progress with acquisitions of all major customers.

Future outlook

With the introduction of iGreen range, HHP solutions foray and powercar business gains, the power gen business is poised to grow.

B. AGRICULTURE AND ALLIED BUSINESSES

The Electric Pump segment industry grew at an estimated rate of 8-10%.

Because of rapid electrification in engine dominant states like Bihar, change in the subsidy allocation process in large contributing states like Karnataka and dip in the OEM segment and in the agro industrial segment like threshers, the Diesel Pump segment industry continued to shrink as in previous years at an estimated rate of 12%.

The Power Tiller Industry showed a minor decline of 2%.

Business Overview:

CROP IRRIGATION

The Company's revenue in Financial Year 2018-19 from the Agri Crop Irrigation Business stood at ₹ 366 Crores, as compared to ₹ 340 Crores in Financial Year 2017-18. The sales of diesel engines and pumpsets decreased by 11% over last year due to external factors like change in the government's subsidy policy. A slowdown in the rural construction and infrastructure sectors affected sales of OEM model engines. However, in spite of this, the company's market share is expected to remain at a robust 27%.

To cater the diesel engine market requirement new models - 5 HP Water Cooled & 3.5 HP Air Cooled are being developed.

With superior reach and focus on improvement in customer delight parameters and better channel engagement, KOEL capitalized on growing electrical pumps segment. Several new products are planned for the coming year in this segment.

The Company launched the new "No-compromise" marketing policy during the year. A new benchmark in service was established to further your Company's customer connect. Under this policy all electric pumpsets under 4HP, if found defective, were replaced within 24 hours post replacement approval from Agri Service Centre (ASC) while the higher variants were serviced at an even faster speed.

New Product Development and Launches



3"X 3" size water pump

To cater to higher head and discharge requirement from North India.



New Heavy duty Pumpset

To cater to Rural Infrastructure Development Forum, Govt. of Assam.

FARM MECHANIZATION

The Company's revenue in Financial Year 2018-19 from Farm Mechanisation Business stood at ₹ 139 Crores, as compared to ₹ 112 Crores in Financial Year 2017-18.

In a landmark achievement, Mega T received the 'Golden Peacock Innovative Product/Service Award' consecutively for the second year.

New Product Development



Forward Earthing Up
Earthing up application in forward direction
mainly for sugarcane and similar crops.



New Styling Mega-T 15
New model of Mega-T 15

C. INDUSTRIAL ENGINES BUSINESS

Business Overview

The Company's revenue in Financial Year 2018-19 from Industrial Engine Business stood at ₹ 596 Crores, as compared to ₹ 508 Crores in Financial Year 2017-18.

The Construction sector witnessed sustained growth and your Company recorded its highest ever sales in this business driven by increased demand for engines in segments like Concrete, Earthmoving, Road Construction, Fluid Handling & Tractors. The Industrial Engine Business grew by around 17% in Financial Year 2018-19 compared to the last financial year. The demand for Tractor engines increased due to favourable agrarian policy decisions such as farm loan waivers in certain states.

This growth has been achieved by developing new applications in new OEMs as well as existing OEM partners backed by favourable market factors including the thrust from the Government on Infrastructure and Road Construction projects.

New Product Developments

To address the upcoming Construction Equipment Vehicle - Bharat Stage Four (CEV-BSIV) emission changes in the Indian market in 2020, your Company has initiated a program to launch superior electronic engines with key customers. The new emissions are applicable in the Indian Construction Equipment market with effect from October 2020.

New Products Launched



KOEL 4R1040TA engine powering a Manitou Telehandler



KOEL 4R1040T engine powering a Doosan Bobcat – Backhoe Loader



KOEL HA4, HA6 and HA6TC engine powering a SANY – Concrete Pumps



KOEL 3R 1040 and 3R 810 engine powering a VST Tractors

Future Outlook

Your Company believes the focus of the Indian government on road and infrastructure development projects along with the “Make in India” initiative will lead to a sustained growth in demand for construction equipment. Your Company has strong partnerships with all major equipment manufacturers and will continue to leverage technology leadership to fuel its growth in this sector. Industrial Business is expected to continue its growth story powered by a focused approach and continuous array of new application development. India’s long term growth story remains intact, driven by strong private consumption and public push for Infrastructure spend coupled with a thrust on road building by the Government.

D. CUSTOMER SUPPORT

The Customer Support Business revenue in Financial Year 2018-19 stood at ₹ 409 Crores as against ₹ 372 Crores in Financial Year 2017-18, registering a growth of 9.95%. This is despite improved supply of power across India and relatively lower DG set usage.

With 431 service centres across India and an extremely proactive service team, KOEL’s exemplary after sales

service support and robust digitized processes are Industry benchmarks. The Company has established itself as a dominant service brand in the market. The Company has four regional level training centres across India aimed at constantly improving the competence of our field service team. During the year approximately 78000 customers were touched by 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:-

- **Customer Self Service App**

In July 2018, KOEL Connect was launched by the Company for empowering the customer to enroll their asset for self service requirements. Customers can register service requests, view the status of service request, view the service history of their assets and get new updates from KOEL apart from other important information shared through this mobile App.

- **Customer Portal for KOEL AMC Customers**

The Company has provided an online portal for self-service of KOEL AMC Customers. This Portal provides direct access to customers for raising Service Requests who are also able to view the real time status of all service requests on registered assets under KOEL AMC. There's a dedicated helpdesk for KOEL AMC customers.

- **Online portal**

KOEL online Bandhan for Retail customer AMC services achieved 14000+ enrolment milestone on 31 March 2019.

Customers can visit the portal www.koelcare.com and avail these service packages. Various new initiatives were taken for better customer experience. Some of them are listed below:

- 24 hours Maximum Time to restore (MaxTTR) monitoring for improved response time and customer satisfaction
- @koelcare.com email ID's for KOEL CARE Service Centers for unified customer experience

E. **INTERNATIONAL BUSINESS**

International business is one of the key focus areas and growth drivers for your company in line with the vision to 'Touch the World' by 2025. The Company exports diesel engines, generating sets and spare parts to 51 countries through a network of regional offices and distributors. The products cover a wide range of Power Generation, Industrial and Agriculture applications.

Global growth rate in 2018-19 is estimated at a little above 3%.

Markets witnessed new challenges in the Middle East and Africa. The political situation remained volatile in large parts of the Middle East. Some of the markets in Latin America were hit by adverse forex situation. These factors will need to be duly considered for forecasting sales in 2019-20.

Improvement is expected in energy commodities' prices in 2019-20. Metal and Minerals are also expected to show marginal improvement. However, Agriculture may continue to decline, which would shrink our traditional markets.

Business overview

Revenue from International Business in Financial Year 2018-19 was ₹ 206 crores as against ₹ 182 crores in Financial Year 2017-18. We suffered a setback in the traditional markets. Our efforts towards improving geographical spread and expanding business to new market segments as well as adding new OEMs to our portfolio enabled a growth of 13.18% over the previous fiscal year. New markets and new segments contributed about 20% of the overall export revenues. Growth came largely in the Power Generation segment.

The Company achieved double digit growth in South East Asia as well as key markets in Africa and the Middle East. Business in the Americas region remained steady. The Gulf countries and Southern Africa contributed significantly to export revenues. Competition from multinational companies has intensified in power generation export segment while the company faces severe price competition from Chinese and domestic players in the agriculture export segment.

Some of the highlights in the International Business for the Financial Year 2018-19 include:

- Intensified efforts to develop business in the Middle East and Africa which accounted for close to 80% of exports business. UAE, South Africa and Nigeria have been identified as Focus Markets to achieve double digit market share.
- FMUL fire-fighting engines business was about 11% of the overall export business. We introduced 3000 rpm FMUL engines which have been developed for international markets.
- We obtained EPA certification for diesel engines suitable for up to 60 kWe Stand by Generating sets. These engines will be the growth drivers in Financial Year 2019-20.
- Breakthrough orders received in Telecom sector, especially in South East Asia, and the company intends to build on this in the next financial year.

Future outlook

The focus in Financial Year 2019-20 will continue to be on the market penetration in focus market segments. The Company has developed a customized market strategy and detailed action plan to leverage its strengths and maximize business in the focus market segments.

The Company's product strategy in Financial Year 2019-20 is to focus on high value products, especially HHP range and firefighting application engines. The company is also exploring opportunities for gas engines. This will boost the Company's growth prospects in the long term.

KOEL Americas Corporation, USA (a wholly owned subsidiary company) has obtained EPA certification for specific engine models, which will enable our entry in the USA power generation segment. Commercial supplies will commence in 2019-20. It has also developed stocking facility for generating sets to cater to the markets in South and Central America.

F. LARGE ENGINES BUSINESS

The Company's revenue in Financial Year 2018-19 from Large Engines Business stood at ₹ 179 crores, as compared to ₹ 143 crores in Financial Year 2017-18.

The Large Engine Business operates in niche segments like Defence and Marine and supplies energy systems for radars, communication systems, vehicle repowering, propulsion engines and gensets for Marine sector. Here demand is based on the launch of large Government Projects.

The Company is focusing on fishing boat engines' market and has developed DV, SL and 6R series engines. The Company has now entered the Nuclear Power Plants market for emergency DG sets with KOEL DV series engines.

Business Overview:

Developing customized products that meet stringent qualification requirements of customers remained the focused area for growth. The Company has developed six more models of compact generating sets as per customers' requirements and also obtained necessary approval from Defence authorities for these sets. All

the performance trials were successfully demonstrated to Defence authorities.

During the year, the Company developed few more Marine engines for fishing boat application and propulsion application. Engines commissioned on fishing boats have clocked more than 3000 hours and performance is well appreciated by customers. Also Engine commissioned on Coastguard vessels clocked more than 10,000 hours this year, which is an important milestone, proving capability.



DV8 and DV 10 engines developed with Mechanical Governor. Seeding of 4 X DV 8 done in March 19.



- WLR Mk-II (2 x 90 kVA) – BEL Blore
- DG set integration and testing with Radar successfully completed
- Environmental qualifications (-30°C to +55°C, Damp heat) successfully completed at BEL Bengaluru

New Product Development



5 kVA – BEL (NaMu) All environmental qualifications (-10°C to +55°C, high altitude test 4160m, tropical tests etc.) successfully completed



3 R engine for Commercial marine

A 200 kVA DG set developed for Nuclear Power Corporation of India Limited has successfully completed Seismic qualification by the shake table method. This is KOEL's 1st DG Set to achieve this qualification.

Future outlook

The Large Engines business is focusing on expanding product offerings and increasing market reach and will drive its growth in Defence and Marine power and propulsion segments and fishing engine segment. With development of durable and efficient engines and meeting stringent product performance requirements, your Company is gearing up in getting sizable market in fishing boat engines. The Nashik plant will continue to be the main Product development, manufacturing and assembly hub for the business, especially with all Defence and Marine engines and DG sets assembly.

RESEARCH AND APPLICATION ENGINEERING

Research is a key enabler that helps KOEL remain relevant and competitive in the global markets and drive growth through innovative solutions and enhanced product offerings. Over the years, your Company has set up a state of the art R&D facility, operated by a very competent team, which works closely with different businesses to deliver high value products to customers. R&D expenditure is focused on expanding product range, emission upgrade 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 to fortify its market leadership position. First firing of K4300 engine platform of HHP segment and R550 engine platform of LHP segment was achieved in last year.

A range of gensets was developed for different power car applications of Indian Railways. Biogas gensets from 4 kVA to 125 kVA were developed. A range of HHP Products has been offered in Fire Pump application. New OEMS and new applications were acquired for Construction Equipment Vehicles (CEV) engine. EPA certification was achieved for 3 models of emergency standby genset application. FM/UL certified range of fire pump engines upto 3000 rpm were launched in production. HHP fire pump engines were also launched in production. Product features were enhanced for domestic power generation application. Value engineering exercise was successfully continued this year 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, Power tiller and Power weeder

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, railways and defense applications
- Product portfolio and emission strategy for CPCB IV+ norms

Future Outlook

The R&D is actively tracking/learning/developing products involving disruptive and/or futuristic technology trends such as alternate fuels, Electrification of engines, energy storage and alternate methods of electricity depending upon technology maturity. Your R&D is working on hybrid gensets, battery inverter, fuel cell and gas gensets. One global engine platform and One HHP platform are under development. New applications like marine, defence

and railways will also be developed. Engine technology will be developed for alternate fuels like natural gas, biogas, methanol etc. 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 Quality improvement programs were put in place through

- Customer Centric Improvement Plans
- Six Sigma techniques for Product and Process Improvements
- Focus on new product quality improvements
- Improvement Plans based on Internal Parts Per Million (PPM)

A consistent focus on quality led to significant reduction in Internal PPM and customer complaints across various product categories.

Many OEMs e.g. Case New Holland Construction Equipment (India) Private Limited, Sany Heavy Industry India Private Limited, Volvo Group India Private Limited, Hyundai Construction Equipment Caterpillar India Private Limited and Dynapac Road Construction Equipment (India) Private Limited have formally recognized KOEL for demonstrating excellence in various aspects. Platinum Award from Caterpillar is indeed a significant milestone in this regard.

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

SUPPLY CHAIN

The Supply Chain emerged as an important cog in the business improvement of your company. Performance in the field of new product development, managing inventory, and improving the MTTD (mean time to deliver), have been paramount.

The Company has been working with the TOC (Theory of Constraints) way at the core and also taken its suppliers, especially of the MSME sector, on board for the same. Several Supplier Relationship Management initiatives of the Company, especially its Lean Cluster initiative is a high impact improvement drive for the suppliers. It is based on foundation of lean principles and deployment of lean tool by external experts at supplier end. The focus is on shop floor improvement and drive data driven decision approach across the participating units. The initiatives have created a structured and sustained improvement platform for suppliers. .

New product development is done through a systematic CCPM (Critical Chain Project Management) methodology in your Company and has helped to identify and cut down on bottlenecks in the development process. As a result, in the last year the path breaking development of two important products i.e. K4300 and R550, was completed. This will further help in augmenting our product offerings to the market and open more world markets for the Company's products. In addition to new product development your Company is actively working on upgradation of engines to suit applicable statutory norms e.g., Bharat Stage IV norms for Off-Highway construction machinery.

The Company also conducted the 10th edition of the SQIC (Supplier Quality Improvement Contest) proficiently to demonstrate that the partnership of Suppliers is increasing and becoming more competitive over the years. This program has emerged as a pioneering effort in supplier engagement as it serves as a platform to showcase innovative and successful methods. The Company further embarked on a ZERO Defect Journey with a few selected suppliers.

The aim of your Company is to build a future ready Supply chain which can be done by getting aligned to the modern concepts of IoT (Internet of Things) & Industry 4.0. The Company has lined up initiatives like discussion forums and implementation support, which will pave the way for our Suppliers to participate in the transformation journey.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY (EHS)

During the year, numerous 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

- Celebrated World Environment Day. Planted trees in factory premises.
- Use of treated effluent for toilet flushing in addition to gardening.
- Use of fly ash bricks for civil work

Occupational Health initiatives

- Blood donation camp
- No Tobacco and de-addiction drive.
- E bulletin on Health made available on Integrated Management System Portal
- Lectures on various health topics by eminent personalities from related field
- Periodical Medical examination of all employees
- International Yoga Day

Safety Initiatives

- Safety Awareness for employees by organizing competitions during safety week
- Conducted mock drill for emergency preparedness plan
- Trainings for forklift drivers and crane operators
- Lecture on Fire Fighting

Kagal Plant

Environment initiatives

- Plantation of 1300 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

Occupational Health initiatives

- Blood donation camp
- Session on Stress Management and HIV AIDS awareness
- Periodic medical examination of all employees
- No Tobacco and de-addiction drive.
- E bulletin on Health made available on Integrated Management System Portal
- Training for employees on Heart Attack

Safety Initiatives

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

- Implementation of 7 phases of Behavioral Based Safety
- Training and Authorisation of operators for material handling equipment
- Safety walk on daily basis

Nashik Plant

Environment initiatives

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

Occupational Health initiatives

- Periodic medical checkup
- Lecture on Diabetes, Ergonomics and Heart Disease
- Blood donation Camp
- No Tobacco and de-addiction drive.
- E bulletin on Health made available on Integrated Management System Portal
- Yoga awareness session on International Yoga Day

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

Bhare Plant

Occupational Health initiatives

- No Tobacco and de-addiction drive.
- E bulletin on Health made available on Integrated Management System Portal
- Periodic medical checkup
- First Aid Training for employees

Safety Initiatives

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

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 2443 employees spread across locations in the organization.

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

- Signing of 9th wage settlement agreement for plant located at Pune, prior to expiry of the earlier settlement, without losing a single man-day.
- Implemented Behavioral Training Calendar and conducted 8 training programs spread across 10 batches throughout the year.

- Conducted Customer Focused Training Programs like Sales Management for Agri Crop Irrigation and Agri Farm Mechanization & Creating Customer Delight for Large Engines Business Group.
- Leadership Development Programs like 7 Habits of Highly Effective People, Design Thinking for High Business Performance, Leadership Excellence, Management of Creativity & Innovation, Aastha Process Labs etc. for High Potential Employees.
- Technical Career Path, along with Technical Grades, defined for Research & Development team.
- Initiated Critical Position Assessment for all BU's, as part of first phase of succession planning initiative.
- Initiated 360 degree assessment for some Business Units through Thomas International Group, leading to focused Individual Development Plan.
- Our Rewards and Recognition program 'Samman' has been received well and a culture of acknowledgement and recognition is being fostered.
- Setup "Tarang", a Fun @ Work club, which conducted various events like Independence Day, Raas Garba Navratri, Diwali & Holi. In addition to this, also arranged sporting events like Inter Company Volleyball Tournament and KOEL Cricket League.
- Completed review of some HR Policies by setting up an internal CFT & benchmarking against industry standards.
- 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.

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

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 remained competitive and accessible to the customers.

In the last couple of years, your Company has 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 working towards. 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.

During the year under review, the Company has arranged 1st factory visit to Prestigious Kagal Plant for shareholders of the Company.



Shareholders' Visit to Kagal Plant

INTERNAL CONTROLS AND RISK MANAGEMENT

The Internal Audit Department develops a risk based audit plan on a yearly basis which is approved by the Audit Committee. The audit plan covers all businesses and functions across all locations. The audit processes are automated starting from initiation of audits to tracking of open audit issues and their closure. The IAD conducts audits as per the approved plan and reports significant observations and progress of implementation of action plan to the Audit Committee.

The Company has an internal control system covering all businesses and functions of the organization including all locations and is commensurate with the nature of the business, size and complexity of operations. The IAD follows a continuous process of updating the internal controls repository to ensure that adequacy and effectiveness of all major internal controls are reviewed. The internal controls are regularly tested by the internal and statutory auditors through their audit plan.

The IAD follows has an IT enabled control self-assessment system which is used to support the internal audit reviews and helps the employees to monitor the internal controls they are responsible for. This system aids in building a robust control environment across the organization.

As per the Enterprise Risk Management (ERM) framework, the IAD supports the businesses and senior management in identifying and assessing business and enterprise risks. The IAD works with the businesses to prepare and review the mitigation plans for key risks. IAD works with the Strategy Cell and Senior Management to ensure that those enterprise risks are identified which are relevant to the strategy adopted by the Company. The enterprise risk owners present the risks with the status of mitigations plans to the Audit Committee periodically. The ERM framework is aimed at effectively mitigating the business and enterprise risks through strategic actions.

AWARDS, RECOGNITIONS AND CERTIFICATIONS

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

- **Kagal plant**
 - a. "Excellent Energy Efficient Unit - 2018" at 19th National Award organized by Confederation of Indian Industry (CII)
 - b. 'Certificate of Merit' at 13th State Level EC Award towards energy conservation in Engineering industry category through Maharashtra Energy Development Agency (MEDA)
 - c. "Noteworthy Water efficient Unit" award at CII Water awards 2018
 - d. "GOLD" award for Supply Chain and Quality Team at International Convention on Quality Control Circles, 2018 at Singapore and recognitions in categories viz. Kaizen, 5S and safety skit from Quality Circle Forum of India, Pune Chapter
 - e. "K Group ENCON award" for The Best Managed Energy Efficient Unit in Large Manufacturing units category

- 1st prize towards Energy conservation in Small and Medium Enterprises sector at 12th State Level Energy Conservation Award organized by MEDA for Nasik Plant
- Industrial Business received following in Financial Year 2018-19 from various OEM customers in view of excellent performance on various aspects:
Platinum Certification for Supplier Quality Excellence Process (SQEP) by the world's largest Construction Equipment Manufacturing Company - Caterpillar Inc. Caterpillar's SQEP is a key factor in the Company's "zero-defect" culture and is only awarded to its suppliers who meet a stringent list of global performance standards. The SQEP is based on various parameters like ISO certification, supplier parts per million (PPM), on-time production part approval process (PPAP), statistical process capability results on key characteristics, Six Sigma deployment, supplier capacity, on-time delivery to production and customer service. Caterpillar's SQEP certification levels are Platinum, Gold, Silver and Bronze. Platinum is the highest level of certification. KOEL is the only supplier globally to receive the Platinum status in engine category till date.
- 'Golden Peacock Innovative Product/Service Award' consecutively for second year 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

- Continuous rise in commodity prices in a competitive environment will put pressure on margins and profitability
- Subdued financial growth in the global economy and geopolitical issues such as protectionist trade policies will result in volatility in international markets and in turn could affect export growth plans.
- Growth in the existing businesses and portfolio of products is directly co-related to favourable macroeconomic environment. This is further accentuated by large dependence of diesel as the predominant fuel type. Dominance of diesel powered product portfolio may come under threat with increasing penetration of renewable and electric energy sources in certain business segments.
- Acquisition and retention of appropriate talent, with right skill sets, to sustain and grow existing and new businesses.

Opportunities

- Indian economy is expected to grow at 7.3 % in calendar year 2019 and 2020. The country is less exposed to a slowdown in global manufacturing trade growth than other major Asian economies and emerging markets and is poised to grow at a relatively stable pace in the next two years.
- Growth in income will transform India from a "bottom of the pyramid economy" to a middle class-led one, with current consumer spending growing from \$1.5 trillion to nearly \$6 trillion by 2030.
- The banking sector in general may do much better in 2019 versus 2018 broadly due to the fact that situation for certain stressed banks with high NPAs may improve which may normalize both in terms of growth as well as profitability which will add to aggregate earnings. Overall, banking sector is expected to deliver very high earnings growth.
- The global sourcing market in India is continuing to grow at a faster pace. The global IT services industry is currently going through a transition phase from traditional to digital transformations like cloud computing, analytics, artificial intelligence and IoT.
- India is poised to become the third-largest consumer market behind only the US and China, which will present opportunities and challenges.

Threats

- The employability of current workers as well as the readiness of the future workforce for the economic and technological changes expected over the next decade, if not addressed, will impact India's growth
- The ongoing trade war between the US and China may adversely affecting India's growth plans
- Spike in crude oil prices has an adverse impact on Indian currency, widening the current account deficit and dampening growth, unless there is a reversal in oil price trends. This indicates dependence of the health of the Indian economy on the price of oil.

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, including amendments thereunder (hereinafter referred as SEBI Listing Regulations, 2015). The Board comprised of 14 directors as on 31 March 2019. The composition of the Board was as under:

Category of Directors	No. of directors
Executive (including Executive Chairman)	3
Non-Executive and Independent (including 1 Woman Director)	7
Non-Executive and Non Independent (including 1 Woman Director)	4
Total	14

- 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 2018-19, the Board met 5 times on 18 May 2018, 10 August 2018, 26 October 2018, 25 January 2019 and 8 March 2019.

The Annual General Meeting of the Company was held on 10 August 2018.

- 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 (BM) held during the financial year 2018-19 and at the last Annual General Meeting (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 2019 are given in Table A and the names of the other listed entities in which the Directors hold directorship and category thereof as at 31 March 2019 are given in **Table B**:

I. Table A

Sr. No.	Name of Director	No. of Directorships 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	-	5	Yes	NA
2	Nihal G. Kulkarni *	4	-	1	5	Yes	NA
3	Rajendra R. Deshpande	1	-	-	5	Yes	NA
Non-Executive and Non Independent Director							
4	Rahul C. Kirloskar *	4	-	2	5	Yes	1,77,32,902
5	Gauri Kirloskar *	2	-	-	5	Yes	-
6	Mahesh Chhabria	6	1	1	5	Yes	11,552
7	Vinesh Kumar Jairath #	9	2	5	5	Yes	-
Non-Executive and Independent Directors							
8	Pratap G. Pawar	4	3	1	5	Yes	5,355
9	R. Srinivasan	6	2	3	5	Yes	3,750
10	M. Lakshminarayan	6	2	2	5	Yes	-
11	Pradeep R. Rathi	4	-	4	4	Yes	-
12	Satish Jamdar	1	-	1	5	Yes	-
13	Mrunalini Deshmukh ##	2	-	-	3	NA	-
14	Sunil Shah Singh ##	3	3	2	2	NA	-

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 SEBI Listing Regulations, 2015.

@ Directorships held in Foreign Companies, private limited companies, one person companies and companies under Section 25 of the Companies Act, 1956/ under Section 8 of the Companies Act, 2013 have not been considered.

Mr. Vinesh Kumar Jairath resigned as an Independent Director and appointed as a Non- Executive Director and Advisor of Kirloskar Industries Limited with effect from 14 June 2018. Consequent to this, he ceased to be Independent Director of the Company but continued as Non-Independent Director of the Company with effect from 14 June 2018.

Appointed as Additional Independent Director of the Company with effect from 12 September 2018.

II. Table B:

Sr. No.	Name of Director	Name of the other Listed entities in which Director holds Directorship	Category of Directorship
1	Atul C. Kirloskar	Kirloskar Industries Limited	Non-Independent Non-Executive Director
		Kirloskar Ferrous Industries Limited	Non-Independent Non-Executive Director
		Kirloskar Pneumatic Company Limited	Non-Independent Non-Executive Director
2	Rahul C. Kirloskar	Kirloskar Ferrous Industries Limited	Non-Independent Non-Executive Director
		Kirloskar Pneumatic Company Limited	Non – Independent Executive Director
3	Nihal G. Kulkarni	Kirloskar Industries Limited	Non-Independent Non-Executive Director
		G. G. Dandekar Machine Works Limited	Non-Independent Non-Executive Director
4	Rajendra R. Deshpande	Swaraj Engines Limited	Non-Independent Non-Executive Director
5	Gauri Kirloskar	The Bombay Burmah Trading Corp. Ltd	Additional Independent Non -Executive Director
		The Bombay Dyeing and Manufacturing Company Limited	Additional Independent Non -Executive Director
6	Mahesh Chhabria	Kirloskar Industries Limited	Managing Director
		Deepak Fertilisers and Petrochemicals Corporation Limited	Independent Non -Executive Director
		Kirloskar Ferrous Industries Limited	Non-Independent Non-Executive Director
		Tube Investments of India Ltd	Additional Independent Non – Executive Director
7	Vinesh Kumar Jairath	Kirloskar Industries Limited	Non-Independent Non-Executive Director
		The Bombay Dyeing and Manufacturing Company Limited	Independent Non-Executive Director
		Wockhardt Limited	Independent Non-Executive Director
		Tata Motors Limited	Independent Non-Executive Director
		The Bombay Burmah Trading Corp. Ltd	Additional Independent Non -Executive Director
8	Pratap G. Pawar	Bharat Forge Limited	Independent Non-Executive Director
		Force Motors Ltd.	Independent Non-Executive Director
		Finolex Cables Limited	Independent Non-Executive Director
9	R. Srinivasan	TTK Prestige Limited	Independent Non-Executive Director
		Sundram Fasteners Limited	Independent Non-Executive Director
		Yuken India Limited	Independent Non-Executive Director

Sr. No.	Name of Director	Name of the other Listed entities in which Director holds Directorship	Category of Directorship
10	M. Lakshminarayan	Rane (Madras) Ltd.	Independent Non-Executive Director
		WABCO India Limited	Independent Non-Executive Director
		TVS Electronic Limited	Independent Non-Executive Director
		ASM Technologies Limited	Non-Independent Non-Executive Director
		Wendt (India) Ltd	Independent Non-Executive Director
11	Pradeep R. Rathi	Sudarshan Chemical Industries Limited	Non-Independent Non-Executive Director
		Finolex Cables Limited	Independent Non-Executive Director
		Sanghvi Movers Limited	Independent Non-Executive Director
12	Satish Jamdar	Kirloskar Industries Limited	Independent Non-Executive Director
13	Mrunalini Deshmukh	Kirloskar Industries Limited	Independent Non-Executive Director
		Talwalkars Better Value Fitness Limited	Independent Non-Executive Director
14	Sunil Shah Singh	Kirloskar Industries Limited	Independent Non-Executive Director
		Kirloskar Pneumatic Company Limited	Independent Non-Executive Director
		ITD Cementation India Limited	Independent Non-Executive Director

Note:

None of the Directors on the Board of the Company is a Director of more than 8 listed entities nor, an Independent Director of more than 7 listed entities as at 31 March 2019.

None of the Directors on the Board of the Company 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/2019/KOEL%20Familiarisation%20Programme%20for%20Independent%20Directors.pdf>)

• **The list of core skills / expertise / competencies required and available with the Board in the context of business of the Company for its effective functioning is as follows [Pursuant to Schedule V, Part C (2)(h) of SEBI Listing Regulations, 2015]**

A. Technical

1. Finance
2. Law
3. Management
4. Sales & Marketing

5. Manufacturing / Operations
6. Research & Development
7. Human Resource
8. Information Technology

B. Industry

1. Knowledge about Economy
2. Industry experience
3. Knowledge of business sector

C. Governance

1. Compliance Management
2. Knowledge about statutory / regulatory laws
3. Experience in developing and implementing Risk Management
4. Strategic Planning

D. Others

1. Communication and Interpersonal Skills
2. Public Relations
3. Corporate Restructuring

• **Criteria of Performance Evaluation of Independent Directors**

The Nomination and Remuneration Committee lays down the criteria for performance evaluation of Director. 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.

• **Confirmation on declarations given by Independent Directors**

The Board of Directors, after due assessment of veracity of the declarations received from the Independent Directors confirm that, the Independent Directors fulfill the conditions specified in the Regulation 25(8) of SEBI Listing Regulations, 2015 and they are independent of the management.

• **Noting by the Board on other disclosure given by certain directors**

The Board of Directors have noted and taken on record, the voluntary disclosures made by Mr. Atul Kirloskar and Mr. Rahul Kirloskar of the inadvertent and erroneous mention of their educational qualification in certain disclosures over a period of the time. After having considered the legal opinion placed before the Board, and considering nature of the business carried on by the Company and in view of the fact that the Company is professionally managed and operated, the Board of Directors are of the view that the educational qualification of Mr. Atul Kirloskar and Mr. Rahul Kirloskar would not have any material impact on the business or operations of the Company. The Board of Directors also noted that there is no pre-requisite qualification for being a director.

B. BOARD COMMITTEES

1. Audit Committee

The Audit Committee comprises of 6 Non-Executive Directors, out of which 4 are Independent Directors. The composition is in conformity with Regulation 18 of SEBI Listing Regulations, 2015.

During Financial Year 2018-19, 4 meetings of the Committee were held on 18 May 2018, 10 August 2018, 26 October 2018 and 25 January 2019.

The composition of the Committee and attendance at its meetings as at 31 March 2019 are given below:

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	R. Srinivasan (Chairman)	Non-Executive and Independent	4
2	Pratap G. Pawar	Non-Executive and Independent	4
3	Mahesh Chhabria	Non-Executive and Non Independent	4
4	Vinesh Kumar Jairath	Non-Executive and Non Independent	4
5	Pradeep R. Rathi	Non-Executive and Independent (with effect from 10 August 2018)	3
6	Satish Jamdar	Non-Executive and Independent (with effect from 10 August 2018)	3

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, SEBI Listing Regulations, 2015, and SEBI (Prohibition of Insider Trading) Regulations, 2015 including amendments thereunder.

2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee comprises of 4 Non-Executive Directors, out of which 2 are Independent Directors. The composition is in conformity with Regulation 19 of SEBI Listing Regulations, 2015.

During Financial Year 2018-19, 2 meetings of the Committee were held on 18 May 2018 and 26 October 2018.

The composition of the Committee and attendance at meeting as at 31 March 2019 is given below:

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

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

- ii. 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;
- iii. To make recommendations to the Board concerning suitable candidates for the role of independent director;
- iv. To formulate policy relating to the remuneration for the directors, key managerial personnel and other employees;
- v. Evaluation of performance of each Director and
- vi. Recommendation of appointment and remuneration of senior management one level below the Board.
- vii. All other terms/role as specified under Section 178 of the Companies Act, 2013 and SEBI Listing Regulations, 2015.

3. Stakeholder Relationship Committee

• Constitution of Committee

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 and Gauri Kirloskar. The role / terms of references of the Committee are as specified under Section 178 of the Companies Act, 2013 and SEBI Listing Regulations, 2015. 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.

Status of Investor's Complaints as on 31 March 2019 and reported under Regulation 13 of SEBI Listing Regulations, 2015 is as under:

Complaints as on 1 April 2018	0
Received during the year	5
Resolved during the year	4
Pending as on 31 March 2019	1 *

* The Complaint pending at the end of the year is resolved on 2 April 2019.

The Company had no share transfer requests pending as on 31 March 2019.

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.

4. Risk Management Committee

The Risk Management Committee has been constituted on 26 October 2018, which comprises of 3 Independent Directors. This Committee is headed by M. Lakshminarayan, as Chairman and other members of the Committee are Pradeep R. Rathi and Satish Jamdar. The composition is in conformity with Regulation 21 of SEBI Listing Regulations, 2015. The role / terms of references of the Committee are as specified under SEBI Listing Regulations, 2015.

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, at the rate of 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 Director 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 2018-19:

(Amount in ₹)

Sr. No.	Name of director	Basic Salary	Allowances	Statutory Contributions	Perquisites*	Commission	Sitting Fees	Total
Executive Directors								
1	Atul C. Kirloskar	1,20,00,000	20,00,000	32,40,000	59,90,823	4,00,00,000	-	6,32,30,823
2	Nihal G. Kulkarni	1,08,00,000	20,00,000	29,16,000	38,69,008	1,25,00,000	-	3,20,85,008
3	Rajendra R. Deshpande	1,00,30,000	14,50,000	27,08,100	1,78,762	4,00,00,000	-	5,43,66,862
Non- Executive Directors								
4	Rahul C. Kirloskar	-	-	-	-	6,00,000	3,25,000	9,25,000
5	Pratap G. Pawar	-	-	-	-	9,75,000	4,50,000	14,25,000
6	R. Srinivasan	-	-	-	-	9,75,000	4,50,000	14,25,000
7	M. Lakshminarayan	-	-	-	-	25,25,000	3,00,000	28,25,000
8	Mahesh R. Chhabria	-	-	-	-	86,25,000	5,00,000	91,25,000
9	Gauri Kirloskar	-	-	-	-	28,75,000	2,50,000	31,25,000
10	Pradeep R. Rathi	-	-	-	-	7,50,000	3,50,000	11,00,000
11	Vinesh Kumar Jairath	-	-	-	-	19,75,000	4,50,000	24,25,000
12	Satish Jamdar	-	-	-	-	14,75,000	4,50,000	19,25,000
13	Mrunalini Deshmukh (with effect from 12 September 2018)	-	-	-	-	2,25,000	1,50,000	3,75,000
14	Sunil Shah Singh (with effect from 12 September 2018)	-	-	-	-	1,50,000	1,00,000	2,50,000
	Total	3,28,30,000	54,50,000	88,64,100	1,00,38,593	11,36,50,000	37,75,000	17,46,07,693

Notes:

- Allowances include house rent and leave travel allowance.
- Statutory Contributions include Company's contribution to provident fund and superannuation fund.
- * Perquisites includes House rent paid, reimbursement of medical, gas and electricity expenses, perquisite value as per Income Tax Rules for furniture at residence but excludes motor car. 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
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 an Independent Director for second term of 5 years
2018-19	10 August 2018	12.15 p.m.	Annual General	Sheraton Grand Pune Bund Garden Hotel, RBM Road, Pune – 411 001	Continuation of present second term of Mr. R. Srinivasan as an Independent Director of the Company.

No resolution was passed through the postal ballot during the Financial Year 2018-19.

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 / Financial Express (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 : 9 August 2019, Friday Time : 12.15 pm Venue : Sheraton Grand Pune Bund Garden Hotel, Raja Bahadur Mill Road, 211/212, Pune – 411 001
Financial Year ended	31 March 2019
Book Closure	3 August 2019 to 9 August 2019 (Both days inclusive)
Dividend Payment Date	On or before 29 August 2019
Last date of receipt of proxy forms	7 August 2019, 12.15 pm at Registered Office of the Company
Financial Calendar 2018-19	During Financial Year 2018-19 the results were announced as under: First quarter : 10 August 2018 Second quarter : 26 October 2018 Third quarter : 25 January 2019 Fourth quarter : 17 May 2019
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 2018-19 has been paid to BSE and NSE, where the Company's shares are listed.

b. Shareholding Pattern as on 31 March 2019

Category	No. of shares of ₹ 2/- each	% of Share holding
Promoter and Promoter Group	85,812,905	59.34
Foreign Institutional Investors (FII)	14,768,084	10.21
Foreign National	1,132	0.00
Individuals	22,011,543	15.22
Insurance Companies	4,237,573	2.93
Financial Institution and Banks (FI & Banks)	5,762,387	3.98
Mutual Fund	9,317,445	6.44
Bodies Corporate	1,718,903	1.19
NRIs	390,281	0.27
Alternate Investment Funds	111,521	0.08
Government Companies	404,210	0.28
Others	77,877	0.06
TOTAL	144,613,861	100.00

c. Distribution of shareholding as on 31 March 2019

Range of Shares	No. of shareholders	No. of Shares	% to total shares
1- 500	27,406	2,492,344	1.72
501-1000	3,153	2,219,042	1.53
1001-5000	3,477	7,223,245	5.00
5001-10000	430	2,985,517	2.07
10001-20000	179	2,499,613	1.73
20001-30000	46	1,117,619	0.77
30001-40000	28	988,066	0.68
40001-50000	22	982,716	0.68
50001-100000	23	1,723,222	1.19
100001-Above	38	122,382,477	84.63
Total	34,802	144,613,861	100.00

Dematerialization of shares and liquidity (as on 31 March 2019)	13,85,63,508 Equity Shares (95.82%)
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.

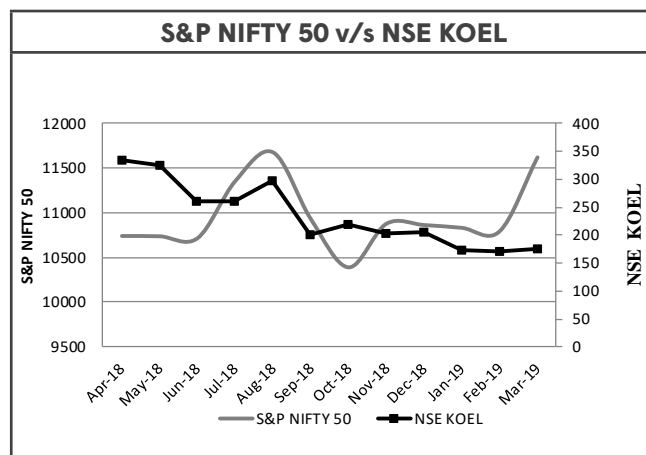
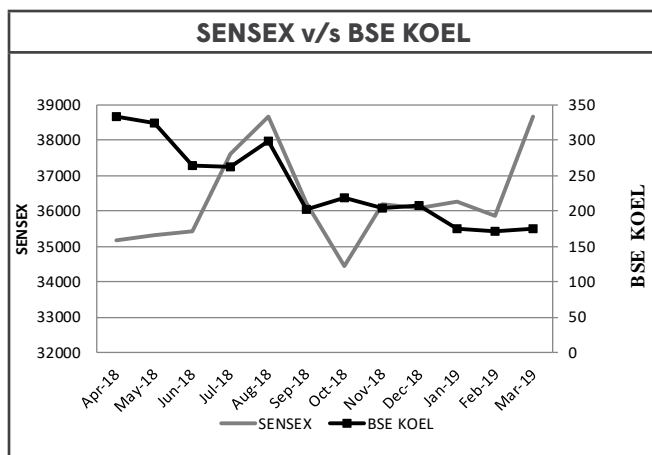
d. Market Price Data

Monthly high/low share prices during the year 2018-19 on the BSE and NSE are as below:

BSE		
Month	High Price	Low Price
Apr-18	375.95	324.00
May-18	334.55	302.95
Jun-18	324.00	249.50
Jul-18	268.00	224.00
Aug-18	354.85	244.10
Sep-18	312.00	201.00
Oct-18	231.00	195.10
Nov-18	227.65	196.95
Dec-18	229.75	182.70
Jan-19	208.00	169.00
Feb-19	177.60	160.00
Mar-19	198.00	167.00

NSE		
Month	High Price	Low Price
Apr-18	379.70	324.05
May-18	336.90	304.40
Jun-18	327.35	253.20
Jul-18	268.00	221.60
Aug-18	355.60	248.05
Sep-18	310.00	199.00
Oct-18	229.00	200.00
Nov-18	228.40	201.40
Dec-18	232.00	184.25
Jan-19	208.05	170.35
Feb-19	177.45	160.80
Mar-19	196.00	169.30

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 Nifty 50 for the year 2018-19



Share Transfer System

During the year under review, applications for transfer of shares in physical form are processed by Registrar and Share Transfer Agent of the Company and are returned after registration of transfer within 15 days from the date of receipt, subject to validity of all documents lodged with the Company. The transfer applications are approved at regular intervals.

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 Investors' Relations section.

Pursuant to amendments to Regulation 40 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, no requests for effecting transfer of securities held in physical format shall be processed after 1 April 2019. However, there is no restriction on transmission/ transposition of securities held in physical form.

f. List of all credit ratings obtained by the Company during the financial year for all debt instruments or any fixed deposit programme or any scheme or proposal involving mobilization of funds, whether in India or abroad

Not applicable.

g. 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, 2 nd Floor, 'Akshay' Complex, Off Dhole Patil Road, Pune – 411 001 Tel: 91- 20 26161629 / 26160084 Email: - pune@linkintime.co.in
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h. 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, 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District – Kolhapur -416236	Engines, Gensets and Pumpsets
		Plant II - Plot No. A-262, Phase I, 5 star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District - Kolhapur – 416236	Engines
		Plant III - (KMW Unit) Plot No. E-18, Opposite M/s. Suktas India Ltd., 5 Star MIDC, Kagal-Hatkanangale Industrial Area, Tal – Hatkanangale, District-Kolhapur - 416236	Power Tiller
3	Nasik	A-11/1, MIDC, Ambad, Nasik - 422 010	Engines and Gensets
4	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 FY 2018-19 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/2019/Policy%20on%20Related%20Party%20transaction.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 Policy has been amended with effect from 1 April 2019 to include instances of leakage of Unpublished Price Sensitive Information. 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

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/2019/Policy%20on%20Material%20Subsidiaries.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 does not have any significant direct exposure in commodities for hedging through commodity derivatives. 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 to the financial statements in the Annual Report.

g. CEO/CFO Certification

The CEO/CFO Certificate signed by Rajendra R. Deshpande, Managing Director & CEO and T. Vinodkumar, Chief Financial Officer was placed before the meeting of the Board of Directors held on 17 May 2019.

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 2019, the total unclaimed equity shares are 5,01,487.

i. The certificate from Mr. Mahesh Risbud, Practicing Company Secretary, stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of companies by the Board / Ministry of Corporate Affairs or any such statutory authority has been obtained.

j. During the year under review, the Board has accepted all the recommendations given by the Committees of the Board, which are mandatorily required.

k. Statement of fees paid by the Company along with its Subsidiary Company to Statutory Auditors

Fees of ₹ 53,80,280/- paid by the Company and Fees of ₹ 16,57,518/- by La-Gajjar Machineries Private Limited, Subsidiary Company to M/s P. G. Bhagwat, Chartered Accountants, Statutory Auditors of the Company during the Financial Year 2018-19.

l. There were no complaints filed / pending with the Company during the year in relation to sexual harassment of women at workplace.

m. Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) – Not Applicable

n. 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, including amendment thereunder.

For Kirloskar Oil Engines Limited
Sd/-

Place: Pune
Date: 17 May 2019

Rajendra R. Deshpande
Managing Director & CEO

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 2019, 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
UDIN -19117695AAAAAR8523
Pune
Date: 17 May 2019

KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company

KAIR S

BUSINESS RESPONSIBILITY REPORT

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, industry, 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 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, in conformance with the Global Reporting Initiative (GRI) guidelines.

GENERAL INFORMATION

1	Corporate Identity Number (CIN) of the Company	L29120PN2009PLC133351
2	Name of the Company	Kirloskar Oil Engines Limited (KOEL)
3	Registered Address	Laxmanrao Kirloskar Road, Khadki, Pune – 411 003
4	Website	www.koel.co.in
5	Email	sustainability@kirloskar.com
6	Financial Year of Reported	2018 - 19
7	Sectors that the company is engaged in (Industrial Activity Code wise)	Engineering
		NIC Code Product Description
		281 Engines
		271 Genset
As per National Industrial Classification for India (NIC)		
8	List three key products that company manufactures/ provides	Gensets
		Engines
		Pumps Sets and Power Tillers
9	Total number of locations where business activity is undertaken by the Company	
	i) International Locations	None
	ii) National Locations	Bhare (Pune), Khadki (Pune), Kagal (Kolhapur) and Nasik.
10	Markets served by the company	India and some countries in North America, South America, Africa, Europe and Asia.

FINANCIAL DETAILS

1	Paid up capital (₹)	28.92 Crs.
2	Total turnover (₹)	3119 Crs.
3	Total profit after taxes (₹)	225 Crs.
4	Total spending on corporate social responsibility (CSR) as % of average profit for last 3 financial years (₹)	4.59 Crs.

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

- a) Health: Health Check-up camps (HIV/AIDS awareness), Hygiene awareness program WASH, which includes clean drinking water, sanitation and hygiene.
- b) Education: Financial assistance for education, career guidance program for youth, workshop on computer literacy program, vocational training program for women on income generation.
- c) Environment: Energy Conservation (ENCON) initiatives for school children at all locations and Kirloskar Vasundhara Film Festival.

OTHER DETAILS

1	Does the Company have any Subsidiary Company/ Companies?	As on 31 March 2019, the Company has three subsidiaries viz. KOEL Americas Corp., USA, La-Gajjar Machineries Private Limited, Ahmedabad and Kirloskar Capital Limited, Mumbai.
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

BUSINESS RESPONSIBILITY (BR) INFORMATION

Responsibility for BR

Director/Directors responsible for implementation of BR Policy/Policies

Name	Designation	DIN	Telephone No.	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	Managing Director & CEO	00007439	020-25810341	Rajendra.Deshpande@kirloskar.com

BR Head

Name	Designation	Telephone No.	Email ID
T. Vinodkumar	Chief Financial and Human Resource Officer	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 Sr. No. 2(a) against any principle, is 'No', please explain why: (Tick up to 2 options)**

Sr. No.	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 Managing Director & CEO 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 a stand-alone Sustainability Report annually as per the Global Reporting Initiative's guidelines. The link to view latest Sustainability Report for FY 2017-18:

<http://koel.kirloskar.com/sites/koel.kirloskar.com/pdfs/2019/KOEL%20Sustainability%20Report%20SR1718%20final%2011apr2019.pdf>

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 utmost transparency, and accountability. The Company does not follow any abusive, corrupt or anti-competitive behavior and is not complicit in 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 Obligations and Disclosure Requirements) Regulations, 2015. Their affirmation to the CoC is communicated to all stakeholders by the Managing Director & CEO, 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/whistleblower policy in place, which enables employees and other stakeholders to report instances of unethical behaviour and any violation of the Company's CoC. 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 2018-19.

Under the Vigil Mechanism/Whistleblower Policy of the Company, there were no complaints received in 2018-19.

PRODUCT STEWARDSHIP

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

Product lifecycle management is core to the organization. The Company believes in developing sustainable products with optimum use of resources over the life-cycle of the product i.e. from design to disposal. Through a slew of proactive measures, the Company ensures that its products uphold the highest levels of safety, quality and environment friendliness. KOEL is committed to minimizing any potentially

negative environmental and social impact of its products during manufacture, use and disposal. The Company's products are designed factoring in various environmental and social norms and regulations restricting emissions and noise.

The Company's standard operating practices, product information and labelling etc. are designed to ensure that everyone connected with the product lifecycle i.e. designers, producers, value chain members, customers and recyclers are aware of their responsibilities.

The products of the Company have received a variety of certifications 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 Company's products are also certified by BIS (Bureau of Indian Standards) and 'Conformite Europeene' (CE) or European Conformity label.

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

1) Specific energy consumption (SEC) of production

Plant	SEC (kWh/ BHP)		Highlight/ Remark
	2017-18	2018-19	
Kagal	2.46	2.35	4.4% lower than previous year
Nasik	11.82	13.23	12% increase over previous year due to change in product mix and activities

2) Specific water consumption of production

Plant	Specific water consumption (m ³ / BHP)		Highlight/ Remark
	2017-18	2018-19	
Kagal	0.014	0.013	7% lower than previous year
Nasik	0.37	0.30	19% 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 has taken strategic steps to ensure business with local and small producers. A Supply Chain policy is deployed which recommends procurement of material from suppliers in a radius of 250 KM. Over 50% of the parts procured come from such strategic supplier partners. In order to improve capability of suppliers, the Company has taken various initiatives like 'Samvardan' that aim at uplifting the business acumen of MSME suppliers and making them future ready. Various initiatives like 'Lean Clusters' are deployed to improve the productivity levels of the supplier base and support suppliers to augment their capacities. In order to deploy a strong and sustained quality culture, the Company has undertaken a structured 'Zero Defect' drive that aims at gap identification and project closure.

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 their suppliers to share best practices in EHS and process improvements.

The Company has a defined Green Supply Chain Policy that aids alignment of actions along with supply

chain in managing projects in an environmental friendly manner, judiciously using resources, recycling waste and adopting responsible business practices such as minimizing the use of wood.

As an outcome, the Company has saved around 7790 trees during the year 2018-19. The total wood savings are to the tune of 21736 CFT. The usage of plastic for packaging the finished product is as per norms laid down by the Pollution Control Board. Further the processes in place for receipt and disposal of plastic are also as per norms applicable within the jurisdiction of Maharashtra.

The Company's logistics service provider's base is formed with a predefined sustainable selection process. The logistics service providers are key partners in developing logistics solutions with a collaborative approach. The Company had designed CAR carriers for some of the finished products. The Company also executed process improvement through digitization in the logistics of secondary sale for some agricultural products.

The vendors comply with the local environmental policies. 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.

Product recycling is not practiced in our industry sector. However, some of the products such as DG sets are reconditioned to improve efficiency and extend the serviceable life. In the financial year 2018-19, we have reconditioned 90 engines and 985 DG sets.

Further, the lube oil used in all our manufacturing facilities is recycled via certified oil recyclers. In financial year 2018-19, we recycled 2.44 Lacs liters of lube oil.

The Company also recycles plastic bags and covers used in packaging. In financial year 2018-19, the Company recycled packaging materials worth approximately ₹ 12 Crores.

EMPLOYEE WELL - BEING

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

Guided by its core values, KOEL treats its employees, who are key to the long-term sustainability of the Company, as their most valuable resource. The Company's HR processes address the 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.

Employee health is critical for the Company's sustainable growth and in keeping with this, annual health check-ups are conducted for employees across the organization followed by necessary corrective and preventive action. Various facilities such as provision of medical services and scholarships for employees' children are offered. 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 its employees to maintain the same.

Employee category	Number of Employees	% Trained on Safety	% Trained for Skill Up-gradation
Permanent	2443	24.23%	24.3%
Permanent Female	73	4.11%	-
Temporary/Contractual	1602	58.99%	8.6%
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 at the end of Financial Year 2018-19.

Collective Bargaining and Employee Engagement

The Company respects and is committed to the right to freedom of association, participation and collective bargaining. The Company provides equal opportunity to each employee to learn, grow and develop, irrespective of religion, gender and caste. At every manufacturing plant, a committee addresses the issues raised through grievance redressal mechanism or otherwise.

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 analyzed and worked upon for remedial and improvement actions.

Occupational Health & Safety

The Company provides a safe workplace environment and imparts training to all its employees on regular basis as required. 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.

The Company has adopted a range of top-down, bottom-up and horizontal communication channels to effectively communicate with its employees. Kaizens, ENCON, Quality Management, Safety Management and WASH Pledge are some of the 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 aspects is another mode to address safety.

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 strongly believes in 'Enriching Lives' of the communities in which it operates. 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 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.

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

RESPECT FOR HUMAN RIGHTS

PRINCIPLE 5: BUSINESSES SHOULD RESPECT AND PROMOTE HUMAN RIGHTS

KOEL recognizes that human rights as articulated in the Constitution of India and various other instruments such as the International Bill of Human Rights are inherent, universal, indivisible and interdependent in nature.

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.

Currently human rights are a part of employee induction training. Whistleblower, Ombudsman and Grievance Redressal mechanisms are in place for receiving and addressing complaints and feedback related to human rights violations and process improvement. KOEL is not complicit in any human rights violations by its contractors or suppliers.

There were no stakeholder complaints related to human rights violations during 2018-19.

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. The Company makes all efforts to minimise the environmental impact 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 Integrated Management Systems including ISO 14001 based Environmental Management System, is the main framework to address protection and restoration of the environment.

The respect for and compliance with environmental requirements is also extended to its suppliers and contractors.

The Company directs its commitment towards the 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 efficient initiatives in operations and products are planned by the Company to reduce its carbon footprint.

The Details of GHG emissions from production are as below:

Plant	Total GHG emissions (tons of CO ₂)	
	FY 2017-18	FY 2018-19
Kagal	13,977	14,870
Khadki	5,875	8,921
Nashik	615	576
Total	20,467	24,367

During the year 2018-19, the Company installed and commissioned a 5.5 MW Solar Captive power plant at Kagal premises to move towards a carbon neutral factory. During the year under review, 37% of total electricity with an approximate savings of ₹ 5.35 Crores was contributed through units generated from the Solar Captive Power Plant installed at Kagal plant.

KOEL has purchased Renewable energy through OA (Open Access) for its Pune Plant for improving its Carbon Offset during the year 2018-19.

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 are no show cause and legal notices received during the year under review from the CPCB or SPCB at any of the KOEL operations.

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 Chambers of Commerce & Industry
- e) Federation of Indian Export Organizations
- 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 supports, to the extent practicable, activities that 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. The CSR programs 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 2018-19.

The CSR program impact assessment is done from time to time and the number of beneficiaries and the 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 the customer concerns / queries, which ensures active communication. A KOEL employee personally handles each complaint by a 'detractor customer' (customer who has given a score of 6 or less in feedback), and ensures its resolution.

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

Some digital initiatives implemented in Financial Year 2018-19 for proactively engaging with customers are:

1. Customer Self Service Mobile App – KOEL Connect

The Company has launched a mobile app to enable customers to enroll their asset and register service request on their own. The app is available to KOEL Green Genset and Kirloskar Engine users on both Android and iOS phones from July 2018. Customers may add more assets under their name, register and check the status of their service request, view service history of assets and get new updates from KOEL, as well as other information through this mobile app.

2. Online Customer portal for KOEL AMC corporate customers

The Company has provided an online portal to AMC corporate customers. This portal provides direct access to customers for raising a service request, and also to view real-time status of all service requests for registered assets under KOEL AMC.

3. 24 Hours MaxTTR monitoring to improve response time and customer satisfaction

4. @koelcare.com email ID's provided to all KOEL CARE touch points for unified customer experience

5. Bandhan separate CDI monitoring for better customer experience

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 none pending as at end of financial year.

The latest Customer Survey indicates excellent scores.

KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company



KAIR S

STANDALONE
FINANCIAL STATEMENTS
INCLUDING AUDITOR'S
REPORT

INDEPENDENT AUDITOR'S REPORT

To the Members of **Kirloskar Oil Engines Limited**

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue recognition

Effective 1 April, 2018, the company has adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch up transition method, applied to contracts that were not completed as of 1 April, 2018. As prescribed under the cumulative catch up transition method, the comparatives have not been retrospectively adjusted. There is no transition impact on the financials of the company.

We have identified this as a key audit matter since this area involves significant management judgement and estimates including whether contracts contain multiple performance obligations which should be accounted for separately. This comprises allocation of the transaction price to each performance obligations. Further, assessing whether the identified performance obligations are satisfied at a point in time or satisfied over a period of time. In case of satisfied at a point in time, determining the point in time when the control is transferred to the customer.

Audit Methodology

- We reviewed the implementation of IND AS 115, including the recognition of the effect on opening equity, if any.

- Analysed a sample of the major streams of revenue of KOEL to assess whether the method of revenue recognition is consistent with IND AS 115 and has been applied consistently.
- Focused on contract classification, determination of the performance obligations and determine transaction price including variable consideration.
- Evaluated and critically analysed the significant judgements and estimates made by management in applying the accounting policy to a sample of specific contracts for allocation of transaction price and the timing of transfer of control.

Based on the above, there are no significant impacting matters arising out of adoption of IND AS 115.

Other Information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Directors, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

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

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

As part of an audit in accordance with SAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the Annexure A; a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c. The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), 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 Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- e. On the basis of the written representations received from the directors as on 31 March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i). The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 39.5.1 to the financial statements.
 - (ii). The Company did not have any long-term contracts including derivative contracts as at 31 March 2019.
 - (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 2019.

For **M/S P.G.BHAGWAT**

Firm Registration Number:101118W

Chartered Accountants

Nachiket Deo

Partner

Membership Number : 117695

Pune

17 May 2019

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. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no significant material discrepancies between the book records and such physical verification have been noticed.
- (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 (I) 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, Goods and 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 31st March, 2019, 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, goods and service tax, excise duty and cess as at 31st March, 2019 which has not been deposited on account of disputes are as follows:

Name of the Statute	Nature of dispute due	Amount under dispute not deposited (Rs in Crs.)	Period to which amount is related	Forum where the dispute is pending
Sales Tax	Sales tax and penalty for pump set	2.50	1990-1997 2004-2005 2007-2008	High Court
	Demand for Disallowance of Claims	0.91	1995-1996 2006-2007 2007-2008 2011-2012 2015-2016	Tribunal
	Non receipt of Forms & Disallowance of Credit	1.84	2004-2006 2007-2009 2010-2015	Appellate authority - Up to Commissioner level
Service Tax	Disallowance of credit	0.03	2007-2010	High Court
		0.02	2006	Tribunal
		0.87	2005-2007 2012-2018	Appellate authority - Up to Commissioner level
Excise Duty	Valuation & exemption disputes and disallowance of cenvat credit against the excise duty	5.30	1999-2002 2004-2012	Tribunal
		7.74	1996 2014-2016	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**
Firm Registration Number:101118W
Chartered Accountants

Pune
17 May 2019

Nachiket Deo
Partner
Membership Number : 117695

Annexure B to the Independent Auditor's Report of even date on the Standalone Ind AS 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 March 31, 2019 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal 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 with reference to standalone financial statements

A company's internal financial control over financial reporting with reference to standalone financial statements 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 with reference to standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of 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 with reference to standalone financial statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to standalone 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 financial Statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at March 31, 2019, 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**
Firm Registration Number:101118W
Chartered Accountants

Nachiket Deo
Partner
Membership Number : 117695

Pune
17 May 2019

Balance Sheet as at 31 March 2019

Particulars	Note No.	₹ in Crs.	
		As at 31 March 2019	As at 31 March 2018
ASSETS			
I. Non-current assets		836.61	792.96
(a) Property, plant and equipment	1	372.23	382.92
(b) Capital work-in-progress	1	17.88	17.96
(c) Investment property	2	-	-
(d) Other Intangible assets	3	27.05	39.40
(e) Intangible assets under development	3	23.04	12.22
(f) Financial assets			
(i) Investments	4	282.38	255.38
(ii) Trade receivables	10	-	1.60
(iii) Loans	5	0.03	0.15
(iv) Other financial assets	6	55.54	44.19
(g) Other non-current assets	7	58.46	39.14
II. Current assets		1,600.87	1,466.08
(a) Inventories	8	242.17	264.59
(b) Financial assets			
(i) Investments	9	711.21	675.24
(ii) Trade receivables	10	355.19	325.99
(iii) Cash and cash equivalents	11a	49.71	55.98
(iv) Bank balance other than (iii) above	11b	136.40	9.23
(v) Loans	12	0.13	0.29
(vi) Other financial assets	13	41.39	39.14
(c) Assets held for sale (Current)	14	2.17	2.08
(d) Current tax assets (net)	15	-	4.67
(e) Other current assets	16	62.50	88.87
Total Assets		2,437.48	2,259.04
EQUITY AND LIABILITIES			
Equity		1,775.12	1,637.34
(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	1,137.61	999.83
Liabilities			
I. Non-current liabilities		63.98	58.62
(a) Financial liabilities			
Other financial liabilities	19	17.35	17.31
(b) Long-term provisions	20	31.89	29.79
(c) Deferred tax liabilities (net)	21	6.35	6.59
(d) Other non-current liabilities	22	8.39	4.93
II. Current liabilities		598.38	563.08
(a) Financial liabilities			
(i) Borrowings	23	13.07	16.50
(ii) Trade and other payables	24	381.98	419.57
a) total outstanding dues of micro enterprises and small enterprises		29.72	4.73
b) total outstanding dues of creditors other than micro enterprises and small enterprises		352.26	414.84
(iii) Other financial liabilities	25	63.32	62.34
(b) Other current liabilities	26	74.99	11.30
(c) Short-term provisions	27	64.17	52.52
(d) Government grants	28	0.85	0.85
Total Equity and Liabilities		2,437.48	2,259.04
Significant accounting policies	39		

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

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

R. R. DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

NACHIKET DEO
Partner
Membership Number : 117695
Pune 17 May 2019

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Company Secretary
Pune 17 May 2019

Statement of Profit and Loss for the year ended 31 March 2019

Particulars	Note No.	2018-19	2017-18
₹ in Crs.			
Income			
Revenue from operations	29	3,204.35	2,887.22
Other income	30	61.53	69.13
Total Income		3,265.88	2,956.35
Expenses			
Cost of raw materials and components consumed	31	1,444.10	1,450.53
Purchase of traded goods	32	618.70	392.96
Changes in inventories of finished goods, work-in-progress and traded goods	33	8.27	(26.78)
Excise duty on sale of goods		-	55.33
Employee benefits expense	34	215.73	206.11
Finance costs	35	4.24	3.38
Depreciation and amortisation expense	36	72.86	108.58
Other Expenses	37	568.79	545.88
Expense capitalised		(2.35)	(2.12)
Total expenses		2,930.34	2,733.87
Profit before exceptional items and tax		335.54	222.48
Exceptional items		-	-
Profit before tax		335.54	222.48
Tax expense		110.56	72.37
Current tax	38	110.89	76.68
(Excess)/short provision related to earlier years		(0.11)	1.33
Deferred tax	38	(0.22)	(5.64)
Profit for the year		224.98	150.11
Other comprehensive income			
A. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains / (losses) on defined benefit plans		(0.03)	1.06
Income tax effect on above		(0.05)	1.63
		0.02	(0.57)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (A)		(0.03)	1.06
Total other comprehensive income for the year, net of tax [A]		(0.03)	1.06
Total comprehensive income for the year, net of tax		224.95	151.17
Earnings per equity share [nominal value per share ₹2/- (31 March 2018: ₹2/-)]			
Basic		15.56	10.38
Diluted		15.56	10.38
Significant accounting policies	39		

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 17 May 2019

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

T. VINODKUMAR
Chief Financial Officer

R. R. DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

SMITA RAICHURKAR
Company Secretary
Pune 17 May 2019

Statement of Cash Flow the year ended 31 March 2019

	₹ in Crs.	
Particulars	2018-19	2017-18
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	335.54	222.48
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
Depreciation and Amortisation	72.86	108.58
Loss on disposal of assets & Others	0.94	(0.20)
Inventories written down	1.18	9.50
Bad debts and irrecoverable balances written off	1.84	3.50
Allowances for Trade and Other Receivables (net)	1.23	6.25
Loss / (Profit) on Revalorisation on Imports	(0.25)	0.37
Loss / (Profit) on Revalorisation on Exports	0.82	(0.78)
Finance cost	4.24	3.38
Amortisation of rent expenses	0.89	1.07
	83.75	131.67
Less :		
Profit / (Loss) on sale of mutual fund investment at FVTPL (net)	49.45	51.21
Marked to Market gain on investments measured at Fair Value through Profit and Loss	1.74	2.79
Unwinding of interest on deposits	0.89	1.12
Interest received (Finance income)	0.74	0.37
Sundry Credit Balances Appropriated	0.38	4.81
Provisions no longer required written back	2.50	1.80
Income from investment property	-	0.10
Dividend received	0.00	0.00
	55.70	62.20
Operating Profit before working capital changes	363.59	291.95
Working Capital Adjustments		
(Increase) / Decrease in Government Grant Receivable	(20.66)	29.10
(Increase) / Decrease in Trade and Other Receivables	(93.20)	(84.37)
(Increase) / Decrease in Inventories	21.24	(48.00)
Increase / (Decrease) in Trade and other Payables	2.35	54.94
Increase / (Decrease) in Provisions	8.82	6.21
	(81.45)	(42.12)
Net Cash generated from operations	282.14	249.83
Direct taxes paid	(117.02)	(83.25)
NET CASH FLOW FROM OPERATING ACTIVITIES	165.12	166.58
CASH FLOW FROM INVESTING ACTIVITIES		
Add :		
Proceeds from Sale of Property, Plant and Equipment	8.84	0.99
Proceeds from Sale of investments (Net)	14.37	366.98
Interest received (Finance income)	0.74	0.37
Income from investment property	-	0.10
Dividend received	0.00	0.00
	23.95	368.44
Less :		
Investment in subsidiary	27.00	252.93
Payments for Purchase of Property, Plant and Equipment	73.50	107.25
	100.50	360.18
NET CASH GENERATED FROM INVESTING ACTIVITIES	(76.55)	8.26
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from bill discounting & borrowings	13.07	16.50
Interest paid (finance cost)	(4.24)	(3.38)
Repayment of borrowing	(16.50)	(12.45)
Final and Interim Dividend Paid	(72.31)	(108.46)
Tax on Final and Interim Dividend	(14.86)	(22.08)
NET CASH USED IN FINANCING ACTIVITY	(94.84)	(129.87)
Net increase / (decrease) in cash and cash equivalents	(6.27)	44.97
Opening Cash and Cash equivalents	55.98	11.01
Closing Cash and Cash equivalents (Refer Note 11a)	49.71	55.98

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 17 May 2019

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

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Chief Financial Officer

R. R.DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

SMITA RAICHURKAR
Company Secretary

Pune 17 May 2019

Statement of changes in Equity for the year ended 31 March 2019

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 2017	14,46,14,326	28.92
Issue/Reduction, if any during the year	-	-
At 31 March 2018	14,46,14,326	28.92
Issue/Reduction, if any during the year	-	-
At 31 March 2019	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 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
As at 1 April 2018	0.20	608.39	999.83	-	-	-	1,608.42
Profit for the year	-	-	224.98	-	-	-	224.98
Other comprehensive income for the year	-	-	(0.03)	-	-	-	(0.03)
Total Comprehensive income for the year	-	-	224.95	-	-	-	224.95
Final dividend for year ended 31 March 2018	-	-	(36.15)	-	-	-	(36.15)
Tax on final dividend for the year ended 31 March 2018	-	-	(7.43)	-	-	-	(7.43)
Interim dividend for year ended 31 March 2019	-	-	(36.16)	-	-	-	(36.16)
Tax on Interim dividend for the year ended 31 March 2019	-	-	(7.43)	-	-	-	(7.43)
At 31 March 2019	0.20	608.39	1,137.61	-	-	-	1,746.20

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 17 May 2019

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

T. VINODKUMAR
Chief Financial Officer

R. R. DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

SMITA RAICHURKAR
Company Secretary

Pune 17 May 2019

Notes to the Financial Statements
Note 1 : Property, Plant and equipment

₹ in Crs.

Particulars	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total	Capital work-in-progress
Gross Block											
As At 31 Mar 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 / Amortization	0.14	-	3.25	0.16	0.07	-	0.02	2.39	0.05	6.08	91.75
As At 31 Mar 2018	11.38	179.34	954.74	30.35	10.61	42.65	5.30	65.13	37.88	1,337.38	17.96
Additions	-	17.53	32.55	0.22	0.18	-	0.32	4.25	2.25	57.20	57.22
Asset Held of Disposal	-	-	5.70	-	-	-	-	-	-	5.70	-
Deductions / Amortization	0.14	-	3.27	0.09	0.57	16.77	0.03	5.35	-	26.22	57.30
As At 31 Mar 2019	11.24	196.87	978.32	30.48	10.22	25.88	5.59	64.03	40.13	1,362.76	17.88
Depreciation											
Upto 1 April 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 / Amortization	-	-	2.77	0.16	0.07	-	0.02	2.39	0.05	5.46	-
As At 31 Mar 2018	-	46.83	772.72	16.83	7.79	25.68	4.60	54.08	25.93	954.46	-
For the year	-	6.51	36.66	2.60	1.36	2.18	0.32	5.60	2.76	57.99	-
Asset Held of Disposal	-	-	5.46	-	-	-	-	-	-	5.46	-
Deductions / Amortization	-	-	3.25	0.09	0.57	7.17	0.03	5.35	-	16.46	-
As At 31 Mar 2019	-	53.34	800.67	19.34	8.58	20.69	4.89	54.33	28.69	990.53	-
Net Block											
As At 31 Mar 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 Mar 2018	11.38	132.51	182.02	13.52	2.82	16.97	0.70	11.05	11.95	382.92	17.96
As At 31 Mar 2019	11.24	143.53	177.65	11.14	1.64	5.19	0.70	9.70	11.44	372.23	17.88

Notes :

- Gross block is at Cost except leasehold land which is net of amortisation.
- For Depreciation and amortisation refer accounting policy (Note 39.4.3).
- 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 ₹ 17.88 Crores (31 March, 2018: ₹ 17.96 crores).
- 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.
- 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 Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block										
As At 31 Mar 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	-	-	0.45	-	-	-	-	0.05	-	0.50
As At 31 Mar 2018	-	-	94.75	5.30	-	-	0.13	1.68	3.53	105.39
Additions	-	-	7.53	-	-	-	-	0.09	0.04	7.66
Inter transfers - Net	-	-	(0.78)	-	-	-	-	-	-	(0.78)
Asset Held of Disposal	-	-	5.02	-	-	-	-	-	-	5.02
Deductions / Amortization	-	-	0.08	0.01	-	-	-	-	-	0.09
As At 31 Mar 2019	-	-	96.40	5.29	-	-	0.13	1.77	3.57	107.16
Depreciation										
Upto 1 April 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	-	-	0.37	-	-	-	-	0.05	-	0.42
As At 31 Mar 2018	-	-	47.69	1.89	-	-	0.11	1.37	1.35	52.41
For the year	-	-	7.37	0.68	-	-	-	0.18	0.38	8.61
Inter transfers - Net	-	-	(0.54)	-	-	-	-	-	-	(0.54)
Asset Held of Disposal	-	-	4.78	-	-	-	-	-	-	4.78
Deductions / Amortization	-	-	0.08	0.01	-	-	-	-	-	0.09
As At 31 Mar 2019	-	-	49.66	2.56	-	-	0.11	1.55	1.73	55.61
Net Block										
As At 31 Mar 2017	-	-	37.68	4.09	-	-	0.02	0.49	1.95	44.23
As At 31 Mar 2018	-	-	47.06	3.41	-	-	0.02	0.31	2.18	52.98
As At 31 Mar 2019	-	-	46.74	2.73	-	-	0.02	0.22	1.84	51.55

Notes to the Financial Statements

Note 2 : Investment Property

₹ in Crs.

Particulars	Land Leasehold	Buildings	Total
Gross Block			
As At 1 April 2017	0.01	4.73	4.74
Additions	-	-	-
Asset held for Disposal	0.01	4.73	4.74
Deductions / Amortization	-	-	-
As At 31 Mar 2018	-	-	-
Additions	-	-	-
Asset held for Disposal	-	-	-
Deductions / Amortization	-	-	-
As At 31 Mar 2019	-	-	-
Depreciation			
Upto 1 April 2017	-	2.57	2.57
For The Year	-	0.11	0.11
Asset held for Disposal	-	2.68	2.68
Deductions / Amortization	-	-	-
As At 31 Mar 2018	-	-	-
For The Year	-	-	-
Asset held for Disposal	-	-	-
Deductions / Amortization	-	-	-
As At 31 Mar 2019	-	-	-
Net Block			
As At 1 April 2017	0.01	2.16	2.17
As At 31 Mar 2018	-	-	-
As At 31 Mar 2019	-	-	-

Notes :

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

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 1 April 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	-	-	-	-	-	2.15
As At 31 Mar 2018	39.44	11.12	3.74	48.90	103.20	12.22
Additions	1.77	0.61	-	-	2.38	13.20
Recoupment / Adjustment	-	-	-	-	-	-
Deductions	0.13	-	-	-	0.13	2.38
As At 31 Mar 2019	41.08	11.73	3.74	48.90	105.45	23.04
Amortisation						
Upto 1 April 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	-	-	-	-	-	-
As At 31 Mar 2018	28.97	11.12	3.74	19.97	63.80	-
For The Year	5.57	0.03	-	9.13	14.73	-
Recoupment / Adjustment	-	-	-	-	-	-
Deductions	0.13	-	-	-	0.13	-
As At 31 Mar 2019	34.41	11.15	3.74	29.10	78.40	-
Net Block						
As At 1 April 2017	13.90	-	-	38.60	52.50	6.20
As At 31 Mar 2018	10.47	-	-	28.93	39.40	12.22
As At 31 Mar 2019	6.67	0.58	-	19.80	27.05	23.04

Notes :

- Intangible Assets are amortised on Straight Line method.
- For Depreciation and amortisation refer accounting policy (Note 39.4.5).
- 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 ₹ 23.04 Crores (31 March, 2018: ₹ 12.22 crores).
- 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 1 April 2017	13.67	10.42	1.50	48.89	74.48
Additions	0.95	-	-	-	0.95
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 Mar 2018	14.62	10.42	1.50	48.89	75.43
Additions	0.82	0.61	-	-	1.43
Recoupment / Adjustment	-	-	-	-	-
Deductions	0.13	-	-	-	0.13
As At 31 Mar 2019	15.31	11.03	1.50	48.89	76.73
Amortisation					
Upto 1 April 2017	8.44	10.42	1.50	10.31	30.67
For The Year	1.57	-	-	9.67	11.24
Recoupment / Adjustment	-	-	-	-	-
Deductions	-	-	-	-	-
As At 31 Mar 2018	10.01	10.42	1.50	19.98	41.91
For The Year	1.65	0.03	-	9.13	10.81
Recoupment / Adjustment	-	-	-	-	-
Deductions	0.13	-	-	-	0.13
As At 31 Mar 2019	11.53	10.45	1.50	29.11	52.59
Net Block					
As At 1 April 2017	5.23	-	-	38.58	43.81
As At 31 Mar 2018	4.61	-	-	28.91	33.52
As At 31 Mar 2019	3.78	0.58	-	19.78	24.14

Notes to the Financial Statements

Note 4 : Non-current Investments

₹ in Crs

Particulars	Par Value / Face Value Per Unit	As at 31 March 2019		As at 31 March 2018	
		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
Kirloskar Capital Ltd. - Equity Instruments (Fully paid up)	10 ₹	2,70,00,000	27.00	-	-
Investment In Subsidiary - Others					
In Unquoted Equity Instruments					
La-Gajjar Machinerries Private Limited (LGM) fully paid up	10 ₹	8,17,760	253.78	8,17,760	253.78
(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			282.38		255.38

Notes :

- Aggregate amount of Unquoted Investments 282.38 255.38
- Face value per unit in Rupees unless otherwise stated.
- The Company has invested ₹ 27 Crs in "Kirloskar Capital Ltd." (2,70,00,000 Shares of ₹ 10 each) during FY 18-19, with this, "Kirloskar Capital Ltd." is Wholly owned subsidiary of Kirloskar Oil Engines Limited.
- Refer Note 39.5.14 and 39.5.15 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments.
- 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 2019	As at 31 March 2018
Loans to employees (unsecured, considered good)	0.03	0.15
Total	0.03	0.15

- Loans are measured at amortised cost.
- 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.
- Refer Note 39.5.16 on risk management objectives and policies for financial instruments.
- Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.

Note 6 : Other financial assets (non current)

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Security deposits (Unsecured, considered good)	22.87	29.48
Subsidy receivable under PSI scheme, 2001	32.47	14.54
Others	0.20	0.17
Total	55.54	44.19

- The company's manufacturing facility at Kagal plant had been granted Mega Project status by Government of Maharashtra and hence was eligible for Industries Promotion Subsidy (IPS) under Package Scheme of Incentive (PSI) 2001. This scheme was for intensifying and accelerating the process of dispersal of industries to the less developed regions and promoting high-tech industries in the less developed areas of the state coupled with the object of generating employment opportunities. During the last quarter of FY 2018-19, The Government of Maharashtra had agreed for extension of the said scheme of incentive for further period of 2 years till 31st March 2019 and subsequently amended the original eligibility certificate. Accordingly the extension of the scheme consists of total period of 11 years from the date of commencement of commercial production i.e. from 01st April 2008 to 31st March 2019 along with the extension of original operative period by 2 years and compliances thereof. The eligible receivables calculated on the basis of VAT, CST as well as SGST paid on sales made from Kagal plant for the extended period are fair valued at ₹ 51.52 crores (Non-current- ₹ 24.12 crores, Current- ₹ 27.40 crores) for the year ended 31st March 2019.
- Other financial assets are measured at amortised cost.
- Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
- Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements**Note 7 : Other non-current assets**

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Capital advances	4.22	4.27
Prepaid expenses	1.07	-
Tax paid in advance (net of provision) (Refer Note 15)	53.17	34.87
Other Advances to suppliers	-	-
Unsecured, considered good	-	-
Doubtful	0.13	0.21
Less : Provision for doubtful advances	(0.13)	(0.21)
Total	58.46	39.14

Note 8 : Inventories

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Raw materials	121.55	134.44
Raw materials and components	119.23	131.70
Raw materials in transit	2.32	2.74
Work-in-progress	19.53	20.20
Finished goods	35.52	63.81
Traded goods	53.99	33.30
Stores and spares	11.58	12.84
Total	242.17	264.59

Write Downs of inventories to net realisable value amounted to ₹ 1.18 Cr (31 March 2018 : ₹ 9.50 Cr). These were recognised as an expense during the year.

Notes to the Financial Statements

Note 9 : Current Investments

₹ in Crs

Particulars	Face Value Per Unit	As at 31 March 2019		As at 31 March 2018	
		Nos.	₹ in Crs	Nos.	₹ in Crs
At fair value through Profit or Loss (FVTPL)					
Other Current Investment					
Investments In Mutual Funds					
Fixed Maturity Plan - Growth Option					
HDFC FMP 92D February 2018 (1) - Regular - Growth Series - 39	10	-	-	15,000,000	15.11
ICICI Prudential Fixed Maturity Plan Series 82-103 days plan O Cumulative	10	-	-	20,000,000	20.13
Reliance Quarterly Interval Fund - Series II - Growth Plan Growth Option (K5RGG)	10	-	-	14,813,185	35.37
Reliance Fixed Horizon Fund - XXXVI - Series 4 - Growth Plan (N4GPG)	10	-	-	15,000,000	15.12
UTI-Fixed Income Interval Fund - V- Quarterly Interval Plan-Retail Option - Growth	10	-	-	7,161,203	15.15
			-		100.88
LIQUID SCHEME - Growth Option					
Baroda Liquid Fund - Plan A Growth	1,000	93,694	20.04	159,053	31.64
Aditya Birla Sun Life Savings Fund - Growth - Regular Plan	100	-	-	1,125,159	38.47
Aditya Birla Sun Life Liquid Fund - Growth - Regular Plan	100	1,943,032	58.10	-	-
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	2,874,736	71.97	-	-
DHFL Pramerica Insta Cash Plus Fund - Growth	100	-	-	1,916,515	43.12
DSP Liquidity Fund - Regular Plan - Growth	1,000	128,272	34.10	-	-
Franklin India Liquid Fund - Super Institutional Plan	1,000	72,221	20.14	-	-
HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option - Regular plan-Growth	10	-	-	21,455,311	64.89
HDFC Money Market fund - Regular Plan - Growth	1,000	104,887	40.74	-	-
ICICI Prudential Liquid fund - Growth	100	1,818,036	50.07	1,876,980	48.12
ICICI Prudential - Money Market Fund - Growth	100	2,778,763	71.92	836,346	20.03
ICICI Prudential Flexible Income - Growth	100	-	-	1,919,918	63.99
IDFC Cash Fund - Growth - (Regular Plan)	1,000	-	-	133,308	28.04
Invesco India Liquid Fund - Growth (LF-SG)	1,000	226,912	58.13	258,437	61.60
Kotak Liquid Regular Plan - Growth	1,000	132,672	50.05	-	-
Kotak Money Market Scheme - Growth (Regular Plan)	1,000	200,574	61.71	123,238	35.06
L & T liquid fund - Regular Growth	1,000	-	-	122,372	29.07
Reliance Liquid Fund - Growth Plan - Growth Option (LFIGG)	1,000	132,552	60.17	-	-
SBI Liquid Fund Regular Growth	1,000	89,265	26.03	184,429	50.08
SBI Savings fund - Regular Plan - Growth	10	12,290,396	35.56	-	-
Sundaram Money Fund Regular Growth	10	6,484,520	25.44	-	-
Tata Liquid Fund Regular Plan - Growth	1,000	37,573	11.01	-	-
UTI Liquid Cash Plan - Regular Growth Plan	1,000	52,546	16.03	-	-
UTI Treasury Advantage Fund - Institutional Plan - Growth	1,000	-	-	251,545	60.25
			711.21		574.36
Total			711.21		675.24

Notes :

1. Aggregate amount of Unquoted Investments 711.21 675.24
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

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Total Trade Receivables	355.19	325.99
Trade receivables [Refer note (1) below]	355.19	325.99
Break-up for security details:	355.19	325.99
Secured considered good	-	-
Unsecured considered good	355.19	325.99
Doubtful	19.45	18.14
Impairment Allowance for doubtful debts	(19.45)	(18.14)
Total	355.19	325.99

- Trade receivables are measured at amortised cost.
- Trade receivable to the extent of 31 March 2019 ₹ Nil (31 March 2018 : ₹ 1.60 Cr) due to be settled after twelve months after the reporting period are shown under Non Current financial assets.
- 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 31 March 2019 ₹ 7.87 Crores (31 March 2018 : ₹ 7.86 Crores)
For terms and conditions relating to related party receivables, refer Note 39.5.12
- Movement of impairment Allowance (allowance for bad and doubtful debts)

Particulars	₹ in Crs.
At 1 April 2017	12.10
Allowance made/(reversed) during the year written off	6.06 (0.02)
At 31 March 2018	18.14
Allowance made/(reversed) during the year written off	2.60 (1.29)
At 31 March 2019	19.45

- Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
- 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.
- The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, the Company has retained 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.	
	As at 31 March 2019	As at 31 March 2018
Total transferred receivables w.r.t. Bills discounted	13.07	16.50
Related secured borrowings (Refer Note 23)	13.07	16.50

Notes to the Financial Statements

Note 11a : Cash and cash equivalents

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Balance with Bank		
Current accounts and debit balance in cash credit accounts	49.69	55.96
Cash on hand	0.02	0.02
Total	49.71	55.98

Note 11b : Other bank balances

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Unpaid dividend accounts	10.65	9.23
Deposits with original maturity of more than three months but less than 12 months	125.75	-
Total	136.40	9.23

1. Refer Note 39.5.16 for further details.
2. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.

Note 12 : Loans (Current)

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Loans to employees (unsecured, considered good)	0.13	0.29
Total	0.13	0.29

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 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
4. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Notes to the Financial Statements**Note 13 : Other financial assets (Current)**

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Security deposits (Unsecured, considered good)	0.05	-
Subsidy receivable under PSI scheme, 2001 (Refer Note 6.1)	33.59	30.16
Export incentive receivable	5.22	4.56
Others	2.53	4.42
Total	41.39	39.14

1. Other financial assets are measured at amortised cost.
2. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
3. Refer Note 39.5.16 on risk management objectives and policies for financial instruments.

Note 14 : Assets held for sale (Current)

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Property, plant and equipment (net)	2.17	2.08
Total	2.17	2.08

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 31 March 2019 ₹ 0.07 Crs (31 March 2018 : ₹ 0.06 Crs). The fair value of property, plant and equipment was determined based on its estimated realisable value.
3. The Company has entered into MOU for transfer / sale of lease hold right on the land located at Ahmednagar. Subsequently, through an Supplementary dated 07.01.2019 of the said MOU, Company has received the total consideration amount of ₹ 18.74 Cr, as advance, disclosed in Note 26. Transfer / sale of lease hold right is subject to approval of MIDC. The Company and proposed acquirer jointly filed an application with MIDC for seeking approval which is still pending. After receipt of approval from MIDC, final assignment deed will be executed for transfer / sale of lease hold right of the Company on the land located at Ahmednagar in favour of proposed acquirer.

Note 15 : Current tax assets (net)

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Tax Paid in Advance (Net of Provision)	-	4.67
Total	-	4.67

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

Notes to the Financial Statements

Note 16 : Other current assets

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Advance to suppliers	9.47	14.99
Sales tax / VAT receivable	44.64	66.93
Prepaid expenses	8.33	6.91
Other Current Assets	0.06	0.04
Total	62.50	88.87

Note 17 : Share capital

Authorised share capital

Equity shares of ₹2 each

Particulars	No. of shares	₹ in Crs.
At 1 April 2017	27,00,00,000	54.00
Increase/(decrease) during the year	-	-
At 31 March 2018	27,00,00,000	54.00
Increase/(decrease) during the year	-	-
At 31 March 2019	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 2017	14,46,14,326	28.92
Changes during the year	-	-
As at 31 March 2018	14,46,14,326	28.92
Changes during the year	-	-
As at 31 March 2019	14,46,14,326	28.92

Notes to the Financial Statements

Subscribed and fully paid up

Equity shares of ₹ 2 each

Particulars	No. of shares	₹ in Crs.
As at 1 April 2017	14,46,13,861	28.92
Changes during the year	-	-
As at 31 March 2018	14,46,13,861	28.92
Changes during the year	-	-
As at 31 March 2019	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.

Particulars	No. of shares	₹ in Crs.
As at 1 April 2017	465	0.00
Changes during the year	-	-
As at 31 March 2018	465	0.00
Changes during the year	-	-
As at 31 March 2019	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 2019		As at 31 March 2018	
	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
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	1,29,85,432	8.98	2,59,70,864	17.96

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 had 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 was 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

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
CAPITAL REDEMPTION RESERVE	0.20	0.20
GENERAL RESERVE	608.39	608.39
RETAINED EARNINGS	1,137.61	999.83
Opening Balance	999.83	979.20
Add : Profit for the year	224.98	150.11
Add : Other Comprehensive income / (Loss)	(0.03)	1.06
	224.95	151.17
Less : Appropriations		
Final dividend	36.15	72.31
Tax on final dividend	7.43	14.72
Interim Dividend	36.16	36.15
Tax on Interim Dividend	7.43	7.36
	87.17	130.54
Total	1,746.20	1,608.42

Other reserves

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Retained Earnings	1,137.61	999.83
Total other reserves	1,746.20	1,608.42

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.

Notes to the Financial Statements

3. Dividend distribution made and proposed.

Particulars	2018-19	2017-18
Cash dividends on Equity shares declared and paid		
Final dividend 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 final dividend	7.43	14.72
Interim dividend for year ended 31 March 2019: ₹ 2.5 per share (31 March 2018: ₹ 2.5 per share)	36.16	36.15
Dividend distribution tax on Interim dividend	7.43	7.36
	87.17	130.54
Proposed dividends on Equity shares		
Final cash dividend proposed for the year ended 31 March 2019: ₹ 2.5 per share (31 March 2018: ₹ 2.5 per share)	36.15	36.15
Dividend distribution tax on proposed dividend	7.43	7.43
	43.58	43.58

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 : Other financial liabilities (Non current)

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Deposits from customers and others	17.35	17.31
Total	17.35	17.31

- Other financial liabilities are measured at amortised cost.
- Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
- For explanations on the Company's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

Notes to the Financial Statements

Note 20 : Long-term provisions

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits	20.92	18.70
Provision for leave encashment	18.05	15.92
Provision for pension and other retirement benefits	2.87	2.78
Other provisions	10.97	11.09
Provision for warranty	10.97	11.09
Total	31.89	29.79

Refer Note 27 Short-term provisions for additional disclosures

Note 21: Deferred tax liability (net)

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Deferred Tax Liability	29.14	26.67
Depreciation	27.52	25.54
Others	1.62	1.13
Less : Deferred Tax Assets	22.79	20.08
Disallowances u/s 43 B of Income Tax Act	11.51	9.06
Provision for Doubtful debts & advances	6.80	6.34
VRS Compensation	0.74	1.48
Amalgamation/Demerger Expenses	2.62	2.65
Others	1.12	0.55
Total	6.35	6.59

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

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Opening balance as of 1 April	(6.59)	(11.67)
Tax income/(expense) during the year recognised in profit or loss	0.22	5.64
Tax income/(expense) during the year recognised in OCI	0.02	(0.57)
Closing balance as at 31 March	(6.35)	(6.59)

2. Tax Losses

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Unused tax losses for which no Deferred Tax Assets have been recognised- Long Term capital loss on sale of Mutual Fund units	5.06	5.06
Potential Tax benefit	1.18	1.18

Notes to the Financial Statements

- 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.
- During the year ended 31 March 2019 and 31 March 2018, 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.
- There is no change in the applicable tax rate of 34.944 % compared to the previous year for deferred tax. (31 March 2018: 34.944%)
- 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

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Advance from customers (Refer Note 39.5.19)	6.74	-
Revenue received in advance (Refer Note 39.5.19)	1.65	4.93
Total	8.39	4.93

Note 23 : Borrowings

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Interest bearing borrowings From Banks		
Loans: Export sales bill discounted	13.07	16.50
Total	13.07	16.50

Aggregate secured borrowings	13.07	16.50
Aggregate unsecured borrowings	-	-

- Borrowings are measured at amortised cost.
- Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crores are secured to the extent of ₹ 410 Crores 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).
- Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
- For explanations on the company's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

Notes to the Financial Statements

Note 24 : Trade and other payables

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Acceptances	26.90	23.40
Due to micro, small and medium enterprises	29.72	4.73
Due to other than micro, small and medium enterprises	325.36	391.44
Total	381.98	419.57

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. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
4. For explanations on the Company's Foreign currency risk and liquidity risk management processes, refer to Note 39.5.16

Note 25 : Other financial liabilities (Current)

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Unclaimed dividends	10.66	9.23
Payable for capital purchases	16.13	19.29
Employee benefits payable	30.73	26.04
Others	5.80	7.78
Total	63.32	62.34

1. Other financial liabilities are measured at amortised cost except for 31 March 2019 : Nil (31 March 2018 : ₹ 0.85 Crs) measured at FVTPL, refer to Note 39.5.15
2. Refer Note 39.5.14 for fair value disclosure of financial assets and financial liabilities and Note 39.5.15 for fair value hierarchy.
3. 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

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Revenue received in advance (Refer Note 39.5.19)	3.92	3.02
Advance from customers (Refer Note 39.5.19)	37.53	7.32
Advance against asset held for sale	18.74	-
Statutory dues (TDS,GST etc)	14.73	0.88
Others	0.07	0.08
Total	74.99	11.30

Notes to the Financial Statements

Note 27 : Short-term provisions

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits	11.25	10.52
Provision for leave encashment	10.82	10.09
Provision for pension and other retirement benefits	0.43	0.43
Others	52.92	42.00
Provision for warranty	29.90	26.54
Tax provision (Net of tax paid in advance)	7.39	-
Other Provision	15.63	15.46
Total	64.17	52.52

Refer Note 20 Long-term provisions

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

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Current	52.92	42.00
Non-current	10.97	11.09
	63.89	53.09

3. Others

- 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.

Notes to the Financial Statements

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 2017	34.20
Arising during the year	38.22
Utilised	34.67
Unused amount reversed	0.12
At 31 March 2018	37.63
Arising during the year	44.51
Utilised	41.22
Unused amount reversed	0.05
At 31 March 2019	40.87

- 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 Crores 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 Crores 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 Crores 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 2017	15.05
Arising during the year	0.48
Utilised	0.07
Unused amount reversed	-
At 31 March 2018	15.46
Arising during the year	0.62
Utilised	0.41
Unused amount reversed	0.04
At 31 March 2019	15.63

Notes to the Financial Statements**Note 28 : Government grant**

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
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).

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
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

Particulars	₹ in Crs.	
	2018-19	2017-18
Sales and services	3,118.80	2,859.70
Sale of products	3,030.31	2,794.36
Sale of services	88.49	65.34
Operating income	85.55	27.52
Sale of scrap	11.91	9.24
Government grant income (Refer Note 6.1)	51.52	-
Commission received	1.29	1.39
Export incentives	8.96	7.97
Sundry credit balances written back	0.38	4.81
Provisions no longer required written back	2.50	1.80
Provision for doubtful debts and advances written back	-	-
Miscellaneous receipts	8.99	2.31
Total	3,204.35	2,887.22

1. In previous year Sale of products net of excise duty was ₹ 2,739.03 Crs. (Excise duty collected from customers of ₹ 55.33 Crs).
2. Excise Duty was applicable till 30 June 2017.
3. Export incentives includes incentive under EPCG scheme amounting to NIL (Previous year ₹ 0.01 Crs.)
4. Refer Note 39.3.1 & 39.4.18

Notes to the Financial Statements

Note 30 : Other income

Particulars	₹ in Crs.	
	2018-19	2017-18
Interest	7.34	13.83
On Income Tax and Sales Tax Refund	0.42	12.34
On Bank Deposits	5.28	-
Unwinding of interest on security deposits	0.89	1.12
On others	0.75	0.37
Dividend income from equity investments designated at fair value through other comprehensive income	0.00	0.00
Net gain on financial instruments mandatorily measured at fair value through profit or loss	1.74	2.79
Gain on Sale of Mutual Fund (mandatorily measured at fair value through profit or loss)	49.45	51.21
On current investments (net)	49.45	51.00
On non-current investments	-	0.21
Gain on Exchange difference	0.70	0.14
Income from investment property	-	0.10
Miscellaneous income	2.30	1.06
Total	61.53	69.13

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

Particulars	₹ in Crs.	
	2018-19	2017-18
Raw materials and components consumed	1,444.10	1,450.53
Total	1,444.10	1,450.53

Note 32 : Purchases of Traded goods

Particulars	₹ in Crs.	
	2018-19	2017-18
Engines and Gensets	149.61	55.14
K-Oil	115.20	105.22
Alternators, Batteries and Others	353.89	232.60
Total	618.70	392.96

Notes to the Financial Statements

Note 33 : Changes in inventories of finished goods, work-in-progress and traded goods

Particulars	₹ in Crs.	
	2018-19	2017-18
Opening inventory	117.31	92.67
Work-in-process	20.20	18.07
Finished goods	63.81	57.38
Traded goods	33.30	17.22
Closing Inventory	109.04	117.31
Work-in-process	19.53	20.20
Finished goods	35.52	63.81
Traded goods	53.99	33.30
Changes in inventory	8.27	(24.64)
Increase/(decrease) in excise duty of finished goods	-	(2.14)
Total	8.27	(26.78)

Note 34 : Employee benefits expense

Particulars	₹ in Crs.	
	2018-19	2017-18
Salaries, wages, bonus, commission, etc.	181.91	170.92
Gratuity (Refer Note 39.5.10)	3.71	3.50
Contribution to provident and other funds	11.22	11.71
Welfare and training expenses	18.55	19.58
Provident and other funds' expenses	0.34	0.40
Total	215.73	206.11

Note 35 : Finance costs

Particulars	₹ in Crs.	
	2018-19	2017-18
Interest and Bill discounting charges	1.43	1.41
Interest expense - others	1.11	1.05
Other Bank charges	1.70	0.92
Total	4.24	3.38

Notes to the Financial Statements

Note 36 : Depreciation and amortization expense

Particulars	₹ in Crs.	
	2018-19	2017-18
Depreciation and amortization expense	72.72	108.44
Depreciation on Tangible assets	57.99	93.09
Depreciation on Investment properties	-	0.11
Amortization on Intangible assets	14.73	15.24
Amortisation of leasehold land	0.14	0.14
Total	72.86	108.58

Note 37 : Other expenses

Particulars	₹ in Crs.	
	2018-19	2017-18
Manufacturing expenses	229.96	215.12
Stores consumed	68.06	72.87
Power and fuel	24.74	21.52
Machinery spares	8.77	8.05
Repairs to machinery	7.89	7.64
Job work charges	32.22	34.70
Labour charges	12.02	11.86
Cost of services	64.93	43.31
Others manufacturing expenses	11.33	15.17
Selling expenses	161.44	145.32
Commission	13.36	10.58
Freight and forwarding	74.44	63.65
Warranty	44.77	38.17
Royalty	7.59	7.40
Advertisement and publicity	16.46	11.90
Provision for doubtful debts (net)	1.23	6.15
Others selling expenses	3.59	7.47
Administration expenses	177.39	185.44
Rent	37.03	44.09
Rates and taxes	2.65	1.47
Insurance	0.96	0.83
Repairs to building	1.80	2.92
Other repairs and maintenance	31.91	33.00
Travelling and conveyance	25.39	25.07
Communication expenses	4.42	4.44
Printing and stationery	1.60	1.61
Professional charges	43.26	37.85
Auditor's remuneration (Refer Note 39.5.6)	0.61	0.62
Donations	0.18	0.30
Spend on CSR activities (Refer Note 39.5.18)	4.59	4.36
Non executive directors' fees / commission	2.49	2.41
Miscellaneous expenses	17.72	23.17
Net Loss on assets sold, demolished, discarded and scrapped	0.94	(0.20)
Bad debts and irrecoverable balances written off	1.84	3.50
Total	568.79	545.88

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

Particulars	₹ in Crs.	
	2018-19	2017-18
Current tax	110.78	78.01
Current income tax	110.89	76.68
MAT credit utilised	-	-
(Excess)/short provision related to earlier years	(0.11)	1.33
Deferred tax	(0.22)	(5.64)
Relating to origination and reversal or temporary difference	(0.22)	(5.64)
Income tax expense reported in the statement of profit and loss	110.56	72.37

Other Comprehensive Income (OCI)

Particulars	₹ in Crs.	
	2018-19	2017-18
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	(0.02)	0.57
Deferred tax charged to OCI	(0.02)	0.57

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 2019 and 31 March 2018.

Current tax

Particulars	₹ in Crs.	
	2018-19	2017-18
Accounting profit before income tax expense	335.54	222.48
Tax @ 34.944% (31 March 2018 : 34.608%)	117.25	77.00
Tax effect of adjustments in calculating taxable income:	(6.69)	(4.63)
Corporate Social Responsibility expenses/Donations (net)	0.89	0.86
Other Disallowances/(allowances)	1.87	1.71
Debit Balances written Off	0.17	2.13
Interest on MSMED	0.02	0.00
Dividend	0.00	0.00
Weighted Deduction of research & development expenditure (net)	(9.53)	(10.63)
Profit on Sale of Investment	-	(0.03)
(Excess)/short provision related to earlier years	(0.11)	1.33
At the effective income tax rate of 32.95 % (31 March 2018 : 32.53%)	110.56	72.37

NOTE 39: NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

1. Corporate Information

The Company is a public limited company domiciled in India and is incorporated under the provisions of the Companies Act 1956. The registered office of the Company is located at 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 17th May 2019.

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 accrual basis following historical cost convention, except for certain financial instruments that are measured at fair value in accordance with Ind AS.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, 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. The Company has received an extension of the said scheme of incentives, for a further period of 2 years i.e. till 31 Mar 2019 along with the extension of original operative period by 2 years and compliances thereof. 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.

Operating lease

The Company had entered into commercial property leases on its investment property portfolio. The company had 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 retained all the significant risks and rewards of ownership of these properties and accordingly accounted for the contracts as operating leases.

Revenue Recognition

The company recognises revenue for each performance obligation either at a point in time or over a time. In case performance obligation is satisfied over a time, the output method is used to determine the revenue since it is faithfully depicting the company's performance towards complete satisfaction of performance obligation. Practical expedient of "right to consideration" is also considered while recognizing revenue in the amount to which the entity has right to invoice.

In case performance obligation is satisfied at a point in time, the company generally recognises revenue when the control is transferred i.e. in case of goods either on shipment or upon delivery in domestic & on date of billing in case of export. In case of services, the revenue is recognized based on completion of distinct performance obligation. Refer significant accounting policy note 39.4.18 on revenue recognition for information about methods, input and assumptions w.r.t transaction price & variable consideration.

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

Asset Category	Life in Years	Basis for useful life
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 may be 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 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 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 amortised 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 115

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

- Trade receivables resulting from transactions within the scope of Ind-AS 115, if they do not contain a significant financing component
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 115 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 revalored 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

Sale of Goods & services:

The company recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or rendering of services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness.

Revenue is the transaction price the company expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved.

The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which it is expected to better predict the amount of variable consideration.

Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the company.

Performance obligations are identified based on individual terms of contract. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. The company reasonably estimates the stand-alone selling prices if such prices are not observable. For each performance obligations identified as above the revenue is recognised either at a point in time or over time. When the company's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis over time.

The incremental cost to obtain a contract are recognised as an asset if the company expect to recover those cost over the period of contract. Company recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Export incentive

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.

Interest Income

Interest Income from a Financial Asset s is recognized using effective interest rate method.

Dividend Income

Dividend Income is recognized when the Company's right to receive the amount has been established.

Income from operating lease

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms except the cases where incremental lease reflects the inflationary effect and rental income is accounted in such case by actual rent for the period.

4.19. 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 is treated as grant related income and is 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 March 2019	As at 31 March 2018
(A) Contingent Liabilities not provided for		
a. Disputed Central Excise Demands	16.30	33.74
b. Disputed Sales Tax & Octroi Demands	8.97	9.37
c. Disputed Customs Duty Demands	0.86	0.86
d. Disputed Income Tax Liability – matter under appeal	10.07	12.84
e. Claims against Company not acknowledged as debts	61.36	60.28
	97.56	117.09

(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 0.75 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 achieved by the company under the said scheme, for the year ended 31 March 2019.

5.2. Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances) 19.55 30.11

5.3. Other Commitments
Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis 10.10 22.36

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 9.37 8.26

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 June 21, 2017 executed definitive share purchase agreement for acquisition of 100 % equity shares in La-Gajjar Machinerics 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 DEC 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. The Contingent consideration has been discharged during the year. Refer Note No. 39.5.15 for movement in contingent consideration.

Further, the company has entered into a shareholders agreement on June 21, 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	2018-19	2017-18
A	Statutory Auditors		
	a. As Auditors	0.49	0.41
	Audit Fees	0.37	0.31
	Tax Audit Fees	0.06	0.05
	Limited Review	0.06	0.05
	b. Certification fees & Assurance Services	0.03	0.12
	c. Reimbursement of expenses	0.01	0.01
	TOTAL (A)	0.53	0.54
B	Cost Auditors		
	a. As auditors	0.08	0.08
	b. In other capacity		
	Certification fees	0.00	0.00
	Reimbursement of expenses	0.00	0.00
	TOTAL (B)	0.08	0.08
	Grand Total (A+B)	0.61	0.62

5.7. The Sales for the current year includes an amount of ₹ 3.44 Crs (PY ₹ 15.45) 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 Mar 2019. The disclosure pursuant to the said Act is as under.

(₹ in Crs.)

Particulars	2018-19	2017-18
Total outstanding to MSME suppliers	29.57	4.62
Payment made to suppliers (other than interest) beyond the appointed day, during the year	11.35	0.29
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.04	0.00
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.15	0.11

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	2018-19	2017-18
A	Revenue Expenditure		
	Manufacturing Expenses :		
	Raw Material, Store, Spares & Tools Consumed	25.59	23.03
	Machinery Repairs	0.91	0.86
	Payments to & Provision for Employees :		
	Salaries, Wages, Bonus, Allowances, etc.	11.31	10.99
	Contribution to Provident & Other Funds & Schemes	0.72	0.77
	Other Benefits	0.04	0.05
	Utilities :		
	Power Charges	4.62	3.56
	Helper Charges	0.30	0.31
	Water Charges	-	0.02
	Other Expenses :		
	EDP Expenses	1.55	1.79
	Travelling & Conveyance Expenses	0.84	0.71
	Other Expense (net)	0.52	1.14
	Repairs	0.55	0.68
	Sub Total (A)	46.95	43.91
B	Capital Expenditure	7.65	17.78
C	Less: Amount received from sale of Prototypes / Cost (whichever is higher)	0.01	0.00
D	Total Eligible Research & Development Expenditure (A+B-C)	54.59	61.69

Approval for weighted deduction received from DSIR for the period 01 April 2017 to 31st March 2019

Note 5.10: Disclosure pursuant to Employee benefits

A. Defined contribution plans:
Amount of ₹ 11.22 Crores (March 31, 2018: ₹ 11.71 Crores) 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
March 31, 2019 : Changes in defined benefit obligation and plan assets

	Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income						March 31, 2019	
	April 1, 2018	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
Gratuity												
Defined benefit obligation	(38.64)	(3.94)	(2.93)	(6.87)	2.08	-	0.33	(2.23)	2.01	0.11	-	(43.32)
Fair value of plan assets	40.43	-	3.16	3.16	(2.02)	-	-	0.28	(0.30)	(0.02)	2.13	43.68
Benefit liability	1.79	(3.94)	0.23	(3.71)	0.06	-	0.33	(1.95)	1.71	0.09	2.13	0.36
Pension, Post retirement medical scheme and Long-term award scheme												
Defined benefit obligation	(3.21)	(0.06)	(0.24)	(0.30)	0.34	-	0.10	(0.06)	(0.18)	(0.14)	-	(3.31)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(3.21)	(0.06)	(0.24)	(0.30)	0.34	-	0.10	(0.06)	(0.18)	(0.14)	-	(3.31)
Total benefit liability	(1.42)	(4.00)	(0.01)	(4.01)	0.40	-	0.43	(2.01)	1.53	(0.05)	2.13	(2.95)

March 31, 2018 : Changes in defined benefit obligation and plan assets

	Cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income						March 31, 2018	
	April 1, 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
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)

C. Other long-term employment benefits

The Company has Compensated Absences plan which is covered by other long-term employment benefits

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

(₹ in Crs.)

	April 1, 2018	Cost charged to statement of profit and loss			Sub-total included in statement of profit and loss (Note 34)	Benefit paid	Contributions by employer	March 31, 2019
		Service cost	Interest cost	Actuarial changes arising from various assumption				
Compensated absences								
Defined benefit obligation	(26.01)	(3.63)	(1.95)	0.63	(4.95)	2.09	-	(28.87)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	(26.01)	(3.63)	(1.95)	0.63	(4.95)	2.09	-	(28.87)

March 31, 2018 : Changes in defined benefit obligation and plan assets of Compensated absences

(₹ in Crs.)

	April 1, 2017	Cost charged to statement of profit and loss			Sub-total included in statement of profit and loss (Note 34)	Benefit paid	Contributions by employer	March 31, 2018
		Service cost	Interest cost	Actuarial changes arising from various assumption				
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)

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 March 31, 2019	Year ended March 31, 2018
Special Deposit Scheme	7.86	7.28
(%) of total plan assets	18%	18%
Insured managed funds	0.87	0.81
(%) of total plan assets	2%	2%
Others	34.95	32.34
(%) 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 March 31, 2019	Year ended March 31, 2018
Discount rate	7.50%	7.80%
Future salary increase	8.00%	7.50%
Expected rate of return on plan assets	7.80%	7.10%
Expected average remaining working lives (in years)		
Gratuity	10.23	7.84
Pension, Post retirement medical scheme and Long-term award scheme	9.54 - 12.60	6.42 - 10.42
Compensated Absences	10.23	7.84
Withdrawal rate (based on grade and age of employees)		
Gratuity	0%-12%	11.00%
Pension, Post retirement medical scheme and Long-term award scheme	0%-12%	11.00%
Compensated Absences	0%-12%	11.00%

A quantitative sensitivity analysis for significant assumption is as shown below:

Gratuity		(₹ in Crs.)	
Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended March 31, 2019	Year ended March 31, 2018
Discount rate	1% Increase	2.97	2.00
	1% Decrease	(3.40)	(2.22)
Future salary increase	1% Increase	(2.94)	(1.84)
	1% Decrease	2.62	1.69
Withdrawal rate	1% Increase	0.10	(0.03)
	1% Decrease	(0.06)	0.03

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

(₹ in Crs.)

Particulars	Sensitivity level	(increase) / decrease in defined benefit obligation (Impact)	
		Year ended March 31, 2019	Year ended March 31, 2018
Discount rate	1% Increase	0.17	0.18
	1% Decrease	(0.19)	(0.20)
Withdrawal rate	1% Increase	0.01	0.09
	1% Decrease	0.12	(0.08)

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 :

(₹ in Crs.)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Within the next 12 months (next annual reporting period)		
Gratuity	6.43	7.10
Pension, Post retirement medical scheme and Long-term award scheme	0.43	0.40
Compensated absences	-	-
Between 2 and 5 years		
Gratuity	18.89	22.22
Pension, Post retirement medical scheme and Long-term award scheme	1.79	1.81
Compensated absences	-	-
Beyond 5 years		
Gratuity	19.74	17.42
Pension, Post retirement medical scheme and Long-term award scheme	2.26	2.29
Compensated absences	-	-
Total expected payments	49.54	51.24

Weighted average duration of defined plan obligation (based on discounted cash flows)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Gratuity	10.43	7.64
Pension, Post retirement medical scheme and Long-term award scheme	8.66 -12.25	10.49-14.04

The followings are the expected contributions to planned assets for the next year:

(₹ in Crs.)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Gratuity	2.00	3.00

- 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)
		Kirloskar Capital Limited (w.e.f. 20 April 2018)
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 Investments Private Limited
		Beluga Whale Capital Management Pte Limited
		Snow Leopard Technology Ventures LLP
4	Promoter/Promoter group which hold(s) 10% or more shareholding	Atul C. Kirloskar Rahul C. Kirloskar

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 (Managing Director & Chief Executive Officer)	Veena R. Deshpande	Wife
		Kaustubh R. Deshpande	Son
		Saurabh R. Deshpande	Son

(B) Transactions with Related Parties

(₹ in Crs.)

Sr. No.	Nature of the transaction / relationship / major parties	2018-19		2017-18	
		Amount	Amount from major parties	Amount	Amount from major parties
1	Gross Sales				
	Subsidiary Company	11.78		19.83	
	KOEL Americas Corp.		11.78		19.83
	Total	11.78	11.78	19.83	19.83
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				
	Subsidiary Company	6.49		0.09	
	La-Gajjar Machinerics Private Limited		6.49		0.09
	Entity controlled by Key Managerial Personnel	1.33		2.53	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		1.33		2.53
	Total	7.82	7.82	2.62	2.62

Sr. No.	Nature of the transaction / relationship / major parties	2018-19		2017-18	
		Amount	Amount from major parties	Amount	Amount from major parties
4	Rendering of Services from				
	Key Management Personnel	14.98		13.46	
	Atul C. Kirloskar		6.33		4.43
	Gautam A. Kulkarni		-		1.11
	Nihal G. Kulkarni		3.21		4.30
	Rajendra R. Deshpande		5.44		3.62
	Close member of Key Managerial Personnel	0.40		0.28	
	Rahul C. Kirloskar		0.09		0.18
	Gauri A. Kirloskar (Kolenaty)		0.31		0.10
	Entity controlled by Key Managerial Personnel	22.69		21.82	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		22.69		21.82
	Total	38.07	38.07	35.56	35.56
5	Expenses paid to				
	Subsidiary Company	0.89		-	
	KOEL Americas Corp.		0.89		-
	Total	0.89	0.89	-	-
	Entity controlled by Key Managerial Personnel	0.45			
	Kirloskar Solar Technologies Private Limited		0.45	-	-
Total	0.45	0.45			
6	Reimbursement / (recovery) of Expenses				
	KOEL Americas Corp.		-		0.49
	La-Gajjar Machinerries Private Limited		(0.24)		(0.06)
	Kirloskar Capital Limited		(8.30)		-
	Total	(8.54)	(8.54)	0.43	0.43
	Entity controlled by Key Managerial Personnel	0.09			
	Kirloskar Solar Technologies Private Limited		0.09	-	-
Total	0.09	0.09			
7	Interim Dividend and Final Dividend Paid				
	Key Management Personnel	9.32		23.17	
	Atul C. Kirloskar		9.23		13.84
	Gautam A. Kulkarni		-		9.20
	Nihal G. Kulkarni		0.08		0.12
	Rajendra R. Deshpande		0.01		0.01
	Close member of Key Managerial Personnel	25.42		28.93	
	Rahul C. Kirloskar		8.87		13.30

Sr. No.	Nature of the transaction / relationship / major parties	2018-19		2017-18	
		Amount	Amount from major parties	Amount	Amount from major parties
	Arti A.Kirloskar		3.53		5.30
	Jyotsna G. Kulkarni		12.99		10.28
	Suman C. Kirloskar		0.03		0.05
	Entity controlled by Key Managerial Personnel	0.04		0.06	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.		0.04		0.05
	Navsai Investments Pvt. Ltd.		0.00		0.00
	Entity controlled by Close Member of Key Managerial Personnel	0.00		0.00	
	Alpak Investments Private Limited		0.00		0.00
	Total	34.78	34.78	52.16	52.16
8	Investment made				
	Subsidiary Company	27.00		253.78	
	La-Gajjar Machinerries Private Limited		-		253.78
	Kirloskar Capital Limited		27.00		
	Total	27.00	27.00	253.78	253.78

Sr. No.	Nature of the transaction / relationship / major parties	As at 31 st March 2019		As at 31 st March 2018	
	Outstanding				
1	Accounts Payable				
	Subsidiary Company	1.41		0.16	
	KOEL Americas Corp.		0.15		0.09
	La-Gajjar Machinerries Private Limited		1.26		0.07
	Key Management Personnel				
	Commission	9.25		7.20	
	Atul C. Kirloskar		4.00		2.40
	Gautam A. Kulkarni		-		-
	Nihal G. Kulkarni		1.25		2.40
	Rajendra R. Deshpande		4.00		2.40
	Close member of Key Managerial Personnel	0.35		0.18	
	Rahul C. Kirloskar		0.06		0.12
	Gauri A. Kirloskar (Kolenaty)		0.29		0.06
	Superannuation	0.10		0.13	
	Atul C. Kirloskar		0.05		0.05
	Gautam A. Kulkarni		-		-
	Nihal G. Kulkarni		0.04		0.05
	Rajendra R. Deshpande		0.01		0.03
	Other Allowances	-		0.04	

Sr. No.	Nature of the transaction / relationship / major parties	As at 31 st March 2019		As at 31 st March 2018	
	Atul C. Kirloskar		-		-
	Gautam A. Kulkarni		-		-
	Nihal G. Kulkarni		-		0.02
	Rajendra R. Deshpande		-		0.02
	Entity controlled by Key Managerial Personnel	0.80		4.99	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		0.76		1.45
	Kirloskar Solar Technologies Private Limited		0.04		3.54
	Total	11.91	11.91	12.70	12.70
2	Accounts Receivable				
	Subsidiary Company	5.24		10.68	
	KOEL Americas Corp.		5.24		10.68
	Total	5.24	5.24	10.68	10.68
3	Investment				
	Subsidiary Company	282.37		255.37	
	KOEL Americas Corp.		1.59		1.59
	La-Gajjar Machineris Private Limited		253.78		253.78
	Kirloskar Capital Limited		27.00		-
	Total	282.37	282.37	255.37	255.37

Transactions with Related parties are inclusive of Indirect Taxes, wherever applicable.

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 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2018: ₹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 2019 (31 March 2018: ₹ Nil)

Transactions with key management personnel

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

Particulars	2018-19	2017-18
Short-term employee benefits	14.49	12.91
Post employment benefits	0.49	0.55
Other long-term employment benefits	-	-
Termination benefits	-	-
Total compensation paid to key management personnel	14.98	13.46

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	2018-19	2017-18
Profit for the year after taxation (₹ in Crs.)	224.98	150.11
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 ₹)	15.56	10.38

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 w.r.t. fair value measurement hierarchy for assets and liabilities as at 31 March 2019 and 31 March 2018

(₹ in Cr)

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 2019				
Assets measured at fair value				
Investments				
Fair value through profit or loss				
Unquoted mutual fund (Note 9)	711.21	-	711.21	-
Fair value through OCI				
Unquoted equity shares (Note 4)	0.01	-	-	0.01
Assets held for disposal (Note 14)	2.17	-	-	2.17
Liabilities measured at fair value				
Contingent consideration for acquisition of Investment in subsidiary company *(Note 25)	-	-	-	-
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 *(Note 25)	0.85	-	-	0.85

* 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.

Fair Value measurements using significant unobservable inputs (Level 3) (₹ in Cr)

Particulars	*Contingent Consideration
As at 31 March 2017	-
Acquisition of subsidiary	0.85
As at 31 March 2018	0.85
Unwinding of interest recognized as Finance cost	0.14
Discharge of Contingent Consideration	0.82
Net Gain/(losses) recognized in profit or loss	(0.17)
As at 31 March 2019	-

Movement in fair value measurement of unquoted equity share and for asset held for sale is not material.

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 analyses in the following sections relate to the position as at 31 March 2019 and 31 March 2018.

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 2019 and 31 March 2018 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 2019	31 March 2018
Receivable	USD	7,226	5,140
	EUR	-	-
	GBP	-	-
Payable	USD	1,159	2,371
	EUR	280	813
	GBP	4	120
	SEK	298	250
	CHF	-	0

The Company manages its foreign currency risk by hedging transactions related to sales & purchases.

At 31 March 2019 and 31 March 2018, the Company has hedged Nil and Nil, 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 2019	+5%	2.10	2.10
	-5%	(2.10)	(2.10)
31 March 2018	+5%	0.90	0.90
	-5%	(0.90)	(0.90)

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2019	+5%	(0.11)	(0.11)
	-5%	0.11	0.11
31 March 2018	+5%	(0.33)	(0.33)
	-5%	0.33	0.33

As at	Change in GBP rate	Effect on profit before tax	Effect on pre-tax equity
31 March 2019	+5%	(0.00)	(0.00)
	-5%	0.00	0.00
31 March 2018	+5%	(0.06)	(0.06)
	-5%	0.06	0.06

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 foreseen 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 along with 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 2019						
Interest bearing borrowings	-	13.07	-	-	-	13.07
Other financial liabilities	14.62	9.02	39.68	0.04	17.31	80.67
Trade payables	0.15	376.83	5.00	-	-	381.98
	14.77	398.92	44.68	0.04	17.31	475.72
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
	21.82	435.97	40.62	0.23	17.08	515.72

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 2019 and 31 March 2018.

5.18. Expenditure on CSR Activities

(₹ in Crs.)

1	Gross amount required to be spent by the company during the year	4.48
2	Amount spent during the year	4.59

5.19. Revenue Recognition

(A) Effective 1 April, 2018, the company adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch up transition method, applied to contracts that were not completed as of 1 April, 2018. There is no significant transition impact on the financials of the company.

As prescribed under the cumulative catch up transition method, the comparatives have not been retrospectively adjusted.

(B) Disaggregation of Revenue

Set out below is the disaggregation of the company's revenue from contracts with its customers:

₹ in Crs

Business	Engines	Others	Total
Power Generating Business	1,222.44	-	1,222.44
Agriculture & Allied Businesses	297.43	207.60	505.03
Industrial Engine Business	596.35	-	596.35
Customer Support	408.83	-	408.83
International Business	206.03	-	206.03
Large Engine Business	179.30	-	179.30
Sub Total	2910.38	207.60	3117.98
Other reconciling Item			0.82
Totals			3,118.80

(C) Revenue recognised in relation to contract liabilities

The company has generated revenue of ₹ 4.07 Crs during the year from its Contract Liabilities as on 1 April, 2018. The Contract liabilities are presented in Note 22 & 26 as advance from customer and revenue received in advance.

(D) Information About Performance Obligation

1. The company is mainly in the business of manufacturing and trading of engines, gensets and related spares. The company also provides after sales services such as annual maintenance contract, extended warranty etc.
2. The company generally recognizes revenue in case of goods, when the performance obligation is satisfied at a point in time when the control is transferred i.e. either on shipment or upon delivery as per the terms of contracts in domestic and in case of export on the date of bill of lading.

In case of services, where performance obligation is satisfied at a point in time, revenue is generally recognised upon completion of services and on obtaining work completion certificates from the customers. In contracts under which performance obligation satisfied over a period of time, either according to stage of completion or on straight line basis depending upon the type of services provided. The stage of completion is determined based on the contractual terms.

When the company's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis.

The payment is due from the date of invoice and payment terms are in the range of 7 days to 90 days depending on product/market segment and market channel.

- The company provides to its customers warranties in the forms of Repairs or Replacement warranty under its standard terms and recognizes it as Warranty Provision as per Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets"

(E) Unsatisfied Performance Obligations as at the end of reporting period:

As on 31st March, 2019, the company has unsatisfied performance obligation of ₹ 72.43 Cr. The Company expects that ₹ 36.87 Cr will be recognised as revenue in financial year 2019-20 and remaining in subsequent years based on contractual terms.

Asset recognised for cost incurred to obtain a contract and cost incurred to fulfil Contract

The company has recognized an asset as on 31st March, 19 of ₹ 2.50 Cr from cost incurred to obtain a contract & fulfil a contract. Asset is included in Note 16 other current asset Pre-Paid Expenses.

(F) Asset recognised for cost incurred to obtain a contract and cost incurred to fulfil Contract

The company has recognized an asset as on 31st March, 19 of ₹ 2.50 Cr from cost incurred to obtain a contract & fulfil a contract. Asset is included in Note 16 other current asset Pre-Paid Expenses.

(G) Reconciliation of the company's revenue from contract price with revenue:

(₹ in Cr)

Particulars	2018-2019
Contract Price	3165.77
Adjustment for :	
Contract Liabilities: Discounts, Incentives & Late delivery Charges	(46.97)
Revenue from contracts with customers	3118.80

40. Standards issued but not yet effective

1. Ind AS 116 - Leases

Ind AS 116 was notified by the Ministry of Corporate Affairs on March 30, 2019 and it is applicable for annual reporting periods beginning on or after April 1, 2019.

Ind AS 116 will affect primarily the accounting by leases and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right-of-use of the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit and loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in the later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as repayments of the lease liability and related interest are classified within financing activities.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under Ind AS 116, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company is in the process of evaluating the impact of this amendment on the financial statements of the Company.

2. Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, 'Income Taxes'

The appendix explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- How to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.
- The Company is in the process of evaluating the impact of this amendment on the financial statements of the Company.

3. Prepayment Features with Negative Compensation – Amendments to Ind AS 109, 'Financial Instruments'

The narrow-scope amendments made to Ind AS 109 enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortized cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

The Company is in the process of evaluating the impact of this amendment on the financial statements of the Company.

4. Plan Amendment, Curtailment or Settlement – Amendments to Ind AS 19, 'Employee Benefits'

The amendments to Ind AS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- Calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;
- Any reduction in a surplus should be recognized immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling; and
- Separately recognize any changes in the asset ceiling through other comprehensive income.
- The Company is in the process of evaluating the impact of this amendment on the financial statements of the Company.

5. Ind AS 12, 'Income Taxes'

The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividends should be recognized in profit or loss, or in equity, and the scope of the existing guidance was ambiguous.

The Company is in the process of evaluating the impact of this amendment on the financial statements of the Company.

6. Ind AS 23, 'Borrowing Costs'

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

As the Company does not have any borrowings, there is no impact on account of this amendment.

41. (Net Debt)/Surplus Reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2019

Particulars	₹ in Crs	
	31 March 2019	31 March 2018
Cash and Cash Equivalents	49.71	55.98
Current Borrowings	(13.07)	(16.50)
Non-Current Borrowings	-	-
(Net Debt)/Surplus	36.64	39.48

Particulars	₹ in Crs		
	Cash and Cash Equivalents	Current Borrowings	Total
(Net Debt)/Surplus as on 1st April 2018	55.98	(16.50)	39.48
Cash Flows	(6.27)	(3.43)	(2.84)
Other non-cash movement	-	-	-
Fair Value Adjustment	-	-	-
(Net Debt)/Surplus as on 31st March 2019	49.71	(13.07)	36.64

42. Salient features of the financial statements of subsidiary for the year ended 31 March 2019

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:

Particulars	KOEL Americas Corp.	La-Gajjar Machineries Private Limited	Kirloskar Capital Limited
a. The date since when subsidiary was Acquired / Incorporated	23 Jun 2015	1 Aug 2017	20 Apr 2018
b. Reporting period for the subsidiary concerned, if different from the holding company's reporting period	N A	N A	N A
c. Reporting currency as on the last date of the relevant financial year in the case of foreign subsidiaries	USD	INR	INR
d. Exchange rate as on the last date of the relevant financial year in the case of foreign subsidiaries	69.15	-	-
e. Share capital	1.59	1.08	27.00
f. Reserves and surplus	1.84	43.20	(7.50)
g. Total assets	8.92	195.78	20.34
h. Total liabilities	5.49	151.50	0.84
i. Investments	-	-	-
j. Turnover	15.02	426.74	-
k. Profit / (Loss) before tax	0.59	20.33	(9.90)
l. Provision for tax	0.13	8.82	(2.40)
m. Profit / (Loss) after tax	0.46	11.51	(7.50)
n. Proposed dividend	-	-	-
o. % of shareholding	100%	76%	100%

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).

3. Kirloskar Capital 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 17 May 2019

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

T. VINODKUMAR
Chief Financial Officer

R. R. DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

SMITA RAICHURKAR
Company Secretary

Pune 17 May 2019

CONSOLIDATED FINANCIAL STATEMENTS INCLUDING AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LIMITED

Report on the Audit of the Consolidated Indian Accounting Standards (Ind AS) Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Kirloskar Oil Engines Limited** (hereinafter referred to as the "Holding Company"), **KOEL Americas Corporation** ("the subsidiary"), **La-Gajjar Machineries Private Limited** ("the subsidiary") and **Kirloskar Capital Limited** ("the subsidiary") (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2019, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of changes in equity and the consolidated cash flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

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, of the consolidated state of affairs of the Group as at 31 March 2019, of consolidated profit/loss (including Other Comprehensive Income), consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

A. Acquisition Accounting

The Holding Company, on 21 June 2017 executed definitive share purchase agreement (SPA) for acquisition of 100 % equity shares in La-Gajjar Machineries Private Limited (LGM). 76% purchased in first tranche.

Considering the time involved in valuation and complexities involved in the acquired business, the initial accounting for business combination was incomplete by the end of the reporting period Mar 18. Thus, the holding company availed the option of measurement period as provided by Ind AS 103 for KOEL as well as for LGM.

KOEL has completed the initial accounting during the current year and has given the impacts of such exercise in the consolidated financial statements

We have identified this as a key audit matter due to the significance of the acquisition to the Group's financial statements, the inherent complexities in accounting for business acquisitions, and the judgement applied by the Group in identifying and determining the fair value of the assets and liabilities acquired, including the separately identifiable intangible assets.

Audit Methodology

- We have evaluated the appropriateness and completeness of the intangible assets identified
- We evaluated management's key assumptions and inputs applied in the valuation of the assets acquired and liabilities assumed, including the fair valuation of the identified intangible assets
- We evaluated the methodologies used for fair valuation
- We critically analysed the appropriateness of the useful lives assigned to the identified assets having regard to the expected use of these assets
- Based on our procedures we noted that the purchase price allocation has been performed in accordance with IND AS 103 Business combination and to be within a reasonable range of our audit expectations

B. Revenue Recognition

Effective 1 April, 2018, the group has adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch up transition method, applied to contracts that were not completed as of 1 April, 2018. As prescribed under the cumulative catch up transition method, the comparatives have not been retrospectively adjusted. There is no transition impact on the financials of the group.

We have identified this as a key audit matter since this area involves significant management judgement and estimates including whether contracts contain multiple performance obligations which should be accounted for separately. This comprises allocation of the transaction price to each performance obligations. Further, assessing whether the identified performance obligations are satisfied at a point in time or satisfied over a period of time. In case of satisfied at a point in time, determining the point in time when the control is transferred to the customer.

Audit Methodology

- We reviewed the implementation of IND AS 115, including the recognition of the effect on opening equity, if any.
- Analysed a sample of the major streams of revenue of KOEL to assess whether the method of revenue recognition is consistent with IND AS 115 and has been applied consistently
- Focused on contract classification, determination of the performance obligations and determine transaction price including variable consideration
- Evaluated and critically analysed the significant judgements and estimates made by management in applying the accounting policy to a sample of specific contracts for allocation of transaction price and the timing of transfer of control

Based on the above, there are no significant impacting matters arising out of adoption of IND AS 115

Other Information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Report of the Directors but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in term of the requirements of the Companies Act, 2013 that give a true and fair view of the consolidated financial position, consolidated financial performance, the consolidated statement of changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group and 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; 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 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 have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

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

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

We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system with reference to Consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other Matter/s

We did not audit the financial statements of subsidiary i.e. **Kirloskar Capital Limited** whose financial statements reflect total assets of ₹ 20.34 crores and net assets of ₹ 19.50 crores as at 31 March 2019, net loss of ₹ 7.50 crores and net cash flows amounting to ₹ 10.23 crores for the year ended on that date, as considered in the consolidated Ind AS financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion on the consolidated Ind AS financial statements in so far 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 in so far as it relates to the aforesaid subsidiary is based solely on the reports of the other auditors.

We did not audit the financial statements of overseas subsidiary i.e. **KOEL Americas Corporation** whose financial statements reflect total assets of ₹ 8.92 crores and net assets of ₹ 3.43 crores as at 31 March 2019, total revenue of ₹ 15.02 crores, net profit of ₹ 0.46 crores and net cash flows amounting to ₹ (3.02) 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 in so far 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 in so far 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 done and the reports of the other auditors and the financial statements certified by the Management

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
 - b) In our opinion, proper books of account as required by law 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 the reports of the other auditors.
 - c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), the 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 for the purpose of 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 Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies, incorporated in India is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting with reference to Consolidated financial statements of the Group 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 Auditors) 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, if any, of pending litigations as at 31 March 2019 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 2019.
 - (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 incorporated in India during the year ended 31 March 2019.

For **M/S.P.G.BHAGWAT**

Firm Registration Number:101118W

Chartered Accountants

Nachiket Deo

Partner

Membership Number:117695

Pune

17 May 2019

Annexure A to the Independent Auditor's Report of even date on the Consolidated Ind AS 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 companies incorporated in India as of 31st March 2019 in conjunction with our audit of the Consolidated Ind AS Financial Statements of the Group 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 companies 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 companies 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 companies 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 financial statements.

Meaning of Internal Financial Controls Over Financial Reporting with reference to consolidated financial statements

A Group's internal financial control over financial reporting with reference to consolidated financial statements 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 Group's internal financial control over financial reporting with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group; (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 Group are being made only in accordance with authorizations of management and directors of the respective companies; and (3) provide reasonable assurance regarding prevention or timely

detection of unauthorized acquisition, use, or disposition of the Group's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting with reference to consolidated financial statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to Consolidated 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 financial Statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to Consolidated 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 companies 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 March 31, 2019, 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**

Firm Registration Number:101118W

Chartered Accountants

Nachiket Deo

Partner

Membership Number : 117695

Pune

17 May 2019

Consolidated Balance Sheet as at 31 March 2019

Particulars	Note No.	₹ in Crs.	
		As at 31 March 2019	As at 31 March 2018
ASSETS			
I. Non-current assets		835.38	836.38
(a) Property, plant and equipment	1	399.84	413.64
(b) Capital work-in-progress	1	17.89	17.96
(c) Investment property	2	-	-
(d) Goodwill	3	184.50	184.50
(e) Other Intangible assets	3	78.95	103.79
(f) Intangible assets under development	3	23.03	12.22
(g) Financial assets			
(i) Investments	4	0.01	0.01
(ii) Trade receivables	10	-	1.60
(iii) Loans	5	0.33	0.17
(iv) Other financial assets	6	70.87	59.26
(h) Other non-current assets	7	59.96	43.23
II. Current assets		1,769.49	1,663.52
(a) Inventories	8	309.58	344.57
(b) Financial assets			
(i) Investments	9	711.21	675.24
(ii) Trade receivables	10	406.78	401.65
(iii) Cash and cash equivalents	11a	61.74	60.53
(iv) Bank balance other than (iii) above	11b	136.63	9.79
(v) Loans	12	0.19	0.34
(vi) Other financial assets	13	44.35	41.01
(c) Assets held for sale (Current)	14	2.17	2.09
(d) Current tax assets (net)	15	1.66	4.32
(e) Other current assets	16	95.18	123.98
Total Assets		2,604.87	2,499.90
EQUITY AND LIABILITIES			
Equity		1,698.58	1,575.45
(a) Equity share capital	17	28.92	28.92
(b) Other equity			
Capital redemption reserve	18	0.20	0.20
Share Premium	18	-	-
General reserve	18	608.39	608.39
Retained earnings	18	1,060.81	937.84
Reserves representing unrealised gains/ losses	18	0.26	0.10
Equity attributable to equity holders of the parent		1,698.58	1,575.45
Non-controlling interests	18	-	-
Liabilities			
I. Non-current liabilities		174.83	151.39
(a) Financial liabilities			
(i) Borrowings	19	16.69	5.47
(ii) Other financial liabilities	20	98.16	88.64
(b) Long-term provisions	21	32.91	30.38
(c) Deferred tax liabilities (net)	22	18.68	21.97
(d) Other non-current liabilities	23	8.39	4.93
II. Current liabilities		731.46	773.06
(a) Financial liabilities			
(i) Borrowings	24	64.78	134.01
(ii) Trade and other payables	25	438.60	488.66
a) total outstanding dues of micro enterprises and small enterprises		56.37	43.32
b) total outstanding dues of creditors other than micro enterprises and small enterprises		382.23	445.34
(iii) Other financial liabilities	26	74.76	68.38
(b) Other current liabilities	27	78.40	19.50
(c) Short-term provisions	28	74.07	61.66
(d) Government grants	29	0.85	0.85
Total Equity and Liabilities		2,604.87	2,499.90
Significant accounting policies	40		

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 17 May 2019

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

T. VINODKUMAR
Chief Financial Officer

R. R. DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

SMITA RAICHURKAR
Company Secretary

Pune 17 May 2019

Consolidated statement of profit and loss for the year ended 31 March 2019

Particulars	Note No.	₹ in Crs.	
		2018-19	2017-18
Income			
Revenue from operations	30	3,627.67	3,110.79
Other income	31	65.47	71.80
Total Income		3,693.14	3,182.59
Expenses			
Cost of raw materials and components consumed	32	1,673.73	1,573.40
Purchase of traded goods	33	632.89	403.74
Changes in inventories of finished goods, work-in-progress and traded goods	34	22.24	(21.80)
Excise duty on sale of goods		-	55.33
Employee benefits expense	35	242.91	222.24
Finance costs	36	14.52	11.55
Depreciation and amortisation expense	37	94.40	123.30
Other Expenses	38	683.34	614.41
Expense capitalised		(2.35)	(2.12)
Total expenses		3,361.68	2,980.05
Profit before exceptional items and tax		331.46	202.54
Exceptional items		-	-
Profit before tax		331.46	202.54
Tax expense	39	111.84	66.32
Current tax		115.24	76.95
MAT credit utilised		(1.92)	-
(Excess)/short provision related to earlier years		(0.11)	1.33
Deferred tax	39	(1.37)	(11.96)
Profit for the year		219.62	136.22
Other comprehensive income			
A. Other comprehensive income to be reclassified to profit or loss in subsequent periods:		0.16	0.01
Exchange differences in translating the financial statements of a foreign operation	18	0.16	0.01
Income tax effect		-	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods (A)		0.16	0.01
B. Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		0.01	0.92
Re-measurement gains / (losses) on defined benefit plans		0.01	1.41
Income tax effect on above		0.00	(0.49)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods (B)		0.01	0.92
Total other comprehensive income for the year, net of tax [A+B]		0.17	0.93
Total comprehensive income for the year, net of tax		219.79	137.15
Profit for the year attributable to:			
Owners of the Company		219.17	139.72
Non-controlling interest		0.45	(3.50)
		219.62	136.22
Other comprehensive income attributable to:			
Owners of the Company		0.16	0.97
Non-controlling interest		0.01	(0.04)
		0.17	0.93
Total comprehensive income attributable to:			
Owners of the Company		219.33	140.69
Non-controlling interest		0.46	(3.54)
		219.79	137.15
Earnings per equity share [nominal value per share ₹2/- (31 March 2018: ₹2/-)]			
Basic		15.16	9.66
Diluted		15.16	9.66
Significant accounting policies	40		

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 17 May 2019

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

T. VINODKUMAR
Chief Financial Officer

R. R. DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

SMITA RAICHURKAR
Company Secretary

Pune 17 May 2019

Statement of Consolidated Cash Flow the year ended 31 March 2019

(₹ in Crs.)

Particulars	2018-19	2017-18
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	331.46	202.54
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
Depreciation and Amortisation	94.40	123.30
Loss on disposal of assets & Others	1.96	(0.22)
Inventories written down	3.74	12.58
Bad debts and irrecoverable balances written off	2.09	3.75
Allowances for Trade and Other Receivables (net)	1.99	9.34
Loss / (Profit) on Revalorisation on Imports	(0.23)	0.37
Loss / (Profit) on Revalorisation on Exports	0.41	(1.03)
Unrealised gains/ losses on translation of foreign operation	0.16	0.01
Finance cost	14.52	11.55
Amortisation of rent expenses	2.03	1.07
	121.07	160.72
Less:		
Profit / (Loss) on sale of mutual fund investment at FVTPL (net)	49.45	51.21
Marked to Market gain on investments measured at Fair Value through Profit and Loss	1.74	2.78
Unwinding of interest on deposits	1.99	1.78
Interest received (Finance Income)	1.01	1.18
Income from investment property	-	0.10
Sundry Credit Balances Appropriated	0.61	4.95
Provisions no longer required written back	4.44	1.80
Dividend received	0.00	0.00
	59.24	63.80
Operating Profit before working capital changes	393.29	299.46
Working Capital Adjustments		
(Increase) / Decrease in Government Grant Receivables	(20.64)	29.10
(Increase) / Decrease in Trade and Other Receivables	(67.89)	(73.03)
(Increase) / Decrease in Inventories	31.25	(52.77)
Increase / (Decrease) in Trade and other Payables	(15.14)	12.60
Increase / (Decrease) in Provisions	11.43	5.34
	(60.99)	(78.76)
Net Cash generated from operations	332.30	220.70
Direct taxes paid	(121.20)	(84.22)
NET CASH FLOW FROM OPERATING ACTIVITIES	211.10	136.48
CASH FLOW FROM INVESTING ACTIVITIES		
Add :		
Proceeds from Sale of Property, Plant and Equipment	9.35	1.07
Proceeds from Sale of investments (Net)	15.22	366.98
Interest received (finance income)	1.01	1.18
Income from investment property	-	0.10
Dividend received	0.00	0.00
	25.58	369.33
Less :		
Purchase consideration paid for acquisition of Subsidiary, net of cash (Refer Note 40.5.20)	-	251.29
Payments for Purchase of Property, Plant and Equipment	81.16	111.35
	81.16	362.64
NET CASH GENERATED FROM INVESTING ACTIVITIES	(55.58)	6.69
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds/(Repayment) bill discounting & borrowings (Net)	(51.92)	45.83
Interest paid (finance cost)	(15.22)	(10.89)
Final and Interim Dividend Paid	(72.31)	(108.46)
Tax on Final and Interim Dividend	(14.86)	(22.08)
NET CASH USED IN FINANCING ACTIVITY	(154.31)	(95.60)
Net increase / (decrease) in cash and cash equivalents	1.21	47.57
Opening Cash and Cash equivalents	60.53	12.96
Closing Cash and Cash equivalents (Refer Note 11a)	61.74	60.53

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 17 May 2019

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

T. VINODKUMAR
Chief Financial Officer

R. R. DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

SMITA RAICHURKAR
Company Secretary

Pune 17 May 2019

Statement of changes in Equity for the year ended 31 March 2019**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 2017	14,46,14,326	28.92
Issue/Reduction, if any during the year	-	-
At 31 March 2018	14,46,14,326	28.92
Issue/Reduction, if any during the year	-	-
At 31 March 2019	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			
	Capital Redemption Reserve	General Reserve	Retained Earnings	Foreign currency translation reserve			
At 1 April 2017	0.20	608.39	979.57	0.09	1,588.25	-	1,588.25
Additions during the year	-	-	-	-	-	22.28	22.28
Profit for the year	-	-	139.72	-	139.72	(3.50)	136.22
Other comprehensive income for the year	-	-	0.96	0.01	0.97	(0.04)	0.93
Total Comprehensive income for the year	-	-	140.68	0.01	140.69	18.74	159.43
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 (Refer Note. 40.5.20)	-	-	(51.87)	-	(51.87)	(18.74)	(70.61)
As at 31 March 2018	0.20	608.39	937.84	0.10	1,546.53	0.00	1,546.53
As at 1 April 2018	0.20	608.39	937.84	0.10	1,546.53	0.00	1,546.53
Additions during the year	-	-	-	-	-	-	-
Profit for the year	-	-	219.17	-	219.17	0.45	219.62
Other comprehensive income for the year	-	-	0.00	0.16	0.16	0.01	0.17
Total Comprehensive income for the year	-	-	219.17	0.16	219.33	0.46	219.79
Final dividend for year ended 31 March 2018	-	-	(36.15)	-	(36.15)	-	(36.15)
Tax on final dividend for the year ended 31 March 2018	-	-	(7.43)	-	(7.43)	-	(7.43)
Interim dividend for year ended 31 March 2019	-	-	(36.16)	-	(36.16)	-	(36.16)
Tax on Interim dividend for the year ended 31 March 2019	-	-	(7.43)	-	(7.43)	-	(7.43)
Adjustment towards Present value of future purchase consideration payable (Refer Note. 40.5.20)	-	-	(9.03)	-	(9.03)	(0.46)	(9.49)
As at 31 March 2019	0.20	608.39	1,060.81	0.26	1,669.66	0.00	1,669.66

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 17 May 2019

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

T. VINODKUMAR
Chief Financial Officer

R. R. DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

SMITA RAICHURKAR
Company Secretary

Pune 17 May 2019

Notes to the Consolidated Financial Statements

Note 1 : Property, Plant and equipment

₹ in Crs.

Particulars	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 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	107.35
Acquisition through business combination (Refer Note 40.5.20)	0.74	-	46.87	3.99	3.54	-	4.49	3.42	-	63.05	0.61
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	98.72
As At 31 March 2018	12.71	179.33	1,004.87	35.13	14.18	42.65	10.71	68.76	37.88	1,406.22	17.96
Additions	3.45	17.53	34.83	0.30	0.88	-	0.47	4.97	2.25	64.68	57.40
Asset Held of Disposal	-	-	5.70	-	-	-	-	-	-	5.70	-
Asset written off scrap	-	-	9.74	3.30	-	-	2.67	2.67	-	18.38	-
Deductions / Amortization / Other adjustments	0.14	-	4.11	0.11	0.62	16.77	0.06	5.44	-	27.25	57.47
As At 31 March 2019	16.02	196.86	1,020.15	32.02	14.44	25.88	8.45	65.62	40.13	1,419.57	17.89
Depreciation											
Upto 1 April 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	72.70	3.09	1.69	2.95	1.01	7.20	3.91	99.43	-
Acquisition through business combination (Refer Note 40.5.20)	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	-	-	2.78	0.17	0.21	-	0.02	2.39	0.05	5.62	-
As At 31 March 2018	0.73	46.83	796.93	20.55	10.17	25.69	8.37	57.38	25.93	992.58	-
For the year	0.56	6.51	43.13	3.05	1.78	2.18	1.01	5.97	2.76	66.95	-
Asset Written off / Scrap	-	-	8.83	3.27	-	-	2.65	2.67	-	17.42	-
Asset Held of Disposal	-	-	5.46	-	-	-	-	-	-	5.46	-
Deductions / Amortization / Other adjustments	-	-	3.53	0.11	0.61	7.17	0.06	5.44	-	16.92	-
As At 31 March 2019	1.29	53.34	822.24	20.22	11.34	20.70	6.67	55.24	28.69	1,019.73	-
Net Block											
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	207.94	14.58	4.01	16.96	2.34	11.38	11.95	413.64	17.96
As At 31 March 2019	14.73	143.52	197.91	11.80	3.10	5.18	1.78	10.38	11.44	399.84	17.89

Notes:

- Gross block is at Cost except leasehold land which is net of amortisation.
- For Depreciation and Amortisation refer accounting policy (Note 40.4.3).
- 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 ₹ 17.89 Crores (31 March, 2018: ₹ 17.96 crores).
- The Group had adopted deemed cost exemption under IND AS 101, on respective transition dates. The information of Gross block, and Accumulated Depreciation as on transition dates are carried forward for disclosures.
- 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 Lease-hold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block										
As At 31 Mar 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	-	-	0.45	-	-	-	-	0.05	-	0.50
As At 31 Mar 2018	-	-	94.75	5.30	-	-	0.13	1.68	3.53	105.39
Additions	-	-	7.53	-	-	-	-	0.09	0.04	7.66
Inter transfers - Net	-	-	(0.78)	-	-	-	-	-	-	(0.78)
Asset Held of Disposal	-	-	5.02	-	-	-	-	-	-	5.02
Deductions / Amortization	-	-	0.08	0.01	-	-	-	-	-	0.09
As At 31 Mar 2019	-	-	96.40	5.29	-	-	0.13	1.77	3.57	107.16
Depreciation										
Upto 1 April 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	-	-	0.37	-	-	-	-	0.05	-	0.42
As At 31 Mar 2018	-	-	47.69	1.89	-	-	0.11	1.37	1.35	52.41
For the year	-	-	7.37	0.68	-	-	-	0.18	0.38	8.61
Inter transfers - Net	-	-	(0.54)	-	-	-	-	-	-	(0.54)
Asset Held of Disposal	-	-	4.78	-	-	-	-	-	-	4.78
Deductions / Amortization	-	-	0.08	0.01	-	-	-	-	-	0.09
As At 31 Mar 2019	-	-	49.66	2.56	-	-	0.11	1.55	1.73	55.61
Net Block										
As At 31 Mar 2017	-	-	37.68	4.09	-	-	0.02	0.49	1.95	44.23
As At 31 Mar 2018	-	-	47.06	3.41	-	-	0.02	0.31	2.18	52.98
As At 31 Mar 2019	-	-	46.74	2.73	-	-	0.02	0.22	1.84	51.55

Notes to the Consolidated Financial Statements

Note 2 : Investment Property

Particulars	₹ in Crs.		
	Land Leasehold	Buildings	Total
Gross Block			
As At 1 April 2017	0.01	4.73	4.74
Additions	-	-	-
Inter Transfers	-	-	-
Asset held for Disposal	0.01	4.73	4.74
Deductions / Amortization / Other adjustments	-	-	-
As At 31 Mar 2018	-	-	-
Additions	-	-	-
Inter Transfers- Net	-	-	-
Asset held for Disposal	-	-	-
Deductions / Amortization / Other adjustments	-	-	-
As At 31 Mar 2019	-	-	-
Depreciation			
Upto 1 April 2017	-	2.57	2.57
For The Year	-	0.11	0.11
Inter Transfers	-	-	-
Asset held for Disposal	-	2.68	2.68
Deductions / Amortization / Other adjustments	-	-	-
As At 31 Mar 2018	-	-	-
For The Year	-	-	-
Inter Transfers- Net	-	-	-
Asset held for Disposal	-	-	-
Deductions / Amortization / Other adjustments	-	-	-
As At 31 Mar 2019	-	-	-
Net Block			
As At 1 April 2017	0.01	2.16	2.17
As At 31 Mar 2018	-	-	-
As At 31 Mar 2019	-	-	-

Notes :

1. Gross block is at Cost except leasehold land which is net of amortisation.
2. For Depreciation and amortisation refer accounting policy (Note 40.4.4).

Notes to the Consolidated Financial Statements
Note 3 : Other Intangible assets and Goodwill

Particulars	Computer Software	Drawings & Designs	Brand	Customer Relationship	Technical Knowhow -Acquired	Technical Knowhow -Internally generated	Total	Goodwill	Capital work-in-progress
Gross Block									
As At 1 April 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 40.5.20)	-	-	7.02	47.22	18.44	-	72.68	184.50	-
Recoupment / Adjustment	(0.13)	-	-	-	-	-	(0.13)	-	-
Deductions/Other adjustments	-	-	-	-	-	-	-	-	2.24
As At 31 Mar 2018	39.55	11.12	7.02	47.22	22.18	48.90	175.99	184.50	12.22
Additions	1.87	0.60	-	-	-	-	2.47	-	13.19
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-
Deductions/Other adjustments	0.13	-	-	-	-	-	0.13	-	2.38
As At 31 Mar 2019	41.29	11.72	7.02	47.22	22.18	48.90	178.33	184.50	23.03
Amortization									
Upto 1 April 2017	23.53	11.12	-	-	3.74	10.30	48.69	-	-
For The Year	5.58	-	0.31	6.30	1.76	9.67	23.62	-	-
Acquisition through business combination (Refer Note 40.5.20)	0.02	-	-	-	-	-	0.02	-	-
Recoupment / Adjustment	(0.13)	-	-	-	-	-	(0.13)	-	-
Deductions/Other adjustments	-	-	-	-	-	-	-	-	-
As At 31 Mar 2018	29.00	11.12	0.31	6.30	5.50	19.97	72.20	-	-
For The Year	5.60	0.03	0.47	9.45	2.63	9.13	27.31	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-	-	-
Deductions/Other adjustments	0.13	-	-	-	-	-	0.13	-	-
As At 31 Mar 2019	34.47	11.15	0.78	15.75	8.13	29.10	99.38	-	-
Net Block									
As At 1 April 2017	13.90	-	-	-	-	38.60	52.50	-	6.20
As At 31 Mar 2018	10.55	-	6.71	40.92	16.68	28.93	103.79	184.50	12.22
As At 31 Mar 2019	6.82	0.57	6.24	31.47	14.05	19.80	78.95	184.50	23.03

Notes :

- Intangible Assets are amortised on Straight Line method.
- For Depreciation and Amortisation refer accounting policy (Note 40.4.5).
- 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 ₹ 23.03 Crores (31 March, 2018: 12.22 crores).
- Note 3 of Other Intangible assets includes assets at Research & Development facility, the details of which are as under.
- Goodwill includes ₹ 183.23 Crs arising on account of consolidation (Refer Note 40.5.20)

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	Brand	Customer Relationship	Technical Knowhow Acquired	Technical Knowledge Integreted generated	Total
Gross Block							
As At 1 April 2017	13.67	10.42	-	-	1.50	48.89	74.48
Additions	0.95	-	-	-	-	-	0.95
Inter Transfers	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-
Deductions/Other adjustments	-	-	-	-	-	-	-
As At 31 Mar 2018	14.62	10.42	-	-	1.50	48.89	75.43
Additions	0.82	0.61	-	-	-	-	1.43
Inter Transfers	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-
Deductions/Other adjustments	0.13	-	-	-	-	-	0.13
As At 31 Mar 2019	15.31	11.03	-	-	1.50	48.89	76.73
Amortization							
Upto 1 April 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/Other adjustments	-	-	-	-	-	-	-
As At 31 Mar 2018	10.01	10.42	-	-	1.50	19.98	41.91
For The Year	1.65	0.03	-	-	-	9.13	10.81
Inter Transfers	-	-	-	-	-	-	-
Recoupment / Adjustment	-	-	-	-	-	-	-
Deductions/Other adjustments	0.13	-	-	-	-	-	0.13
As At 31 Mar 2019	11.53	10.45	-	-	1.50	29.11	52.59
Net Block							
As At 1 April 2017	5.23	-	-	-	-	38.58	43.81
As At 31 Mar 2018	4.61	-	-	-	-	28.91	33.52
As At 31 Mar 2019	3.78	0.58	-	-	-	19.78	24.14

Notes to the Consolidated Financial Statements

Note 4 : Non-current investments

₹ in Crs

Particulars	Par Value / Face Value Per Unit	As at March 31, 2019		As at March 31, 2018	
		Nos.	₹ in Crs	Nos.	₹ in Crs
(i) 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		0.01

Notes :

- Aggregate amount of Unquoted Investments 0.01 0.01
- Face value per unit in Rupees unless otherwise stated.
- Refer Note 40.5.14 and 40.5.15 for Financial assets at fair value through Other Comprehensive Income - unquoted equity instruments.
- 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 2019	As at 31 March 2018
Loans to employees (unsecured, considered good)	0.33	0.17
Total	0.33	0.17

- Loans are measured at amortised cost.
- Loans are non-derivative financial assets which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.
- Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
- 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)

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Security deposits (Unsecured, considered good)	38.20	44.54
Subsidy receivable under PSI scheme, 2001	32.47	14.55
Others	0.20	0.17
Total	70.87	59.26

1. The Parent company's manufacturing facility at Kagal plant had been granted Mega Project status by Government of Maharashtra and hence was eligible for Industries Promotion Subsidy (IPS) under Package Scheme of Incentive (PSI) 2001. This scheme was for intensifying and accelerating the process of dispersal of industries to the less developed regions and promoting high-tech industries in the less developed areas of the state coupled with the object of generating employment opportunities. During the last quarter of FY 2018-19, The Government of Maharashtra had agreed for extension of the said scheme of incentive for further period of 2 years till 31st March 2019 and subsequently amended the original eligibility certificate. Accordingly the extension of the scheme consists of total period of 11 years from the date of commencement of commercial production i.e. from 01st April 2008 to 31st March 2019 along with the extension of original operative period by 2 years and compliances thereof. The eligible receivables calculated on the basis of VAT, CST as well as SGST paid on sales made from Kagal plant for the extended period are fair valued at ₹ 51.52 crores (Non-current- ₹ 24.12 crores, Current- ₹ 27.40 crores) for the year ended 31st March 2019.
2. Other financial assets are measured at amortised cost.
3. Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
4. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

Note 7 : Other non-current assets

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Capital advances	4.27	4.66
Prepaid expenses	2.27	1.83
Tax paid in advance (net of provision) (Refer Note 15)	53.17	36.49
Statutory dues paid under dispute	0.25	0.25
Other Advances to suppliers	-	-
Unsecured, considered good		
Doubtful	0.13	0.21
Less : Provision for doubtful advances	(0.13)	(0.21)
Total	59.96	43.23

Notes to the Consolidated Financial Statements**Note 8 : Inventories**

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Raw materials	143.09	154.09
Raw materials and components	140.77	150.88
Raw materials in transit	2.32	3.21
Work-in-progress	35.87	41.55
Finished goods	58.11	95.30
Traded goods	59.35	38.72
Stores and spares	13.16	14.91
Total	309.58	344.57

Write Downs of inventories to net realisable value amounted to ₹ 3.74 cr (31 March 2018 : ₹ 12.58 Cr). These were recognised as an expense during the year.

Notes to the Consolidated Financial Statements

Note 9 : Current investments

₹ in Crs

Particulars	Face Value Per Unit In ₹	As at 31 March 2019		As at 31 March 2018	
		Nos.	₹ in Crs	Nos.	₹ in Crs
At fair value through Profit or Loss (FVTPL)					
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					
Baroda Liquid Fund - Plan A Growth	1,000	93,694	20.04	1,59,053	31.64
Aditya Birla Sun Life Savings Fund - Growth - Regular Plan	100	-	-	11,25,159	38.47
Aditya Birla Sun Life Liquid Fund - Growth - Regular Plan	100	19,43,032	58.10	-	-
Aditya Birla Sun Life Money Manger Fund - Growth - Regular Plan	100	28,74,736	71.97	-	-
DHFL Pramerica Insta Cash Plus Fund - Growth	100	-	-	19,16,515	43.12
DSP Liquidity Fund - Regular Plan - Growth	1,000	1,28,272	34.10	-	-
Franklin India Liquid Fund - Super Institutional Plan	1,000	72,221	20.14	-	-
HDFC Floating Rate Income Fund-Short Term Plan-Wholesale Option - Regular plan-Growth	10	-	-	2,14,55,311	64.89
HDFC Money Market fund - Regular Plan - Growth	1,000	1,04,887	40.74	-	-
ICICI Prudential Liquid fund - Growth	100	18,18,036	50.07	18,76,980	48.12
ICICI Prudential - Money Market Fund - Growth	100	27,78,763	71.92	8,36,346	20.03
ICICI Prudential Flexible Income - Growth	100	-	-	19,19,918	63.99
IDFC Cash Fund - Growth - (Regular Plan)	1,000	-	-	1,33,308	28.04
Invesco India Liquid Fund - Growth (LF-SG)	1,000	2,26,912	58.13	2,58,437	61.60
Kotak Liquid Regular Plan - Growth	1,000	1,32,672	50.05	-	-
Kotak Money Market Scheme - Growth (Regular Plan)	1,000	2,00,574	61.71	1,23,238	35.06
L & T liquid fund - Regular Growth	1,000	-	-	1,22,372	29.07
Reliance Liquid Fund - Growth Plan - Growth Option (LFIGG)	1,000	1,32,552	60.17	-	-
SBI Liquid Fund Regular Growth	1,000	89,265	26.03	1,84,429	50.08
SBI Savings fund - Regular Plan - Growth	10	1,22,90,396	35.56	-	-
Sundaram Money Fund Regular Growth	10	64,84,520	25.44	-	-
Tata Liquid Fund Regular Plan - Growth	1,000	37,573	11.01	-	-
UTI Liquid Cash Plan - Regular Growth Plan	1,000	52,546	16.03	-	-
UTI Treasury Advantage Fund - Institutional Plan - Growth	1,000	-	-	2,51,545	60.25
			711.21		574.36
Total			711.21		675.24

Notes:

1. Aggregate amount of Unquoted Investments 711.21 675.24
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

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Total Trade Receivables	406.78	401.65
Trade receivables [Refer note (1) below]	406.78	401.65
Break-up for security details:	406.78	401.65
Secured, considered good	1.78	-
Unsecured, considered good	405.00	401.65
Doubtful	22.59	23.16
Impairment Allowance for doubtful debts	(22.59)	(23.16)
Total	406.78	401.65

- Trade receivables are measured at amortised cost.
- Trade receivable to the extent of 31 March 2019 ₹ Nil (31 March 2018 : ₹ 1.60 Cr) due to be settled after twelve months after the reporting period are shown under Non Current financial assets.
- 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 ₹ 7.87 Crores (31 March 2018 : ₹ 8.41 Crores)
For terms and conditions relating to related party receivables, refer Note 40.5.12
- Movement of impairment Allowance (allowance for bad and doubtful debts)

Particulars	₹ in Crs.
At 1 April 2017	12.10
Allowance made/(reversed) during the year	9.16
Acquisition through business combination (Refer Note 40.5.20)	1.92
written off	(0.02)
At 31 March 2018	23.16
Allowance made/(reversed) during the year	0.72
written off	(1.29)
At 31 March 2019	22.59

- Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
- 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.
- The carrying amount of the trade receivables include receivables which are subject to the export sales bill discounting arrangement. However, the Group has retained 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.

The relevant carrying amounts are as follows:-	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Total transferred receivables w.r.t. Bills discounted	13.07	16.50
Related secured borrowings (Refer Note 24)	13.07	16.50

Notes to the Consolidated Financial Statements

Note 11a : Cash and cash equivalents

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Balance with Bank		
Current accounts and debit balance in cash credit accounts	52.71	60.50
Fixed deposits with original maturity of less than 3 months	9.00	-
Cash on hand	0.03	0.03
Total	61.74	60.53

Note 11b : Other bank balances

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Unpaid dividend accounts	10.65	9.23
Deposits with original maturity of more than three months but less than 12 months	125.98	0.56
Total	136.63	9.79

1. Refer Note 40.5.16 for further details

Note 12 : Loans (Current)

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Loans to employees (unsecured, considered good)	0.19	0.34
Total	0.19	0.34

- Loans are measured at amortised cost.
- Loans are non-derivative financial assets carried at amortised cost which generate a fixed or variable interest income for the Group. The carrying value may be affected by changes in the credit risk of the counterparties.
- Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
- 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)**

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Security deposits (Unsecured, considered good)	1.08	0.02
Subsidy receivable under PSI scheme, 2001 (Refer Note 6.1)	33.59	30.16
Export incentive receivable	6.78	6.08
Others	2.90	4.75
Total	44.35	41.01

1. Other financial assets are measured at amortised cost.
2. Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
3. Refer Note 40.5.16 on risk management objectives and policies for financial instruments.

Note 14 : Assets held for sale (Current)

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Property, plant and equipment (net)	2.17	2.09
Total	2.17	2.09

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 ₹ 0.07 Crs (31 March 2018 : ₹ 0.06 Crs). The fair value of property, plant and equipment was determined based on its estimated realisable value.
3. The Parent Company has entered into MOU for transfer / sale of lease hold right on the land located at Ahmednagar. Subsequently, through an Supplementary dated 07.01.2019 of the said MOU, The Parent Company has received the total consideration amount of ₹ 18.74 Cr, as advance, disclosed in Note 27. Transfer / sale of lease hold right is subject to approval of MIDC. The Parent Company and proposed acquirer jointly filed an application with MIDC for seeking approval which is still pending. After receipt of approval from MIDC, final assignment deed will be executed for transfer / sale of lease hold right of the Parent Company on the land located at Ahmednagar in favour of proposed acquirer.

Note 15 : Current tax assets (net)

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Tax Paid in Advance (Net of Provision)	1.66	4.32
Total	1.66	4.32

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

Notes to the Consolidated Financial Statements

Note 16 : Other current assets

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Advance to suppliers	14.10	18.81
Sales tax / VAT / GST receivable (net)	69.94	95.91
Prepaid expenses	10.94	8.99
Other Current Assets	0.20	0.27
Total	95.18	123.98

Note 17 : Share capital

Authorised share capital

Equity shares of ₹2 each

Particulars	No. of shares	₹ in Crs.
At 1 April 2017	27,00,00,000	54.00
Increase/(decrease) during the year	-	-
At 31 March 2018	27,00,00,000	54.00
Increase/(decrease) during the year	-	-
At 31 March 2019	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 2017	14,46,14,326	28.92
Changes during the year	-	-
As at 31 March 2018	14,46,14,326	28.92
Changes during the year	-	-
As at 31 March 2019	14,46,14,326	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 2017	14,46,13,861	28.92
Changes during the year	-	-
As at 31 March 2018	14,46,13,861	28.92
Changes during the year	-	-
As at 31 March 2019	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.

Particulars	No. of shares	₹ in Crs.
As at 1 April 2017	465	0.00
Changes during the year	-	-
As at 31 March 2018	465	0.00
Changes during the year	-	-
As at 31 March 2019	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 2019		As at 31 March 2018	
	No. of shares	% of shareholding	No. of shares	% of shareholding
Atul Chandrakant Kirloskar	18,456,667	12.76	18,456,667	12.76
Rahul Chandrakant Kirloskar	17,732,902	12.26	17,732,902	12.26
Nalanda India Fund Limited	10,896,124	7.53	10,896,124	7.53
Kirloskar Industries Limited	8,210,439	5.68	8,210,439	5.68
Alpana Rahul Kirloskar	7,711,817	5.33	7,711,817	5.33
Jyotsna Gautam Kulkarni	12,985,432	8.98	25,970,864	17.96

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

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
CAPITAL REDEMPTION RESERVE	0.20	0.20
GENERAL RESERVE	608.39	608.39
FOREIGN CURRENCY TRANSLATION RESERVE	0.26	0.10
Opening Balance	0.10	0.09
Add : For the year	0.16	0.01
RETAINED EARNINGS	1,060.81	937.84
Opening Balance	937.84	979.57
Add : Profit for the year	219.17	139.72
Add : Other Comprehensive income / (Loss)	0.00	0.96
	219.17	140.68
Less : Appropriations		
Adjustment towards Present value of future purchase consideration payable	9.03	51.87
Final Dividend	36.15	72.31
Tax on final dividend	7.43	14.72
Interim Dividend	36.16	36.15
Tax on Interim Dividend	7.43	7.36
	96.20	182.41
Total	1,669.66	1,546.53

Other reserves

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Capital redemption reserve	0.20	0.20
General reserve	608.39	608.39
Foreign currency translation reserve	0.26	0.10
Retained Earnings	1,060.81	937.84
Total other reserves	1,669.66	1,546.53

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.

Notes to the Consolidated Financial Statements

3. Dividend distribution made and proposed

Particulars	2018-19	2017-18
Cash dividends on Equity shares declared and paid		
Final dividend 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 final dividend	7.43	14.72
Interim dividend for year ended 31 March 2019: ₹ 2.5 per share (31 March 2018: ₹ 2.5 per share)	36.16	36.15
Dividend distribution tax on Interim dividend	7.43	7.36
	87.17	130.54
Proposed dividends on Equity shares		
Final cash dividend proposed for the year ended 31 March 2019: ₹ 2.5 per share (31 March 2018: ₹ 2.5 per share)	36.15	36.15
Dividend distribution tax on proposed dividend	7.43	7.43
	43.58	43.58

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 Consolidated Financial Statements

Note 19 : Non-current Borrowings

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Interest bearing borrowings From Banks		
Term Loan	16.44	4.96
Vehicle Loan	0.15	0.23
Interest bearing borrowings From NBFC		
Vehicle Loan	0.10	0.28
Total	16.69	5.47
Aggregate secured borrowings	16.69	5.47

1. Borrowings are measured at amortised cost.

2. Term Loans from Banks

- (i) 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.
- (ii) Term Loan of ₹ 3 Crs to be repaid in 60 monthly installments of ₹ 0.05 Crs each starting from July 2016 at rate of interest 9.00%. Accordingly total ₹ 0.6 Crs have been repaid in the year 2018-19. The repayment obligation of future 12 months is reflected in Current maturity of Long term debts (Note 26).
- (iii) Term Loan of ₹ 7 Crs to be repaid in 60 monthly installments of ₹ 0.12 Crs each starting from November 2016 at rate of interest 9.00%. Accordingly total ₹ 1.4 Crs have been repaid in the year 2018-19. The repayment obligation of future 12 months is reflected in Current maturity of Long term debts (Note 26).
- (iv) Working Capital Term Loan of ₹ 14 Crs to be repaid in 60 monthly installments of ₹ 0.23 Crs each starting from May 2018 at rate of interest 9.00%. Accordingly total ₹ 2.57 Crs have been repaid in the year 2018-19. The repayment obligation of future 12 months is reflected in Current maturity of Long term debts (Note 26).
- (v) Working Capital Term Loan of ₹ 6 Crs to be repaid in 12 Quarterly installments of ₹ 0.5 Crs each starting from July 2018 at rate of interest 10.50%. Accordingly total ₹ 1.5 Crs have been repaid in the year 2018-19. The repayment obligation of future 12 months is reflected in Current maturity of Long term debts (Note 26).

Maturity profile of Term Loans from Banks and NBFC (Current and Non-Current)

₹ in Crs.

Period	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Less than Three Months	2.05	0.50
More Three Months Up to One Year	6.15	1.50
More than One Year Up to Three Years	13.40	4.00
More than Three Years Up to Five Years	3.03	0.97

3. Loan for Purchase of Vehicles - Banks

Loans for purchase of vehicles are secured against Hypothecation of vehicles

4. Loan for Purchase of Vehicles - NBFC

Loans for purchase of vehicles are secured against Hypothecation of vehicles

These loans are to be repayed in 36 to 60 monthly installments at an agreed installment rates as per respective sanction terms.

Notes to the Consolidated Financial Statements**Maturity profile of Vehicle Loans from Banks and NBFC (Current and Non-Current)**

₹ in Crs.

Period	As at 31 March 2019	As at 31 March 2018
Less than Three Months	0.03	0.07
More Three Months Up to One Year	0.11	0.19
More than One Year Up to Three Years	0.25	0.41
More than Three Years Up to Five Years	-	0.10

- For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 40.5.16
- Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
- 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 2019	As at 31 March 2018
Deposits from customers and others	18.06	18.03
Present value of future purchase consideration payable	80.10	70.61
Total	98.16	88.64

- Deposits from Customers and others are measured at amortised cost.
- Present value of future purchase consideration payable (Refer Note -40.5.20)
- Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
- For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, Refer to Note 40.5.16

Note 21 : Long-term provisions

₹ in Crs.

Particulars	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits	20.99	18.70
Provision for gratuity	0.03	-
Provision for leave encashment	18.09	15.92
Provision for pension and other retirement benefits	2.87	2.78
Other provisions	11.92	11.68
Provision for warranty	11.92	11.68
Total	32.91	30.38

For additional disclosures Refer Note 28 (Short-term provisions)

Notes to the Consolidated Financial Statements

Note 22: Deferred Tax Liability (Net)

₹ in Crs.

Particulars	As at	As at
	31 March 2019	31 March 2018
Deferred Tax Liability	47.69	50.55
Depreciation	45.79	49.06
Others	1.90	1.49
Less : Deferred Tax Assets	29.01	28.58
Disallowances u/s 43 B of Income Tax Act	11.92	9.46
Provision for Doubtful debts & advances	7.89	8.09
VRS Compensation	0.74	1.47
Amalgamation/Demerger Expenses	2.93	2.65
Carried Forward Business Loss	2.06	5.76
MAT Credit Entitlement	1.92	-
Others	1.55	1.15
Total	18.68	21.97

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

₹ in Crs.

Particulars	As at	As at
	31 March 2019	31 March 2018
Opening balance as of 1 April	(21.97)	(11.69)
Tax income/(expense) during the year recognised in profit or loss	1.37	11.96
Acquisition through business combination (Refer Note 40.5.20)	-	(21.75)
MAT Credit	1.92	-
Tax income/(expense) during the year recognised in OCI	0.00	(0.49)
Closing balance as at 31 March	(18.68)	(21.97)

2. Tax Losses

₹ in Crs.

Particulars	As at	As at
	31 March 2019	31 March 2018
Unused tax losses for which no Deferred Tax Assets have been recognised- Long Term capital loss on sale of Mutual Fund units	17.93	17.93
Potential Tax benefit	4.18	4.18

- 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.
- During the year ended 31 March 2019 and 31 March 2018, the Parent Company has paid dividend to its shareholders. This has resulted in payment of dividend distribution tax (DDT) to the taxation authorities. The Parent 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.
- There is no change in the applicable tax rate of 34.944 % compared to the previous year (31 March 2018: 34.944%)
- The unused tax losses were incurred by the group on sale on Long term units of Mutual Fund and sale of land in which group 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 .
- The deferred tax liability is not recognized on 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 foreseeable 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	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Advance from customers (Refer Note 40.5.19)	6.74	-
Revenue received in advance (Refer Note 40.5.19)	1.65	4.93
Total	8.39	4.93

Note 24 : Borrowings

₹ in Crs.

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Secured Interest bearing borrowings From Banks		
Loans: Export sales bill discounted	13.07	16.50
Cash credit	41.71	16.19
Working Capital Demand Loan	-	37.00
Unsecured loans		
From Bank	10.00	29.50
From NBFC	-	34.82
Total	64.78	134.01
Aggregate secured borrowings	54.78	69.69
Aggregate unsecured borrowings	10.00	64.32

- Borrowings are measured at amortised cost.
- Parent Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crores are secured to the extent of ₹ 410 Crores 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).
- Indian Subsidiary La Gajjar Machinerics Pvt Ltd. fund and non fund based working capital facilities of ₹ 126.48 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.
- Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
- For explanations on the Group's Interest risk, foreign currency risk and liquidity risk management processes, refer to Note 40.5.16

Notes to the Consolidated Financial Statements

Note 25 : Trade and other payables

₹ in Crs.

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Acceptances	26.90	23.40
Due to micro, small and medium enterprises	56.37	43.32
Due to other than micro, small and medium enterprises	355.33	421.94
Total	438.60	488.66

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. Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
4. For explanations on the Group's Foreign currency risk and liquidity risk management processes, refer to Note 40.5.16

Note 26 : Other financial liabilities (Current)

₹ in Crs.

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Unclaimed dividends	10.66	9.23
Payable for capital purchases	16.30	19.96
Employee benefits payable	33.59	28.41
Current Maturities of Non-Current Borrowings	8.34	2.26
Interest Accrued but Not Due	0.04	0.74
Others	5.83	7.78
Total	74.76	68.38

1. Other financial liabilities are measured at amortised cost except for 31 March 2019 : Nil (31 March 2018 : ₹ 0.85 Crs) measured at FVTPL, refer to Note 40.5.15
2. Refer Note 40.5.14 for fair value disclosure of financial assets and financial liabilities and Note 40.5.15 for fair value hierarchy.
3. For explanations on the Group's Interest risk, Foreign currency risk and liquidity risk management processes, refer to Note 40.5.16

Notes to the Consolidated Financial Statements**Note 27 : Other Current liabilities**

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Revenue received in advance	5.28	3.92
Advance from customers	38.09	8.60
Advance against asset held for sale	18.76	-
Statutory dues (TDS,GST,VAT, Excise, Service Tax, Octroi etc)	16.20	6.90
Others	0.07	0.08
Total	78.40	19.50

Note 28 : Short-term provisions

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
Provision for employee benefits	11.81	11.44
Provision for gratuity	0.22	0.57
Provision for leave encashment	11.16	10.44
Provision for pension and other retirement benefits	0.43	0.43
Others	62.26	50.22
Provision for warranty	38.67	34.76
Tax provision (Net of tax paid in advance)	7.96	-
Other Provision	15.63	15.46
Total	74.07	61.66

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 except for Indian Subsidiary Kirloskar Capital Limited.

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 Group'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 2019	As at 31 March 2018
Current	62.26	50.22
Non-current	11.92	11.68
	74.18	61.90

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 2017	34.20
Arising during the year	46.87
Acquisition through business combination (Refer Note 40.5.20)	9.28
Utilised	43.79
Unused amount reversed	0.12
At 31 March 2018	46.44
Arising during the year	58.24
Utilised	54.04
Unused amount reversed	0.05
At 31 March 2019	50.59

- 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 Crores 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 Crores 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 Crores 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 2017	15.05
Arising during the year	0.48
Utilised	0.07
Unused amount reversed	-
At 31 March 2018	15.46
Arising during the year	0.62
Utilised	0.41
Unused amount reversed	0.04
At 31 March 2019	15.63

Note 29 : Government grant

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
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).

Particulars	₹ in Crs.	
	As at 31 March 2019	As at 31 March 2018
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

Particulars	₹ in Crs.	
	2018-2019	2017-2018
Sales and services	3,529.11	3,077.26
Sale of products	3,440.62	3,011.92
Sale of services	88.49	65.34
Operating income	98.56	33.53
Sale of scrap	18.44	12.85
Government grant income (Refer Note 6.1)	51.52	-
Commission received	1.29	1.39
Export incentives	13.25	10.20
Sundry credit balances written back	0.61	4.95
Provisions no longer required written back	4.44	1.80
Miscellaneous receipts	9.01	2.34
Total	3,627.67	3,110.79

1. In Previous years Sales of Products net of excise duty was ₹ 2,956.59 Crs (Excise duty collected from customers of ₹ 55.33 Crs)
2. Excise Duty was applicable till 30 June 2017.
3. Export incentives includes incentive under EPCG scheme amounting to NIL (Previous year ₹ 0.01 Crores)
4. Refer Note 40.3.1 & 40.4.18

Note 31 : Other income

Particulars	₹ in Crs.	
	2018-2019	2017-2018
Interest	9.06	15.48
On Income Tax and Sales Tax Refund	0.42	12.34
On Bank Deposits	5.64	0.18
Unwinding of interest on security deposits	1.99	1.78
On others	1.01	1.18
Dividend income from equity investments designated at fair value through other comprehensive income	0.00	0.00
Net gain on financial instruments mandatorily measured at fair value through profit or loss	1.74	2.78
Gain on Sale of Mutual Fund (mandatorily measured at fair value through profit or loss)	49.45	51.21
On current investments (net)	49.45	51.00
On non-current investments	-	0.21
Gain on Exchange difference	2.92	0.99
Income from investment property	-	0.10
Miscellaneous income	2.30	1.24
Total	65.47	71.80

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.

Notes to the Consolidated Financial Statements**Note 32 : Cost of raw materials and components consumed**

Particulars	₹ in Crs.	
	2018-2019	2017-2018
Raw materials and components consumed	1,673.73	1,573.40
Total	1,673.73	1,573.40

Note 33 : Purchases of Traded goods

Particulars	₹ in Crs.	
	2018-2019	2017-2018
Engines and Gensets	149.61	55.23
K-Oil	115.20	105.23
Alternators, Batteries and Others	368.08	243.28
Total	632.89	403.74

Note 34 : Changes in inventories of finished goods, work-in-progress and traded goods

Particulars	₹ in Crs.	
	2018-2019	2017-2018
Opening inventory	175.57	155.91
Work-in-process	41.55	36.28
Finished goods	95.30	98.33
Traded goods	38.72	21.30
Closing Inventory	153.33	175.57
Work-in-process	35.87	41.55
Finished goods	58.11	95.30
Traded goods	59.35	38.72
Changes in inventory	22.24	(19.66)
Increase/(decrease) in excise duty of finished goods	-	(2.14)
Total	22.24	(21.80)

Note 35 : Employee benefits expense

Particulars	₹ in Crs.	
	2018-2019	2017-2018
Salaries, wages, bonus, commission, etc.	206.68	185.41
Gratuity (Refer Note 40.5.10)	4.03	3.58
Contribution to provident and other funds	12.31	12.48
Welfare and training expenses	19.54	20.25
Provident and other funds expenses	0.35	0.52
Total	242.91	222.24

Notes to the Consolidated Financial Statements

Note 36 : Finance costs

Particulars	₹ in Crs.	
	2018-19	2017-18
Interest and Bill discounting charges	9.07	6.61
Interest expense - others	2.96	3.11
Other Bank charges	2.49	1.83
Total	14.52	11.55

Note 37 : Depreciation and amortization expense

Particulars	₹ in Crs.	
	2018-19	2017-18
Depreciation and amortization expense	94.26	123.16
Depreciation on Tangible assets	66.95	99.43
Depreciation on Investment properties	-	0.11
Amortization on Intangible assets	27.31	23.62
Amortisation of leasehold land	0.14	0.14
Total	94.40	123.30

Notes to the Consolidated Financial Statements**Note 38 : Other expenses**

Particulars	₹ in Crs.	
	2018-19	2017-18
Manufacturing expenses	290.99	252.83
Stores consumed	83.36	81.59
Power and fuel	26.52	22.74
Machinery spares	8.78	8.05
Repairs to machinery	8.65	8.49
Job work charges	32.22	34.70
Labour charges	55.06	38.59
Cost of services	64.93	43.31
Others manufacturing expenses	11.47	15.36
Selling expenses	189.24	162.77
Commission	14.85	12.86
Freight and forwarding	81.95	67.87
Warranty	58.50	46.82
Royalty	7.59	7.40
Advertisement and publicity	20.71	10.99
Provision for doubtful debts & advances (net)	1.99	9.25
Others selling expenses	3.65	7.58
Administration expenses	203.11	198.81
Rent	41.74	47.31
Rates and taxes	3.24	1.51
Insurance	1.55	1.20
Repairs to building	2.15	3.18
Other repairs and maintenance	35.36	35.98
Travelling and conveyance	29.90	28.67
Communication expenses	4.92	4.87
Printing and stationery	1.75	1.72
Professional charges	48.92	40.27
Auditor's remuneration (Refer Note No.40.5.6)	0.84	0.75
Donations	0.18	0.30
Spend on CSR activities (Refer Note 40.5.18)	4.59	4.53
Non executive directors' fees / commission	2.55	2.42
Miscellaneous expenses	21.37	22.57
Loss on assets sold, demolished, discarded and scrapped	1.96	(0.22)
Bad debts and irrecoverable balances written off	2.09	3.75
Total	683.34	614.41

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 2019 and 31 March 2018. The note further describes the significant estimates made in relation to Group's income tax position, and also explains how the income tax expense is impacted by non-assessable and non-deductible items.

₹ in Crs.		
Particulars	2018-19	2017-18
Current tax	113.21	78.28
Current income tax	115.24	76.95
MAT credit utilised	(1.92)	-
(Excess)/short provision related to earlier years	(0.11)	1.33
Deferred tax	(1.37)	(11.96)
Relating to origination and reversal or temporary difference	(1.37)	(11.96)
Income tax expense reported in the statement of profit and loss	111.84	66.32

Other Comprehensive Income (OCI)

₹ in Crs.

Particulars	2018-19	2017-18
Deferred tax related to items recognised in OCI during the year		
Net loss/(gain) on actuarial gains and losses	0.00	0.49
Deferred tax charged to OCI	0.00	0.49

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 2019 and 31 March 2018.

Current tax

₹ in Crs.

Particulars	2018-19	2017-18
Accounting profit before income tax expense	331.46	202.54
Tax @ 34.944% (31 March 2018 : 34.608 %)	115.83	70.09
Tax effect of adjustments in calculating taxable income:	(3.99)	(3.77)
Corporate Social Responsibility expenses/Donations (net)	0.89	0.88
Debit Balances written Off	0.19	2.13
Interest on MSMED	0.28	0.02
Dividend Received	0.00	0.00
Weighted Deduction of research & development expenditure (net)	(9.53)	(10.63)
Profit on Sale of Investment	-	(0.03)
(Excess)/short provision related to earlier years	(0.11)	1.33
Difference in tax rate	0.48	(0.16)
Warranty	0.60	0.80
Other Disallowances/(allowances)	3.21	1.89
At the effective income tax rate of 33.74% (31 March 2018 : 32.74%)	111.84	66.32

NOTE 40: NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2019

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 ₹ 253.78 Crores in "La Gajjar Machineries Private Limited." to acquire 76% shares 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-Aug-2017.

During FY 2018-19, the parent has invested ₹ 27 Crores in "Kirloskar Capital Limited." The Company is registered as a non-banking financial institution and has obtained certificate of registration from Reserve Bank of India bearing no. N-13.02282 dated 29 October 2018 in pursuance of Section 45-IA of the 'RBI' Act, 1934. With this, "Kirloskar Capital Limited." is 100% subsidiary of Kirloskar Oil Engines Limited, India with effect from 20 April 2018.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 17th May 2019.

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 accrual basis following historical cost convention, except for certain financial instruments that are measured at fair value in accordance with Ind AS.

2a. 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:

- 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".
- 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.
- 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.
- Particulars of subsidiaries 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 Machinerics Pvt. Ltd.	India	76%	Subsidiary
Kirloskar Capital Limited	India	100%	Subsidiary

- 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 Machinerics 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 Company was eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001 from 1 April 2008 to 31 March 2017. The Company has received an extension of the said scheme of incentives, for a further period of 2 years i.e. till 31 Mar 2019 along with the extension of original operative period by 2 years and compliances thereof. 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.

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.

Revenue Recognition

The Group recognises revenue for each performance obligation either at a point in time or over a time. In case of performance obligation is satisfied over a time, the output method is used to determine the revenue since it is faithfully depicting the group's performance towards complete satisfaction of performance obligation. Practical expedient of "right to consideration" is also considered while recognizing revenue in the amount to which the entity has right to invoice.

In case performance obligation is satisfied at a point in time, the group generally recognises revenue when the control is transferred i.e. in case of good either on shipment or upon delivery in domestic & on date of billing in case of export. In case of services, the revenue is recognized based on completion of distinct performance obligation. Refer significant accounting policy note 40.4.18 on revenue recognition for information about methods, input and assumptions w.r.t transaction price & variable consideration.

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	
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 & 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	3-10	Life as prescribed under Schedule-II of Companies Act, 2013/Supported by Technical Evaluation

Asset Category	Life in Years	Basis for useful life
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 2019, properties, Plant & Equipment with a carrying amount of ₹ 16.07 Crs (31st March 2018 ₹ 19.23 Crs) 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 to 7 years
4	Technical Knowhow - Internally generated	3 to 5 years
5	Brand	15 Years
6	Customer Relationship	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 amortised 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.

Original classification	Revised classification	Accounting treatment
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 115

The Group follows 'simplified approach' for recognition of impairment loss allowance on:

- Trade receivables resulting from transactions within the scope of Ind-AS 115, if they do not contain a significant financing component.
- Trade receivables or contract assets resulting from transactions within the scope of Ind AS 115 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) 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 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 revalored 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

Sale of Goods & Services:

The Group recognizes revenue, when or as control over distinct goods or services is transferred to the customer; i.e. when the customer is able to direct the use of the transferred goods or rendering of services and obtains substantially all of the remaining benefits, provided a contract with enforceable rights and obligations exists and amongst others collectability of consideration is probable taking into account our customer's creditworthiness.

Revenue is the transaction price the group expects to be entitled to. Variable consideration is included in the transaction price if it is highly probable that a significant reversal of revenue will not occur once associated uncertainties are resolved.

The variable consideration is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when any uncertainty is subsequently resolved. The amount of variable consideration is calculated by either using the expected value or the most likely amount depending on which it is expected to better predict the amount of variable consideration.

Consideration is adjusted for the time value of money if the period between the transfer of goods or services and the receipt of payment exceeds twelve months and there is a significant financing benefit either to the customer or the group.

Performance obligations are identified based on individual terms of contract. If a contract contains more than one distinct good or service, the transaction price is allocated to each performance obligation based on relative stand-alone selling prices. The group reasonably estimates the stand-alone selling prices if such prices are not observable. For each performance obligations identified as above the revenue is recognised either at a point in time or over time. When the group's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis over time.

The incremental cost to obtain a contract are recognised as an asset if the group expects to recover those cost over the period of contract. Group recognises the incremental costs of obtaining a contract as an expense, when incurred, if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

Export incentive

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.

Interest Income

Interest Income from a Financial Asset s is recognized using effective interest rate method.

Dividend Income

Dividend Income is recognized when the Group's right to receive the amount has been established.

Income from operating lease

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms except the cases where incremental lease reflects the inflationary effect and rental income is accounted in such case by actual rent for the period.

4.19. 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 is treated as grant related income and is 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, electric pumps and parts thereof (Engines and Electric Pumps Business Segments) 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 Engines and Electric Pumps Segment based on sales of engines and electric pumps 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.)

Particulars	As at 31 Mar 2019	As at 31 Mar 2018
(A) Contingent Liabilities not provided for		
a. Disputed Central Excise Demands	16.30	33.74
b. Disputed Sales Tax & Octroi Demands	10.18	10.58
c. Disputed Customs Duty Demands	0.86	0.86
d. Disputed Income Tax Liability – matter under appeal	10.07	12.84
e. Claims against Group not acknowledged as debts	61.36	60.28
f. Disputed ESI Demands	0.35	0.35
	99.12	118.65

(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 0.75 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 2019.

5.2 Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances) 19.90 30.70

5.3 Other Commitments
Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis 10.10 22.36

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 9.37 8.26

b Aggregate amount of Bank Guarantees outstanding (related to Subsidiary) 15.43 27.19

5.5 Commitments and contingencies

a. Leases

Operating lease commitments- Group as a lessee

The Subsidiary company La Gajjar Machineries Pvt. Ltd. and Kirloskar Capital Limited has entered into a non-cancellable operating lease.

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 2019	31st March 2018
Within One year	2.70	1.00
Less than one year but not later than Five Year	6.40	1.33
Later than Five Year	-	-
Total	9.10	2.33

During the F.Y. 2017-18 La Gajjar Machinerics 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 Machinerics Pvt. Ltd are operated in the said premises.

- The existing contract is valid for the period of 5 years with an initial lock-in period of 3 years.
- 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	2018-19	2017-18
A	Statutory Auditors		
	a. As Auditors	0.67	0.53
	Audit and assurance Fees	0.51	0.41
	Tax Audit Fees	0.08	0.07
	Limited Review	0.08	0.05
	b. Certification fees & Assurance Services	0.06	0.12
	c. Reimbursement of expenses	0.01	0.01
	TOTAL (A)	0.74	0.66
B	Cost Auditors		
	a. As auditors	0.10	0.09
	b. In other capacity		
	Certification fees	0.00	0.00
	Reimbursement of expenses	0.00	0.00
	TOTAL (B)	0.10	0.09
	Grand Total (A+B)	0.84	0.75

5.7 The Sales for the current year includes an amount of ₹ 3.44 Crores (PY ₹ 15.45 Crs) 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 Mar 2019. The disclosure pursuant to the said Act is as under.

(₹ in Crs.)

Particulars	2018-19	2017-18
Total outstanding to MSME suppliers	54.36	42.15
Payment made to suppliers (other than interest) beyond the appointed day, during the year	84.08	32.90
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.85	0.93
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	2.01	1.17

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	2018-19	2017-18
A	Revenue Expenditure		
	Manufacturing Expenses :		
	Raw Material, Store, Spares & Tools Consumed	25.59	23.03
	Machinery Repairs	0.91	0.86
	Payments to & Provision for Employees :		
	Salaries, Wages, Bonus, Allowances, etc.	11.31	10.99
	Contribution to Provident & Other Funds & Schemes	0.72	0.77
	Other Benefits	0.04	0.05
	Utilities :		
	Power Charges	4.62	3.56
	Helper Charges	0.30	0.31
	Water Charges	-	0.02
	Other Expenses :		
	EDP Expenses	1.55	1.79
	Travelling & Conveyance Expenses	0.84	0.71
	Other Expense (net)	0.52	1.14
	Repairs	0.55	0.68
	Sub Total (A)	46.95	43.91
B	Capital Expenditure	7.65	17.78
C	Less: Amount received from sale of Prototypes / Cost (whichever is higher)	0.01	0.00
D	Total Eligible Research & Development Expenditure (A+B-C)	54.59	61.69

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 ₹ 12.31 Crs. (31 March 2018: ₹ 12.48 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:

- Gratuity
- Pension, Post retirement medical scheme and Long-term award scheme

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

(₹ In Crs)

Particulars	Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income								
	1 April 2018	Acquired in business combination 1 Aug 2017	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	Contributions by employer	31 March 2019
Gratuity													
Defined benefit obligation	(40.57)	-	(4.20)	(3.08)	(7.28)	2.24	-	0.33	(2.23)	2.06	0.16	-	(45.46)
Fair value of plan assets	41.79	-	-	3.28	3.28	(2.18)	-	-	0.27	(0.30)	(0.03)	2.70	45.57
Benefit liability	1.22	-	(4.20)	0.20	(4.00)	0.06	-	0.33	(1.94)	1.76	0.13	2.70	0.11
Pension, Post retirement medical scheme and Long-term award scheme													
Defined benefit obligation	(3.21)	-	(0.06)	(0.24)	(0.30)	0.34	-	0.10	(0.06)	(0.18)	(0.14)	-	(3.31)
Fair value of plan assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Benefit liability	(3.21)	(0.06)	(0.24)	(0.24)	(0.30)	0.34	-	0.10	(0.06)	(0.18)	(0.14)	-	(3.31)
Total benefit liability	(1.99)	(4.26)	(0.04)	(0.40)	(4.30)	0.40	-	0.43	(2.00)	1.58	(0.01)	2.70	(3.20)

31 March 2018 : Changes in defined benefit obligation and plan assets

(₹ In Crs)

Particulars	Gratuity cost charged to statement of profit and loss				Remeasurement gains/(losses) in other comprehensive income								
	1 April 2017	Acquired in business combination 1 Aug 2017	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	Contributions by employer	31 March 2018
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)	(0.19)	(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)

C. Other long-term employment benefits

The Company has Compensated Absences plan which is covered by other long-term employment benefits

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

(₹ in Crs.)

Particulars	April 1, 2018	Cost charged to statement of profit and loss				Benefit paid	Contributions by employer	March 31, 2019
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 35)			
Compensated absences								
Defined benefit obligation	(26.01)	(3.67)	(1.95)	0.63	(4.99)	2.09	-	(28.91)
Fair value of plan assets	-	-	-	-	-	-	-	-
Benefit liability	(26.01)	(3.67)	(1.95)	0.63	(4.99)	2.09	-	(28.91)

March 31, 2018 : Changes in defined benefit obligation and plan assets of Compensated absences

(₹ in Crs.)

Particulars	April 1, 2017	Cost charged to statement of profit and loss				Benefit paid	Contributions by employer	March 31, 2018
		Service cost	Interest cost	Actuarial changes arising from various assumption	Sub-total included in statement of profit and loss (Note 35)			
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)

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 March 31, 2019	Year ended March 31, 2018
Special Deposit Scheme	7.86	7.28
(%) of total plan assets	17%	17%
Insured managed funds	2.76	2.18
(%) of total plan assets	6%	5%
Others	34.95	32.34
(%) of total plan assets	77%	77%

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

Particulars	Year ended 31 March 2019	Year ended 31 March 2018
Discount rate	7.5% - 7.79%	7.78% - 7.8%
Future salary increase	6.50% - 8.00%	6.50% - 7.50%
Expected rate of return on plan assets	7.79% - 7.80%	7.10% - 7.78%
Expected average remaining working lives (in years)		
Gratuity	10.23-15	7.84 - 15
Pension, Post retirement medical scheme and Long-term award scheme	9.54 - 12.60	6.42 - 10.42
Compensated Absences	10.23-11.88	7.84
Withdrawal rate (based on grade and age of employees)		
Gratuity	0%-12%	4% - 11%
Pension, Post retirement medical scheme and Long-term award scheme	0%-12%	11.00%
Compensated Absences	0%-12%	11.00%

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 2019 (₹ in Crs)	Year ended 31 March 2018 (₹ in Crs)
Discount rate	1% Increase	3.12	2.14
	1% Decrease	(3.58)	(2.39)
Future salary increase	1% Increase	(3.10)	(2.00)
	1% Decrease	2.76	1.82
Withdrawal rate	1% Increase	0.07	(0.05)
	1% Decrease	(0.03)	0.06

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	Year ended March 31, 2019 (₹ in Crs)	Year ended March 31, 2018 (₹ in Crs)
Discount rate	1% Increase	0.17	0.18
	1% Decrease	(0.19)	(0.20)
Withdrawal rate	1% Increase	0.01	0.09
	1% Decrease	0.12	(0.08)

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 March 31, 2019 (₹ in Crs)	Year ended March 31, 2018 (₹ in Crs)
Within the next 12 months (next annual reporting period)		
Gratuity	7.00	7.60
Pension, Post retirement medical scheme and Long-term award scheme	0.43	0.40
Between 2 and 5 years		
Gratuity	19.38	22.70
Pension, Post retirement medical scheme and Long-term award scheme	1.79	1.81
Beyond 5 years		
Gratuity	23.68	21.09
Pension, Post retirement medical scheme and Long-term award scheme	2.26	2.29
Total expected payments	54.54	55.89

Weighted average duration of defined plan obligation (based on discounted cash flows)

Particulars	Year ended March 31, 2019	Year ended March 31, 2018
Gratuity	10 - 10.43	7.64 - 10
Pension, Post retirement medical scheme and Long-term award scheme	8.66 -12.25	10.49-14.04

The followings are the expected contributions to planned assets for the next year:

Particulars	Year ended March 31, 2019 (₹ in Crs)	Year ended March 31, 2018 (₹ in Crs)
Gratuity	2.57	3.60

5.11. The Group's operating business predominantly relates to manufacture of internal combustion engines, gensets, electric pumps and parts thereof and hence the Group has considered "Engines" and "Electric Pumps" as the two reportable segments.

A. Profit (before exceptional items and tax) of reportable segment (₹ in Crs.)

2018-19					
Particulars	Engines	Electric Pumps	Other Segments	Other Reconciling amounts	Consolidated Total
Segment Revenue	2997.34	488.99	140.52	0.82	3627.67
Total revenue	2997.34	488.99	140.52	0.82	3627.67
Profit before exceptional items and tax	301.93	7.07	(21.82)	44.28	331.46
Depreciation and Amortisation	67.31	21.47	3.44	2.18	94.40
Interest expense	4.11	10.31	0.10	-	14.52

(₹ in Crs.)

2017-18					
Particulars	Engines	Electric Pumps	Other Segments	Other Reconciling amounts	Consolidated Total
Segment Revenue	2741.72	252.18	112.09	4.80	3110.79
Total revenue	2741.72	252.18	112.09	4.80	3110.79
Profit before exceptional items and tax	182.48	(20.23)	(13.10)	53.39	202.54
Depreciation and Amortisation	102.10	14.82	3.32	3.06	123.30
Interest expense	3.29	8.17	0.09	-	11.55

B. Capital employed of reportable segment (₹ in Crs.)

As at 31st March 2019					
Particulars	Engines	Electric Pumps	Other Segments	Other Reconciling amounts	Consolidated Total
Assets	1093.00	446.24	92.97	972.66	2604.87
Total Assets (I)	1093.00	446.24	92.97	972.66	2604.87
Liabilities	548.28	173.77	44.60	139.64	906.29
Total Liabilities (II)	548.28	173.77	44.60	139.64	906.29

(₹ in Crs.)

As at 31st March 2018					
Particulars	Engines	Electric Pumps	Other Segments	Other Reconciling amounts	Consolidated Total
Assets	1136.07	506.16	52.80	804.87	2499.90
Total Assets (I)	1136.07	506.16	52.80	804.87	2499.90
Liabilities	549.04	237.74	21.04	116.63	924.45
Total Liabilities (II)	549.04	237.74	21.04	116.63	924.45

C. Geographical based bifurcation of operating segments revenue (₹ in Crs.)

Geographical Area	2018-19	2017-18
Domestic	3304.76	2863.80
Export	322.09	242.19
Total	3626.85	3105.99

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 sales/business operations of farm equipment, spares thereof and financial services.

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
		Beluga Whale Capital Management Pte Limited
		Snow Leopard Technology Ventures LLP
3	Promoter/Promoter group which hold(s) 10% or more shareholding	Atul C. Kirloskar
		Rahul C. Kirloskar

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 (Managing Director & Chief Executive Officer)	Veena R. Deshpande	Wife
		Kaustubh R. Deshpande	Son
		Sourabh R. Deshpande	Son

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

Sr. No.	Nature of the transaction / relationship / major parties	2018-19		2017-18	
		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	Sales Return				
	Entity controlled by Key Managerial Personnel	0.00		-	
	Kirloskar Solar Technologies Pvt. Ltd.		0.00		-
	Total	0.00	0.00	-	-
3	Purchases of Fixed Assets				
	Entity controlled by Key Managerial Personnel	-		24.92	
	Kirloskar Solar Technologies Private Limited		-		24.92
	Total	-	-	24.92	24.92
4	Purchases of goods				
	Entity controlled by Key Managerial Personnel	1.33		2.53	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		1.33		2.53
	Total	1.33	1.33	2.53	2.53
5	Rendering of Services from				
	Key Management Personnel	14.98		13.46	
	Atul C. Kirloskar		6.33		4.43
	Gautam A. Kulkarni		-		1.11
	Nihal G. Kulkarni		3.21		4.30
	Rajendra R. Deshpande		5.44		3.62
	Close member of Key Managerial Personnel	0.40		0.28	
	Rahul C. Kirloskar		0.09		0.18
	Gauri A. Kirloskar (Kolenaty)		0.31		0.10

Sr. No.	Nature of the transaction / relationship / major parties	2018-19		2017-18	
		Amount	Amount from major parties	Amount	Amount from major parties
	Entity controlled by Key Managerial Personnel	22.69		21.82	
	Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		22.69		21.82
	Total	38.07	38.07	35.56	35.56
6	Expenses paid to				
	Entity controlled by Key Managerial Personnel	0.45		-	
	Kirloskar Solar Technologies Private Limited		0.45		-
	Total	0.45	0.45	-	-
7	Reimbursement/ (Recovery) of expenses				
	Entity controlled by Key Managerial Personnel	0.09		-	
	Kirloskar Solar Technologies Private Limited		0.09		-
	Total	0.09	0.09	-	-
8	Interim Dividend and Final Dividend Paid				
	Key Management Personnel	9.32		23.17	
	Atul C. Kirloskar		9.23		13.84
	Gautam A. Kulkarni		-		9.20
	Nihal G. Kulkarni		0.08		0.12
	Rajendra R. Deshpande		0.01		0.01
	Close member of Key Managerial Personnel	25.42		28.93	
	Rahul C. Kirloskar		8.87		13.30
	Arti A. Kirloskar		3.53		5.30
	Jyotsna G. Kulkarni		12.99		10.28
	Suman C. Kirloskar		0.03		0.05
	Entity controlled by Key Managerial Personnel	0.04		0.06	
	Achyut & Neeta Holdings & Finance Pvt. Ltd.		0.04		0.05
	Navsai Investments Pvt. Ltd.		0.00		0.00
	Entity controlled by Close Member of Key Managerial Personnel	0.00		0.00	
	Alpak Investments Private Limited		0.00		0.00
	Total	34.78	34.78	52.16	52.16

Sr. No.	Nature of the transaction / relationship / major parties	As at 31st March 2019		As at 31st March 2018	
	Outstanding				
1	Accounts Payable				
	Key Management Personnel				
	Commission	9.25		7.20	
	Atul C. Kirloskar		4.00		2.40
	Gautam A. Kulkarni		-		-
	Nihal G. Kulkarni		1.25		2.40
	Rajendra R. Deshpande		4.00		2.40
	Close member of Key Managerial Personnel	0.35		0.18	
	Rahul C. Kirloskar		0.06		0.12
	Gauri A. Kirloskar (Kolenaty)		0.29		0.06
	Superannuation	0.10		0.13	
	Atul C. Kirloskar		0.05		0.05
	Gautam A. Kulkarni		-		-
	Nihal G. Kulkarni		0.04		0.05
	Rajendra R. Deshpande		0.01		0.03
	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	0.80		4.99		
Kloudq Technologies Limited (Formerly known as Kloudworks Consulting Services Ltd.)		0.76		1.45	
Kirloskar Solar Technologies Private Limited		0.04		3.54	
Total	10.50	10.50	12.54	12.54	
2	Accounts Receivable				
	Entity controlled by Key Managerial Personnel	-		0.00	
	Kirloskar Solar Technologies Pvt. Ltd.		-		0.00
	Total	-	-	0.00	0.00

Transactions with Related parties are inclusive of Indirect Taxes, wherever applicable.

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 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (31 March 2018: ₹ 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 2019 (31 March 2018 : ₹ Nil)

Transactions with key management personnel

Compensation of key management personnel of the Group

(₹ in Crs.)

Particulars	2018-19	2017-18
Short-term employee benefits	14.49	12.91
Post employment benefits	0.49	0.55
Other long-term employment benefits	-	-
Termination Benefits	-	-
Total compensation paid to key management personnel	14.98	13.46

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	2018-19	2017-18
Profit for the year after taxation attributable to owners of the Company (₹ in Crs.)	219.17	139.72
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 ₹)	15.16	9.66

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 w.r.t. fair value measurement hierarchy for assets and liabilities as at 31 March 2019 and 31 March 2018

(₹ in Crs)

Particulars	Fair value measurement using			
	Total	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
As at 31 March 2019				
Assets measured at fair value				
Investments				
Fair value through profit or loss				
Unquoted mutual fund (Note 9)	711.21	-	711.21	-
Fair value through OCI				
Unquoted equity shares (Note 4)	0.01	-	-	0.01
Assets held for disposal (Note 14)	2.17	-	-	2.17
Liabilities measured at fair value				
Contingent consideration for acquisition of Investment in subsidiary company *(Note 26)	-	-	-	-
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 *(Note 26)	0.85	-	-	0.85

* The Parent 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 Parent company does not expect any material variation in these unobservable inputs.

Fair Value measurements using significant unobservable inputs (Level 3)

(₹ in Crs)

Particular	*Contingent Consideration
As at 31 March 2017	-
Acquisition of subsidiary	0.85
As at 31 March 2018	0.85
Unwinding of interest recognized as Finance cost	0.14
Discharge of Contingent Consideration	0.82
Net Gain/(losses) recognized in profit or loss	(0.17)
As at 31 March 2019	-

Movement in fair value measurement of unquoted equity share and asset held for sale is not material.

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 2019 and 31 March 2018.

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 2019 and 31 March 2018 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 31 st March 2019	As at 31 st March 2018
Long Term Fixed Interest Loans	0.39	0.76
Short Term Fixed Interest Loans	10.00	-
Long Term Floating Interest Loans	24.63	6.97
Short Term Floating Interest Loans	54.78	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, 2019	+50 bps	(0.62)	(0.62)
	-50 bps	0.62	0.62
March 31, 2018	+50 bps	(0.56)	(0.56)
	-50 bps	0.56	0.56

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'

Nature of exposure	Currency	31-March-2019	31-March-2018
Receivable	USD	9716	7918
	EUR	-	-
	GBP	-	-
Payable	USD	1159	2415
	EUR	293	813
	GBP	4	120
	SEK	298	250
	CHF	0	0

The Group manages its foreign currency risk by hedging transactions related to sales & purchases. At 31 March 2019 and 31 March 2018, the Group has hedged NIL and NIL USD 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-19	+5%	2.95	2.95
	-5%	(2.95)	(2.95)
31-March-18	+5%	1.79	1.79
	-5%	(1.79)	(1.79)

As at	Change in EUR rate	Effect on profit before tax	Effect on pre-tax equity
31-March-19	+5%	(0.11)	(0.11)
	-5%	0.11	0.11
31-March-18	+5%	(0.33)	(0.33)
	-5%	0.33	0.33

As at	Change in GBP rate	Effect on profit before tax	Effect on pre-tax equity
31-March-19	+5%	(0.00)	(0.00)
	-5%	0.00	0.00
31-March-18	+5%	(0.06)	(0.06)
	-5%	0.06	0.06

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, electric pumps, motors and spares thereof, 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 along with 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, 2019						
Interest bearing borrowings	51.71	15.15	6.26	16.69	-	89.81
Other financial liabilities	14.65	10.59	41.19	80.14	18.01	164.58
Trade payables	3.82	429.78	5.00	-	-	438.60
Derivatives	-	-	-	-	-	-
	70.18	455.52	52.45	96.83	18.01	692.99
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

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 2019 and 31 March 2018.

5.18. Expenditure on CSR Activities

(₹ in Crs.)

1	Gross amount required to be spent by the Group during the year	4.48
2	Amount spent during the year	4.59

5.19. Revenue Recognition

(A) Effective 1 April, 2018, the group adopted Ind AS 115 "Revenue from Contracts with Customers" using the cumulative catch up transition method, applied to contracts that were not completed as of 1 April, 2018. There is no significant transition impact on the financials of the group.

As prescribed under the cumulative catch up transition method, the comparatives have not been retrospectively adjusted.

(B) Disaggregation of Revenue

Set out below is the disaggregation of the group's revenue from contracts with its customers:

(₹ in Crs)

Business	Engines	Electric Pumps	Other Segments	Total
Power Generating Business	1,224.79	-	-	1,224.79
Agriculture & Allied Businesses	297.43	475.85	139.71	912.99
Industrial Engine Business	596.35	-	-	596.35
Customer Support	408.83	-	-	408.83
International Business	206.03	-	-	206.03
Large Engine Business	179.30	-	-	179.30
Other Reconciling Amounts	-	-	-	0.82
Total	2912.73	475.85	139.71	3529.11
Other Operating Income	84.61	13.14	0.81	98.56
Total	2997.34	488.99	140.52	3627.67

(C) Revenue recognised in relation to contract liabilities

The group has generated revenue of ₹ 5.25 Crs during the year from its Contract Liabilities as on 1 April, 2018. The Contract liabilities are presented in Note 23 & 27 as advance from customer and revenue received in advance.

(D) Information About Performance Obligation

1. The group is mainly in the business of manufacturing and trading of engines, gensets, electric pumps and related spares. The group also provides after sales services such as annual maintenance contract, extended warranty etc.
2. The group generally recognizes revenue in case of goods, when the performance obligation is satisfied at a point in time when the control is transferred i.e. either on shipment or upon delivery as per the terms of contracts in domestic and in case of export on the date of bill of lading.

In case of services, where performance obligation is satisfied at a point in time, revenue is generally recognised upon completion of services and on obtaining work completion certificates from the customers. In contracts under which performance obligation satisfied over a period of time, either according to stage of completion or on straight line basis depending upon the type of services provided. The stage of completion is determined based on the contractual terms.

When the group's efforts or inputs are expended evenly throughout the performance period revenue is recognised on straight-line basis.

The payment is due from the date of invoice and payment terms are in the range of 7 days to 90 days depending on product/market segment and market channel.

3. The group provides to its customers warranties in the forms of Repairs or Replacement warranty under its standard terms and recognizes it as Warranty Provision as per Ind AS 37 "Provisions, Contingent Liabilities and Contingent Assets"

(E) Unsatisfied Performance Obligations as at the end of reporting period:

As on 31st March, 2019, the group has unsatisfied performance obligation of ₹ 77.14 Cr. The group expects that ₹ 37.46 Cr will be recognised as revenue in financial year 2019-20 and remaining in subsequent years based on contractual terms.

(F) Asset recongnised for cost incurred to obtain a contract and cost incurred to fulfil Contract

The group has recognized an asset as on 31st March, 19 of ₹ 2.50 Cr from cost incurred to obtain a contract & fulfil a contract. Asset is included in Note 16 other current asset Pre-Paid Expenses.

(G) Reconciliation of the Group's revenue from contract price with revenue: (₹ in Cr)

Particulars	2018-2019
Contract Price	3587.13
Adjustment for :	
Contract Liabilities: Discounts, Incentives & Late delivery Charges	(58.02)
Revenue from contracts with customers	3529.11

5.20. Acquisitions (Business Combination)**La Gajjar Machinerics Private Ltd**

The Company, on June 21, 2017 executed definitive share purchase agreement for acquisition of 100 % equity shares in La-Gajjar Machinerics 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 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. 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 DEC 2018. As per extant guidelines of IND AS 103, 'Business combination', this contingent consideration 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 contingent consideration, is capitalized as investment by creating corresponding financial liability in the consolidated financials. The contingent consideration has been discharged during the year. Refer note no. 40.5.15 for movement in contingent consideration.

Considering the time involved in valuation and complexities involved in the acquired business the management was in the process of finalising the fair valuation. As a result, the initial accounting for business combination was incomplete by the end of the previous reporting period. Thus, the company had availed the option of measurement period as provided by IND AS 103.

The Company has completed purchase price allocation within the measurement period and finalized value of Assets acquired, Liabilities assumed and the resulting Goodwill which were hitherto provisional. Adjustments to provisional amounts had been recognized as if accounting for Business Combination was completed as of acquisition date.

In pursuance of above, purchase consideration paid for this acquisition has been allocated as follows as of 1st August 2017 :

(₹ in Crs.)

Particulars	Final Allocation	Provisional Allocation
Non-Current Assets		
Property, Plant & Equipment & Other Intangible Assets	32.44	25.16
Identified Intangible Assets (Brand, Technical Knowhow and Customer Relationships)	72.68	-
Capital Work in Progress	0.61	0.61
Deferred Tax Assets/(Deferred Tax Liabilities)	(21.74)	6.46
Other Non-Current Assets	19.51	19.51
Current Assets		
Trade Receivables	99.68	99.68
Cash and Cash Equivalent	1.64	1.64
Other Bank Balance	7.67	7.67
Other current assets	97.21	97.21
Non-Current Liabilities		
Borrowings	6.69	6.69
Other non-current Liabilities and Provisions	1.14	1.14
Current Liabilities		
Borrowings	74.51	74.51
Trade and other payables	117.29	117.29
Other current liabilities and Provisions	17.24	17.24
Fair value of net assets	92.83	41.07
Non-controlling interest	22.28	9.86
Goodwill	183.23	222.56
Purchase Consideration	253.78	253.78

For period ended 31 March 2018, LGM contributed revenue of ₹ 219.92 crs and loss (before tax) of ₹ 20.91 crs 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 crs and consolidated profit (before tax) would have been ₹ 187.99 crs for F.Y. 2017-18.

Further, the company has entered into a shareholders agreement on June 21, 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 recognized 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 LGM's identifiable net assets in accordance with provisions of IND AS 103 Business Combinations.

Further, since the company is obliged to purchase remaining 24% equity shares, NCI is a non-current financial liability for future purchase consideration payable. The, fair value of the future purchase consideration payable is ₹ 80.10 (PY ₹ 70.61) crores. It is measured 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 and shown under the head Other Financial Liabilities (Non-Current) in Balance Sheet.

Subsequently non-controlling interest is derecognized 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.

5.21 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. 2018-19								
1. Parent:								
Kirloskar Oil Engines Ltd.	104.51%	1,775.12	102.65%	224.98	(18.75%)	(0.03)	102.57%	224.95
2. Subsidiary (Foreign):								
KOEL Americas Corp.	0.20%	3.43	0.21%	0.46	100.00%	0.16	0.28%	0.62
3. Subsidiary (Domestic):								
Kirloskar Capital Limited	1.15%	19.50	(3.42%)	(7.50)	0.00%	-	(3.42%)	(7.50)
La-Gajjar Machineries Pvt. Ltd.	4.71%	80.04	0.88%	1.92	25.00%	0.04	0.89%	1.96
Add/(Less): Minority interests in all subsidiaries	(0.00%)	-	(0.21%)	(0.45)	(6.25%)	(0.01)	(0.21%)	(0.46)
Add/(Less): Inter-company eliminations	(10.57%)	(179.51)	(0.11%)	(0.24)	(0.00%)	-	(0.11%)	(0.24)
Total	100.00%	1,698.58	100.00%	219.17	100.00%	0.16	100.00%	219.33
F.Y. 2017-18								
1. Parent:								
Kirloskar Oil Engines Ltd.	103.93%	1,637.34	107.44%	150.11	109.28%	1.06	107.45%	151.17
2. Subsidiary (Foreign):								
KOEL Americas Corp.	0.18%	2.81	0.52%	0.73	1.03%	0.01	0.53%	0.74
3. Subsidiary (Domestic):								
La-Gajjar Machineries Pvt. Ltd.	4.96%	78.08	(10.45%)	(14.60)	(14.43%)	(0.14)	(10.48%)	(14.74)
Add/(Less): Minority interests in all subsidiaries	(1.19%)	(18.74)	2.51%	3.50	4.12%	0.04	2.52%	3.54
Add/(Less): Inter-company eliminations	(7.88%)	(124.04)	(0.02%)	(0.02)	(0.00%)	-	(0.02%)	(0.02)
Total	100.00%	1,575.45	100.00%	139.72	100.00%	0.97	100.00%	140.69

5.22 Disclosure required as per SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 as applicable to the Company are disclosed under standalone financial statements.

5.23 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	
		2018-19	2017-18
KOEL Americas Corp.	U.S.A.	100%	100%
La-Gajjar Machineries Pvt. Ltd.	India	76%	76%
Kirloskar Capital Limited	India	100%	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*		Accumulated Non-controlling interest	
		2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
La-Gajjar Machineries Pvt. Ltd.	India	24%	24%	2.76	(1.97)	10.62	7.85

* Excluding Effects of Consolidation Adjustment

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.	La-Gajjar Machineries Pvt. Ltd.
	2018-19	2017-18
Current Assets	155.32	189.83
Non Current Assets	40.46	54.70
Current Liabilities	133.17	205.01
Non Current Liabilities	18.34	6.79
Equity Interest attributable to the owners	33.65	24.88
Non-controlling interest	10.62	7.85
Total Income	430.36	222.74
Expenses	418.85	230.95
Profit / (Loss) for the year	11.51	(8.21)
Profit / (Loss) attributable to the owners of the company	8.75	(6.24)
Profit / (Loss) attributable to the Non-controlling interest	2.76	(1.97)
Dividends paid to Non-controlling interest	-	-
Opening Cash & Cash Equivalents	0.90	1.64
Closing Cash & Cash Equivalents	1.17	0.90
Net Cash inflow/(outflow)	0.27	(0.74)

41. Standards issued but not yet effective

1. Ind AS 116 - Leases

Ind AS 116 was notified by the Ministry of Corporate Affairs on March 30, 2019 and it is applicable for annual reporting periods beginning on or after April 1, 2019.

Ind AS 116 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right-of-use of the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit and loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in the later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as repayments of the lease liability and related interest are classified within financing activities.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under Ind AS 116, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group is in the process of evaluating the impact of this amendment on the financial statements of the Group.

2. Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, 'Income Taxes'

- The appendix explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:
- How to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group is in the process of evaluating the impact of this amendment on the financial statements of the Group.

3. Prepayment Features with Negative Compensation – Amendments to Ind AS 109, 'Financial Instruments'

The narrow-scope amendments made to Ind AS 109 enable entities to measure certain prepayable financial assets with negative compensation at amortized cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortized cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

The Group is in the process of evaluating the impact of this amendment on the financial statements of the Group.

4. Plan Amendment, Curtailment or Settlement – Amendments to Ind AS 19, 'Employee Benefits'

The amendments to Ind AS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- Calculate the current service cost and net interest for the remainder of the reporting period after a plan

- amendment, curtailment or settlement by using the updated assumptions from the date of the change;
- Any reduction in a surplus should be recognized immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognized in profit or loss even if that surplus was not previously recognized because of the impact of the asset ceiling; and
- Separately recognize any changes in the asset ceiling through other comprehensive income.
- The Group is in the process of evaluating the impact of this amendment on the financial statements of the Group.

5. Ind AS 12, 'Income Taxes'

The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits were recognized. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividends should be recognized in profit or loss, or in equity, and the scope of the existing guidance was ambiguous.

The Group is in the process of evaluating the impact of this amendment on the financial statements of the Group.

6. Ind AS 23, 'Borrowing Costs'

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

As the Group does not have any borrowings, there is no impact on account of this amendment.

42. (Net Debt)/Surplus Reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year ended 31 March 2019
(₹ in Crs.)

Particulars	31 March 2019	31 March 2018
Cash and Cash Equivalents	61.74	60.53
Current Borrowings	(64.78)	(134.01)
Non Current Borrowings	(16.69)	(5.47)
(Net Debt)/Surplus	(19.73)	(78.95)

Particulars	Cash and Cash Equivalents	Borrowings	Total
(Net Debt)/Surplus as on 1st April 2018	60.53	(139.48)	(78.95)
Cash Flows (including acquisition of Subsidiary)	1.21	58.01	59.22
(Net Debt)/Surplus as on 31st March 2019	61.74	(81.47)	(19.73)

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 17 May 2019

For and on behalf of the board of directors

NIHAL G. KULKARNI
Managing Director
DIN: 01139147

T. VINODKUMAR
Chief Financial Officer

R. R. DESHPANDE
Managing Director & Chief Executive Officer
DIN: 00007439

SMITA RAICHURKAR
Company Secretary

Pune 17 May 2019

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, 9 August 2019 at 12.15 p.m. at Sheraton Grand Pune Bund Garden Hotel, Raja Bahadur Mill Road, 211/212, Pune – 411 001.

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, 9 August 2019 at 12.15 p.m. at Sheraton Grand Pune Bund Garden Hotel, Raja Bahadur Mill Road, 211/212, Pune – 411 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Item No.	Description of Resolution	Optional*	
		For	Against
Ordinary Business			
1.	Adoption of Audited Standalone Financial Statements and the Consolidated Financial Statements of the Company for the Financial Year ended 31 March 2019 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 2019.		
3.	Re-appointment of Mr. Vinesh Kumar Jairath who retires by rotation.		
4.	Re-appointment of Ms. Gauri Kirloskar who retires by rotation.		
Special Business			
5.	Re-designation of Mr. Rajendra R. Deshpande as the Managing Director and Chief Executive Officer.		
6.	Appointment of Mrs. Mrunalini Deshmukh as an Independent Director		
7.	Appointment of Mr. Sunil Shah Singh as an Independent Director		
8.	Re-appointment of Mr. M. Lakshminarayan as an Independent Director		
9.	Approval of remuneration of the Cost Auditors.		
10.	To approve Kirloskar Oil Engines Limited - Employees Stock Option Plan 2019.		

Signed this..... day of..... 2019

Signature of Member(s)

Signature of Proxy holder(s)

Please affix
Revenue
Stamp

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.



Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

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