

ANNUAL REPORT

2015-16

KIRLOSKAR

SYSTECH

LIMITED



KIRLOSKAR SYSTECH LIMITED

A Kirloskar Group Company

Enriching Lives

BOARD'S REPORT TO THE MEMBERS

The Directors present their 6th Annual Report and Audited Accounts of the Company for a period from April 1, 2015 to March 31, 2016:

FINANCIAL PERFORMANCE:

Particulars	Period ended on March 31, 2016 (in Rs.)	Period ended on March 31, 2015 (in Rs.)
Revenue from operations	218,590,728	203,066,611
Other income	579,152	57,459
Total Revenue	219,169,880	203,124,070
Total expenses	148,218,356	154,902,048
Net Profit Before Tax	70,951,525	48,222,022
Provision for tax	24,010,492	15,643,269
Profit after tax	46,941,033	32,578,753

DIVIDEND:

Considering the performance achieved during the year, your directors declared an Interim dividend of 4000% (Rs. 400/- per equity share) for the year 2015-16.

STATE OF COMPANY'S AFFAIRS:

The revenue for this year is Rs. 219 M with a profit of Rs. 70.95 M which is 32% of the revenue. The profit as percentage of sales is higher than the last year (23%) due the fact that this year your company could not invest in the Assets as well as in acquiring new talents.

During the current year your Company designed, developed and commercialized a very innovative product "KirloSmart" to provide smart monitoring of the pumps. We received a very good response from the market for this product and were able to sell and commission in the reputed organizations.

Our Engineering Sector has completed the detail engineering projects of major customer to the satisfaction of KBL as well as their end customers. We have also established our documentation standards and also implemented project wise effort capturing system to have better control over cost and schedule of engineering. This has resulted in speedy execution of the detail engineering projects.

Our IT sector has successfully completed two overseas (SPP Inc. SPP SA) and one domestic (KEPL) SAP Implementation projects and has rolled out global IT strategy for KBL group of companies. KSL IT division has actively participated in the KBL Quantum Transformation Project and has completed 212 IT initiatives in record time. Our IT sector has designed and implemented global management accounting system for the KBL group of companies. During this year our IT sector has added skill sets to support and implement Salesforce; a reputed CRM package and were also instrumental in globally rolling out the same across the KBL group of companies. Similarly we deployed "WeCare" a customer intimacy solution for KBI's authorized service center across India. In line with our support commitment, we have established a 7/24 IT support center for our customers. This has resulted in winning the support contracts for IT support from KBL global subsidiaries amounting to 275000 USD.

Through rigorous recruitment processes we have ensured that the Company continues to maintain gender diversity.

There were no material changes or commitments to report which affect the financial position of the Company that has occurred between the end of financial year and the date of this report.

STATUTORY DISCLOSURES

1. EXTRACT OF THE ANNUAL RETURN:

Extract of the Annual Return in Form MGT 9 as per provisions of Section 134 read with Section 92(3) of the Companies Act 2013 is given in Annexure I to this report

2. BOARD MEETINGS:

During the financial year 2015-16, the Board of Directors duly met 7 times on April 16, 2015, June 29, 2015, July 21, 2015, August 13, 2015, October 3, 2015, January 20, 2016 and March 23, 2016.

3. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134(3)(c) of the Companies Act, 2013, the Board of Directors report that

- a) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- b) that the directors had selected such accounting policies and 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 at the end of the financial year and of the profit and loss of the Company for that period;

- c) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) that the directors had prepared the annual accounts on a going concern basis; and
- e) that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

4. REPORT OF AUDITORS

During the financial year under review, there are no qualifications or adverse remarks or disclaimers made by the Statutory Auditor of the Company in their Audit Report which is annexed herewith.

5. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186:

There were no Loans, Guarantees and Investments made during the year as covered under the provisions of Section 186 of the Companies Act, 2013.

6. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES:

Disclosure relating to the particulars of contract or arrangement with related parties referred in sub-section (1) of section 188 in Form AOC-2 is as below:

Form for disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto:

- i. Details of contracts or arrangements or transactions not at arm's length basis: All the transactions with related parties are at arm's length
- ii. Details of material contracts or arrangement or transactions at arm's length basis:

a	Name(s) of the related party and nature of relationship	Kirloskar Brothers Limited, holding company
b	Nature of contracts / arrangements / transactions	Rendering of services – Systems Engineering services and Information Technology services and receiving of infrastructure facilities and other support services
c	Duration of the contracts / arrangements / transactions	On going basis

d	Salient terms of the contracts or arrangements or transactions including the value, if any;	Salient terms are as per the invoices. System Engineering service rendered amounting to Rs. 30,703,849.00 Information Technology services rendered amounting to Rs. 187,886,879.00 Services received amounting to Rs. 94,417,608
e	Date(s) of approval by the Board, if any;	As all the transactions are in ordinary course of business and at arm's length, Board approval is not required
f	Amount paid as advances, if any;	Nil

7. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE

The Company is engaged in system engineering, designing and support services and IT services. The Company, details of conservation of energy and technology absorption, foreign exchange earnings and outgo is given as follows:

A) Conservation of energy: Nil

B) Technology absorption: Nil

C) Foreign exchange earnings and Outgo:

Particulars	Current Year	Previous year
Foreign Exchange Earnings	23,424,242	22,430,164.66
Foreign Exchange Outgo	361,601	1,283,900.78

8. BUSINESS RISK MANAGEMENT

Your Company has constituted the Internal Risk Management Committee consisting of key company officials for identification of risks, if any, which can be associated with the business of the company or which can have adverse impact to the existence of the Company.

The committee reports on periodical basis to Board about the risks identified, mitigation plan and its probable impact on the existence of the Company.

9. OTHER STATUTORY DISCLOSURES AS REQUIRED UNDER RULE 8(5) OF THE COMPANIES (ACCOUNTS) RULES, 2014

(i) Financial summary/highlights are already included elsewhere in the Report;

(ii) Change in the nature of the business during the year under review: There was no change in the nature of business during the year under review.

(iii) Directors and Key Managerial Personnel:

Mr. Achyut Dhadphale (DIN 07172828) was appointed as an Additional Director on the Board of Directors of the Company on June 29, 2015 pursuant to the provisions of Section 161 of the Companies Act, 2013 and Articles of Association of the Company and who hold office upto the date of ensuing Annual General Meeting. Mr. Achyut Dhadphale, being eligible, offers himself for re-appointment at the ensuing Annual General Meeting.

The Company has received notice under Section 160 of the Companies Act, 2013 along with deposit of Rs. 1 lakh, proposing his candidature for director liable to retire by rotation. The proposals have been included in the notice of the forthcoming Annual General Meeting.

Mr. Ravindra Prabhakar Ullangwar retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment

(iv) Companies which have become or ceased to be its subsidiaries, joint ventures or associate companies during the year: Not Applicable

(v) Details relating to Deposits

Your company has not accepted any deposits within the meaning of Section 2(31) of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014

(vi) Significant and material orders passed by the Regulators or court or tribunals impacting the going concern status and company's operations in future : None

(vii) Details in respect of adequacy of internal financial controls with reference to the Financial Statement:

(viii) Adequate financial controls are in place commensurate with the size of the Company.

10. HOLDING COMPANY

Kirloskar Brothers Limited is a holding Company of the Company.

11. AUDITORS:

M/s P.G. Bhagwat, Chartered Accountants (Firm Registration No. 101118W) are appointed as auditors for a period of 5 years in the 4th Annual General Meeting held on 6th June 2014, subject to ratification of shareholders at each Annual General Meeting.

12. DISCLOSURE UNDER THE "SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013:


In terms of Section 22 of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013, read with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rule 2013, we report that there was no complaint received and no case was filled, during the year ended on March 31, 2016. The report as prescribed is as under:

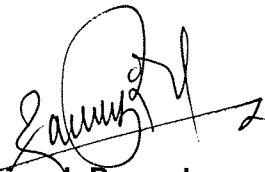
No. of Complaints received in the year	Nil
No. of complaints disposed off in the year;	Nil
Cases pending for more than 90 days;	Nil
No. of workshops and awareness programmes conducted in the year;	One
Nature of action by employer or District Officer, if any	NA

ACKNOWLEDGMENTS:

Your Directors wish to place on record their appreciation of the unstinted support and co-operation given by banks and customers. Your Directors would further like to record their appreciation of the efforts of every employee for the results achieved during this year.

For and on behalf of the Board of Directors,


Achyut Dhadphale
Chairman
DIN 07172828


Avinash Purandare
Managing Director
DIN 05295477

Pune: April 15, 2016

Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31.03.2015
[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	U29220PN2010PLC137071
ii)	Registration Date	9 August 2010
iii)	Name of the Company	Kirloskar Systech Limited
iv)	Category / Sub-Category of the Company	Company limited by shares
v)	Address of the Registered office and contact details	Udyog Bhavan, Tilak Road, Pune 411 002, 020-2444 0770
vi)	Whether listed company	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	System Engineering	71100	14.05
2	Information Technology	62020	85.95

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

S.NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% of shares held	Applicable Section
1	Kirloskar Brothers Limited Udyog Bhavan, Tilak Road, Pune 411 002	L29113PN1920PLC000670	Holding	100%	Section 2(46)

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Sub-total (B)(1):-	0	0	0	0	0	0	0	0	0
2. Non-Institutions									
a) Bodies Corp.	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(2):-	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B) = (B)(1) + (B)(2)	0	0	0	0	0	0	0	0	0
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	0	0	0	0	0	0	0	0	0

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year				Share holding at the end of the year				% Change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	% of Shares Pledged / encumbered to total shares	
1	Kirloskar Brothers Limited	90000	100%	0	0	90000	100%	0	0	0
	Total	90000	100%	0	0	90000	100%	0	0	0

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

Sl.No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	90000		90000	100
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer /bonus/ sweat equity etc):	-	-	-	-
	At the End of the year	90000		90000	100

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

Sl. No.		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
	For Each of the Top 10 Shareholders				
	At the beginning of the year				
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):				
	At the End of the year (or on the date of separation, if separated during the year)				

Not applicable

(v) Shareholding of Directors and Key Managerial Personnel:

Sl.No.	Shareholding at the beginning of the year	Cumulative Shareholding during the year
	No. of shares	% of total shares of the company
For Each of the Directors and KMP		
At the beginning of the year	0	0
Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	0	0
At the End of the year	0	0

V. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i + ii + iii)		Nil		
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i + ii + iii)				

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sr. No	Particulars	Name of MD/WTD/Manager	
		Avinash Purandare	Total
A.	Remuneration to Managing Director, Whole-time Directors and/or Manager:	On deputation from Holding company, hence no details provided	
1	Gross salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		
2	Stock Option		
3	Sweat Equity		
4	Commission		
	- as % of profit		
	- others, specify		
5	Others, please specify		
	Total (A)		
	Ceiling as per the Act		

B. Remuneration to other directors		Name of Directors	
	Independent Directors		
	Name of the Directors		
	Fee for attending board / committee meetings	NA	
	Commission		
	Others, please specify		
	Total (1)		
	Other Non- Executive Directors		
	Name of the Directors	Achyut Dhadphale	Sandeep Phadnis
	Fee for attending board / committee meetings	Nil	Nil
	Commission	Nil	Nil
	Others, please specify	Nil	Nil
	Total (2)	Nil	Nil

B.	Remuneration to other directors	Name of Directors		
	Total (B) = (1 + 2)	Nil	Nil	Nil
	Total Managerial Remuneration	Nil	Nil	Nil
	Overall Ceiling as per the Act			

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Sr. No.	Particulars	KSL				
		Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made,if any (give Details)
A.	COMPANY					
	Penalty					
	Punishment					
	Compounding					
B.	DIRECTORS		NIL			
	Penalty					
	Punishment					
	Compounding					
C.	OTHER OFFICERS IN DEFAULT					
	Penalty					
	Punishment					
	Compounding					

Kirloskar Systech Limited
Balance Sheet as at March 31, 2016

		Rupees		
Sr. no.	Particulars	Note No.	Figures as at March 31, 2016	Figures as at March 31, 2015
I.	EQUITY AND LIABILITIES			
1	Shareholders' funds			
	(a) Share capital	A-1	900,000	900,000
	(b) Reserves and surplus	A-2	73,740,893	70,128,589
	(c) Money received against share warrants			
			74,640,893	71,028,589
2	Share application money pending allotment		-	-
3	Non-current liabilities			
	(a) Long-term borrowings		-	-
	(b) Deferred tax liabilities (Net)	A-3	2,633,437	3,795,977
	(c) Other long term liabilities		-	-
	(d) Long-term provisions (leave encashment)	A-4	655,578	655,578
			3,289,015	4,451,555
4	Current liabilities			
	(a) Short-term borrowings		-	-
	(h) Trade payables		-	-
	total outstanding dues to Micro Enterprises & Small Enterprises	C-8	9,937,659	4,198,122
	total outstanding dues of creditors other than Micro Enterprises & Small Enterprises		6,403,965	10,880,946
	(c) Other current liabilities	A-5	3,732,966	10,890,931
	(d) Short-term provisions	A-6	20,074,591	25,969,999
			98,004,499	101,450,143
II.	ASSETS			
1	Non-current assets			
	(a) Fixed assets			
	(i) Tangible assets	A-7	27,731,547	43,893,605
	(ii) Intangible assets	A-7	210,816	535,509
	(iii) Capital work-in-progress		-	-
	(iv) Intangible assets under development		-	-
	(b) Non-Current Investments		-	-
	(c) Deferred tax assets (net)	A-3	-	-
	(d) Long-term loans and advances		-	-
	(e) Other non-current assets		-	-
			27,942,363	44,429,114
2	Current assets			
	(a) Current investments		-	-
	(b) Inventories		-	-
	(c) Trade receivables	A-8	59,182,174	31,418,499
	(d) Cash and bank balances	A-9	1,588,800	8,881,205
	(e) Short-term loans and advances	A-10	9,291,163	16,721,325
	(f) Other current assets		-	-
			70,062,136	57,021,029
			98,004,499	101,450,143

Notes to accounts

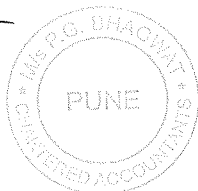
Part- B & C

The notes referred to above and accompanying notes form an integral part of the Balance Sheet.

As per our report of even date attached

For M/s P.G. Bhagwat
Chartered Accountants

ABHIJEET BHAGWAT
Partner



ACHYUT DHADPHALE
Chairman
DIN: 07172828

AVINASH PURANDARE
Managing Director
DIN: 05295477

PUNE
Date : 15 April 2016

PUNE
Date : 15 April 2016

Kirloskar Systech Limited

Profit and Loss statement for the period ended March 31, 2016

Sr. no.	Particulars	Note No.	Rupees	
			2015-16	2014-15
I.	Revenue from operations	A-11	218,590,728	203,066,611
II.	Other income	A-12	579,152	57,459
III.	Total Revenue (I + II)		219,169,880	203,124,070
IV.	Expenses:			
	Cost of materials consumed		-	-
	Purchases of Stock-in-Trade		-	-
	Changes in inventories of finished goods work-in-progress and Stock-in-Trade		-	-
	Employee benefits expenses	A-13	71,923,696	66,035,390
	Depreciation and amortization expenses		17,195,798	18,734,328
	Other expenses	A-14	59,098,862	70,132,330
	Total expenses		148,218,356	154,902,048
V.	Profit before exceptional and extraordinary items and tax (III-IV)		70,951,525	48,222,022
VI.	Exceptional items		-	-
VII.	Profit before extraordinary items and tax (V - VI)		70,951,525	48,222,022
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII- VIII)		70,951,525	48,222,022
X.	Tax expense:			
	(1) Current tax		25,015,000	12,450,000
	(2) Deferred tax		(1,162,540)	3,294,084
	(3) Short/ (Excess) provision if Income Tax on account of earlier year		158,032	(100,815)
			24,010,492	15,643,269
XI.	Profit/(loss) for the period from continuing operations (IX-X)		46,941,033	32,578,753
XII.	Profit/(loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	Profit/(loss) from Discontinuing operations (after tax) (XII-XIII)		-	-
XV.	Profit/ (loss) for the period (XI+ XIV)		46,941,033	32,578,753
XVI.	Earnings per equity share having nominal value of Rs. 10/- per share			
	(1) Basic	C-2	521.57	361.99
	(2) Diluted		521.57	361.99

Notes to accounts

Part- B & C

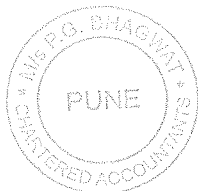
The notes referred to above and accompanying notes form an integral form part of the Profit & Loss Statement.

As per our report of even date attached

For M/s P.G. Bhagwat

Chartered Accountants

ABHIJEET BHAGWAT
Partner



ACHYUT DHADPHALE
Chairman
DIN: 07172828

AVINASH PURANDARE
Managing Director
DIN: 05295477

PUNE
'Date : 15 April 2016

PUNE
'Date : 15 April 2016

Kirloskar Systech Limited

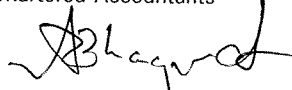
Cash Flow statement for the year ended March 31, 2016

		Rupees	
Sr. no.	Particulars	2015-16	2014-15
A	Cash flows from Operating Activities		
	Net Profit before Taxes and Extraordinary Items	70,951,525	48,222,022
	Adjustments for :-		
1	Depreciation / Amortization	17,195,798	18,734,328
2	Profit on sale of investment	-	-
	Operating Profit Before Working capital changes	88,147,322	66,956,350
	Adjustments for :-		
1	(Increase)/ decrease in Trade Receivables	(30,857,785)	(32,524,851)
2	Increase/ (decrease) in Trade payables & Liabilities	4,904,232	2907404
	Cash Generated from Operations	62,193,769	37,338,903
3	Income Tax (Paid) / Refunded	(14,648,760)	(18,828,842)
	Net Cash from Operating Activities	47,545,009	18,510,061
B	Cash flows from Investing Activities		
1	Purchase of Tangible Assets	(709,048)	(55,743,356)
2	(Purchase) / Sale of Investments	-	-
	Net Cash from Investment Activities	(709,048)	(55,743,356)
C	Cash Flows from Financing Activities		
1	Proceeds from issuance of share capital	-	45,640,000
2	Dividend Paid	(45,000,000)	(1,000,000)
3	Tax on Dividend	(9,128,368)	(162,225)
	Net Cash used in Financing Activities	(54,128,368)	44,477,775
	Net Increase in Cash and Cash Equivalents	(7,292,406)	7,244,480
1	Cash & Cash Equivalents at beginning of period	8,881,205	1,636,725
2	Cash & Cash Equivalents at end of period (Refer Note : A-9)	1,588,799	8,881,205

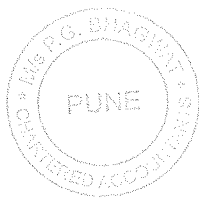
As per our report of even date attached

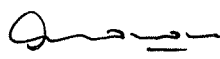
For M/s P.G. Bhagwat

Chartered Accountants



ABHIJEET BHAGWAT
Partner





ACHYUT DHADPHALE
Chairman
DIN: 07172828



AVINASH PURANDARE
Managing Director
DIN: 05295477

PUNE

'Date : 15 April 2016

PUNE

'Date : 15 April 2016

Particulars	Rupees	
	Figures as at March 31, 2016	Figures as at March 31, 2015
Note : A-1		
<u>Share Capital</u>		
<u>Authorised</u>		
2,50,000 (2,50,000) equity shares of Rs.10/- each (Rs.10/-) each	2,500,000	2,500,000
<u>Issued, Subscribed & fully Paid up</u>		
90,000 (90,000) equity shares of Rs.10/- each (Rs.10/-) each	900,000	900,000
Out of the above		
40,000 equity shares of Rs.10/- each were allotted as fully paid up pursuant to contract for consideration other than cash		
Total	900,000	900,000

a) Reconciliation of share capital

Particulars	Figures as at March 31, 2016		Figures as at March 31, 2015	
	Number	Rupees	Number	Rupees
Shares outstanding at the beginning of the year	90,000	900,000	50,000	500,000
Issued During the year	-	-	40,000	400,000
Shares outstanding at the end of the year	90,000	900,000	90,000	900,000

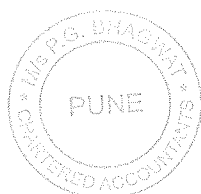
b) Rights of equity shareholder:

The company has only one class of equity shares, having par value of Rs. 10/- per share. Each holder of equity share is entitled for one vote per share and have a right to receive dividend as recommended by the 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 distributing of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

For the year ended March 31, 2015 the board of directors have proposed dividend of Rs.100/- (Rs.10/-) per share. The board of directors have declared interim dividend of Rs. 400/- per share on the 23rd of March, 2016, (Rs. 0/-)

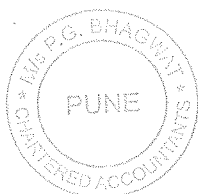
c) Details of share holders holding more than 5% shares

Name of the shareholder	Figures as at March 31, 2016		Figures as at March 31, 2015	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Brothers Ltd. - Holding Company	90,000	100%	90,000	100%



		Rupees	
Particulars		Figures as at March 31, 2016	Figures as at March 31, 2015
Note : A-2			
Reserves & Surplus			
(a) General Reserve			
Opening Balance		4,132,966	875,091
Add Current Year Transfer		-	3,257,875
Closing Balance		4,132,966	4,132,966
(b) Securities Premium Reserve			
Opening Balance		45,240,000	-
Add Current Year Transfer		-	45,240,000
Closing Balance		45,240,000	45,240,000
(c) Surplus			
Opening Balance		20,755,623	2,234,385
Add Net Profit for the current year		46,941,033	32,578,753
Balance available for appropriation		67,696,655	34,813,138
Less Appropriations :			
Proposed Dividend		-	9,000,000
Interim Dividend		36,000,000	-
Tax on Dividend		7,328,728	1,799,640
Transfer to Reserves		-	3,257,875
Sub total		43,328,728	14,057,515
Closing Balance		24,367,927	20,755,623
TOTAL		73,740,893	70,128,589

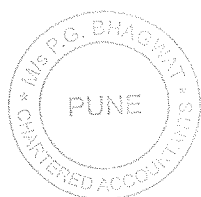
Note : A- 3		
Deferred Tax Liabilities (Net)		
(a) Deferred Tax Liabilities		
i) On depreciation / amortization of fixed assets	2,999,749	4,038,299
(b) Deferred Tax Assets		
i) Provision for employee benefits	366,312	242,322
TOTAL	2,633,437	3,795,977



Particulars	Rupees	
	Figures as at March 31, 2016	Figures as at March 31, 2015
Note : A-4		
Long Term Provisions		
(a) Provision for employee benefits		
(i) Leave Encashment (unfunded) (refer note C-7)	655,578	655,578
TOTAL	655,578	655,578

Note : A-5		
Other Current Liabilities		
(a) Interest accrued	-	-
(b) Other payables		
(i) Salary & Reimbursements	1,843,509	2,755,543
(ii) Contribution to PF & Superannuation	417,401	357,570
(iii) Statutory Dues	2,932,639	2,493,294
(iv) Provision for expenses	1,210,418	5,274,539
TOTAL	6,403,966	10,880,946

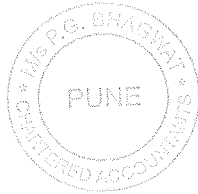
Note : A-6		
Short Term Provisions		
(a) Provision for employee benefits		
(i) Leave Encashment (unfunded) (refer note C-7)	452,341	91,291
(b) Others		
(i) Proposed Dividend	-	9,000,000
(ii) Dividend Distribution Tax	-	1,799,640
(iii) Provision for Income tax (net of advance)	3,280,625	-
TOTAL	3,732,966	10,890,931



Kirloskar Systech Limited

Note A-7 : Tangible and Intangible Assets

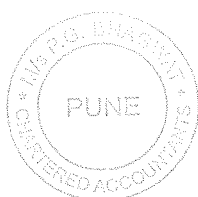
Particulars	Tangible Assets				Rupees
	Furniture & Fittings	Computer	Plant & Machinery	Total	Intangible Assets Computer Softwares
Gross Block					
At 01.04.2015	105,401	6,780,392	-	6,885,793	1,066,899
Additions	35,500	41,269,737	14,438,119	55,743,356	-
Disposals		-	-	-	-
As at 31.03.2015	140,901	48,050,129	14,438,119	62,629,149	1,066,899
Additions	-	607,798	101,250	709,048	-
Disposals					-
As at 31.03.2016	140,901	48,657,926	14,539,369	63,338,196	1,066,899
Depreciation/ Amortisation					
At 01.04.2015	16,112	319,621	-	335,733	196,872
Charge for the year	15,059	14,624,124	3,760,628	18,399,811	334,517
At 31.03.2015	31,171	14,943,745	3,760,628	18,735,544	531,390
Charge for the year	15,351	13,085,444	3,770,311	16,871,105	324,693
As at 31.03.2016	46,521	28,029,189	7,530,939	35,606,649	856,083
Net Block					
At 31.03.2015	109,730	33,106,384	10,677,491	43,893,605	535,509
As at 31.03.2016	94,380	20,628,738	7,008,430	27,731,547	210,816



Particulars	Rupees	
	Figures as at March 31, 2016	Figures as at March 31, 2015
Note : A-8		
Trade receivables		
(i) Trade receivables outstanding for a period exceeding six months from the date they are due for payment Unsecured, considered good	59,182,174	2,825,984
(ii) Trade receivables outstanding for a period less than six months Unsecured, considered good	59,182,174	2,825,984
	-	28,592,515
	-	28,592,515
TOTAL	59,182,174	31,418,499

Note : A-9		
Cash & Bank Balances		
(a) Cash & Cash Equivalents		
(i) Cash on hand	6,423	6,111
(ii) Balances with banks	1,582,377	8,875,094
TOTAL	1,588,800	8,881,205

Note : A-10		
Short term loans and advances		
(a) Others		
Unsecured, considered good		
(i) Advances to Employees	-	9,888
(ii) Prepaid Expenses	5,396,896	7,193,753
(iii) Claims Receivables - Service Tax Input	3,062,249	1,784,649
(iv) Gratuity (Refer Note C - 4)	832,018	489,388
(v) Advance Income tax (net of provision)	-	7,243,647
TOTAL	9,291,163	16,721,325



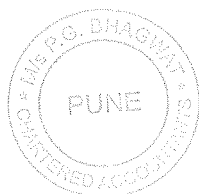
Kirloskar Systech Limited
Notes to Accounts - Part A

Particulars		Rupees	
		2015-16	2014-15
Note : A-11			
Revenue from operations			
Sale of services (Refer Note C - 3)			
		218,590,728	203,066,611
TOTAL		218,590,728	203,066,611

Note : A-12		
Other Income		
Interest Income		
(i) Interest on Income tax refund	32,172	57,459
(ii) Foreign Exchange gain net	546,980	-
TOTAL	579,152	57,459

Note : A-13		
Employee benefits expense		
(i) Salaries, wages and bonus	68,274,705	63,275,134
(ii) Contribution to provident fund	2,604,597	1,040,444
(iii) Gratuity	(342,631)	252,146
(iv) Welfare expenses	1,240,082	1,231,041
(v) Super Annuation	146,943	236,625
TOTAL	71,923,696	66,035,390

Note : A-14		
Other expenses		
Repairs and maintenance	225,068	315,813
Plant and Machinery	44,953	6,457,931
Other	607,674	137,399
Rates and taxes	4,720,754	11,632,756
Travel and conveyance	155,548	320,174
Postage and telephone	20,946	11,062
Bank Charges	40,411	182,107
Insurance	6,257,413	7,654,225
Computer Services	7,694	345,913
Advertisements and publicity	105,000	105,000
Royalties and Fees paid	305,000	280,000
Remuneration to Auditors (Refer Note C-1)	-	112,572
Foreign Exchange loss - net	46,162,485	41,617,734
Professional and Consulting Fees	46,246	258,322
Stationery and Printing Expenses	15,000	333,734
Training Course External Program Fees	384,671	367,588
Other miscellaneous expenses		
TOTAL	59,098,862	70,132,330

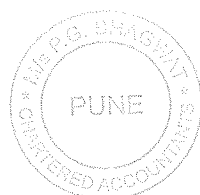


Kirloskar Systech Limited
NOTES TO ACCOUNTS - Part C

		Rupees	
Part	Particulars	2016	2015
C-1	Remuneration to Auditors		
	Statutory Auditors :		
	a) Audit Fees	250,000	250,000
	b) Tax Audit Fees	30,000	30,000
	c) Other services	25,000	-
	Total	305,000	280,000

Part	Particulars	2016	2015
C-2	Earning per Share (Basic and diluted)		
	I - Basic		
	a) Profit for the year before tax	70,951,525	48,222,022
	Less : Attributable Tax thereto	24,010,492	15,643,269
	Profit after Tax	46,941,033	32,578,753
	b) Weighted average number of equity shares used as denominator	90,000	90,000
	c) Basic earning per share of nominal value of Rs 10/- each	521.57	361.99

Part	Particulars	2016	2015
C-3	Information in respect of Services rendered :		
	Engineering Consultancy charges	30,703,849	38,761,901
	IT consultancy and support services	187,886,879	164,304,710
	Total	218,590,728	203,066,611



Kirloskar Systech Limited
NOTES TO ACCOUNTS - Part C

C-4 Employee Benefits :

- i Defined Contribution Plans:
Amount of Rs 26,04,597/- (Rs. 1,040,444/-); is recognised as an expense and included in "Employee benefits expenses" (Part A - 13) in the Profit and Loss Account.

- ii Defined Benefit Plans:

- a) The amounts recognised in Balance Sheet are as follows:

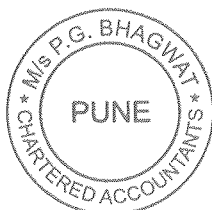
Sr. No.	Particulars	Amount - Rupees	
		As on 31-03-2016	As on 31-03-2015
		Gratuity Plan (Funded)	Gratuity Plan (Funded)
A.	Amount to be recognised in Balance Sheet		
	Present Value of Defined Benefit Obligation	1,367,222	1,556,418
	Less: Fair Value of Plan Assets	2,199,241	2,045,806
	Amount to be recognised as liability or (asset)	(832,019)	(489,388)
B.	Amounts reflected in the Balance Sheet		
	Liabilities	832,019	489,388
	Assets	-	-
	Net Liability/(Assets)	832,019	489,388

- b) The amounts recognised in Profit and Loss Account are as follows:

Sr. No.	Particulars	Amount - Rupees	
		As on 31-03-2016	As on 31-03-2015
		Gratuity Plan (Funded)	Gratuity Plan (Funded)
1	Current Service Cost	261,977	243,021
2	Interest Cost	121,401	105,700
3	Expected Return on Plan Assets	(184,123)	(171,277)
4	Actuarial Losses/(Gains)	(541,886)	74,702
5	Past Service Cost	-	-
6	Effect of any curtailment or settlement	-	-
7	Actuarial Gain not recognised in books	-	-
8	Adjustment for earlier years	-	-
	Total included in Part A -12 "Employee benefits expense"	(342,631)	252,146
	Actual Return on Plan Assets	9.00%	9.00%

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

Sr. No.	Particulars	Amount - Rupees	
		As on 31-03-2016	As on 31-03-2015
		Gratuity Plan (Funded)	Gratuity Plan (Funded)
1	Balance of the present value of Defined benefit Obligation as at 01-04.2015	1,556,418	1,161,541
2	Add: Current Service Cost	261,977	243,021
	Add: Interest Cost	121,401	105,700
3	Add/(less): Actuarial losses / (gains)	(572,574)	46,156
4	Less: Benefits paid	-	-
5	Balance of the present value of Defined Benefit Obligation as at 31-03-2016	1,367,222	1,556,418



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

Sr. No.	Particulars	Amount - Rupees	
		Gratuity Plan (Funded)	Gratuity Plan (Funded)
		As on 31-03-2016	As on 31-03-2015
1	Opening balance of the fair value of the plan assets as at 01-04-2014	2,045,806	1,903,075
2	Add: Expected Return on plan assets	184,123	171,277
3	Add/(less) : Actuarial gains/(losses)	(30,688)	(28,546)
4	Add: Contribution by the employer	-	-
5	Less: Benefits paid	-	-
6	Closing balance of the plan assets as at 31-03-2016	2,199,241	2,045,806

- e) The broad categories of plan assets as a percentage of total plan assets as at 31-03-2016 of Employee's Gratuity Scheme are as under.

Sr. No.	DESCRIPTION	Percentage	Percentage
		2016	2015
1	Central & State Govt. Securities	42.07	42.07
2	Approved Marketable Securities	1.35	1.35
3	Bonds/Debentures etc.	42.85	42.85
4	Loans	0.00	0.00
5	Equity	5.22	5.22
6	Liquid Fund/Money Market Instrument	8.51	8.51
7	Preference Shares	0.00	0.00
	Grand Total	100.00	100.00

Basis used to determine the overall expected return:

Life Insurance Corporation (LIC) manages the investments of Employee Gratuity Scheme. Expected rate of return on investments is determined based on the assessment made by the LIC at the beginning of the year on the return expected on its existing portfolio.

- f) Principal actuarial assumptions at the balance sheet (expressed as weighted averages)
- Discount rate as at 31-03-2016 - 7.80%
 - Expected return on plan assets as at 31-03-2016 - 9.00%
 - Salary growth rate : For Gratuity Scheme - 10%
 - Attrition rate: For gratuity scheme 6.43%
 - The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

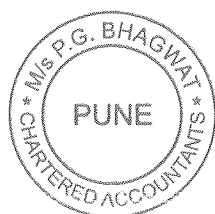
- g) The amounts pertaining to defined benefit plans are as follows:

Particulars	Amount - Rupees	
	Gratuity Plan (Funded)	Gratuity Plan (Funded)
	As on 31-03-2016	As on 31-03-2015
Defined Benefit Obligation	1,367,222	1,556,418
Plan Assets	2,199,241	2,045,806
Surplus/(Deficit)	832,019	489,388

- h) General descriptions of defined plans:

1 Gratuity Plan:

The Company operates gratuity plan wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier.



C-5 Related Party Disclosures

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

Sr.No.	Name of the related party	Nature of relationship
1	Kirloskar Brothers Limited	Holding Company

(B) Related Party Transactions :

Name of the related party	2016	2015
Kirloskar Brothers Limited (Holding Company)		
Sales	213,120,732	183,684,332
Receipt of share capital	-	45,640,000
Purchase of capital assets	-	51,345,728
Reimbursement of expenses	10,767,916	19,993,607
Services Received	94,417,608	79,252,637
Balance outstanding	41,018,006	16,993,520
Braybar Pumps (Pty) Ltd (Fellow Subsidiary Company)		
Sales	3,237,593	4,757,793
Balance outstanding	1,793,546	3,657,487
Spp Pumps (South Africa) (Pty) Ltd (Fellow Subsidiary Company)		
Sales	-	1,346,573
Balance outstanding	64,443	64,443
Spp Pumps Inc (Fellow Subsidiary Company)		
Sales	9,629,382	9,537,782
Reimbursement of expenses	1,976	-
Balance outstanding	1,280,724	429,006
Spp Pumps Limited (Fellow Subsidiary Company)		
Sales	9,437,519	7,782,093
Balance outstanding	3,034,056	5,992,248
Karad Projects and Motors Limited (Fellow Subsidiary Company)		
Sales	1,968,797	-
Balance outstanding	35,280	-
Kirloskar Corrocoat Pvt Ltd. (Fellow Subsidiary Company)		
Sales	857,545	-
Balance outstanding	166,850	-
Kirloskar Ebara Pumps Limited (Fellow Subsidiary Company)		
Sales	7,370,181	8,563,826
Balance outstanding	2,628,573	28,501
The Kolhapur Steel Ltd (Fellow Subsidiary Company)		
Sales	135,290	-
Balance outstanding	-	-



Kirloskar Systech Limited
NOTES TO ACCOUNTS - Part C

Rupees

C-6

a) Details of Derivative Instruments (for hedging)

2016 2015
Nil Nil

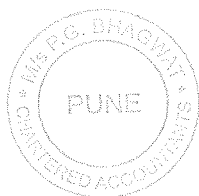
b) Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise

Particulars	Currency	Amount in FCY		Equivalent amount in INR	
		2016	2015	2016	2015
Liability					
Trade Payable	USD	4,780	7,507	316,460	469,194

Particulars	Currency	2016	2015	2016	2015
Assets					
Trade Receivable	USD	47,612	65,750	3,140,665	4,109,046
	GBP	31,530	52,154	3,034,057	4,817,421

C-7 Details of provisions and movements in each class of provisions.

Particulars	As at 31.03.2016	As at 31.03.2015
	Leave encashment	Leave encashment
Carrying amount at the beginning of the year	746,869	715,599
	(715,599)	(3,103,727)
Provision made during the year	361,050	31,270
	(31,270)	-
Amount used during the year	-	-
	-	(340,417)
Unused amounts reversed during the year	-	-
	-	(2,047,711)
Carrying amount at the end of the year	1,107,919	746,869
	(746,869)	(715,599)



C-8 As per the information available with the Company till date; none of the suppliers have informed the company about their having registered themselves under the "Micro, Small and Medium Enterprises Development Act, 2006". As such, information as required under this Act, cannot be compiled and therefore, not disclosed for the year.

C-9 Earning in Foreign Currencies

Sr.no	Particulars	2016	2015
i)	Services rendered	20,685,880	22,430,165

C-10 Expenditure in Foreign Currencies

Sr.no	Particulars	2016	2015
i)	Professional Fees	535,512	414,016
ii)	Other Matters	576,625	869,885

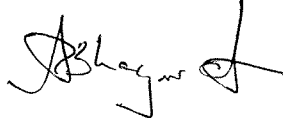
C-11 Contingent liabilities not provided for in respect of :

Sr.no	Particulars	2016	2015
i)	Guarantees:	-	-
ii)	Other money for which the company is contingently liable for	-	-

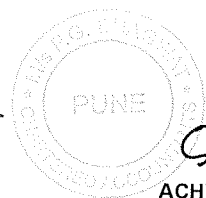
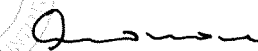
C-12 Figures of the previous have been regrouped wherever necessary. Figures in bracket relate to the previous year.

For and on behalf of the Board of Directors

As per our report of even date attached
For M/s P.G. Bhagwat
Chartered Accountants



ABHIJEET BHAGWAT
Partner

ACHYUT DHADPHALE
Chairman
DIN: 03194924



AVINASH PURANDARE
Managing Director
DIN: 05295477

PUNE
Date : 15 April 2016

PUNE
Date : 15 April 2016

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KIRLOSKAR SYSTECH LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of **Kirloskar Systech Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016 and its profit and its cash flows for the year ended on that date.

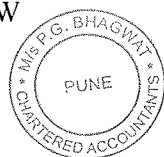
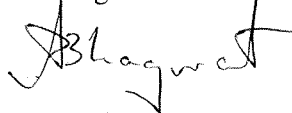
Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("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 Statement and the Cash Flow Statement dealt with by this are in agreement with the books of account
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 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 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 did not have any pending litigations which would impact its financial position.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

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

Chartered Accountants

Firm's Registration No. 101118W



Abhijeet Bhagwat

Partner

Membership No. 136835

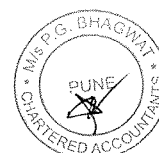
Pune

15th April, 2016

Annexure A

Referred to in paragraph 1 under the heading, "Report on Other Legal and Regulatory Requirements" of our report on even date:

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets are being physically verified by the management at regular intervals based on the programme of verification which in our opinion is reasonable. During the current year no physical verification of assets was undertaken.
- (c) According to the information and explanations provided to us, the Company does not have any immovable properties.
- (ii) The Company is engaged in providing system engineering, designing and support services and does not have any inventory. Accordingly, clause (ii) (a), (b) and (c) of the Order are not applicable to it.
- (iii) The company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, clause (iii) (a), (b) and (c) of the Order are not applicable to the Company.
- (iv) According to information and explanation provided to us the Company has no transactions covered under the sections 185 and section 186 of the Companies Act, 2013.
- (v) According to information and explanation provided to us, the Company has not accepted deposits, hence the directives 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 provided to us no order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.
- (vi) According to the information and explanation provided to us, maintenance of cost records under sub-section (I) of section 148 of the Companies Act, 2013 is not prescribed for the Company.
- (vii) (a) The Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities.
- According to the information and explanation provided to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31st March, 2016, for a period more than six months from the date they became payable.
- (b) According to the information and explanation provided to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax or cess which have not been deposited on account of any dispute.
- (viii) Based on our audit procedures and according to the information and explanation provided to us, the Company has not defaulted in repayment of dues to a financial institution, bank or government. The Company does not have any debenture holders.



M/s P. G. BHAGWAT

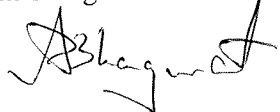
CHARTERED ACCOUNTANTS

- (ix) According to information and explanation provided to us, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). The Company did not have any term loans.
- (x) Based on the audit procedures conducted by us and according to the information and explanations provided to us, no fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported to us during the year.
- (xi) According to the information and explanation provided to us, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.
- (xii) The Company is not a Nidhi Company and accordingly, Clause (xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanation provided to us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements as required by the applicable accounting standards;
- (xiv) According to the information and explanation provided to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.
- (xv) According to the information and explanation provided to us, the company has not entered into any non-cash transactions with director or persons connected with him.
- (xvi) According to the information and explanation provided to us, the company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

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

Chartered Accountants

Firm's Registration No.: 101118W



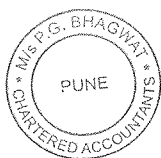
Abhijeet Bhagwat

Partner

Membership No. 136835

Pune

15th April, 2016



Annexure B: To the Independent Auditors' Report of even date on the financial statements of Kirloskar Systech Limited

**Report on the Internal Financial Controls
under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Kirloskar Systech Limited ("the Company") as of 31st March, 2016 in conjunction with our audit of the 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. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

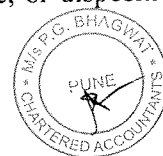
Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

Meaning of Internal Financial Controls Over Financial Reporting

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



Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

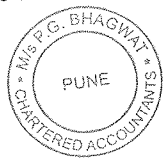
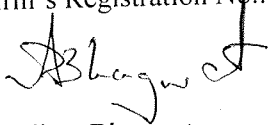
Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India

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

Chartered Accountants

Firm's Registration No.: 101118W



Abhijeet Bhagwat

Partner

Membership No. 136835

Pune

15th April, 2016