



# KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

96<sup>th</sup> ANNUAL REPORT 2015 - 2016

Enriching Lives



**Strengthened with capabilities.**

**Poised for growth.**

With a century-old expertise at the helm, Kirloskar has successfully transformed deep-rooted wisdom into critical engineering solutions that have enriched lives worldwide.

Our indigenous products symbolise our engineering excellence and capabilities. Understanding of rural markets and a strong presence at grassroots level enable us explore new territories. Our 'under one roof' manufacturing gives us a competitive edge and the pride of 'Making in India' urges us to raise the bar for global engineering.

**We are Kirloskar and we are poised for growth like never before!**



**Your company is poised for growth with:**

- ▶ The iPad and Tablet controlled Hydro-Pneumatic (HYPN) system, a first of its kind in India.
- ▶ Growth of 300% registered for the HYPN system business.
- ▶ Empanelment with the Ministry of New and Renewable Energy (MNRE) to work under National Bank for Agriculture and Rural Development's (NABARD) solar pump subsidy scheme in 29 states of India.
- ▶ The vehicle-mounted Auto Prime diesel engine driven pumpsets deployed at customer location proving their worth. The Auto Prime system supplied to Ahmedabad Municipal Corporation provides round-the-clock service to dewater the waterlogged area.



<b>Board of Directors</b>	Sanjay C. Kirloskar S. N. Inamdar P. S. Jawadekar Lalita D. Gupte Pratap B. Shirke Alok S. Kirloskar Kishor A. Chaukar	Chairman and Managing Director
<b>Chief Financial Officer</b>	C. M. Mate	
<b>Company Secretary</b>	Sandeep Phadnis	
<b>Auditors</b>	M/s P. G. Bhagwat Chartered Accountants, Pune	
<b>Bankers</b>	Bank of India Canara Bank HDFC Bank Limited Citibank N.A. Credit Agricole, Corporate and Investment Bank ICICI Bank Limited	
<b>Registered Office</b>	Udyog Bhavan, Tilak Road, Pune - 411002, Maharashtra State (India) Phone: (020) 24440770 Fax : (020) 24402083 Email: <a href="mailto:kblin@kbl.co.in">kblin@kbl.co.in</a> Website: <a href="http://www.kirloskarpumps.com">www.kirloskarpumps.com</a> Group Website: <a href="http://www.kirloskar.com">www.kirloskar.com</a>	
<b>Corporate Office</b>	"Yamuna", Survey No. 98 (3-7), Baner, Pune – 411 045, Maharashtra (India) Phone: (020) 27214444 Fax: (020) 67211136 Email: <a href="mailto:kblin@kbl.co.in">kblin@kbl.co.in</a> Website: <a href="http://www.kirloskarpumps.com">www.kirloskarpumps.com</a> Group Website: <a href="http://www.kirloskar.com">www.kirloskar.com</a>	
<b>Works</b>	Kirloskarvadi, Dewas, Shirwal, Kondhapuri, Coimbatore (Kaniyur), Ahmedabad (Sanand)	

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## DECADE AT A GLANCE

(₹ in Million)

Particulars	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Sales	13,400	15,251	18,309	20,178	19,469	17,819	18,724	17,598	16,257	16,562
Other Income	2,408	430	359	479	129	463	70	53	113	241
Material Cost	9,290	11,126	13,927	14,987	13,431	12,661	13,204	11,696	10,471	10,701
Other Expenses	2,563	2,704	3,249	3,339	4,386	4,441	4,108	4,502	4,934	5,277
Interest	84	169	303	336	453	537	443	409	413	372
Depreciation	121	182	207	265	300	303	320	346	497	389
Profit before tax	3,750	1,500	982	1,730	1,028	340	719	698	55	64
Income tax provision	385	399	312	555	414	28	285	221	(30)	(54)
Net Profit after tax	3,365	1,101	670	1,175	614	312	434	477	85	118
Share Capital	212	212	212	159	159	159	159	159	159	159
Reserves	5,808	6,409	6,879	6,975	7,275	7,377	7,627	7,842	7,804	7,883
Net Worth	6,020	6,621	7,091	7,134	7,434	7,536	7,786	8,001	7,963	8,042
Imports	987	1,152	2,084	5,073	2,026	729	473	671	524	403
Exports	2,266	1,483	2,291	1,694	1,827	1,153	1,544	1,184	1,279	1,245
Basic Earnings per Share (₹) (Face Value of ₹ 2/-)	31.82	10.41	6.34	14.81	7.73	3.93	5.47	6.01	1.07	1.49
Basic Earnings per Share (₹) (Face Value of ₹ 2/-) (Excluding Extraordinary Income Expense)	14.76	10.41	6.34	14.81	7.73	3.93	5.47	6.01	1.07	1.49
Dividend %	200%	200%	100%	275%	175%	100%	100%	125%	25%	*25%
Book Value per Share (₹)	**56.92	**62.60	**67.05	**89.92	**93.70	**94.98	**98.11	**100.82	**100.82	100.31
Debt Equity Ratio	0.08	0.09	0.03	0.06	0.12	0.06	0.01	0.01	0.00	0.00

### Notes :

Previous years' figures have been regrouped to make them comparable.

\* Interim Dividend @ 25% proposed as Final Dividend.

\*\* After Issue of Bonus Shares in the ratio of 2 : 1

Figures of earning per share and book value per share are calculated for all the reported periods above after considering the subdivision of equity share of ₹ 10/- each to share of ₹ 2/- each.





## BOARD'S REPORT TO THE MEMBERS

Your Directors present the 96<sup>th</sup> Annual Report and the Audited Financial Statements of the Company for the year ended March 31, 2016 together with the reports of the Auditors and Board thereon.

## FINANCIAL RESULTS

The financial results of the Company for the year 2015-16 as compared with the previous year are as under:

	Year ended March 31, 2016 (₹)	Year ended March 31, 2015 (₹)
Revenue from Operations	16,562,374,973	16,257,051,488
Other income	241,098,609	112,714,764
Total	16,803,473,582	16,369,766,252
Profit before tax	64,154,146	55,289,084
Tax Expense	(53,916,131)	(29,579,796)
Profit for the period	118,070,277	84,868,880
Surplus in Profit & Loss Account brought forward from previous year	1,605,953,335	1,647,771,258
Depreciation and amortization expense	389,427,899	496,764,630
Interim Dividend for the year 2015-16	39,704,463	-
Available surplus	1,724,023,612	1,691,885,621

## DIVIDEND

The Board of Directors declared and paid an Interim Dividend of 25% (₹ 0.50 paise per equity share) on March 29, 2016 which is proposed to be considered as final for the year 2015-16.

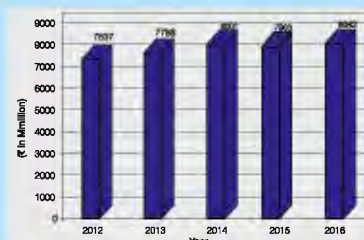
## APPROPRIATIONS

Dividend of ₹ Nil (₹ 0.50) @ - % (25%) on 79,408,926 (79,388,176) equity shares of ₹ 2/- each	-	39,694,088
Dividend distribution tax	-	1,238,198
Corporate Social Responsibility	-	45,000,000
Balance carried to Balance Sheet	1,724,023,612	1,605,953,335
<b>TOTAL</b>	<b>1,724,023,612</b>	<b>1,691,885,621</b>

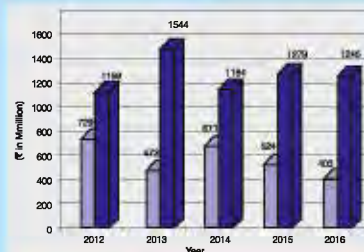
### Net Sales



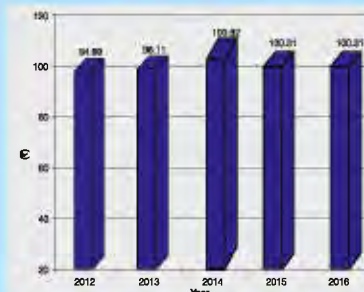
### Net Worth



### Import & Export



### Book Value per Share



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## OPERATIONS OF THE COMPANY

The revenue from the operations for the year under review is ₹ 1656 crores, which is more than 1.88% compared to the previous year. Drop in sales is mainly due to lower sales of project sectors, partly attributable to liquidity issue in the market, non-receipt of dispatch clearances from the customers and sluggish market and economic growth and subdued demand for fire fighting and HYPN systems in the overall globe.

The performance of the Company was lower than planned due to shortfall in power sector and also a lower rise in sales for small pumps in product sector.

The Company continued its focus of being selective in accepting orders depending on customers' financial position. There was concentrated effort towards improvement of marketing initiatives and brand presence. Overall efforts were made to improve the efficiencies at all plants.

For project business, the Company continues to focus on closure of old projects and recovery of retention money. The main reason for major drop in sales of project sectors was unavailability of funds from customers, delay in engineering and civil work by a few clients and non receipt of dues from a few customers.

Our all women plant in Kaniyur won the Merit Award by the Confederation of Indian Industry (CII) under the 5S excellence category.

The Company scripted yet another success story in the global power market, having bagged another repeat order from Calik Enerji of Turkey, for supply of pumps for its 230 MW CCPP project in Georgia. The Company has successfully supplied 194 concrete volute pumps upto March 31, 2016. The Company has also successfully commissioned Godavari Metropolitan Water Supply and Sewage Board project valuing ₹ 50 crores in November, 2015.

The Company has announced the launch of GK-P Pump atACHEMA in Frankfurt, Germany. GK-P is a process pump used for handling various types of chemical liquids from various process industries. It is an End Suction centrifugal process pump having discharge capacity upto 500 m3/hr at 1450 rpm. The Company has also unveiled the technologically advanced ROMAK (RMK) Pump atACHEMA in June 2015 which is used for handling various types of clear / clean chemical liquids without any suspended particles by various process industries.

To its array of achievements for various innovative and indigenously developed products, the Company has received national-level recognition for its Lowest Life Cycle (LLC) Pumps series. KBL's LLC Pumps series has been granted the prestigious "India Design Mark" by the India Design Council which symbolizes product excellence in form, function, quality, safety, sustainability and innovation and communicates that the product is usable, durable, aesthetically appealing while being socially responsible.

Kirloskarvadi Plant has won 'Excellent Energy Efficient Unit' Award in the national competition for Excellence in Energy Management and Dewas & allied Plants received Safety award in regional level "Manufacturing Today" competition.

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 ANNUAL RETURN

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



## 2. NUMBER OF MEETINGS OF THE BOARD

During the Financial Year under review, 5 (five) Board meetings were held, the details are appearing elsewhere in this Annual Report.

## 3. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed;
- (b) 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) 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) the directors had prepared the annual accounts on a going concern basis; and
- (e) the directors, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively;
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

## 4. INDEPENDENT DIRECTORS' DECLARATION

All Independent Directors of the Company have given declaration under Section 149 (7) of the Act, that he /she meets the criteria laid down in Section 149 (6) of the Act.

## 5. DISCLOSURE REQUIRED UNDER SECTION 134(3)(E)

The Board has adopted a Board Diversity Policy which sets the criterion for appointment as well as continuance of Directors, including Independent Directors, at the time of re-appointment as director in the Company. As per the policy, the Board has an optimum combination of Members with appropriate balance of skill, experience, background, gender and other qualities of directors required for the effective functioning of the Board.

The Nomination and Remuneration Committee recommends remuneration of the Directors, subject to the overall limits set under the Act, as outlined in the Remuneration Policy recommended by the Committee and approved by the Board. As per the policy, the Executive Director(s) is/are entitled for a fixed salary, other non-monetary benefits etc., and commission based on performance evaluation of the Director. In case of Non Executive Directors, apart from receiving sitting fees, they may be given commission on the basis of criterion as per the policy.

The Remuneration policy is given in **Annexure II**.

## 6. REPORT OF AUDITORS

During the Financial Year under review there are no qualifications or adverse remarks or disclaimers made by the Statutory Auditors on the financial statements of the Company and by the Company Secretary in practice in his Secretarial Audit Report, which is annexed herewith as **Annexure VIII**.

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M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration no. 101118W) the Auditors, retire at the ensuing Annual General Meeting (AGM) and are eligible for re-appointment. The requisite certificate as required under the Act has been received. The Audit and Finance Committee has recommended their re-appointment and the annual audit fees.

Mr. M. J. Risbud, Practicing Company Secretary (CP No. 185) has been appointed as Secretarial Auditor as per Section 204 of the Companies Act, 2013 for the Financial Year 2016-17.

Parkhi Limaye & Co. (Firm Registration No. 000191) have been appointed as Cost Accountant as per Section 148 of the Act, read with applicable rules made thereunder for the Financial Year 2016-17. Their remuneration is subject to approval by the Members.

#### **7. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186**

The details of loans, guarantees or investments under Section 186 of the Act, are available under note no. A-11 and A-17 of notes to accounts, attached to the Standalone Financial Statements.

The full particulars are available in the Register maintained under Section 186 of the Act, which is available for inspection during business hours on all working days (except Saturday and Sunday).

#### **8. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES**

All contract/arrangement/transactions entered by the Company during the Financial Year 2015-16 with the related parties were in the ordinary course of business and on arm's length basis. Hence, no particulars are being provided in Form AOC-2. During the year, the Company has not entered into contract/arrangement/transactions with related parties which could be considered material in accordance with the Company's 'Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions'. The said policy is uploaded on the website of the Company.

Further, we draw your attention to Note no C-17 of the Standalone Financial Statements of the Company.

#### **9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Details of energy conservation, technology absorption, research and development and foreign exchange earnings as required under Section 134(3) (m) of the Act read with applicable rules are given in **Annexure III** to this Report.

#### **10. RISK MANAGEMENT**

The Risk Management Committee meets at regular intervals and identifies the top risks and prioritises those risks. The progress and review status of those identified risks are presented to the Audit and Finance Committee.

#### **11. CORPORATE SOCIAL RESPONSIBILITY REPORT**

The Company has developed a Corporate Social Responsibility Policy as per the requirement of the Act and the same is available on the website of the Company.

The Corporate Social Responsibility Report in the required format is given in **Annexure IV**.

#### **12. BOARD EVALUATION**

The Board has formulated a Board Evaluation Policy for evaluation of individual Directors as well as the entire Board and individual Committees thereof. The evaluation framework is divided into parameters based on the





various performance criteria to be done annually. The evaluation for the year ended March 31, 2016 has been completed.

In compliance with the requirements under Regulation 25(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a meeting of Independent Directors was held on March 14, 2016 primarily to discuss the matters mentioned under Schedule IV of the Companies Act, 2013. All the Independent Directors of the Company attended the same.

### **13. PERFORMANCE AND FINANCIAL POSITION OF SUBSIDIARIES AND JOINT VENTURES**

Subsidiaries:

i. Karad Projects and Motors Limited

The revenue under review is ₹ 2,634,407,105/- which is 7% more as compared to the previous year.

ii. Kirloskar Systech Limited (KSL)

The revenue under review is ₹ 219,169,880/- which is 8% more as compared to the previous year.

iii. The Kolhapur Steel Limited

The revenue under review is ₹ 393,971,829/- which is 25% more as compared to the previous year.

iv. Kirloskar Corrocoat Private Limited

The revenue under review is ₹ 455,988,050/- which is 36% less as compared to the previous year.

v. Kirloskar Brothers International B.V. (consolidated)

The revenue under review is ₹ 8,725,365,002/- which is 10% less as compared to the previous year.

vi. Kirloskar Ebara Pumps Limited (Joint Venture)

The revenue under review is ₹ 1,590,581,939/- which is 7% less as compared to the previous year.

The financial position of the subsidiaries and joint venture companies is given in AOC-1, elsewhere in the Annual Report.

### **14. 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;

During the year under review, the process of amalgamation of the Kirloskar Systech Limited (KSL) wholly owned subsidiary, with the Company was initiated and in order to enable the Company to carry on the existing business of KSL i.e. System Engineering and Information Technology Solutions, the Company has amended its Memorandum of Association by insertion of a new Objects Clause 43 (A) after existing Clause No. 43.

The Members of the Company have accorded their approval vide Postal Ballot, the results of which were declared on February 24, 2016.

**(iii) Directors and Key Managerial Personnel:**

- Mr. Vikram S. Kirloskar resigned as a Non-Executive Director of the Company with effect from May 26, 2015.
- Mr. J. R. Sapre ceased to be a Whole Time Director of the Company with effect from May 31, 2015. Consequently, he also resigned as a Director of the Company from the same date.
- Mr. Umesh R. Shastry resigned from the post of Chief Financial Officer (CFO) with effect from June 01, 2015 and Mr. C. M. Mate was appointed as CFO of the Company with effect from July 27, 2015.
- Mr. Kishor A. Chaukar was appointed as an Independent Director by the Members in the previous Annual General Meeting
- Subject to Member's approval the Board has re-appointed Mr. Sanjay C. Kirloskar as a Managing Director of the Company at its Board Meeting held on October 28, 2015; the Members are requested to confirm his re-appointment with effect from November 19, 2015 for a period of 5 (five) years, at the ensuing AGM of the Company.

Mr. Alok Kirloskar, Non-Executive Director is liable to retire by rotation and being eligible offers himself for re-appointment.

**(iv) Companies which have become or ceased to be subsidiaries, joint ventures or associate companies during the year:**

Kirloskar Pompen B.V., Netherlands, (KPBV) Company's step down subsidiary company in Netherlands, has acquired a Dutch pump manufacturer "Rodelta Pumps International B.V., Netherlands" (Rodelta) on July 17, 2015, who is into API and non API pumps for Oil and Gas, Pulp and papers, fluid, marine and chemical applications etc. KPBV also incorporated "Rotaserve Overhaul B.V." as it's wholly owned subsidiary as on January 04, 2016, who is into overhauling and will handle sales of spares and service activities of KPBV.

SPP Pumps LP USA has now become SPP Pumps Inc. during the year.

SPP Pumps Holding LLC and SPP Pumps Management LLC, USA, who were the wholly owned subsidiaries of SPP Pumps Limited UK, have ceased to operate during the year.

SPP Pumps France EURL who was subsidiary of SPP Pumps Limited has ceased to operate during the year.

**(v) Details relating to Deposits :**

The Company neither accepts nor renews matured deposits since January 2003 and there were no deposits accepted by the Company as covered under Chapter V of the Act read with Rules made thereunder.

**(vi) No significant and material orders were passed by the regulators or court or tribunals impacting the going concern status and Company's operations in future.**



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

The Company has an Internal Audit Charter specifying mission, scope of work, independence, accountability, responsibility and authority of Internal Audit Department. The internal audit reports are initially presented to the Chairman and Managing Director and significant observations and follow up actions thereon are reported to Audit and Finance Committee.

The Auditors of the Company in Annexure B to their reports on financial statements have expressed a qualified opinion on the operative effectiveness of two sub processes of the Internal Control System over financial reporting of the Company and one of its jointly controlled entities. In this regards, your directors wish to state that the respective companies have already initiated necessary steps to strengthen their Internal Financial Control Systems with regard to these two processes.

(viii) **Other disclosures required under Companies Act, 2013 as may be applicable:**

- Composition of the Audit and Finance Committee has been disclosed under Corporate Governance Report;
- Establishment of vigil mechanism: The Company has already in place a 'Whistle Blower Policy' as a vigil mechanism since 2008. The details of the same are reported under Corporate Governance Report;
- Disclosure as required under Section 197(12) of the Act read with applicable rules and details as per Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given in **Annexure V & Annexure VI**.

## 15. CASH FLOW

Cash flow statement for the year ended March 31, 2016 is attached to the Balance Sheet.

## SAFETY, HEALTH AND ENVIRONMENT

### Safety and Health

Our manufacturing plants at Kirloskarvadi, Dewas, Sanand (Ahmedabad), Kaniyur (Coimbatore) and Kondhapuri are certified for Occupational Health and Safety Assessment Series standards (OHSAS 18001) and Environment Management System (ISO 14001).

The Company's corporate office and four plants at Sanand (Ahmedabad), Kaniyur (Coimbatore), Kirloskarvadi, Dewas are certified for SA8000, implementation of SA 8000 is in progress at Kondhapuri Plant and certification planned in 2016-17.

### Achievements –

- KBL Kirloskarvadi has been awarded "First Prize" by The Sangli District Industrial Safety Committee for best Safety Performance in an Engineering Industry.
- Dewas plant bagged 'Gold Safety Award 2015', which was organized by Greentech Foundation New Delhi.
- Dewas plant also secured winner (First) position in 'MT Award 2015 Excellence in Safety', organized by Manufacturing Today Magazine, Mumbai.
- KBL Dewas won the 1<sup>st</sup> price in ENCON competition.

### Safety Inspection/Audits –

Periodic internal audits of all our manufacturing units are being conducted to ensure legal compliance, OHSAS 18001, ISO 14001 requirements and standard industrial practices.

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More emphasis was given to 'Leading indicators' rather than only concentrating on 'Lagging indicators'. Nearly 300 incidents logged in the incident tracking system, Corrective Actions and Preventive Actions (CAPA) are being tracked through the system, which helped to reduce the accident rate.

#### Safety Committees –

Safety committees in the manufacturing plants meet regularly to discuss various environment, health and safety related issues. Workmen have equal number of participation in the safety committees. It is encouraged to have departmental safety committees for bigger plants. Minutes of safety committee meetings are made available to all for review. Issues raised in the meetings help to Environment Health Safety improvement and reduce accidental situations.

#### New Initiative –

New initiatives were started to enhance the safety and increase safety awareness, which are as under:

- Online training course for machine guarding is conducted for shop floor staff and more than 98.5% of staff has completed the training.
- Behavioural Based Safety system is initiated at three locations namely Sanand, Kaniyur and Dewas.
- Safety round by senior persons started on monthly basis at all manufacturing locations.
- Departmental safety committees are established in Kirloskarvadi and Dewas plant.
- Since, Kirloskarvadi plant is more than 100 years old, there are many Directorate of Industrial Safety & Health (DISH) approved drawings, initiatives taken to prepare consolidated plan of factory building and machinery layout, which got approved from DISH.

#### Environment Health Safety (EHS) Compliance –

Company strives for 100% compliance with EHS requirements. In order to verify that our facilities are meeting regulatory compliances, all the project sites and manufacturing plants are audited frequently.

#### Others –

- Safety week and environment day are celebrated at all locations of manufacturing plants, offices and project sites with number of activities, competitions and awareness programs.
- Bi-monthly contractor's safety meeting initiated.
- Visit of safety committee members was organized in Kirloskarvadi and Kondhapuri plant.
- A Safety meet of all persons looking after safety was organised in Sanand, which included the safety visit to one of the MNC plants.
- Kirloskarvadi plant observed Safety Kaizen Month in September, 2015.

#### Environment and Energy

We monitor our direct and indirect energy consumption which is reported in our annual sustainability report. A group wise Energy Conservation (ENCON) competition encourages all our manufacturing plants to reduce the overall energy consumption.

Company has taken many steps to reduce energy consumption and water conservation which includes maintaining power factor, use of alternative energy, installing VFD based equipments, replacing streetlights by LED, installation of Bio-plant to recycle the canteen food waste at Dewas. Waste heat recovery for Cupola furnace at Kirloskarvadi plant, installing close loop hydro testing at Kirloskarvadi plant.



## CORPORATE GOVERNANCE

Pursuant to Securities Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements), Regulations 2015, Management Discussion and Analysis Report, Report on Corporate Governance, Auditors' Certificate on Corporate Governance, Disclosure of unclaimed shares and the declaration by the Chairman and Managing Director regarding affirmations for compliance with the Company's Code of Conduct are annexed to this report.

### EMPLOYEE STOCK OPTION SCHEME (ESOS)

As you are aware, during the year 2007-08, the Company launched the Employees' "Share a Vision" Stock Option Scheme, 2007 (ESOS-2007).

The Management has formulated under ESOS – 2007, a proposal of providing stock options at ₹ 2/- per option to award employees for their outstanding, exemplary performance in getting sustainable results.

During the year, Mr. J. R. Sapre, ex-Whole Time Director of the Company and an employee of one of the subsidiary companies have exercised their options and they were allotted 20,000 and 750 number of shares respectively.

Auditors' Certificate to that effect is provided as **Annexure VII** to this report.

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

In terms of Section 22 of the above mentioned Act, read with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rule, 2013, we report as follows for the year ended on March 31, 2016:

1	No. of Complaints received in the year	Nil
2	No. of Complaints disposed off in the year	Nil
3	Cases pending for more than 90 days	Nil
4	No. of workshops and awareness programmes conducted in the year	8
5	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 financial institutions. Your Directors would further like to record their appreciation of the efforts by the employees of the Company.

For and on behalf of the Board of Directors,

Sanjay C. Kirloskar  
Chairman & Managing Director  
DIN 00007885

Pune: May 10, 2016

**Annexure I**  
**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
as on the financial year ended on 31.03.2016  
[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	L29113PN1920PLC000670
ii)	Registration Date	15 January 1920
iii)	Name of the Company	Kirloskar Brothers 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, Ph. No. 020-2444 0770
vi)	Whether listed company	Yes - Listed
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited, Block No. 202, 2 <sup>nd</sup> Floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune 411 001, Ph. No. 020-26160084

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

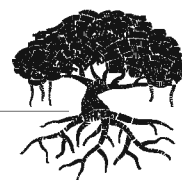
All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the Company
1	Pumps	2812	94.24

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

Sl. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1	Karad Projects and Motors Limited Plot No. B-67/68, MIDC, Karad Industrial Area, Tasawade, Karad 415109	U45203PN2001PLC149623	Subsidiary	100	2(87)
2	The Kolhapur Steel Limited Pune Bangalore Highway, Shirol (Pulachi), Kolhapur 416122	U27106MH1965PLC013212	Subsidiary	96.97	2(87)
3	Kirloskar Systech Limited Udyog Bhavan, Tilak Road, Pune 411 002	U29220PN2010PLC137071	Subsidiary	100	2(87)
4	Kirloskar Corrocoat Private Limited Udyog Bhavan, Tilak Road, Pune 411 002	U28920PN2006PTC022240	Subsidiary	65	2(87)
5	Kirloskar Brothers International B.V. Oranje Nassaulaan 55 – 1, 1075 AK, Amsterdam, The Netherlands	Foreign Company	Subsidiary	100	2(87)





Sl. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
6	SPP Pumps Ltd. Crucible Close, Mushet Industrial Park, Coleford, Gloucestershire GL16 8PS, United Kingdom	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
7	Kirloskar Pompen B.V. Rooswijkweg 7, 1951 MH Velsen-Noord, The Netherlands	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
8	Kirloskar Brothers (Thailand) Ltd. Lake Rajada Office Complex, 16 <sup>th</sup> Floor, 193/64 Ratchadapisek Road, Klong Toey, Bangkok - 10110, Thailand	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
9	SPP Pumps MENA LLC Block 234, Road 36, Industrial Zone 3, Cairo, Egypt	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
10	Kirloskar Brothers International (Pty) Ltd. Corner of Horne & Brine Street, Chloorkop – Kempston Park, Gauteng, 1620 South Africa	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
11	Micawber 784 (Proprietary) Ltd. Corner of Horne & Brine Street, Chloorkop – Kempston Park, Gauteng, 1620 South Africa	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
12	Braybar Pumps (Proprietary) Ltd. Corner of Horne & Brine Street, Chloorkop – Kempston Park, Gauteng, 1620 South Africa	Foreign Company	Subsidiary of Kirloskar Brothers International (Pty) Ltd.	100	2(87)
13	SPP Pumps (South Africa) (Pty) Ltd. PO Box 8483, Edleen, Corner of Horne & Brine Street, Chloorkop – Kempston Park, Gauteng, 1625 South Africa	Foreign Company	Subsidiary of Kirloskar Brothers International (Pty) Ltd.	100	2(87)
14	SPP France SAS 2, Rue Chateau d'Eau, 95450 US, France	Foreign Company	Subsidiary of SPP Pumps Ltd.	100	2(87)
15	Certified Engines Limited The Poynt, 45 Wollaton Street, Nottingham, Nottinghamshire, NG1 5FW, United Kingdom	Foreign Company	Subsidiary of SPP Pumps Ltd.	100	2(87)
16	SPP Pumps Inc 6716 Best Friend Road, Norcross, GA, USA 30071	Foreign Company	Subsidiary of SPP Pumps Ltd.	100	2(87)
17	Syncroflo Inc. 2905 Pacific Drive, Norcross, GA, USA 30071	Foreign Company	Subsidiary of SPP Pumps Inc.	100	2(87)
18	SPP Pumps Real Estate LLC 6716 Best Friend Road, Norcross, GA, USA 30071	Foreign Company	Subsidiary of SPP Pumps Inc.	100	2(87)
19	Rodelta Pumps International B.V. Enschedeestraat 234, 7552 CM Hengelo, Netherlands	Foreign Company	Subsidiary of Kirloskar Pompen B.V.	100	2(87)
20	Rotaserve Overhaul B.V. Rooswijkweg 7-9, 1951 MD Velsen-Noord, The Netherlands	Foreign Company	Subsidiary of Kirloskar Pompen B.V.	100	2(87)
21	Kirloskar Ebara Pumps Ltd. Pride Kumar Senate Building, Senapati Bapat Road, Pune 411016	U29120MH1988PLC0 45865	Associate	45	2(6)

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

##### (i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
(1) Indian									
a) Individual/HUF	30,962,157	0	30,962,157	39.00	32,541,987	0	32,541,987	40.98	1.98
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 Corp.	19,329,956	0	19,329,956	24.35	19,329,956	0	19,329,956	24.34	-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
<b>Sub-total (A) (1):-</b>	<b>50,292,113</b>	<b>0</b>	<b>50,292,113</b>	<b>63.35</b>	<b>51,871,943</b>	<b>0</b>	<b>51,871,943</b>	<b>65.32</b>	<b>1.97</b>
(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 Corp.	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
<b>Sub-total (A) (2):-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Total shareholding of Promoter (A) = (A) (1) + (A) (2)</b>	<b>50,292,113</b>	<b>0</b>	<b>50,292,113</b>	<b>63.35</b>	<b>51,871,943</b>	<b>0</b>	<b>51,871,943</b>	<b>65.32</b>	<b>1.97</b>
<b>B. Public Shareholding</b>									
1. Institutions									
a) Mutual Funds	3,980,854	0	3,980,854	5.01	4,136,750	0	4,136,750	5.21	0.20
b) Banks / FI	11,489	85,811	97,300	0.12	5,332	85,811	91,143	0.11	-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	3,480,461	2,250	3,482,711	4.39	3,480,461	2,250	3,482,711	4.39	0.00
g) FIs	6,066,679	0	6,066,679	7.64	2,770,189	0	2,770,189	3.49	-4.15
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify) Foreign Portfolio Investor	50,000	0	50,000	0.06	1,106,991	0	1,106,991	1.39	1.33
<b>Sub-total (B)(1):-</b>	<b>13,589,483</b>	<b>88,061</b>	<b>13,677,544</b>	<b>17.23</b>	<b>11,499,723</b>	<b>88,061</b>	<b>11,587,784</b>	<b>14.59</b>	<b>-2.64</b>
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	2,467,770	574,472	3,042,242	3.83	2,791,161	11,972	2,803,133	3.53	-0.30
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	6,116,525	4,272,585	10,389,110	13.09	6,882,405	4,118,117	11,000,522	13.85	0.77
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,380,232	318,171	1,698,403	2.14	1,537,014	318,171	1,855,185	2.34	0.20
c) Others (specify)									
- NRI	165,488	54,518	220,006	0.28	185,398	54,518	239,916	0.30	0.03
- Clearing members	68,758	0	68,758	0.09	50,443	0	50,443	0.06	-0.02
<b>Sub-total (B)(2):-</b>	<b>10,198,773</b>	<b>5,219,746</b>	<b>15,418,519</b>	<b>19.42</b>	<b>11,446,421</b>	<b>4,502,778</b>	<b>15,949,199</b>	<b>20.08</b>	<b>0.66</b>
<b>Total Public Shareholding (B) = (B)(1) + (B)(2)</b>	<b>23,788,256</b>	<b>5,307,807</b>	<b>29,096,063</b>	<b>36.65</b>	<b>22,946,144</b>	<b>4,590,839</b>	<b>27,536,983</b>	<b>34.68</b>	<b>-1.97</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total (A+B+C)</b>	<b>74,080,369</b>	<b>5,307,807</b>	<b>79,388,176</b>	<b>100</b>	<b>74,818,087</b>	<b>4,590,839</b>	<b>79,408,926</b>	<b>100</b>	<b>0.00</b>

Note:

1) Change in % during the year may be attributed to increase in paid up capital of the Company during the year due to ESOS allotment in some cases despite no change in their holding  
2) % Figures are rounded off to two decimals.


**(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	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Sanjay C. Kirloskar #	15,863,335	19.98	0.00	17,436,733	21.96	0.00	1.98
2	Rahul Chandrakant Kirloskar ##	404,501	0.51	0.00	404,501	0.51	0.00	0.00
3	Gautam Achyut Kulkarni	435,012	0.55	0.00	435,012	0.55	0.00	0.00
4	Vikram Shreekant Kirloskar ###	70,236	0.09	0.00	70,236	0.09	0.00	0.00
5	Atul Chandrakant Kirloskar ####	398,888	0.50	0.00	398,888	0.50	0.00	0.00
6	Suman Chandrakant Kirloskar #####	9,168	0.01	0.00	9,168	0.01	0.00	0.00
7	Neeta Achyut Kulkarni	6,693	0.01	0.00	6,693	0.01	0.00	0.00
8	Mrinalini Shreekant Kirloskar	13,781	0.02	0.00	13,781	0.02	0.00	0.00
9	Pratima Sanjay Kirloskar	13,754,056	17.33	0.00	13,760,488	17.33	0.00	0.01
10	Alpana Rahul Kirloskar	100	0.00	0.00	100	0.00	0.00	0.00
11	Jyotsna Gautam Kulkarni	100	0.00	0.00	100	0.00	0.00	0.00
12	Arti Atul Kirloskar	100	0.00	0.00	100	0.00	0.00	0.00
13	Alok Kirloskar	6,187	0.01	0.00	6,187	0.01	0.00	0.00
14	Kirloskar Industries Limited	18,988,038	23.92	0.00	18,988,038	23.91	0.00	-0.01
15	Prakar Investments Private Limited	269,671	0.34	0.00	269,671	0.34	0.00	0.00
16	Achyut and Neeta Holding and Finance P. Ltd.	72,247	0.09	0.00	72,247	0.09	0.00	0.00
	<b>Total</b>	<b>50,292,113</b>	<b>63.35</b>	<b>0.00</b>	<b>51,871,943</b>	<b>65.32</b>	<b>0.00</b>	<b>1.97</b>

Note: Change in % during the year may be attributed to increase in paid up capital of the Company during the year due to ESOS allotment in some cases despite no change in their holding

# Out of these, Sanjay C. Kirloskar holds 15,812,118 (14,238,720) equity shares in the individual capacity, 1621,600 equity shares as a Trustee of Kirloskar Brothers Limited Employees Welfare Trust Scheme and 3,015 equity shares as a trustee of C.S. Kirloskar Testamentary Trust.

## Out of these, Rahul C. Kirloskar holds 393,263 equity shares in the individual capacity, 5,625 as a Karta of Rahul C. Kirloskar HUF and 5,613 as a Trustee of C.S. Kirloskar Testamentary Trust.

### Out of these, Vikram S. Kirloskar holds 2,625 equity shares as a Karta of Vikram S. Kirloskar HUF and 67,611 equity shares as a Trustee of Rooplekha Life Interest Trust.

#### Out of these, Atul C. Kirloskar holds 393,263 equity shares in the individual capacity and 5,625 as a Karta of Atul C. Kirloskar HUF.

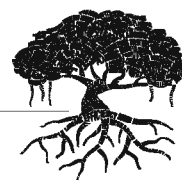
##### Out of these, Smt. Suman C. Kirloskar holds 2,947 equity shares in the individual capacity and 6,221 as a Trustee of C.S. Kirloskar Testamentary Trust.

(iii) Change in Promoters' Shareholding

	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	50,292,113	63.35	50,292,113	63.35
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):				
April 01, 2015	3,432	0.00	50,295,545	63.33
July 07, 2015	3,000	0.00	50,298,545	63.34
February 04, 2016	75,000	0.09	50,373,545	63.43
February 15, 2016	1,498,398	1.89	51,871,943	65.32
At the End of the year			51,871,943	65.32

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

Sl. No.	Name of the Shareholder	Shareholding at the beginning of the year		Shareholding at the end of the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Amansa Holdings Private Limited	4,809,712	6.06	2,762,605	3.48
2	Reliance Capital Trustee Co. Limited	3,621,199	4.56	3,682,376	4.64
3	The New India Assurance Company Limited	1,513,002	1.91	1,513,002	1.91
5	General Insurance Corporation of India	1,406,725	1.77	1,406,725	1.77
6	ICICI Prudential Life Insurance Company Limited	1,910,313	2.41	1,957,360	2.46
7	Warburg Value Fund	1,000,000	1.26	1,000,000	1.26
8	The Oriental Insurance Company Limited	536,806	0.68	536,806	0.68
9	The Mysore Kirloskar Limited	562,500	0.71	-	-
10	Kotak Emerging Equity Scheme	346,608	0.44	454,374	0.57
11	Dhanesh S Shah	-	-	343,003	0.43
12	Kala Hiralal Doshi	200,000	0.25	200,000	0.25


**(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	No. of shares	% of total shares of the company
	<b>For Each of the Directors and KMP</b>				
1	Sanjay Kirloskar	15,863,335	19.98		
	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):				
	February 04, 2016 (Market Purchase)	75,000	0.09	15,938,335	20.07
	February 15, 2016 (Market Purchase)	1,498,398	1.89	17,436,733	21.96
	At the End of the year			17,436,733	21.96
2	Jayant Sapre*				
	At the beginning of the year	16,725	0.00		
	May 21, 2016 (Allotment under ESOS)	20,000	0.00	36,725	0.05
	At the End of the year			N. A.	N. A.
3	Vikram Kirloskar**				
	At the beginning of the year	70,236	0.09	70,236	0.09
	Increase/decrease during the year	0	0.00		
	At the End of the year			N.A.	N.A.
4	Shrikrishna N. Inamdar				
	At the beginning of the year	32,816	0.04	32,816	0.04
	Increase/decrease during the year	0	0.00		
	At the End of the year			32,816	0.04
5	Padmakar Jawadekar				
	At the beginning of the year	6,000	0.01	6,000	0.01
	Increase/decrease during the year	0	0.00		
	At the End of the year			6,000	0.01
6	Anil N. Alawani***				
	At the beginning of the year	7,500	0.01	7,500	0.01
	Increase/decrease during the year	0	0.00		
	At the End of the year			N. A.	N. A.
7	Lalita D. Gupte				
	At the beginning of the year	0	0.00	0	0.00
	Increase/decrease during the year	0	0.00		
	At the End of the year			0	0.00
8	Pratap B. Shirke				
	At the beginning of the year	20,000	0.03	20,000	0.02
	Increase/decrease during the year	0	0.00		
	At the End of the year			20,000	0.02
9	Alok S. Kirloskar				
	At the beginning of the year	6,187	0.01	6,187	0.01
	Increase/decrease during the year	0	0.00		
	At the End of the year			6,187	0.01

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
10	Kishor A.Chaukar****				
	At the beginning of the year	N.A.	N.A.	0.00	0.00
	Increase/decrease during the year	0	0.00		
	At the End of the year			0.00	0.00
11	Umesh Shastry#				
	At the beginning of the year	0	0.00	0	0.00
	Increase/decrease during the year	0	0.00		
	At the End of the year			N. A.	N. A.
12	Sandeep Phadnis				
	At the beginning of the year	0	0.00	0	0.00
	Increase/decrease during the year	0	0.00		
	At the End of the year			0	0.00
13	Chittaranjan Mate##				
	At the beginning of the year	0	0.00	0	0.00
	Increase/decrease during the year	0	0.00		
	At the End of the year			0	0.00

\* Mr. Jayant Raghunath Sapre resigned from the Company w.e.f May 31, 2015

\*\* Mr. Vikram Kirloskar resigned as Director from the Company w.e.f May 26, 2015

\*\*\* Mr. Anil N. Alawani resigned as Director from the Company w. e.f April 23, 2015

\*\*\*\* Mr. Kishor Anant Chaukar was appointed as Additional Director w.e.f. April 27, 2015

# Mr. Umesh Shastry resigned as Chief Financial Officer w.e.f. June 01, 2015

## Mr. Chittaranjan Mate was appointed as Chief Financial Officer w.e.f. July 27, 2015

## V. INDEBTEDNESS

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

(Amt in ₹)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	1,691,936,145	690,191,329	-	2,382,127,474
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>1,691,936,145</b>	<b>690,191,329</b>	<b>-</b>	<b>2,382,127,474</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	375,231,183	-	-	375,231,183
Reduction	-	208,461,333	-	208,461,333
<b>Net Change</b>	<b>375,231,183</b>	<b>208,461,333</b>	<b>-</b>	<b>166,769,850</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	2,067,167,328	481,729,997	-	2,548,897,324
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
<b>Total (i+ii+iii)</b>	<b>2,067,167,328</b>	<b>481,729,997</b>	<b>-</b>	<b>2,548,897,324</b>




**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

(Amt in ₹)

Sl. No.	Particulars	Name of MD/WTD/Manager		
		Sanjay C. Kirloskar Managing Director	Jayant R. Sapre Whole Time Director (upto 31-05-2015)	Total
<b>A.</b>	<b>Remuneration to Managing Director, Whole-time Director(s) and/or Manager:</b>			
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	7,433,071	776,674	8,209,745
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	3,274,952	70,030	3,344,982
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	2,891,667	2,891,667
2	Stock Option	-	3,900,000	3,900,000
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	1,558,000	92,000	1,650,000
	- others, specify	-	-	-
5	Others, please specify	-	-	-
	<b>Total (A)</b>	<b>12,266,023</b>	<b>*7,730,371</b>	<b>19,996,394</b>
	Ceiling as per the Act (5% of the Net Profit as on 31 <sup>st</sup> March, 2016 is considered since there is no executive directors other than Managing Director)			11,114,910

\* This includes ₹ 39,00,000 on account of allotment of 20,000 equity shares granted as part of Commission for the year 2013-14 and other retirement benefits.

**B. Remuneration to other directors**

Independent Directors						
Name of the Directors	Shrikrishna N. Inamdar	Pratap B. Shirke	Padmakar S. Jawadekar	Lalita D. Gupte	Kishor A. Chaukar	Total
Fee for attending board / committee meetings	975,000	750,000	975,000	1,200,000	525,000	4,425,000
Commission	446,875	343,750	446,875	550,000	240,625	2,028,125
Others, please specify: Professional fees	1,000,000	-	-	-	-	1,000,000
<b>Total (A)</b>	<b>2,421,875</b>	<b>1,093,750</b>	<b>1,421,875</b>	<b>1,750,000</b>	<b>765,625</b>	<b>7,453,125</b>

(Amt in ₹)

Other Non- Executive Directors		
<b>Name of the Directors</b>	<b>Alok S. Kirloskar</b>	<b>Total (A+B)</b>
Fee for attending board / committee meetings	375,000	4,800,000
Commission	171,875	2,200,000
Others, please specify	-	1,000,000
<b>Total (B)</b>	<b>546,875</b>	<b>8,000,000</b>

<b>Total Managerial Remuneration</b>	12,934,480
<b>Overall Ceiling as per the Act</b>	13,337,892

**C. Remuneration to Key Managerial Personnel other than MD/ Manager/ WTD:**

(Amt in ₹)

Sl. No.	Particulars	Name of Key Managerial Personnel			
		C.M.Mate (Chief Financial Officer) (from July 27, 2015)	Umesh Shastry (Chief financial Officer) (upto June 01, 2015)	Sandeep Phadnis, (Company Secretary)	Total
1	Gross salary	2,553,096	825,757	2,676,437	6,055,290
	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	54,587		24,051	78,638
	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				
	<b>Total (C)</b>	<b>2,607,683</b>	<b>825,757</b>	<b>2,700,488</b>	<b>6,133,928</b>


**VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES**

Sr. No.	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)
<b>A.</b>	<b>COMPANY</b>			Nil		
	Penalty					
	Punishment					
	Compounding					
<b>B.</b>	<b>DIRECTORS</b>					
	Penalty					
	Punishment					
	Compounding					
<b>C.</b>	<b>OTHER OFFICERS IN DEFAULT</b>					
	Penalty					
	Punishment					
	Compounding					

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## Annexure II

### REMUNERATION POLICY

#### PHILOSOPHY:

The Company strongly believes that the system of Corporate Governance protects the interest of all the stakeholders by inculcating transparent business operations and accountability from management towards fulfilling the consistently high standard of Corporate Governance in all facets of the Company's operations.

The Company is committed to provide employment to all eligible applicants on the principles of equality without any discrimination.

The employees have to strictly follow the code of ethics and the management practices zero tolerance for the same.

#### OBJECTIVE:

- Transparent process of determining remuneration at Board and Senior Management level of the Company would strengthen confidence of stakeholders in the Company and its management and help in creation of long term value for them.
- Appropriate balance between the elements comprising the remuneration so as to attract potential high performing candidates for critical position in the Company for attaining continual growth in business.

#### COVERAGE:

Guidelines of determining remuneration of:

- i. Executive Directors
- ii. Non Executive Directors
- iii. Key Managerial Personnel
- iv. Senior Management Personnel

#### I. DIRECTORS

##### i. Executive Directors:

The Board of Directors of the Company shall decide the remuneration of Executive Directors on the basis of recommendation from Nomination and Remuneration Committee (N&RC) subject to the overall limits provided under the Companies Act, 2013 and rules made thereunder, including any amendments, modifications and re-enactments thereto ('the Act') and compliance of related provisions provided therein.

The remuneration shall be approved by the shareholders of the Company as and when required.

The Company shall enter into a contract with every Executive Director, which will set out the terms and conditions of appointment. The contract shall be recommended by the N&RC and approved by the Board. The contract shall be for such tenure as may be decided by the Board but which in any case shall not exceed the tenure as is provided in the Act and subject to such approvals as may be required.

Board may vary any terms and conditions of the contract from time to time during the tenure subject to such approvals, as may be required under the Act.

Every notice sent to the shareholder for seeking their approval for appointment / re-appointment / remuneration of the Executive Director shall contain the gist of terms and conditions of the contract.

The remuneration components shall include inter alia:



a. Fixed salary:

Each Executive Director shall be paid fixed salary consisting of basic salary and such allowances and perquisites as may be recommended by N&RC and decided by Board based on recommendations of N&RC and performance evaluation of each Executive Director from time to time, subject to overall limits as prescribed under Act.

The salary shall remain fixed for the tenure of the Executive Director.

b. Commission:

The Board may approve payment of commission subject to the limits provided in the Act. The eligibility and the amount of commission to be paid to each director shall be recommended by the N&RC on the basis of the performance evaluation of the Executive Director undertaken by the N&RC and Board.

c. Non monetary benefits:

Executive Directors may be entitled to club membership, company vehicle with driver, reimbursement of fuel expenses, vehicle maintenance, telephone, fax, internet at residence, reimbursement of mobile phone bill, fully furnished accommodation (in case of use of own residential property for accommodation, house rent allowance shall be paid), furnishings, reimbursement of house maintenance expenditure, reimbursement of gas, electricity bill, water & other utilities and repairs at residence, reimbursement of medical expenditure for self and family and leave travel assistance.

The Executive Directors shall not be entitled for sitting fess for attending the Board and any Committee meetings.

Executive Director may also be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance etc. as per the Company's policy.

d. Stock options:

Executive directors may be granted stock options as may be approved by the N&RC, if they are eligible as per existing or any scheme of stock options by the Company.

e. Compensation for loss of office may be paid as may be approved by the Board subject to the provisions of Section 202 of the Act.

f. Separation / Retirement benefits:

Executive Director shall be eligible to the following perquisites which shall be included in the computation of the ceiling on remuneration provided in the Act except in case of loss or inadequacy of profits of the Company:

- (a) Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income tax Act, 1961 or any amendment thereof
- (b) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service and
- (c) Encashment of leave at the end of the tenure.

g. Performance Evaluation:

Performance evaluation of each Executive Director will be based on the key parameters for short and long term performance objectives appropriate to the working of the Company and its goals.

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ii. **Non Executive Directors:**

The Company shall issue a letter of engagement or appointment to every Non Executive Independent Director. The components of payment of remuneration to Non Executive Directors shall be as follows:

a. **Sitting fees :**

Sitting fees shall be paid for Board Meetings and any Committee Meetings attended by the Director. The fees shall be same for attending the Board or Committee meetings or Board may determine the amount of sitting fees that may be paid for different types of meetings within limits as prescribed under the Act.

Committee shall include Audit Committee, Nomination & Remuneration Committee, Shareholders' / Investors' Grievance and Stakeholders' Relationship Committee, Corporate Social Responsibility Committee or such Committees as may be constituted by the Board.

b. **Commission:**

The Board may approve payment of commission subject to the limits provided in the Act. The eligibility and the amount of commission to be paid to each director shall be recommended by the N&RC on the basis of annual performance evaluation of the director based on directors' attendance in board meeting, membership / chairmanship of the committees of the Board, time devoted for the Company, contribution in the Board process and such other criteria like duties delegated to the director etc. and which requires payment of higher commission to the director.

c. **Stock Options:**

Independent Directors and Promoter Directors shall not be entitled for stock options of the Company.

N&RC may recommend and grant issue of stock options to other Directors subject to the compliance of the provisions of relevant laws.

d. **Professional fees:**

Non Executive Directors may be paid fees for services of professional nature, if in the opinion of N&RC, the director possesses the requisite qualification for practicing the profession. N&RC may decide the qualifications which shall be deemed to be requisite qualification possessed by the Director(s) for providing services of the professional nature and the N&RC is not required to give its opinion to the company in that capacity. Such professional fees shall not be considered as remuneration for the purpose of Act.

**EXCESS REMUNERATION:**

The Board of Directors may decide to remunerate the Director(s) beyond the overall limits provided under the Companies Act, 2013 subject to compliance of provisions in this regard including obtaining approval of shareholders / Central Government, if required, owing to loss incurred by the Company or inadequacy of profits and situation entails providing such remuneration.

**WAIVING OF EXCESS REMUNERATION:**

Any remuneration or sitting fees paid, whether directly or indirectly, to any director beyond the limits prescribed under the Act and for which approval of the shareholders or Central Government is not obtained, if required to be obtained, the same shall be refunded to the Company and until such sum is refunded, hold it in trust for the Company.

The Company shall not, in any case, waive the recovery of any such sum unless specific permission is obtained from Central Government for waiving such excess payment.





## II. KEY MANAGERIAL PERSONNEL & SENIOR MANAGEMENT

### i. Key Managerial Personnel:

For the purpose of this Policy, Key Managerial Personnel (KMP) includes Chief Executive Officer, Manager, Chief Financial Officer and Company Secretary and such other officers as may be prescribed under Act from time to time, but shall not include members of the Board of Directors.

The Company shall issue an appointment letter to every KMP to be signed by Managing / Executive Director. The letter shall detail the job profile, duties, remuneration, other benefits and other terms and conditions.

The remuneration components may include:

#### a. Fixed salary:

Each KMP shall be paid fixed salary consisting of basic salary and such allowances and perquisites as per service rules of the Company. The band of the salary shall be determined according to the industry standards, market conditions, scale of the Company's business relating to the position, educational qualification parameters and personal experience in the industry as detailed in the service rules of the Company and such other factors as may be prescribed therein.

The same shall be reviewed annually based on the Company's annual appraisal policy.

#### b. Variable pay:

Variable pay to every KMP shall be as per the Performance Linked Pay Scheme of the Company, which is designed to bring about increase in overall organizational effectiveness through alignment in the objectives of the Company and the Individual.

The variable pay shall be payable at the end of every Financial Year based on absolute & relative performance of the Company and Business Units. The performance will be measured on the basis of contribution made by the respective Business Unit to the Company. The weightage of the same will be decided by the N&RC in each case before the beginning of the each financial year.

The performance parameters & its evaluation:

#### i. Company Level parameters:

Company level targets shall be in line with their approved Annual Operating Plan to be approved by the Executive Directors

#### ii. Business Unit level parameters:

Business Unit level targets shall be in line with their approved Annual Operating Plan to be approved by the Executive Directors.

#### iii. Corporate Functional & Sectors parameters & its evaluation

The overall Company level performance shall be applicable for all the corporate functions & sectors.

#### iv. Individual level performance parameters & its evaluation

Key Result Areas (KRA) which will be set in the beginning of the year for every quarter in consultation with the Executive Director and individual level performance for achievement of KRAs.

The entitlement as per the Performance Linked Variable Pay Scheme shall be disclosed in the appointment letter. Variable Pay is assessed on annual basis and the same is paid in the salary of

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June month of every Financial Year. The particulars of the payment shall be communicated to the concerned in his / her salary slip relevant for the month in which the variable pay is paid.

c. Perquisites / Other Benefits:

Perquisites / Other Benefits to KMP may include a Company provided car, petrol reimbursement, vehicle maintenance, telephone, reimbursement of mobile phone bill and reimbursement of medical expenditure for self and family as per Company Policy.

KMP may be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance etc. as per Company policy.

d. Annual Pay Revision / Promotion

There are Key Result Areas which will be set in the beginning of the year for every quarter in consultation with the Executive Director and the performance appraisal shall be done in the format provided by the HR department. Based on this annual pay revision and/or promotion will be decided.

e. Stock options:

To motivate executives to pursue long term growth and objectives of the Company, the Executive Directors may nominate KMP for receiving stock options on the basis of the eligibility criterion of any scheme of stock options, if any, declared in the future by the Company.

f. Compensation for loss of office may be paid as may be set out in the appointment letter.

g. Separation / Retirement benefits:

Separation / retirement benefits as per Company policy which shall include contribution to provident fund, superannuation, gratuity and leave encashment.

ii. **Senior Management:**

The Company shall issue an appointment letter to every senior management personnel to be signed by the reporting Managing / Executive Director and KMP. The letter shall provide details of the job profile, duties, remuneration package and other terms and conditions.

Senior Management Personnel means personnel of the Company who are members of its core management team excluding Board of Directors comprising of all members of management one level below the Executive Directors, including the functional heads i.e. all sector/divisional heads.

The remuneration components shall be:

a. Fixed salary:

Each Senior Management Personnel shall be paid fixed salary consisting of basic salary and such allowances and perquisites as per service rules of the Company. The band of the salary shall be determined according to the industry standards, market conditions, scale of Company's business relating to the position, educational qualification parameters and personal experience in the industry as detailed in the service rules of the Company and such other factors as may be prescribed therein.

The same shall be reviewed annually based on the Company's annual appraisal policy.

b. Variable pay:

Variable pay to every Senior Management Personnel shall be as per the Performance Linked Pay Scheme of the Company, which is designed to bring about increase in overall organizational effectiveness through alignment of Company, Unit and Individual objectives.



The variable pay shall be payable at the end of every Financial Year based on absolute & relative performance of the Company and Corporate Function / Sectors. The performance will be measured on the basis of contribution made by the respective function / sector to the Sales of the Company and Contribution earned by the respective function / sector while arriving at bottom line of Company. The weightage of the same will be decided by the N&RC in each case before the beginning of the each financial year.

The performance parameters & its evaluation:

i. Company Level parameters:

Company level targets shall be in line with their approved Annual Operating Plan to be approved by the Executive Directors.

ii. Business Unit level parameters:

Business Unit level targets shall be in line with their approved Annual Operating Plan to be approved by the Executive Directors.

iii. Corporate Functional & Sector parameters & its evaluation:

The overall Company level performance shall be applicable for all the corporate functions & sector.

iv. Individual level performance parameters & its evaluation:

Key Result Areas (KRA) which will be set in the beginning of the year for every quarter in consultation with the Executive Director and individual level performance for achievement of KRAs.

The entitlement as per the Performance Linked Variable Pay Scheme shall be disclosed in the appointment letter. Variable Pay is assessed on annual basis and the same is paid in the salary of a June month of every Financial Year. The particulars of the payment shall be communicated to the concerned in his / her salary slip relevant for the month in which the variable pay is paid.

c. Perquisites/Other Benefits:

Perquisites / Other Benefits to Senior Management Personnel may include petrol reimbursement, vehicle maintenance, telephone, reimbursement of mobile phone bill and reimbursement of medical expenditure for self and family as per Company Policy.

Senior Management Personnel may be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance etc. as per Company policy.

d. Annual Pay Revision/Promotion

There are Key Result Areas which will be set in the beginning of the year for every quarter in consultation with the executive director and the performance appraisal shall be done in the format provided by the HR department. Based on this annual pay revision and/or promotion will be decided.

e. Stock options:

To motivate executives to pursue long term growth and objectives of the Company, the Executive Directors may nominate Senior Management Personnel for receiving stock options on the basis of the eligibility criterion of any scheme of stock options, if any, declared in the future by the Company.

f. Compensation for loss of office may be paid as may be set out in the appointment letter.

g. Retention Bonus

Senior Management Personnel may be entitled to retention bonus based on the industry standards, market conditions, and scale of Company's business relating to the position, educational qualification parameters and personal experience in the industry.

h. Separation/Retirement benefits:

Separation / retirement benefits as per Company policy which shall include contribution to provident fund, superannuation, gratuity and leave encashment.

**DIRECTORS' & OFFICERS' LIABILITY INSURANCE:**


The Company may take Directors & Officers liability insurance or such insurance of like nature for indemnifying any of the Directors or its KMP against any liability in respect of any negligence, default, misfeasance, breach of duty or trust for which they may be guilty in relation to the Company, the premium paid on such insurance shall not be treated as part of remuneration payable to such personnel. Provided that if such person is proved to be guilty, the premium paid shall be treated as part of remuneration.

**CONSULTANTS & ADVISORS:**

The N&RC may take services of such consultants & advisors as may be required to assist in determination of optimum remuneration structure and evaluation of the same for the Company's Directors, KMPs and senior management and shall have the authority to approve the fees payable to such consultants & advisors.

The N&RC shall have access to data of the Company relating to annual operating plan, management & leadership programs, employee survey, initiatives, operational reviews for purpose of undertaking their terms of reference and providing such recommendations as are required under the policy and take such assistance from the Head of the Human Resource Department as may be required for assessing the effectiveness and performance of any employee covered under the policy.

For Kirloskar Brothers Limited



Sanjay C. Kirloskar  
Chairman & Managing Director

Pune : September 25, 2014



### Annexure III

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

#### (A) Conservation of energy:

##### (i) Steps taken or impact on conservation of energy

- Change of old single track mains frequency furnace with new medium frequency dual track furnace at Kirloskarvadi;
- For street light and for high bay shop lighting, replacement of old inefficient lighting by Energy efficient lighting at Kirloskarvadi;
- Installed day light pipe system at Mezzanine floor office at Kondhapuri;
- Installed Solar Pumping system for Bore well Pump at Kondhapuri;
- Maintaining power factor at Kirloskarvadi and Dewas;
- Installation of VFD Screw Compressor in Foundry at Dewas;
- The Company continues the effort towards Lowest Life Cycle Cost (LLC) series of Pumps in India as Industrial, Water supply & Irrigation Pumping solutions. This enabled the Company to provide Highly Efficient Pumps having benefit of savings in running & maintenance costs.

##### (ii) Steps taken by the Company for utilizing alternate sources of energy

- Kirloskarvadi Plant shares major source of energy through wind generators, Solar Power and biogas;
- Installed Solar Water heater in canteen at Dewas;
- Installation of 1.4kW Windmill for security cabin at Kondhapuri.

##### (iii) Capital investment on energy conservation equipment

- Medium frequency dual track furnace - ₹ 25 Million;
- Expenses for efficient lighting - ₹ 0.35 Million;
- Centrifugal compressor - ₹ 10.43 Million Replacement of 2 no of Mfg. Screw Compressor by VFD Screw Compressor - ₹ 1 Million;
- Installation of VFD Screw Compressor in Foundry - ₹ 1.7 Million.

#### (B) Technology absorption:

##### (i) Efforts made towards technology absorption

- Design of Primary coolant pump (PCP) for Heavy water application;
- Development of submersible pumps (JOS) up to 7.5 kW;
- Development of 6 inch submersible pumps with NEMA motor;
- Development of new valves;
- Adoption of FEA and CFD techniques product verification, improvement & optimization.

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(ii) **Benefits derived like product improvement, cost reduction, product development or import substitution**

- Reduction in cost and product development time;
- Capability enhancement;
- Enhancement of Product range;
- Fulfil product gaps;
- Competitive edge over other pump manufacturers in nuclear pumps.

(iii) **In case of imported technology (imported during the last 3 years reckoned from the beginning of the Financial Year)**

(a) The details of technology imported : Magnetic drive pumps

(b) The year of import : 2014

(c) Whether the technology been fully absorbed : Yes

(d) If not fully absorbed, areas where absorption has not taken place, and the reasons thereof : NA

(iv) **Expenditure incurred on Research and Development** (₹)

Revenue expenditure 183,767,102

Capital Expenditure 32,885,139

**Total 216,652,241**

(C) **Foreign Exchange earnings and outgo** (₹)

Foreign Exchange earned in terms of actual inflows during the year 1,245,427,677

Foreign Exchange outgo during the year in terms of actual outflows 766,756,078





**Annexure IV**  
**ANNUAL REPORT FOR CORPORATE SOCIAL RESPONSIBILITY (CSR)**  
**ACTIVITIES FOR THE FINANCIAL YEAR 2015-16**

1	A brief outline of the Company's CSR policy including overview of projects or programs proposed to be undertaken.	The Company is committed to uphold the interest of stakeholders by implementing the guidelines given in the Business Excellence Model working towards sustainability. The focus of Company's CSR activities are health and education. The implementing agencies viz. Vikas Charitable Trust and Radhabai Memorial Trust have been recognized for implementing the CSR initiatives of the Company.
	The web-link to the CSR Policy.	<a href="http://www.kirloskarpumps.com/pdf/investor-information/policies/Corporate%20Social%20Responsibility%20Policy.pdf">http://www.kirloskarpumps.com/pdf/investor-information/policies/Corporate%20Social%20Responsibility%20Policy.pdf</a>
2	Composition of CSR Committee	Mrs. Lalita D. Gupte - Chairperson Mr. Sanjay C. Kirloskar - Member Mr. Kishor A. Chaukar - Member
3	Average Net Profit of the Company for last 3 financial years	₹ 576,634,495/-
4	Prescribed CSR Expenditure (2% of amount as in item 3 above)	₹ 11,532,690/-
5	Details of CSR spent during the financial year:	
	Total amount to be spent for the year:	₹ 11,532,690/-
	Amount unspent, if any	₹ 11,532,690/-
	Manner in which the amount spent during the Financial Year is detailed in as below	NIL

1	2	3	4	5	6	7	8
Sl. No.	CSR project or Activity identified	Sector in which project is covered	Projects or programs 1. Local Area or Other 2. Specify the state and district where projects or programs were undertaken	Amount outlay (Budget) project or program-wise	Amount spent in the projects or programs Sub - Heads 1. Direct expenditure on projects or programs 2. Over-heads	Cumulative expenditure upto to the reporting period	Amount spent Direct or through Implementing agency

6	In case the Company has failed to spend 2% (two percent) of Average Net Profit of last 3 (three) Financial Years or any part thereof the Company shall provide the reasons for not spending the amount. Although, the Company is committed for social causes, there were no identifiable projects currently available with our implementing agencies viz. Vikas Charitable Trust and Radhabai Memorial Trust. Considering this, we have deferred the expenditure on CSR for the year 2015-16.
7	The Committee hereby affirms that the implementation and monitoring of Corporate Social Responsibility Policy, is in compliance with Corporate Social Responsibility objectives and Policy of the Company.

**Sanjay C. Kirloskar**  
Chairman & Managing Director

**Lalita Gupte**  
Chairman CSR Committee

## Annexure V

### DISCLOSURE AS REQUIRED UNDER SECTION 197(12)

(As per Rule 5 of the Companies Appointment and Remuneration of the Managerial Personnel) Rules, 2014

(i)	the ratio of the remuneration of each director to the median remuneration of the employees of the company for the financial year	MD Managing Director – 17 : 1		
(ii)	the percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Managing Director – 16.49% Chief Financial Officer – NA (new appointment) Company Secretary – 13.06%		
(iii)	the percentage increase in the median remuneration of employees in the financial year	Average increase remuneration (10.25%)		
(iv)	the number of permanent employees on the rolls of company	Staff - 1372 Workmen – 971		
(v)	the explanation on the relationship between average increase in remuneration and company performance	Remuneration is revised based on the Company's policy which is based on Annual Operating Plan		
(vi)	comparison of the remuneration of the Key Managerial Personnel against the performance of the company	Comparison base year is 2014-15; Average increase in the remuneration of KMP is 15.83% as compared to increase of 1.88% in the revenue		
(vii)	Variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year.  Percentage increase over the last public offer price is not relevant as there has never been any public offer by the Company	Variation in market capitalization		
		Market Capitalisation	14-15	15-16
		BSE	₹ 1529 Cr.	₹ 933.29 Cr
		NSE	₹ 1519 Cr.	₹ 929.16 Cr
		Variation in price earning ratio		
		Price earning ratio	14-15	15-16
		BSE	179.96	78.88
		NSE	178.80	78.53
(viii)	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	Refer point no. (iii) and (v)		
(ix)	comparison of the each remuneration of the Key Managerial Personnel against the performance of the company	Refer point no. (vi)		
(x)	the key parameters for any variable component of remuneration availed by the directors	The components for payment of commission are provided in the Remuneration policy enclosed elsewhere.		
(xi)	the ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the period	None		
(x)	affirmation that the remuneration is as per the remuneration policy of the company	Yes		

**Annexure VI**  
**Statement of details of employees falling under Rule 5(2) of the Companies**  
**(Appointment and Remuneration of Managerial Personnel) Rules, 2014**

Sl. No.	Name of the employee	Designation of employee	Remuneration received (in ₹)	Nature of employment, whether contractual or otherwise	Qualifications and experience of the employee	Date of commencement of employment	Age of such employee	Last employment held by such employee before joining the company	Percentage of equity shares held by the employee in the company within the meaning of clause (iii) of sub-rule (2)*	Whether any such employee is a relative of any director or manager of the company	Name of such director
1	Mr. Sanjay C. Kirloskar	Managing Director	₹ 11,696,503/-	Contractual	Bachelor of Science (M.E), Illinois Inst. of Tech. USA	02.05.1983	58 Years	Kirloskar Cummins Limited, Pune	21.96 (#1743 6733)	Yes	Mr. Alok Kirloskar
2	Mr. Avinash W. Purandare	Vice President & Head	₹ 6,963,525/-	Contractual	B.E.-Electrical Exp:33.5 Years	01.01.1982	56 Years	SAP India (P) Ltd.	0.00	No	-
3.	Mr. Anurag Vohra	India Business Head	₹ 2,844,813/- ##	Contractual	B.E.-Mechanical PGD in Mgt.	30.11.2015	47 years	Volvo Eicher Commercial Vehicles Ltd	0.00	No	-

# Out of these, Sanjay C. Kirloskar holds 15,812,118 equity shares in the individual capacity, 1,621,600, equity shares as a Trustee of Kirloskar Brothers Limited Employees Welfare Trust Scheme and 3,015 equity shares as a trustee of C.S. Kirloskar Testamentary Trust.

## Date of appointment is November 30, 2015

\* Position as on March 31, 2016



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**Annexure VII**  
**AUDITORS' CERTIFICATE**

We have examined the books of account and other relevant records and based on the information and explanations given to us, certify that in our opinion, the Company has implemented the Employees' "Share a Vision" Stock Option Scheme, 2007, in accordance with the SEBI (Share based employee benefits) Regulations, 2014 and resolution of the Company in the 87<sup>th</sup> Annual General Meeting held on July 20, 2007.

For M/s P. G. BHAGWAT  
Chartered Accountants  
Registration number of the Firm: 101118W

Abhijeet Bhagwat  
Partner  
Membership No. 136835

Pune: May 10, 2016



## ANNEXURE – VIIA TO THE DIRECTORS' REPORT

Disclosures under the Securities and Exchange Board of India  
(Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 –

1	Particulars	Employees' "Share a Vision" Stock Option Scheme, 2007
a.	Number of Options granted	6,37,325 options
b.	Pricing Formula	5,52,250 options at ₹ 200/- and 85,075 options at ₹ 2/-
c.	Number of Options vested	0
d.	Number of Options exercised	20,750 Options
e.	Total number of shares arising out of exercise of Options	20,750 Shares
f.	Number of Options lapsed	5,49,165 options
g.	Variation in the terms of the Options	No variations
h.	Money realized by exercise of Options	₹ 33,80,950/-
i.	Total number of Options in force	No options in force
j.	Employee wise details of options granted to -	
	i. Senior Management Personnel	No options granted during the year
	ii. Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during the year	No options granted during the year
	iii. Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	No options granted during the year
k.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 – Earnings Per Share	₹ 1.49
l.	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, 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, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.	<p><b>Net Profit</b></p> <p>As reported 118,070,277</p> <p>Add : Intrinsic value (201,715)</p> <p>Less : Fair Value (191,075)</p> <p>As adjusted 118,080,917</p> <p><b>Basic EPS</b></p> <p>As reported 1.49</p> <p>As adjusted 1.49</p> <p><b>Diluted EPS</b></p> <p>As reported 1.49</p> <p>As adjusted 1.49</p>
m.1	Weighted average exercise prices for options whose exercise price – i. equals market price ii. exceeds market price iii. is less than market price	No options granted during the year
m.2	Weighted fair values for options whose exercise price – i. equals market price ii. exceeds market price iii. is less than market price(as on grant date)	No options granted during the year
n.	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: 1. risk free rate 2. expected life 3. expected volatility 4. expected dividends and 5. the price of the underlying share in the market at the time of option grant.	No options granted during the year

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**Annexure VIII**  
**SECRETARIAL AUDIT REPORT**

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]  
For The Financial Year Ended 31<sup>st</sup> March, 2016

To,  
The Members, of  
KIRLOSKAR BROTHERS LIMITED  
Udyog Bhavan, Tilak Road,  
Pune- 411 002.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by KIRLOSKAR BROTHERS LIMITED, 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 31<sup>st</sup> March, 2016 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 31<sup>st</sup> March, 2016 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;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; [No incidence during the audit period, hence not applicable]
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 & SEBI (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;
  - (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]
- (vi) 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 [notified w.e.f. 1<sup>st</sup> July, 2015].
- (ii) The existing Listing Agreement and New Listing Agreement under SEBI [(Listing Obligations and Disclosure Requirements) Regulations 2015 (Listing Regulations) w.e.f. 1<sup>st</sup> December, 2015 entered into by the Company with BSE Ltd. & NSE Ltd;

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

I further report that,

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. 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 the members by postal ballot have given approval:

1. for amalgamation of Kirloskar Systech Ltd. (KSL - a wholly owned subsidiary) with the company

AND

2. in order to enable the Company to carry on the businesses of KSL, for alteration of object clause to include objects of system engineering & IT solutions etc.

The petition filed by KSL is admitted by the Honourable High Court of Judicature at Bombay, for final hearing subject to the compliances of certain conditions.

**Mahesh J. Risbud**

Practicing Company Secretary

FCS No. 810

C P No.: 185

UCN – S1981MH000400

Pune : May 10, 2016

### World Economy

Global economic activity remained depressed in 2015. The World Bank reported that economic growth in 2015 was 2.4 percent which is lower than the 2.6 percent registered in 2014. This disappointing performance was due to a continued slowdown of commercial activity in emerging and developing economies. Reasons for the weakness were drop in the commodity prices and low level of international trade and capital flows. Oil prices declined by more than one-third and reached their lowest level in dollar terms since 2003. Energy prices plunged by 45 percent from the previous year, while non-energy commodity rates declined by 15 percent. Compared to 2011, industrial commodity price indices in December 2015 were down sharply, more than one-half in case of metals. This decline is attributable to low demand for the fifth consecutive year from emerging and developing countries, which account for more than 70 percent of the global business. The slowdown and rebalancing of the Chinese economy from investment and manufacturing orientation to consumption and services and a tightening of monetary policy in the United States adversely affected the situation.

The International Monetary Fund (IMF) forecasts economic recovery in 2016 to be slow especially in the developing world. Global growth is expected at 3.4 percent in 2016 and 3.6 percent in 2017. The estimates pertaining to revival of economic growth in the next two years are based on assumptions of a gradual improvement in geographies currently in economic distress, notably Brazil, Russia, and some countries in the Middle East Asia. This viewpoint of partial recovery can be hampered by new economic or political shocks.

### Indian Economy

Economic growth of 7.6 per cent was recorded in 2015-16, as per the Economic Survey 2015-16, Ministry of Finance, Government of India. India has been rated as one of the fastest growing economies in the world. This growth was achieved against the backdrop of a decline

in exports and weak monsoon. Agricultural growth was around 1.1% driven by increase in food grain production and impressive growth in livestock.

Industrial growth increased to 7.3% along with the expansion in services to 9.2%. Private consumption is assessed to have reached 7.6%. Government led consumption growth was half-hearted because there was increase in capital expenditure by 20.9% with subsequent reduction in the current expenditure. These measures facilitated improvement in the investment growth from 4.9% in the previous year to 5.3% in the current year. Conversely, private investment remained weak plagued by overcapacity and corporate debt.

Lower commodity prices and lacklustre international demand hindered exports, which contracted by 18% in 2015-16.

The Asian Development Bank projects a slight decline in 2016 because of low levels of public investment, stressed corporate financials and falling exports. The year 2017 may oversee a strong growth on account of probable improvement in the health of banks and corporate entities. Yet, the delay in enacting economic reform may affect the prospects of continued fast growth to some extent.

### Global Pump Market Outlook

The volume and growth of capital investment significantly impacts the growth of pump market. Companies are expected to cut capital expenditures by 30 percent in 2016. Already, some \$ 200 billion worth of projects have been cancelled or postponed. The reduction in expenditure is on account of dramatic descent in oil prices below \$ 40 per barrel at the end of 2015, abundant supply and weak global demand amid concerns over slowing economic growth around the world, especially in China. Another significant factor is the overcapacity in China, resulting in an increase of low cost Chinese exports. Against the backdrop of falling markets, Kirloskar Brothers was one of the few centrifugal pump manufacturers globally who managed





to improve on its sales performance over the previous year, though margins remained under stress.

The European Industrial Foundation estimates the global pump market to be around \$47 billion. The centrifugal pump market is predicted to be around \$ 29 billion. The global pump market is estimated to grow at a compounded annual growth rate of nearly 3.7 percent for the period 2015-20. The estimated growth rate for the period 2015-20 is 3.7% which is relatively lower in comparison to 4.9% registered during 2009-14. The drop is the outcome of weakness in oil, gas and mining markets.

### Indian Pump Industry

Economic growth in India is anticipated to be stronger than China for the year 2016. Government allocated ₹ 221,246 crore on account of the capital expenditure outlay for infrastructure during fiscal 2016-17. Consequently, the market will be driven by investments in Municipal Water and Wastewater, Agricultural applications, Nuclear Power generation and General Manufacturing Industry. Market for pumps in India may attract competition from global players and put industry margins under stress. Softening of commodity prices globally may provide some cushioning for manufacturers.

EIF estimates the pump market in India in 2016 to be ₹ 11,178 crores and is expected to reach ₹ 14,255 crores in 2020 at a compounded annual growth rate of 6.3%.

### Strategy and Policy

Kirloskar Brothers continued its pursuit of Vision 2020 through a structured program of organic and inorganic growth opportunities.

KBL's subsidiary Kirloskar Pompen BV completed the acquisition of Dutch pump manufacturer Rodelta Pumps International B.V. Rodelta specializes in the manufacture of American Petroleum Institute (API) and Non API pumps for oil and gas, pulp and paper, water, marine and chemical applications.

Initiatives were taken to align business with stated objectives by restructuring of the organization. A Project

Execution Cell was formed to ensure project closures as per the objectives and schedule. Reviews are being conducted to assess the need for adjustments in policies and measures. Project business focussed on completion of projects as per the commitments given to customers. The concentration towards adherence of the project timeliness was aptly reflected in the repeat order from Turkish company Calik Enerji for its 230 Megawatt Gardabani Combined Cycle Power Plant project in Georgia.

Measures were taken to improve the channel footprint and productivity by providing support for enabling secondary sales. Technical communication pertaining to the company's pumping systems was launched. Customers were educated about the design standards, usage of materials for manufacturing and selection of pump for a given application.

Our products and packaged systems are being appreciated by customers in Europe, North America, the Middle-east, North Africa and South-East Asia.

The company continued to lay emphasis on segments such as process based chemical industries. Technologically advanced ROMAK (RMK) process pumps were launched. RMK pump is magnetic drive pump comprising permanent magnets. These pumps are meant for process industries and capable of handling various types of clear and clean chemical liquids without any suspended particles.

To improve upon complaint resolution and cater to service requirement of the engineered pump customers, "Engineered Service Division" (ESD) was formed. ESD.

looks after large engineered pumps in the segments of water, power, irrigation and oil and gas.

### International Business Strategy

To achieve Vision 2020 it is pertinent to focus on international business. The three pronged approach adopted for the international business is effective prioritisation of international orders and enquiries, adherence to customer deadlines and on-time support and delivery.

Our dedicated approach of obtaining approvals from Global Engineering Procurement and Construction (EPC) companies paid rich dividends. The approvals helped us grow our foot print in global market. A good example is Saudi Aramco. As an approved vendor of Saudi Aramco, many prestigious global orders of Saudi Aramco were received in the last few years. Marketing of Concrete Volute Pump (CVP) is being done. The first international order for CVP pump was secured from Bangkok Metropolitan Administration (BMA), Thailand.

All these efforts culminated into an export sale which is 21% higher than the previous year sale.

### Sustainability and Growth Initiative

Kirloskar Brothers established a sustainability management framework which focuses on key aspects of economic, environmental and social sustainability. The organization reports its sustainability performance in its Annual Sustainability Reports which are based on internationally accepted guidelines of Global Reporting Initiative (GRI). The report covers performance of the manufacturing plants and corporate office "Yamuna". The report was upgraded and made compliant as per the G4 sustainability reporting guidelines of Global Reporting Initiative (GRI).

Our business sustainability is managed on the principles of triple bottom line.

### Profit

Views of stakeholders are gathered to identify and develop business opportunities. Customer perception survey is being conducted at defined intervals to understand the needs and expectations of customers. Attention is paid on developing supply chain by continuously evaluating the performance of suppliers. As a responsible organisation, KBL adheres to the highest compliance and anti-corruption policies and promotes integrity through training of employees.

### Planet

Initiatives were taken to minimize the environmental impact of operations by applying environmental management programs. The Energy Conservation Cell consisting of a team of Certified Energy Managers and Auditors carries out Performance Measurement of Pumps and Motors at Customer locations. This helps customers to reduce electricity consumption and improve overall energy performance. Manufacturing processes are designed to control wastage and promote reuse of the material. This helps us monitor and control the usage of natural resources.

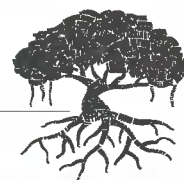
### People

The sustainable development of societies is encouraged and supported by conducting awareness programs and creating employment opportunities. Corporate Social responsibility initiatives foster long-term relationships with local societies. All factories of KBL are Occupation Health and Safety Assessment Series for health and safety management systems (OHSAS 18001) certified. Training and development policy supports to enhance the professional and personal skills of the employees.

Kirloskar Brothers adopted practices according to the SA 8000 guidelines and abides by International Standards and applicable labour laws as a part of commitment to provide a fair and humane environment to stakeholders. Corporate Office and Kirloskarvadi, Dewas, Sanand and Kaniyur manufacturing plants have implemented these practices and are certified for SA 8000.



Auto Prime Pump



A sustainable organization creates sustainable value for the six forms of capital (Financial, Human, Manufactured, Intellectual, Natural and Social). KBL is a part of the Integrated Reporting movement at global level. Our company released its first Integrated Report in 2014 based on the International Integrated Reporting framework.

Kirloskar companies participate in Energy Conservation (ENCON) competition every year to continually reduce their specific energy consumption. KBL reviews its energy performance and has been recognized for achievements in energy conservation at the ENCON competition. The Kirloskarvadi Plant received Energy Excellence award from Confederation of Indian Industry (CII) for the year 2015.



**Kirloskar Pumps at the Pattiseema Project**

### Quality Assurance

In line with vision to become the most admired engineering company in the world, concentration towards quality improvement at all levels of supply chain and basic manufacturing processes are being pursued. Proper processes and documentation system were deployed which enable to record and analyse the extent of improvement and up-gradation in the system.

The activities undertaken for the purpose of quality effectiveness

- Workers skill enhancement initiative undertaken wherein 8 assembly fitters were selected as trainers. A comprehensive skill enhancement program was run to refine workmen skills on various products. Learnings from this program



### Adyanpara Small Hydro Electric Project

were shared to upgrade written down procedures and all technicians underwent qualification test for assessment of the knowledge level.

- Recertification of N/NPT nuclear certificate of authorization received for next 3 years aptly demonstrating technical capability and documentation to ASME standards.
- Dedicated team to further improve Quality Index of suppliers and in-house processes.

### Risks and Concerns

The Company continuously assesses risks of critical importance which were identified in the previous year. The Risk Management Committee discuss the prioritized risks and mitigation actions that were put in place by identified Risk Owners and their teams. All these risks have clearly outlined root causes, action plans and key performance indicators. Some risks witnessed a reduction in their scores indicating that the mitigation actions were yielding results as perceived by senior leaders.



**Customer Seminar for JSW**



## Water Resource Management

The projects such as Ganga Action Plan, Amrut Yojana and Smart City may generate demand for solutions in the field of water supply and wastewater management. First batch of 20 cities were selected in the current year for implementation under the Smart City project. Our company is closely working with consultants to promote appropriate solutions and products like Concrete Volute (CV) pumps and the Auto Prime concept.



iPad and Tablet Controlled HYPN System

## Irrigation

Irrigation sector bagged new orders in Africa and South East Asia. Marketing activities in these regions resulted in the brand recognition and translated in greater acceptance of the product. In India, the country strategic partnerships are being forged to create win-win situations. Efforts are being put in to improve customer engagement and issue resolutions. The positioning of the organization enabled it to get many orders of Vertical Turbine as well as Metallic Volute pumps. Strengthening of internal systems helped in reduction of risks. The selective approach for orders coupled with favourable payment terms is helping sector to steer in the direction of growth.

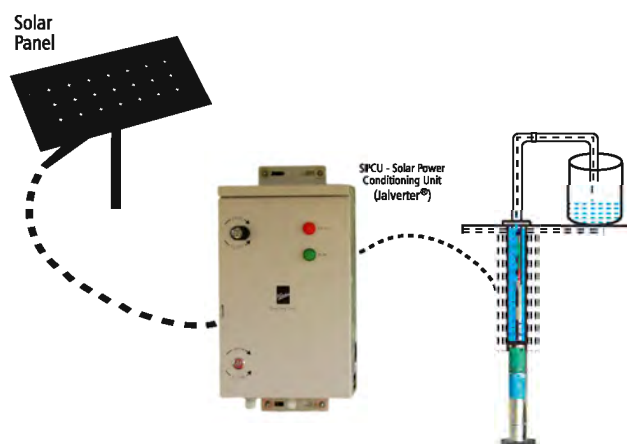
## Power

There is a noticeable move in policy focus on the sources of power. The government is encouraging hydro, renewable and gas-based projects, as well as

adoption of clean coal technology. The government proposes to increase fourfold India's nuclear power generation capacity to 20 Gigawatt (GW) by 2020. To reduce dependency on imported coal, a Public Private Partnership (PPP) policy framework is being devised with Coal India Limited to increase coal production. KBL is well poised to take advantage of the impending opportunities with certifications of authorization from The American Society of Mechanical Engineers (ASME) and proven capability in the thermal power generation space.

## Industry

The company conducted technical seminars for consultants and engineering procurement and construction contractors. The process of seeking approval and registration of KBL with various global EPC and consultants are being pursued. Initiatives were undertaken with the target of achieving customer satisfaction. The actions supported organic growth of process pumps business. Training modules were conducted for customers and channel partners to impart technical training. New products like Mag drive, Air cooled thermic fluid and canned motor pump were well received by the customers.



Kirloskar Solar Pumping System

## Oil and Gas

The oil refining capacity in the country is estimated to be around 223.3 Million Metric Tonnes Per Annum (MTPA). By 2017, the oil refining capacity is projected



to reach 310 million tonnes. The oil and gas sector directed its efforts towards addressing the package requirements of institutional customers. Fire water pumps package for Reliance Rewari terminal, Haryana was executed as per the requirements. Smooth execution enabled the repeat orders from Reliance Industries Chennai, Haldia and Kanpur terminals. The fire water pumps for Air Liquid was completed smoothly. The feat led to the repeat order of Jockey pumps from the customer.

### Building and Construction

Building and construction sector catered to the complete pumping requirements for 100 stations in the third phase of Delhi Metro Rail project thereby demonstrating KBL's prominence in the Metro Rail projects. With leadership in the Indian fire market, the marketing team is rapidly increasing our foot print in non-fire pumping applications. A growth of 300% was registered for the Hydro-pneumatic (HYPN) system business. The iPad and Tablet controlled HYPN system, a first of its kind in India, was launched. Inroads were made into the Heating Ventilation and Air Conditioning (HVAC) system market.

A unique Factory Mutual (FM) and Underwriters Laboratory (UL) (FM/UL) Service cell to cater to the service and training requirements was formed. Currently, we have a strength of 15 FM/UL service dealers and trained service personnel. Customized solutions to meet the water supply needs for townships were developed. The differentiating factors are sustainable energy efficiency, space saving and prompt service, all these attributes being crucial in the building and construction arena.

### Distribution

GDP of agriculture and allied sectors in India was at \$ 259.23 billion in 2015. Central Statistical Organisation (CSO) estimates a growth of 8.3 percent for agriculture and allied industries. The agriculture pump market has been forecast to grow at 7 to 8 percent per annum. Irregular monsoon and variations in ground water level coupled with electrification in rural areas augmented demand for agricultural pump sets in the country.



**ROMAK (RMK) Process Pump**

Government policy and program execution towards promotion of solar pumping system and energy efficient pumps will influence the agricultural pumps market in India. KBL is empaneled with Ministry of New and Renewable Energy (MNRE) to work under National Bank for Agriculture and Rural Development's (NABARD) Solar pump subsidy scheme in 29 states of India.

The channel business achieved sales revenue growth and KBL appointed more than 90 Dealers, 1800 Retailers and 35 Authorised Service centres in the year. Sale of Submersible pumps grew 44% in quantity terms over the last year. The Mini pump sale increased in terms of quantity over the previous year.



**KBL at the Make in India Exhibition**

### Customer Service and Spares

CSS works with the objectives of enhancing customer experience, reaching closer to the users, ensuring availability of spares and providing reliable service network. The increase in Authorized Service Centre's network strength across India helped to improve our customer satisfaction index.

## Engineered Service Division

Engineered Service Division's initiative of retro-fitment and development of components for pumps with the intention of energy saving and life extension are gaining acceptance from the customers. Repeat refurbishment order received from many customers for the purpose of energy saving and life extension of pumps is evidence of customer confidence in KBL's product and services.

## Factories

### Kirloskarvadi

Kirloskarvadi factory implemented Kaizen schemes and drives on innovative themes in order to enhance the employee involvement in productivity improvement measures. Initiatives were taken to strengthen and improve the supply chain under "Supplier Improvement Program".

Renewable Energy Certification were received under Renewable Energy Certification, Registry of India for five wind mills. Kirloskarvadi plant awarded benefits of around 5603 certificates thereby leading to savings worth ₹ 8.40 Mn for the year 2015-16. Kirloskarvadi Plant is rated as "GreenCo Silver" as per GreenCo, Green Company Rating System of the Confederation of Indian Industry (CII).

### Dewas

Dewas factory is continually reforming manufacturing facilities. The manufacturing plant established mechanized assembly, testing, painting and packing set up to achieve manufacturing excellence. New sand plant is being installed in foundry shop to improve productivity. Vendor and internal process improvement programs have been initiated to achieve first time right and reduce customer complaints. The Small pump business group received the KBL Lakaki Operational Excellence award. The plant participated in various external competitions and won Manufacturing Today award in Technology and Safety category.

### Sanand

Sanand manufacturing works increased productivity and in-house value addition through better asset utilization and smooth supply chain. Various quality improvement programs were initiated for in-house and supplier processes in order to improve upon reliability of the product. The plant took a step forward towards Environmental Sustainability and received Confederation of Indian Industry (CII) GreenCo "Silver" certification. The Plant participated in external competitions and won the award for The Machinist "Super Shop Floor" and CII "Material Conservation and Recyclability".

### Kaniyur

Kaniyur factory increased the capacity and production to cater to high demand and grow the market share through better asset utilization, process improvements, supply chain and quality improvements. The plant participated in external competitions and received regional level Quality Circle Forum of India (QCFI) and Manufacturing Today awards.

### Kondhapuri

Kondhapuri took steps to increase competitive advantage through capacity enhancement and lean management. Manufacturing process of the Hydraulically Operated Pump Discharge (HOPD) valves was established in the plant. Kondhapuri factory was awarded for excellence in energy conservation by Maharashtra Energy Development Agency (MEDA) in 10th Maharashtra state level competition.

## Research, Engineering and Development

Research and engineering activities are directed towards customizing the offerings as per the requirements of different geographies. Initiatives were taken to extend the range of axial flow vertical turbine pumps for irrigation applications. New series of pumps





for industrial applications like low cost canned motor pumps type iCAN, Magnetic drive pumps type Romak and pumps for dewatering applications with innovative features were developed and introduced.

### Global Marketing

To promote and enhance the brand image of Kirloskar Brothers while driving sales and reaching out to consumers, the Marketing department undertook a number of initiatives. Participation in global events gave impetus to brand visibility and highlighted the innovative and sustainable product listing. At theACHEMA exhibition in Frankfurt am Main, Germany, Magnetic Drive Pumps -- Romak (RMK) along with the technologically advanced GK-P process pumps were showcased. KBL participated in a number of other prestigious events and trade shows such as the Make in India Week, ACREX 2016, Mumbai, ACRECONF, Paperex 2015, India Cold Chain Show and the CII – Exim Bank India-Africa Project Partnership Conclave, 2016.

### Financial Performance

- Revenue from operations was at ₹ 1,656 Crores as against ₹ 1,626 Crores in the previous year, registering a rise of 2 %.
- Product sector sales have increased by 9 %, but Project sector sales have dropped by 16%. Drop in Project Sector sales is attributable to continued market sluggishness and liquidity problems. Further, KBL was selective in taking Project Orders, where payment terms were fair and reasonable to sellers of equipment.
- KBL continued with the policy of dispatch only against recovery of money for projects business.
- Composite material cost as per cent to sales has marginally increased to 65.3% from 65.2% in the previous year. Composite material cost as per cent to sales has marginally increased to 65.3% from 65.2% in the previous year.
- Total expenditure excluding depreciation and finance cost was ₹ 528 Crores as against ₹ 493 Crores in the previous year. The increase includes the effect of

wage settlement, and expenses on Strategy Planning, various marketing initiatives, legal expenses on defending company at arbitration filed by Alstom etc.

- Total finance cost including bank charges was ₹ 37 Crores as against the same amount of ₹ 41 Crores in previous year.
- For the year 2015-16, profit before tax (PBT) was ₹ 6.41 Crores as against PBT of ₹ 5.52 Crores in Financial Year 2014-15.
- The Net Current Assets have shown a marginal increase of ₹ 3 Crores over the FY 2014-15 figures. However our endeavour at improving the quality of the Balance Sheet continues.
- Borrowings as at end of the year were at ₹ 255 crores as against ₹ 238 crores as at end of the previous year.

### Human Resource

With a view to enhance organizational efficiency, functional restructuring was done defining business focus in terms of Global and Local plays. The Small pump Business was reorganized to aim at fast track growth. To build upon a Performance driven culture the entire "Performance Management System" was revamped along with a detailed and meticulous cascading of Key Result Areas (KRA's) to every employee. Online functional competency assessments based on general engineering, function and role specific knowledge was conducted for employees across the organization. The result of evaluations are being used to upgrade job understanding and knowledge repository within organization. Along with this the eLearning platform got strengthened to host various modules online for ready reference and knowledge up gradation. Organization level "Depth Charting" is being continued to define three level successors across the organization for critical positions.

KBL Values and Ethics are reinforced amongst employees through regular workshops and online self-certification test. The Employee Engagement Survey (EES) was conducted through AON Hewitt, where KBL was once again classified in the "Best Employer" range

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with a score of 65 percent. The industrial relations scenario remained harmonious and peaceful at all manufacturing locations. Long term settlement with Unions of Kirloskarvadi and Kondhapuri were concluded.

Our Corporate Social Responsibility (CSR) initiatives addressed key community needs of education and health in the communities surrounding company's operations and offices. KBL employees volunteered for Corporate Social Responsibility activities and devoted an average of 1.5 man days per employee during the year in societal work.

### Awards and Accolades

- Gunavant Kamgar Puraskar of Maharashtra Kalyan Mandal, Government of Maharashtra awarded to Mr. Dilip Phakade and Vinayak Zende

### Internal Control Systems

The company has Internal Audit Charter specifying the mission, scope of work, independence, accountability, responsibility and authority of Internal Audit Department. Internal audits are regularly carried out as per the approved audit calendar and an Audit program and Risk Control Matrix are prepared for all the audits conducted during the year. The audits are conducted to examine the efficiency and effectiveness of internal controls. For this purpose, the company has continued the practice of appointing professional firms of chartered accountants.

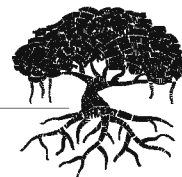
The internal audit reports are initially presented to executive committee of the management consisting of Chairman and other Directors. Significant audit observations and follow up actions thereon are reported to the Audit Committee. Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors implementation of the audit recommendations. Corporate internal audit department monitors implementation status of internal audit recommendation through web based tool (Issue tracking System).

During the current year Corporate Internal Audit Department initiated the automation of "Continuous Monitoring" checks for repetitive issues across all plants.

The company continues to benchmark the audit process of KBL and its subsidiary companies.

Cautionary Statement: Statements in the Management Discussion and Analysis describing the Company's projections and estimates are forward looking statements and progressive within the meaning of applicable security laws and regulations. Actual results may vary from those expressed and incidental factors.





## REPORT ON CORPORATE GOVERNANCE

### 1. The Company's philosophy on Code of Corporate Governance :

The Company strongly believes that the system of Corporate Governance protects the interest of all the stakeholders by inculcating transparent business operations and accountability from management towards fulfilling consistently the high standard of Corporate Governance in all facets of the Company's operations.

### 2. Board of Directors :

As on March 31, 2016, there were seven directors on the Board, comprising of a Managing Director and six (85.71%) Non-Executive Directors of whom five (83.33%) were Independent Directors including a Woman Director.

On April 27, 2015, Mr. Kishor Anant Chaukar was appointed as an Additional Director. The shareholders in the previous Annual General Meeting (AGM) confirmed his appointment as an Independent Director with effect from April 27, 2015.

Mr. Vikram S. Kirloskar resigned as a Non-Executive Director of the Company with effect from May 26, 2015.

During the year under review, Mr. Jayant Sapre, ceased to be a Whole Time Director of the Company on completion of his term. He also resigned as a Director of the Company with effect from May 31, 2015.

The Board of Directors recommended for approval of shareholders, the re-appointment of Mr. Sanjay C. Kirloskar as a Managing Director for a period of 5 (five) years up to November 18, 2020.

The Board's composition is an optimal complement of independent professionals as well as Company executives having an in-depth knowledge of business.

During the year under review, 5 (five) Board meetings were held on the following dates:

April 27, 2015, July 27, 2015, October 28, 2015, January 25, 2016 and March 14, 2016.

None of the Directors on the Board holds the office of director, including an alternate directorship if any, in more than 20 companies at the same time. None of the Directors are directors in more than 10 public companies or holding membership of committees of the board in more than 10 committees or chairpersonship of more than 5 committees across all listed entities in which he/she is a Director.

The above limits are determined as follows:

- the limit of the committees on which a director serving in all public limited companies, whether listed or not, are included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 are excluded;
- for the purpose of determination of limit, chairpersonship and membership of only Audit and the Stakeholders' Relationship Committees were considered.

None of the Independent Directors are Independent Directors in more than 7 listed companies. The Managing Director of the Company is not serving as an Independent Director in any of the listed companies.

The details are explained in the Table below:

Name of Director	Designation / Category of Directorship @	Board Meetings attended	Attendance at last AGM	No. of other* Directorships held	No. of Committees of which Member / Chairperson in other Companies
Mr. Sanjay C. Kirloskar	CMD (P)	5	Present	7	1/1
Mr. S. N. Inamdar	INED	5	Present	7	2/3
Mr. P. S. Jawadekar	INED	5	Present	1	1/0
Mrs. Lalita D. Gupte	INED	5	Present	5	4/1
Mr. Pratap B. Shirke	INED	5	Present	12	0/0
Mr. Alok S. Kirloskar	NED (P)	5	Present	13	0/0
Mr. Kishor A. Chaukar	INED	4	Present	9	3/1

Mr. Alok S. Kirloskar is son of Mr. Sanjay Kirloskar. None of the other directors are related to any other director.

- @ CMD – Chairman and Managing Director, NED – Non Executive Director, INED – Independent Non Executive Director and P – Promoter.
- (1) Directorships in private limited companies, foreign companies are included in the above table excluding Kirloskar Brothers Limited and Section 8 companies.
  - (2) Company while selecting Independent Directors on the Board, inter-alia, considers his/her qualification, experience, age and other directorships etc. All the Independent Directors have provided declaration affirming that they meet the criteria of independence.
  - (3) All the relevant information suggested under Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) is furnished to the Board from time to time.

Statement showing number of Equity Shares of ₹ 2/- each of the Company, held by Non-Executive Directors as on March 31, 2016:

Non- Executive Directors	No. of Shares	% of Paid up Capital
Mr. S. N. Inamdar	32,816	0.04
Mr. P. S. Jawadekar	6,000	0.01
Mr. Kishor A. Chaukar	0	0.00
Mrs. Lalita D. Gupte	0	0.00
Mr. Pratap B. Shirke	20,000	0.02
Mr. Alok S. Kirloskar	6,187	0.01

The details of familiarisation programme imparted to the Directors is available at <http://www.kirloskarpumps.com/pdf/Familiarisation.pdf>

### 3. Audit and Finance Committee :

The Audit and Finance Committee is in compliance with the requirements under Regulation 18 of the Listing Regulations read with Section 177 of the Companies Act, 2013.

The terms of reference of the Audit and Finance Committee include the matters specified in Schedule II (Part C) of the Listing Regulations. The terms of reference of the Audit and Finance Committee include the following:

#### A)

- Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending for appointment, remuneration and terms of appointment of auditors of the Company;
- Approving payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing with the management, the annual financial statements and auditors' report thereon 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 the accounting policies & practices and reasons for the same
  - c. Major accounting entries involving estimates based on exercise of judgement 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. Qualifications in the draft audit report.



- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue and making appropriate recommendations to the Board to take up steps in this matter;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Approval or any subsequent modification of transactions of the Company with related parties;
- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Reviewing, with management, performance of statutory and internal auditors, adequacy of internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow up thereon;
- Reviewing the findings of any internal investigations by the internal auditor into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower mechanism;
- Approval for appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as is mentioned in the terms of reference of the Committee by the Board and to carry out investigation in relation to items specified above.
- To review the following information:
  - 1) management discussion and analysis of financial condition and results of operations;
  - 2) statement of significant related party transactions (as defined by the audit committee), submitted by management;
  - 3) management letters / letters of internal control weaknesses issued by the statutory auditors;
  - 4) internal audit reports relating to internal control weaknesses;
  - 5) The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
  - 6) statement of deviations;

- (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s).
- (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice.

B)

- Power to investigate any activity within its terms of reference;
- Power to seek information from any employee;
- Power to obtain outside legal other professional advice;
- Power to secure attendance of outsiders with relevant expertise, if considered necessary.

The Committee comprises of Mr. S. N. Inamdar - Chairman, Mr. P. S. Jawadekar, Mr. Pratap B. Shirke and Mrs. Lalita D. Gupte. Mr. S. N. Inamdar is an Independent Non-Executive Director. Mr. Inamdar was present at the AGM of the Company held for the year 2014-15.

During the year, 5 (five) Audit and Finance Committee meetings were held on April 27, 2015, July 27, 2015, October 28, 2015, January 25, 2016 and March 14, 2016.

Attendance at Audit and Finance Committee meetings:

Member's Name	No. of Meetings attended	Member's Name	No. of Meetings attended
Mr. S. N. Inamdar	5	Mrs. Lalita D. Gupte	5
Mr. P. S. Jawadekar	5	Mr. Pratap B. Shirke	5

#### 4. **Nomination and Remuneration Committee :**

The Nomination and Remuneration Committee is in compliance with the requirements under Regulation 19 of the Listing Regulations read with Section 178 of the Companies Act, 2013.

The terms of reference of the Committee are as follows:

- Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- To identify and nominate for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- To evaluate the balance of skills, knowledge, experience and diversity of the person to be appointed on the Board and in the light of this evaluation prepare a description of the role and capabilities for a particular appointment;
- To make recommendations to the Board concerning suitable candidates for the role of Senior Independent Director;
- To formulate policy relating to the remuneration of the Directors and Key Managerial Personnel;
- To exercise its powers to create, offer, issue and allot at any time to or to the benefit of such person(s) in terms of ESOS and regulations, the stock options under the ESOS, 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 law or guidelines issued by the relevant authority;
- To amend the terms of the scheme as may be directed by the Board for the implementation and administration of the scheme;
- Formulation of the criteria for determining qualifications, positive attributes and independence of a



director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;

- Formulation of criteria for evaluation of performance of independent directors and the board of directors;
- devising a policy on diversity of board of directors;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- Whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- To do all such acts as may be authorised by the Board from time to time.

The Committee comprises of Mr. P. S. Jawadekar - Chairman, Mr. S. N. Inamdar, Mrs. Lalita D. Gupte and Mr. Sanjay C. Kirloskar. On April 27, 2015 the Committee was reconstituted in view of resignation of Mr. A. N. Alawani with effect from April 23, 2015 and Mr. Sanjay C. Kirloskar was co-opted as a member of the Committee.

Mr. P. S. Jawadekar is an Independent Non-Executive Director. He was present at the Annual General Meeting of the Company for the year 2014-15.

During the year, three Nomination and Remuneration Committee meetings were held on April 27, 2015, July 27, 2015 and October 28, 2015.

Attendance at the meetings:

Member's Name	No. of Meetings attended	Member's Name	No. of Meetings attended
Mr. P. S. Jawadekar	3	Mr. S. N. Inamdar	3
Mr. Sanjay C. Kirloskar*	2	Mrs. Lalita D. Gupte	2

\* Mr. Sanjay C. Kirloskar was co-opted as a member of the committee with effect from April 27, 2015

#### Criteria for performance evaluation of Independent Directors

As required under Regulation 19 (4) & Schedule II Part D of the Listing Regulations and in terms of Companies Act, 2013, the criteria for performance evaluation of the Independent Directors and Board of Directors has been laid down in the 'Board Evaluation Policy' formulated by the Company. This policy evaluates the performance of the Board, its committees and individual directors. In terms of the policy, performance evaluation of the directors has been done by each director individually scoring each other director on the basis of guidelines of professional conduct, role, functions and duties performed by him/her which in turn are based on numerous parameters. Criteria include director's level of ethical conduct, objectivity, value addition, participation level, attendance and various other qualitative as well as quantitative parameters which have had an impact on the Board process becoming more and more effective.

#### 5. Remuneration to Directors:

Remuneration policy has been formulated for the directors, Key Managerial Personnel (KMP) and senior managerial personal. The major objectives of the policies are transparent process of determining remuneration at Board and Senior Management level of the Company would strengthen confidence of stakeholders in the Company and its management and help in creation of long term value for them and appropriate balance between the elements comprising the remuneration so as to attract potential high performing candidates for critical position in the Company for attaining continual growth in business. The revisions in the remunerations of the KMP and senior management personal will be made as per the terms of the policy.

- There are no pecuniary relationships or transactions of the non-executive directors vis-a-vis the Company except a payment of professional fees to Mr. S. N. Inamdar, Non Executive Independent Director for which shareholders approval is sought at the ensuing AGM.
- The payment made to Executive Director have been reviewed by the Nomination and Remuneration Committee from time to time and confirmed by the Board of Directors.
- The Committee recommended for approval of the Board, re-appointment of Mr. Sanjay C. Kirloskar as Managing Director of the Company with effect from November 19, 2015 for a period of 5 (five) years. The Board approved the same, subject to approval of shareholders at the ensuing Annual General Meeting.
- The sitting fees paid to Non-Executive Directors for attending the Board and Committee meetings is ₹ 75,000/- for every meeting of the Board and Committee.
- All elements of remuneration package for all Directors have been provided in the statement hereinafter.
- The remuneration policy of the Directors, Key Managerial Personnel and Senior Management has been included in the Annual Report elsewhere.
- Except whatever is stated in the statement, there is no other fixed component or performance linked incentives to any director.

#### Criteria of making payment to Non-Executive Directors

Non Executive Directors have been paid sitting fees for attending Board / Committee meetings. On recommendation of NRC, the Board has also recommended a payment of commission to Non Executive Director subject to approval by the shareholders. There has been no payment apart from this to any Non Executive Director except to Mr. S. N. Inamdar, purely on account of professional services.

Details of remuneration to Directors for the year 2015–16 are as follows:

Name of Director	Sitting Fees	Commission on Profits	Salary	Contribution to Statutory Funds	Perquisites	Others	Total
<b>Executive Directors</b>							
Mr. Sanjay Kirloskar	-	-	7,404,000	2,238,480	2,054,023	-	11,696,503
Mr. J. R. Sapre*	-	-	600,000	72,000	4,614,545#	-	5,286,545
<b>Non-Executive Directors</b>							
Mr. Vikram Kirloskar **	-	-	-	-	-	-	-
Mr. S. N. Inamdar	975,000	446,875	-	-	-	1,000,000##	2,421,875
Mr. P. S. Jawadekar	975,000	446,875	-	-	-	-	1,421,875
Mrs. Lalita D. Gupte	1,200,000	550,000	-	-	-	-	1,750,000
Mr. Pratap B. Shirke	750,000	343,750	-	-	-	-	1,093,750
Mr. Alok S. Kirloskar	375,000	171,875	-	-	-	-	546,875
Mr. Kishor A. Chaukar	525,000	240,625	-	-	-	-	765,625

\*\* Till May 26, 2015

\* Till May 31, 2015

# This includes ₹ 390,000 as perquisite valuation on account of valuation of 20,000 equity shares granted as a part of commission for the year 2013-14

## Approval is sought from the shareholders at the ensuing AGM

On May 21, 2015, the Board of Directors has allotted 20,000 equity shares of ₹ 2/- each to Mr. J. R. Sapre, at an exercise price of ₹ 2/- per share on exercise of 20,000 options granted to him under the Employees' "Share a Vision" Stock Option Scheme, 2007, as a part of commission for the year 2013-14.



The Board of Directors of the Company shall decide the remuneration of Directors on the basis of recommendation from Nomination and Remuneration Committee (N&RC) subject to the overall limits provided under the Companies Act, 2013 and rules made thereunder, including any amendments, modifications and re-enactments thereto ('the Act') and compliance of related provisions provided therein.

The remuneration shall be approved by the shareholders of the Company as and when required.

Directors' Service Contracts' Details :

Executive Directors	Service Contract and Period	Severance Fees
Mr. Sanjay C. Kirloskar	*Agreement dt. 16.11.15 :: Period: 19.11.15 to 18.11.20	**
Mr. J. R. Sapre	Agreement dt. 18.07.12 :: Period: 01.06.12 to 31.05.15	Nil

\* This is subject to shareholders approval at the ensuing AGM.

\*\* Three years or unexpired period, whichever is less.

#### Particulars of Directors to be re-appointed at an ensuing Annual General Meeting:

**Mr. Alok S. Kirloskar** is a Non-Executive Director on the Board of Kirloskar Brothers Limited with effect from July 18, 2012. He is a Bachelor of Science in Business Administration with concentration in Finance from Carnegie Mellon University, Pittsburgh, PA, USA. He had the honour to be on the Dean's list for his academic excellence throughout the course.

Mr. Alok Kirloskar is with the organization from September, 2007. During his tenure with the Company, Mr. Alok Kirloskar was first entrusted with responsibilities of International Marketing Business and he acquainted himself with the functioning of various departments / sectors. Later, he was the head of the Industry Sector of the Company.

Before joining the Company, he had worked with Sonasoft Corporation (Microsoft GPC) at San Jose, California, USA as Business Development Manager. He had also interned at NASA Girvan Institute of Technology, Santa Clara, USA and Toyota Motor Corporation, Torrance, USA in the summers of 2003 and 2004.

Mr. Alok S. Kirloskar is presently working as Managing Director of SPP Pumps Limited, United Kingdom, Company's step down subsidiary company and he is also on the Board of Kirloskar Brothers International BV, and few other step-down subsidiaries. He is not a member of any other Committees of the Board.

He holds 6,187 (0.01%) equity shares of ₹ 2/- each of the Company. He is not related to any other director of the Company except Mr. Sanjay Kirloskar.

#### 6. Stakeholders' Relationship Committee :

The Committee comprise Mr. Kishor A. Chaukar, Mrs. Lalita D. Gupte and Mr. Sanjay C. Kirloskar. Mr. Kishor A. Chaukar, a Non-Executive Director is a Chairman of the Committee. Mr. A.N. Alawani resigned on April 23, 2015 and Mr. J. R. Sapre, Whole Time Director, ceased to be the member of the Committee with effect from May 31, 2015.

Mr. Kishor A. Chaukar has been co-opted as a member & thereafter elected as the Chairman of the Committee with effect from April 27, 2015. Mrs. Lalita D. Gupte was co-opted as a member with effect from October 28, 2015.

The Company Secretary is designated as a "Compliance Officer" who oversees the redressal of the investors' grievances.

Name and designation of Compliance Officer:

Mr. Sandeep A. Phadnis, Company Secretary,

Associate Vice President and Head –Secretarial

The Committee:

- Looks into the redressal of investors' complaints relating to transfer / transmission of shares, non-receipt of Annual Reports, non-receipt of declared dividends;
- Considers and resolves the grievances of security holders of the Company;
- Approves transmission of shares held in physical mode beyond threshold limit of 1500 shares of ₹ 2/- each without the succession certificate, probate, letter of administration or Court Decree, subject to fulfilment of other conditions as may be deemed necessary;
- Approves transfer of more than 10,000 shares held under a single folio in physical mode;
- Considers the issue of duplicate share certificates under the Common Seal of the Company in terms of the requirements of the Companies (Share Capital and Debenture) Rules, 2014.

During the year under the report, Committee met two times on April 27, 2015 and January 25, 2016.

Attendance at Stakeholders' Relationship Committee meetings:

Member's Name	No. of Meetings attended
Mr. Sanjay C. Kirloskar	2
Mr. J. R. Sapre	1
Mr. Kishor Chaukar	1
Mrs. Lalita D. Gupte	1

The Company has always valued its relationship with its stakeholders. This policy has been extended to investor relationship. The Company's secretarial department is continuously monitoring the complaints / grievances of the investors and is always taking efforts to reduce the response time in resolving the complaints / grievances.

No. of Shareholders' complaints received:

There was one compliant received during the year and which was resolved. No complaint is outstanding / pending as on March 31, 2016.

With reference to Regulation 13 of the Listing Regulations 2015, the Company is registered on the SCORES platform which enables handing of Investor Complaints electronically.

The Company has also designated an exclusive e-mail ID [grievance.redressal@kbl.co.in](mailto:grievance.redressal@kbl.co.in) for investors to register their grievances, if any. This helps the Company to resolve investors' grievances immediately. The Company has displayed the said e-mail ID on its website.

The 'Frequently Asked Questions' by the shareholders along with requisite formats are placed under the Investor Section of the website of the Company at: <http://www.kirloskarpumps.com/pdf/information-for-shareholders/Infotoshare.pdf>.

The shareholders are requested to give their feedback through the 'feedback form' available on the website of the Company.

## 7. General Meetings :

Details of last three Annual General Meetings held :

i) 93 <sup>rd</sup> Annual General Meeting	July 24, 2013: 11.00 A. M. Yamuna, Survey No.98(3-7), Baner, Pune - 411 045
No special resolution was passed at this meeting.	





ii) 94 <sup>th</sup> Annual General Meeting	September 25, 2014: 11.00 A.M. Yamuna, Survey No.98(3-7), Baner, Pune - 411 045
Special resolutions passed: <ul style="list-style-type: none"> <li>For approval of shareholders for inclusion of new clauses viz. 15(c) and 55(7) in the existing Articles of Association of the Company.</li> <li>For approval of shareholders for authority to Board of Directors to borrow upto ₹ 2500 crores and creation of charge on assets of the Company upto same amount.</li> </ul>	

iii) 95 <sup>th</sup> Annual General Meeting	July 27, 2015: 11.00 A. M. Yamuna, Survey No.98(3-7), Baner, Pune - 411 045
No special resolution was passed at this meeting.	

iv) Postal Ballot	Voting period from January 20, 2016 to February 19, 2016; Results declared on February 24, 2016
Special resolutions passed: Insertion of New Object Clause No. 43(A) in the Memorandum of Association of the Company	
Mr. S.V. Deulkar, Partner SVD & Associates conducted the exercise of Postal Ballot and gave Scrutinizer's Report thereon.	
<p>Procedure for Postal Ballot was conducted in accordance to Section 110, and other applicable provisions, if any, of the Companies Act, 2013, read with the Companies (Management and Administration) Rules, 2014 (the "Rules") (including any statutory modification or re-enactment thereof for the time being in force)</p> <p>The provisions under Regulation 44 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect to option of remote e-voting facility was also provided.</p>	
Details of Voting pattern are as follows;	

Resolution Required: (Ordinary/ Special)				Insertion of New Clause in the Object clause of Memorandum of Association. – Special Resolution				
Whether promoter/ promoter group are interested in agenda/ resolution?				No				
Category	Mode of Voting	No. of Shares (1)	No. of Votes polled (2)	% of votes polled on outstanding shares (3) = [(2)/(1)]*100	No. of votes - in favour (4)	No. of Votes - against (5)	% of votes in favour on votes polled (6) = [(4)/(2)]*100	% of votes against on votes polled (7) = [(5)/(2)]*100
Promoter and Promoter Group	E- Voting		31,199,391	62.03	31,199,391	0	100.00	0.00
	Postal Ballot		-	0.00	0	0	0.00	0.00
	Total	50,298,545	31,199,391	62.03	31,199,391	0	100.00	0.00
Public Institution	E- Voting		5,107,629	31.22	5,107,629	0	100.00	0.00
	Postal Ballot		-	0.00	0	0	0.00	0.00
	Total	16,357,799	5,107,629	31.22	5,107,629	0	100.00	0.00
Public - Non Institution	E- Voting		18,902	0.15	18,899	3	99.98	0.02
	Postal Ballot		315,183	2.47	313,822	1,361	99.57	0.43
	Total	12,752,582	*334,095	2.62	332,721	1,364	99.59	0.41

\*Note: excludes 15,267 shares found Invalid/abstained

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**8. Means of Communication :**

- Quarterly results are displayed on the Company's website 'www.kirloskarpumps.com' immediately after its submission to the Stock Exchanges. The Company's website also displays official news releases.
- The quarterly results are published in the newspapers viz. Financial Express and Loksatta.
- Presentations for analysts are uploaded on the Company's website.

**9. General Shareholders information :**

**96<sup>th</sup> Annual General Meeting**

Day & Date	: Thursday, July 21, 2016
Time	: 11.00 A.M.
Venue	: "Yamuna" Survey No.98 (3-7) Baner, Pune – 411 045
Financial Year	: 1 <sup>st</sup> April to 31 <sup>st</sup> March
Dates of book closure	: N.A.
Dividend payment date	: N.A.
Listing on Stock Exchanges	: The Company's equity shares are listed on BSE Limited and National Stock Exchange of India Limited, Mumbai.
Corporate Identification No. (CIN)	: L29113PN1920PLC000670
Stock codes / Symbol	: BSE Limited – 500241 National Stock Exchange of India Limited – KIRLOSBROS – EQ
ISIN	: INE732A01036

**Addresses of stock exchanges :**

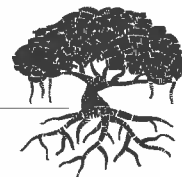
**BSE Limited**

PhirozeJeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001  
Tel. No. (022) 2272 1233/34  
Fax No. (022) 2272 1919

**National Stock Exchange of India Limited**

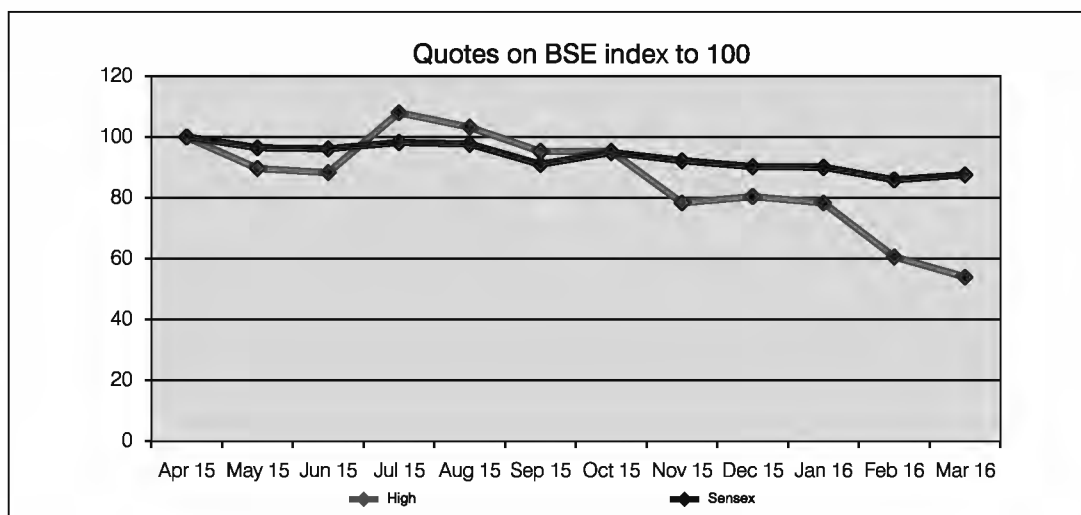
Exchange Plaza, Plot No. C/1, G Block  
Bandra-Kurla Complex, Bandra (East)  
Mumbai – 400 051  
Tel. No. (022) 2659 8100/8114  
Fax No. (022) 2659 8120

The annual Listing fees have been paid to both BSE Limited and National Stock Exchange of India Limited.

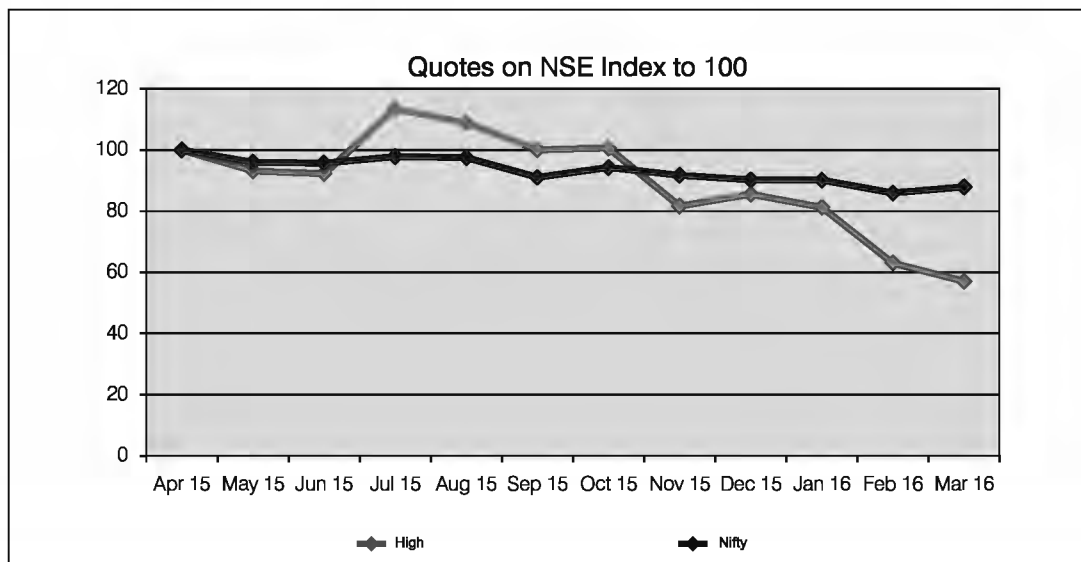

**Market Price data:**

Month	Quotations on BSE		Quotations on NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2015	229.80	185.00	229.00	185.10
May 2015	206.00	182.50	208.00	182.05
June 2015	202.90	175.00	201.95	177.00
July 2015	248.20	191.10	248.00	190.85
August 2015	237.20	186.30	238.05	185.60
September 2015	218.90	199.10	219.15	198.05
October 2015	219.00	171.50	220.35	170.80
November 2015	180.00	162.00	178.75	162.60
December 2015	184.90	160.00	187.35	160.05
January 2016	180.00	118.00	177.90	118.50
February 2016	139.30	113.40	138.00	112.50
March 2016	124.00	113.00	125.00	113.00

Performance in comparison to broad based indices - BSE sensex :



Performance in comparison to broad based indices - NSE S&P CNX Nifty:



**Registrar and Transfer Agent:**

The Company has appointed Link Intime India Private Limited as its Registrar and Transfer Agent (R & T Agent). Share Transfers, dematerialisation of shares, dividend payment and all other investor related activities are attended and processed at the office of the R & T Agent at the following address:-

Link Intime India Private Limited,  
(Unit: Kirloskar Brothers Limited),  
Block No. 202, 2<sup>nd</sup> Floor, Akshay Complex,  
Near Ganesh Temple, Off Dhole Patil Road,  
Pune – 411 001  
Tel. No. (020) 2616 0084 Fax No. (020) 2616 3503  
E-mail : [pune@linkintime.co.in](mailto:pune@linkintime.co.in)

**Share transfer system:**

The authority to approve transfer of shares upto 10,000 shares has been delegated to the Company Secretary. The proposals for transfer of shares above 10,000 shares are placed before the Stakeholders' Relationship Committee/Board. The share transfers received are processed within 15 days from the date of receipt subject to the transfer instrument being valid and complete in all respects. In compliance with the Listing Regulations, 2015, every six months, a Practising Company Secretary audits the system of transfer and a certificate to that effect is issued.

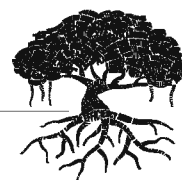
Out of total paid-up share capital, 94.22% share capital is held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited as on March 31, 2016.

The Company has established connectivity with both the Depositories through its Registrar, Link Intime India Private Limited.

Shareholders are advised to notify to the Company or R&T Agent, any change of address and bank details immediately.

**Distribution of Shareholding as on March 31, 2016:**

Nominal value of shares (in ₹)		Number of holders	% to total holders	Total face value	% to total face value
From	To			(In ₹)	
1	1,000	12,617	75.11	3,080,754	1.94
1,001	2,000	1,591	9.47	2,379,914	1.50
2,001	4,000	1,357	8.08	3,832,232	2.41
4,001	6,000	440	2.62	2,229,854	1.40
6,001	8,000	243	1.45	1,734,852	1.09
8,001	10,000	108	0.64	984,774	0.62
10,001	20,000	249	1.48	3,486,674	2.19
20,001	Above	192	1.15	141,088,798	88.84
TOTAL		16,797	100.00	158,817,852	100.00


**Outstanding GDRs/ADRs/warrants or any convertible instruments etc. :**

As of date, the Company has not issued these types of Securities.

**Foreign Exchange risk**

During the year 2015-16, the Company had managed the foreign exchange risk and hedged to the extent considered necessary. The details of foreign currency exposure are disclosed in Note No. B-9 and C-20 to the Financial Statements.

**Plant locations:**

1.	Kirloskarvadi Dist. Sangli – 416 308 Maharashtra Tel No. (02346) 222301 – 05, 222361 – 222365	2.	Dewas Station Road, Dewas – 455 001 Madhya Pradesh Tel No. (07272) 227397, 227401/405/409
3.	Shirwal Gat No. 117, Shindevadi, Tal. Khandala, Dist. Satara – 412 801 Maharashtra Tel No. (02169) 244360 / 244370 / 244322	4.	Kondhapuri Gat No. 252/2 + 254/2, Kondhapuri, Tal. Shirur, Dist. Pune – 412 208 Maharashtra Tel No. (02137) 240025/041/047
5.	Kaniyur Village S. F. No. 324/1, Moperipalayam Road, Thattampudur, Kaniyur Village, Karumathampatti - PO, Coimbatore - 641 659 Tamil Nadu Tel No. (0421) 2904699	6.	Sanand Sr. No. 254/1, Ahmedabad-Viramgam Highway, Village Chharodi, Tal. Sanand, Dist. Ahmedabad – 382 170 Tel No. (02717) 273310

**Investor contacts:**

Company Address :	Registrar and Transfer Agent :
Secretarial Department, Kirloskar Brothers Limited, "Yamuna", Survey No. 98 (3-7) Baner, Pune – 411 045 Tel. No. (020) 27211030 Fax No. (020) 27211136 E-mail : <a href="mailto:grievance.redressal@kbl.co.in">grievance.redressal@kbl.co.in</a>	Link Intime India Private Limited, (Unit: Kirloskar Brothers Limited), Block No. 202, 2 <sup>nd</sup> Floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune – 411 001 Tel. No. (020) 26160084 Fax No. (020) 26163503 E-mail : <a href="mailto:pune@linkintime.co.in">pune@linkintime.co.in</a>

Depositories for equity shares :	
National Securities Depository Limited Trade World – A Wing, 4 <sup>th</sup> & 5 <sup>th</sup> Floor, Kamala Mills Compound, Lower Parel, Mumbai – 400 013 Tel. No. (022) 2499 4200 Fax No. (022) 2497 6351	Central Depository Services (India) Ltd. Phiroze Jeejeebhoy Towers, 17 <sup>th</sup> Floor, Dalal Street, Fort Mumbai - 400 001 Tel. No. (022) 2272 3333 Fax No. (022) 2272 3199

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**10. Disclosures :**

- i. There are no materially significant transactions made by the Company with its promoters, directors or the management, their subsidiaries or relatives etc. any related parties which have potential conflict with the interests of the Company at large.
- ii. There are no non-compliance by the Company, no penalties and strictures imposed on the Company by Stock Exchange(s) or SEBI or any statutory authority on any matter related to capital markets, during the last three years.
- iii. a. Whistle Blower Policy :

The Company has already in place and implemented a Whistle Blower Policy ("the Policy"). This inter alia provides a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit and Finance Committee; any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. Thus, any employee / stakeholder have an access to the Audit and Finance Committee.

The Policy has been communicated to all the employees of the Company and other persons dealing with the Company, through circular/display on the Notice Board/ display on the Intranet and through training programmes from time to time. The Policy has also been uploaded on the Company's website.

- b. Policy for prevention of sexual harassment at work:

The Company has also in place and implemented a policy for prevention of sexual harassment at work. This provides a mechanism to prevent or deter the commission of acts of sexual harassment or inappropriate behaviour at work and to ensure that all employees are treated with respect and dignity. Under the said policy, the procedures for the resolution, settlement or prosecution of acts or instances of sexual harassment have also been provided for.

Disclosure under the "Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013":

In terms of Section 22 of the above mentioned Act, read with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rule, 2013, during the year ended on March 31, 2016, we report as follows:

1. No. of Complaints received in the year: Nil
2. No. of complaints disposed off in the year: Nil
3. Cases pending for more than 90 days: Nil
4. No. of workshops and awareness programmes conducted in the year: 8
5. Nature of action by employer or District Officer, if any: NA

- c. Code of Ethics:

The Company released its "Code of Ethics" on December 7, 2009. This is one of the most important documents of the Company and a guide to ethical behaviour for personnel with the Company.

- iv. All mandatory requirements of the Listing Regulations, 2015 have been complied with by the Company and the extent of adoption of non-mandatory requirements is given hereunder:

**Discretionary requirements as per Schedule II Part E:**

1. The Board:

The Company has an Executive Chairman and the office with required facilities is provided and maintained at the Company's expenses for use by the Chairman.



2. Shareholders' Rights:

The half-yearly financial results are published in the English and Vernacular newspapers and are also displayed on the Company's website. No separate circulation of the financial performance was sent to shareholders for the year under consideration.

3. Audit qualifications:

The Company is already in the regime of unqualified financial statements.

4. Separate posts of Chairman and CEO:

There is no separate post for CEO. The Chairman of the Company is also Managing Director of the Company.

5. Reporting of Internal Auditor:

The Internal Auditor's reports are presented to the Audit and Finance Committee.

In order to achieve excellence in the Corporate Governance, certain additional disclosures have been given elsewhere in the Annual Report viz. Top ten shareholders, Change in Equity Capital during the Financial Year. Further, the Board has adopted certain policies viz. Code of Corporate Governance, Corporate Disclosure Policy, Dividend Policy and Policy for placing Action Taken Report / Implementation Report at the Board Meeting.

6. Web links for following on [www.kirloskarpumps.com](http://www.kirloskarpumps.com):

Familiarisation programme of Independent Directors :

<http://www.kirloskarpumps.com/pdf/Familiarisation.pdf>

Policy for determining 'material' subsidiaries :

<http://www.kirloskarpumps.com/investors-investor-information-policies.aspx>

Policy on dealing with related party transactions :

<http://www.kirloskarpumps.com/investors-investor-information-policies.aspx>

7. Separate meeting of Independent Directors

Independent Directors of the Company met on March 14, 2016 to review and discuss on the matters required under Listing Regulations, 2015.

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## DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

To the members of **KIRLOSKAR BROTHERS LIMITED**

Pursuant to Regulation 34 (3) read with Schedule V Para D of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations, 2015), I hereby declare that all Board members and Senior Management Personnel are aware of the provisions of the Code of Conduct laid down by the Board. All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

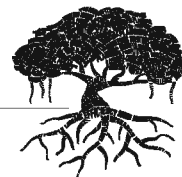
For Kirloskar Brothers Limited



Sanjay C. Kirloskar  
Chairman & Managing Director

Pune : May 2, 2016





## CERTIFICATE

To the members of  
**KIRLOSKAR BROTHERS LIMITED**

We have examined the compliance of conditions of Corporate Governance by **Kirloskar Brothers Limited** ('the Company'), for the year ended 31<sup>st</sup> March 2016, as stipulated in Clause 49 of the Listing Agreement ('Listing Agreement') of the Company with the stock exchanges for the period 1<sup>st</sup> April 2015 to 30<sup>th</sup> November 2015 and as per the relevant provisions of 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 for the period 1<sup>st</sup> December 2015 to 31<sup>st</sup> March 2016.

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

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

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

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

Chartered Accountants

Firm's Registration No: 101118W

**Abhijeet Bhagwat**

Partner

Membership No. 136835

Pune : May 10, 2016

## Disclosure with respect to unclaimed shares with reference to Clause F of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

The Company has forwarded two letters to shareholders of unclaimed shares requesting them to forward correct addresses to avoid transfer of all such unclaimed shares in to one folio in the name of "Unclaimed Suspense Account", in Demat mode.

We have received certain responses from shareholders on said communication and the details are provided hereinafter.

Details of unclaimed shares:-

Sr. No.	Particulars	No. of Shareholders	No. of Shares
(i)	Aggregate number of shareholders and the outstanding shares considered to be transferred to the Unclaimed Suspense Account at the beginning (01.04.15 to 31.03.16) of the year 2015 – 16	2,536	1,305,380
(ii)	Number of shareholders who approached the Company for transfer of shares from shares considered to be transferred to the Unclaimed Suspense Account during (01.04.15 to 31.03.16) the year 2015 – 16	20	17,411
(iii)	Number of shareholders to whom shares were transferred from shares considered to be transferred to the Unclaimed Suspense Account during (01.04.15 to 31.03.16) the year 2015 – 16	20	17,411
(iv)	Aggregate number of shareholders and the outstanding shares considered to be transferred to the Unclaimed Suspense Account at the end of the year 2015 – 16	2,516	1,287,969

The further necessary actions, in compliance with the above mentioned regulations, will be taken in due course of time.



## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KIRLOSKAR BROTHERS LIMITED

### Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **Kirloskar Brothers Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> 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 Standalone 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 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these standalone 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 standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone 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 standalone 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 standalone 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 31<sup>st</sup> March, 2016 and its profit and its cash flows for the year ended on that date.

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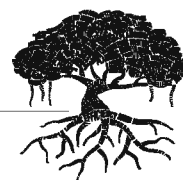
## Report on Other Legal and Regulatory Requirements

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 and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone 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<sup>st</sup> March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> 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 has disclosed the impact of pending litigations on its financial position in its standalone financial statements – refer note part C-1 to the standalone financial statements.
    - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on long term contracts – refer note part C – 21 to the standalone financial statements. The Company did not have any derivative contracts.
    - 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 : 10<sup>th</sup> May, 2016



## ANNEXURE A

## Re: Kirloskar Brothers Limited

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. All the major fixed assets have been verified by the management in the current year. Discrepancies noticed on such physical verification were not material and the same have been properly dealt with in the books of account.
  - (c) According to information and explanation provided to us and based on audit procedures conducted by us, the title deeds of immovable properties are held in the name of the company.
- (ii) Physical verification of inventory has been conducted by the management during the current year. In our opinion, the interval of such verification is reasonable. Discrepancies noticed on physical verification were not material and the same have been properly dealt with in the books of account.
- (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 in the current year except an unsecured short term loan to its subsidiary company.

Name of Party	Opening balance (₹)	Year End balance (₹)	Maximum balance (₹)
The Kolhapur Steel Limited (TKSL) – subsidiary company	13,214,020/-	13,214,020/-	13,214,020/-
Kirloskar Corrocoat Private Limited – subsidiary company	Nil	Nil	14,000,000/-

- (a) According to the information and explanations provided to us, the unsecured loan given to TKSL in earlier years was under an Order from Board for Industrial and Financial Reconstruction (BIFR), without any specific terms including charge of interest or repayment. Therefore in our opinion the loan cannot be treated as prejudicial to the Company's interest;
  - (b) According to the information and explanations provided to us, there is no schedule of repayment of principal and payment of interest that had been stipulated for the unsecured loan given to TKSL and therefore we are not able to comment on the regularity of the repayments or receipts;
  - (c) According to the information and explanations provided to us, no amount is overdue.
- (iv) According to the information and explanations provided to us, in respect of loans, investments, guarantees, and security; provisions of section 185 and 186 of the Companies Act, 2013 have been complied with.
- (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) We have broadly reviewed the books of account relating to materials, labour and other items of cost 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 not however made a detailed examination of records with a view to determine whether they are accurate and complete.
- (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 31<sup>st</sup> 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 except the ones mentioned below:

Name of Statute	Nature of Dues	Amount (₹)	Period to which amount relates	Forum where dispute is pending
Sales Tax Act of various States	Sales tax	30,986,087	2002-03, 2013-14	Appellate Tribunal
		17,455,168	1989-2006	High Court
		110,971,854	1993-94, 2000-01, 2008-09, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16	Commissioner
		1,085,666	2005-06, 2009-10	Assistant Commissioner
		9,920,464	2000-01, 2010-11, 2011-12, 2012-13, 2014-15	Deputy Commissioner (Appeals)
Central Sales Tax Act, 1956	Central Sales Tax	411,716	1993-94	High Court
		4,554,619	2011-12	Assistant Commissioner (Appeals)
		4,275,653	2012-13	Assistant Commissioner
Finance Act, 1994	Service Tax	75,103,186	2011-12	Appellate Tribunal
		898,655,774	2012-13	Commissioner
Central Excise Act, 1944	Excise duty	24,150,737	2003-04 and 2006-10	CESTAT
		1,125,847	2005-06	Appellate Tribunal
		503,201	1995-96	Commissioner
		808,361	2008-09, 2010-11	Assistant Commissioner
		144,418	1990-91	Deputy Commissioner
Income Tax Act, 1961	Income Tax	328,418,580	FY 08-09, 09-10, 10-11	Assessing Officer (AO)

- (viii) Based on the audit procedures conducted by us 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.
- (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). According to the information and explanations given to us, term loans availed by the company were, prima facie; applied for the purpose for which the loans were obtained.



- (x) Based on the audit procedures conducted by us and according to the information and explanations provided to us by the management, 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 and based on the audit procedures conducted by us, all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 wherever 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 directors 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 : 10<sup>th</sup> May, 2016

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## **ANNEXURE B**

To the Independent Auditors' Report of even date on the standalone financial statements of Kirloskar Brothers 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 Brothers Limited ("the Company") as of 31<sup>st</sup> March, 2016 in conjunction with our audit of the standalone 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.

#### **Auditor's 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, to the extent applicable to an audit of internal financial controls, 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 qualified 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.

### **Qualified opinion**

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at 31<sup>st</sup> March, 2016:

- a) The Company's internal financial controls over accurate and timely estimation of costs relating to project business were not operating effectively which could potentially lead to incorrect revenue recognition.
- b) The Company's internal financial controls for timely assessment of the eligibility of claims receivable were not operating effectively, which could potentially lead to incorrect balances being stated in the balance sheet and consequently its effect on Profit or Loss.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, the Company has, in all material respects, maintained adequate internal financial controls over financial reporting as of 31<sup>st</sup> March, 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, and except for the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company's internal financial controls over financial reporting were operating effectively as of 31<sup>st</sup> March, 2016.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31<sup>st</sup> March, 2016 standalone financial statements of the Company and these material weaknesses do not affect our opinion on the standalone financial statements of the Company.

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

**Abhijeet Bhagwat**  
Partner  
Membership No.: 136835

Pune : 10<sup>th</sup> May, 2016

## BALANCE SHEET AS AT MARCH 31, 2016

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Particulars		Note No.	Figures as at March 31, 2016	Figures as at March 31, 2015
I.	<b>EQUITY AND LIABILITIES</b>			
1	<b>Shareholders' funds</b>			
	(a) Share capital	A-1	158,817,852	158,776,352
	(b) Reserves and surplus	A-2	7,882,861,053	7,804,283,918
	(c) Money received against share warrants		-	-
			<b>8,041,678,905</b>	<b>7,963,060,270</b>
2	<b>Share application money pending allotment</b>		-	-
3	<b>Non-current liabilities</b>			
	(a) Long-term borrowings	A-3	21,153,330	31,729,996
	(b) Deferred tax liabilities (net)	A-4	-	-
	(c) Other long term liabilities	A-5	1,455,944,002	1,112,761,763
	(d) Long-term provisions	A-6	157,056,593	126,024,567
			<b>1,634,153,925</b>	<b>1,270,516,326</b>
4	<b>Current liabilities</b>			
	(a) Short-term borrowings	A-7	2,517,167,328	2,341,936,145
	(b) Trade payables			
	Total outstanding dues of micro enterprises & small enterprises	C-23	285,081,031	-
	Total outstanding dues of creditors other than micro enterprises & small enterprises		3,654,361,411	4,050,160,006
	(c) Other current liabilities	A-8	2,945,327,704	3,317,700,053
	(d) Short-term provisions	A-9	321,509,154	338,287,272
			<b>9,723,446,628</b>	<b>10,048,083,476</b>
	<b>TOTAL</b>		<b>19,399,279,458</b>	<b>19,281,660,072</b>
II.	<b>ASSETS</b>			
1	<b>Non-current assets</b>			
	(a) Fixed assets			
	(i) Tangible assets	A-10	2,928,397,405	3,090,979,251
	(ii) Intangible assets	A-10	38,709,957	14,070,523
	(iii) Capital work-in-progress		61,347,963	70,657,137
	(iv) Intangible assets under development		-	-
	(b) Non-current investments	A-11	2,434,093,770	2,334,093,770
	(c) Deferred tax assets (net)	A-4	188,404,609	109,888,478
	(d) Long-term loans and advances	A-12	1,473,428,266	1,503,734,427
	(e) Other non-current assets	A-13	1,358,752,331	938,275,211
			<b>8,483,134,301</b>	<b>8,061,698,797</b>
2	<b>Current assets</b>			
	(a) Current investments		-	-
	(b) Inventories	A-14	2,062,218,087	1,876,565,671
	(c) Trade receivables	A-15	3,492,230,220	3,946,738,979
	(d) Cash and bank balances	A-16	200,019,882	142,527,376
	(e) Short-term loans and advances	A-17	1,458,435,898	1,220,744,271
	(f) Other current assets	A-18	3,703,241,070	4,033,384,978
			<b>10,916,145,157</b>	<b>11,219,961,275</b>
	<b>TOTAL</b>		<b>19,399,279,458</b>	<b>19,281,660,072</b>

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 and on behalf of the Board of Directors

For M/s P.G. Bhagwat  
Chartered Accountants

SANJAY KIRLOSKAR  
Chairman & Managing Director  
DIN : 00007885

S. N. INAMDAR  
Director  
DIN: 00025180

ABHIJEET BHAGWAT  
Partner

SANDEEP PHADNIS  
Company Secretary

C. M. MATE  
CFO & Vice President (Finance)

Pune : May 10, 2016

Pune : May 10, 2016



## PROFIT AND LOSS STATEMENT FOR YEAR ENDED MARCH 31, 2016

Particulars		Note No.	2015-16	2014-15
I.	Revenue from operations		17,382,230,013	17,033,146,958
	Less: Excise duty		819,855,040	776,095,470
		A-19	16,562,374,973	16,257,051,488
II.	Other income	A-20	241,098,609	112,714,764
III.	<b>Total Revenue (I + II)</b>		<b>16,803,473,582</b>	<b>16,369,766,252</b>
IV.	Expenses:			
	Cost of materials consumed	A-21	8,322,325,820	8,063,682,204
	Purchases of Stock-in-Trade	C-13	2,584,211,490	2,841,880,119
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	A-21	(205,985,066)	(434,734,511)
	Employee benefits expense	A-22	1,824,895,363	1,702,295,394
	Finance costs	A-23	372,242,764	413,176,214
	Depreciation and amortization expense		389,427,899	496,764,630
	Other expenses	A-24	3,452,201,166	3,231,413,118
	<b>Total expenses</b>		<b>16,739,319,436</b>	<b>16,314,477,168</b>
V.	Profit before exceptional and extraordinary items and tax (III-IV)		64,154,146	55,289,084
VI.	Exceptional items		-	-
VII.	Profit before extraordinary items and tax (V - VI)		64,154,146	55,289,084
VIII.	Extraordinary Items		-	-
IX.	<b>Profit before tax (VII- VIII)</b>		<b>64,154,146</b>	<b>55,289,084</b>
X.	Tax expense:			
	(1) Current tax		24,600,000	28,500,000
	(2) Deferred tax		(78,516,131)	(58,079,796)
			(53,916,131)	(29,579,796)
XI.	Profit/(Loss) for the period from continuing operations (IX-X)		118,070,277	84,868,880
XII.	Profit/(Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	Profit/(Loss) from discontinuing operations (after tax) (XII-XIII)		-	-
XV.	<b>Profit/(Loss) for the period (XI + XIV)</b>		<b>118,070,277</b>	<b>84,868,880</b>
XVI.	Earnings per equity share having nominal value of ₹ 2/- per share	C-8		
	(1) Basic		1.49	1.07
	(2) Diluted		1.49	1.07

Notes to accounts

Part- B &amp; C

The notes referred to above and accompanying notes form an integral part of the profit and loss statement.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat  
Chartered AccountantsSANJAY KIRLOSKAR  
Chairman & Managing Director  
DIN : 00007885S. N. INAMDAR  
Director  
DIN: 00025180ABHIJEET BHAGWAT  
PartnerSANDEEP PHADNIS  
Company SecretaryC. M. MATE  
CFO & Vice President (Finance)

Pune : May 10, 2016

Pune : May 10, 2016

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

	Particulars	2015-16	2014-15
<b>A</b>	<b>Cash flows from operating activities</b>		
	Net profit before taxes and extraordinary items	64,154,146	55,289,084
	Adjustments for :-		
1	Depreciation / amortization	389,427,899	496,764,630
2	(Profit)/loss on sale of fixed assets	4,349,838	7,625,867
3	(Profit)/loss on sale of Investments	-	(8,777,513)
4	Employees stock option - compensation debited to profit and loss account (net)	211,321	4,180,645
5	Bad debts, advances and claims written off	59,915,202	135,994,425
6	Provision for doubtful debts/advances/claims/deposits/inventory	210,036,354	110,512,444
7	Interest income	(13,535,349)	(16,781,801)
8	Dividend income	(159,916,888)	(33,500,100)
9	Interest expenses	304,499,675	336,181,400
10	Unrealized exchange ( gain)/ loss - others	(4,000,431)	56,424,954
	Operating profit before working capital changes	855,141,767	1,143,914,035
	Adjustments for :-		
1	(Increase)/ decrease in inventories	(252,447,404)	(555,831,572)
2	(Increase)/ decrease in trade and other receivables	132,587,642	524,543,602
3	Increase/ (decrease) in trade and other payables	(147,139,407)	83,174,432
4	Cash generated from operations	588,142,598	1,195,800,497
5	Income tax (paid ) / refunded	(132,180,390)	(110,772,365)
	Net cash from operating activities	455,962,208	1,085,028,132
<b>B</b>	<b>Cash flows from investing activities</b>		
1	Purchase of fixed assets	(247,472,863)	(659,853,164)
2	Sale of fixed assets	946,713	8,830,258
3	Purchase of investment in subsidiary	(100,000,000)	(150,005,970)
4	Sale of Investment	-	19,777,512
5	Interest received	16,624,753	14,387,789
6	Dividend received	159,916,888	33,500,100
7	Advance / loans to subsidiaries	9,994,820	75,546,806
	Net cash from investment activities	(159,989,689)	(657,816,669)
<b>C</b>	<b>Cash flows from financing activities</b>		
1	Proceeds from borrowing	825,231,183	1,364,218,404
2	Repayment of borrowings	(658,461,333)	(1,221,861,860)
3	Interest paid	(304,499,675)	(353,088,797)
4	Dividend paid	(85,798,901)	(198,727,264)
5	Dividend distribution tax	(1,238,198)	(32,132,101)
6	Proceeds from issuance of share capital	41,500	59,450
	Net cash used in financing activities	(224,725,424)	(441,532,168)
	Unrealized exchange gain / (loss) in cash and cash equivalents	(13,754,589)	(7,595,438)
	CSR payment debited to Surplus	-	(45,000,000)
	Net increase in cash and cash equivalents	71,247,095	(14,320,705)
1	Cash & cash equivalents at beginning of period (refer note part A -16)	142,527,376	209,443,519
2	Cash & cash equivalents at end of period (refer note part A - 16)	200,019,882	142,527,376

Note : The above cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 on cash flow statement.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P.G. Bhagwat  
Chartered Accountants

SANJAY KIRLOSKAR  
Chairman & Managing Director  
DIN : 00007885

S. N. INAMDAR  
Director  
DIN: 00025180

ABHIJEET BHAGWAT  
Partner

SANDEEP PHADNIS  
Company Secretary

C. M. MATE  
CFO & Vice President (Finance)

Pune : May 10, 2016

Pune : May 10, 2016



## NOTES TO ACCOUNTS: PART A

Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-1</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
250,000,000 ( 250,000,000 ) equity shares of ₹ 2/- each (₹ 2/- each)	500,000,000	500,000,000
<b>Issued, subscribed &amp; fully paid up</b>		
79,408,926 (79,388,176) equity shares of ₹ 2/- each (₹ 2/- each)	158,817,852	158,776,352
<b>TOTAL</b>	<b>158,817,852</b>	<b>158,776,352</b>

## a) Reconciliation of share capital

Particulars	Figures as at March 31, 2015		Figures as at March 31, 2014	
	Number	₹	Number	₹
Shares outstanding at the beginning of the year	79,388,176	158,776,352	79,358,451	158,716,902
Shares Issued during the year under ESOS	20,750	41,500	29,725	59,450
Shares outstanding at the end of the year	79,408,926	158,817,852	79,388,176	158,776,352

## b) Rights of equity shareholder:

The company has only one class of equity shares, having par value of ₹ 2/- per share. Each holder of equity share is entitled to one vote per share and has 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 distribution 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, 2016 the Board of Directors have proposed final dividend of ₹ Nil (₹ 0.50) per share subject to shareholders' approval.

The Board of Directors have declared interim dividend of ₹ 0.50 (₹ Nil) per share on March 14, 2016.

## 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 Industries Limited	18,988,038	23.91%	18,988,038	23.92%
Mr. Sanjay Chandrakant Kirloskar *	17,436,733	21.96%	15,863,335	19.98%
Mrs. Pratima Sanjay Kirloskar	13,760,488	17.33%	13,754,056	17.33%
Amansa Capital Pte. Ltd.	2,793,105	3.52%	4,809,712	6.06%

\* includes 1,624,615 (1,624,615), 2% (2%) shares held in the capacity of a trustee.

## d) Shares reserved for Employee Stock Option Scheme (ESOS)

Particulars	Figures as at March 31, 2016		Figures as at March 31, 2015	
	No. of Shares	₹	No. of Shares	₹
Shares reserved for ESOS scheme (refer note C-22)	5,161,840	10,323,680	5,182,590	10,365,180

## NOTES TO ACCOUNTS: PART A (CONTD.)

₹

Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-2</b>		
<b>Reserves &amp; Surplus</b>		
(a) Capital Reserves	172,443	172,443
(b) Capital Redemption Reserve	4,000,000	4,000,000
(c) Securities Premium Reserve		
Opening balance	411,283,227	406,726,159
Add : Securities premium credited on share issue	3,945,313	4,557,068
Closing balance	415,228,540	411,283,227
(d) Share Options Outstanding Account		
Opening balance	3,733,992	4,110,415
Less : Written back in current year	3,733,992	376,423
Closing balance	-	3,733,992
(e) General Reserve	5,779,140,921	5,779,140,921
(f) Surplus		
Opening balance	1,605,953,335	1,647,771,258
Less : As per Schedule II note 7 (b) of Companies Act 2013 (refer note part C-24 )	-	40,754,517
Add : Net Profit for the current year	118,070,277	84,868,880
Balance available for appropriation	1,724,023,612	1,691,885,621
Less : Appropriations :		
Corporate social responsibility (CSR) spend	-	45,000,000
Interim dividend	39,704,463	-
Proposed dividend	-	39,694,088
Dividend distribution tax	-	1,238,198
	39,704,463	85,932,286
Closing balance	1,684,319,149	1,605,953,335
<b>TOTAL</b>	<b>7,882,861,053</b>	<b>7,804,283,918</b>

<b>Note :A-3</b>		
<b>Long Term Borrowings</b>		
<b>Unsecured</b>		
<b>Deferred payment liabilities</b>		
(a) Interest free loans under sales tax deferral scheme	21,153,330	31,729,996
Terms of loans: ₹ 52,883,330/- to be repaid in 9 yearly installments starting from April 2013.		
<b>TOTAL</b>	<b>21,153,330</b>	<b>31,729,996</b>



## NOTES TO ACCOUNTS: PART A (CONTD.)

₹

Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A- 4</b>		
<b>Deferred Tax Assets / (Liabilities) (net)</b>		
(a) <b>Deferred Tax Liabilities</b>		
(i) On depreciation / amortization of fixed assets	127,777,304	148,913,054
<b>TOTAL</b>	<b>127,777,304</b>	<b>148,913,054</b>
(b) <b>Deferred Tax Assets</b>		
(i) On provision for doubtful debts / advances	226,451,017	179,410,862
(ii) On provision for employee benefits	89,730,896	79,390,670
<b>TOTAL</b>	<b>316,181,913</b>	<b>258,801,532</b>
<b>NET</b>	<b>188,404,609</b>	<b>109,888,478</b>

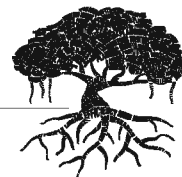
<b>Note : A-5</b>		
<b>Other Long Term Liabilities</b>		
(a) <b>Trade Payables (refer note part C - 23)</b>		
Total outstanding dues of micro enterprises & small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises & small enterprises	408,732,258	319,433,530
(b) <b>Others</b>		
(i) Advances and deposits received from customers	347,263,618	537,826,204
(ii) Gross amount due to customers for project related contract work (refer note part C - 3)	699,948,126	255,502,029
<b>TOTAL</b>	<b>1,455,944,002</b>	<b>1,112,761,763</b>

<b>Note : A-6</b>		
<b>Long Term Provisions</b>		
(a) <b>Provision for employee benefits</b>		
(i) Leave encashment (refer note part C-21)	114,246,996	95,861,178
(ii) Pension scheme (refer note part C-11)	24,528,959	25,235,040
(b) <b>Others</b>		
(i) Provision for product warranty (refer note part C-21)	18,280,638	4,928,349
<b>TOTAL</b>	<b>157,056,593</b>	<b>126,024,567</b>

## NOTES TO ACCOUNTS: PART A (CONTD.)

Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-7</b>		
<b>Short Term Borrowings</b>		
<b>Secured</b>		
<b>(a) Loans repayable on demand from banks</b>		
(i) Cash / export credit facilities	1,317,167,328	591,936,145
(ii) Working capital demand loans	400,000,000	400,000,000
Terms of loans: Loan carries interest @ 9.30%-10.1% per annum.		
<b>(b) Rupee short term loans and advances from banks</b>		
(i) HDFC Bank Ltd.	-	350,000,000
Terms of loans: Loan carries interest @ 10.1% per annum.		
(ii) Credit Agricole Corporate & Investment Bank	350,000,000	350,000,000
Terms of loans: Loan carries interest @ 9.15% per annum.		
Nature of security : The loans are secured by hypothecation of all current assets of the company.		
<b>Unsecured</b>		
<b>(a) Rupee short term loans and advances from banks</b>		
(i) Citi Bank NA	-	300,000,000
Terms of loans: Loan carries interest @ 10% per annum.		
(ii) Credit Agricole Corporate & Investment Bank	-	350,000,000
Terms of loans: Loan carries interest @9.15% per annum.		
(iii) HDFC Bank Ltd.	450,000,000	-
Terms of loans: Loan carries interest @ 9.30% per annum.		
<b>TOTAL</b>	<b>2,517,167,328</b>	<b>2,341,936,145</b>





## NOTES TO ACCOUNTS: PART A (CONTD.)

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Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-8</b>		
<b>Other Current Liabilities</b>		
(a) Current maturities of long-term debt	10,576,666	8,461,333
(b) Investor Education & Protection fund (will be credited as and when due).		
(i) Unpaid dividends	37,162,810	43,563,160
(c) <b>Other payables</b>		
(i) Gross amount due to customers for project related contract work (refer note part C - 3)	1,134,076,597	1,667,468,282
(ii) Advances from customers	972,784,382	785,978,015
(iii) Trade deposits	51,544,255	50,003,652
(iv) Salary & reimbursements	179,634,198	187,041,212
(v) Contribution to PF & Superannuation	31,177,609	28,513,996
(vi) Statutory dues	137,826,488	134,450,049
(vii) Payables on account of purchases of fixed assets	30,365,832	34,326,412
(viii) Provision for expenses	360,178,867	377,893,942
<b>TOTAL</b>	<b>2,945,327,704</b>	<b>3,317,700,053</b>

<b>Note : A-9</b>		
<b>Short Term Provisions</b>		
(a) <b>Provision for employee benefits</b>		
(i) Gratuity(refer note part C-11)	39,404,773	44,181,916
(ii) Leave encashment (refer note part C-21)	120,494,529	112,474,451
(b) <b>Others</b>		
(i) Proposed dividend	-	39,694,088
(ii) Dividend distribution tax	-	1,238,198
(iii) Provision for loss on long term contracts (refer note part C -21)	29,319,020	24,952,769
(iv) Provision for product warranty (refer note part C - 21)	132,290,832	115,745,850
<b>TOTAL</b>	<b>321,509,154</b>	<b>338,287,272</b>

## NOTES TO ACCOUNTS: PART A (CONTD.)

## Note A 10: Tangible and Intangible Assets

₹

Particulars	Tangible Assets									Intangible Assets
	Land Free hold	Land Lease hold	Buildings	Plant & Equipment	Furniture & Fixtures	Office equipments	Vehicles	Railway Siding	Total	Computer Softwares
Gross Block										
At 01.04.2014	318,786,843	-	1,538,934,720	3,507,474,493	127,133,542	4,346,146	57,589,436	1,528,317	5,555,793,497	166,569,981
Additions	106,317,406	119,503,889	54,711,786	318,936,038	6,836,389	270,632	5,056,591	-	611,632,731	11,040,044
Disposals	-	-	-	116,551,436	4,037,743	13,039	6,985,491	-	127,587,709	-
As at 31.03.2015	425,104,249	119,503,889	1,593,646,506	3,709,859,095	129,932,188	4,603,739	55,660,536	1,528,317	6,039,838,519	177,610,025
Additions	-	-	12,849,797	187,955,196	8,106,691	13,974,803	-	-	222,886,487	33,895,551
Disposals	-	-	56,612	97,179,982	8,363,400	624,241	2,337,181	-	108,561,416	-
As at 31.03.2016	425,104,249	119,503,889	1,606,439,691	3,800,634,309	129,675,479	17,954,301	53,323,355	1,528,317	6,154,163,590	211,505,576
Depreciation/ Amortisation										
At 01.04.2014	-	-	218,833,590	2,154,681,445	63,374,344	1,487,173	25,426,970	1,503,453	2,465,306,975	154,078,382
Transfer to Retained Earnings	-	-	123,286	57,621,534	3,011,889	515,917	467,741	-	61,740,367	-
Charge for the year (refer note part C-24)	-	1,976,443	36,009,805	427,989,960	13,110,940	960,716	7,253,126	2,519	487,303,509	9,461,120
Depreciation on disposal	-	-	-	58,078,087	3,851,355	13,039	3,549,102	-	65,491,583	-
As at 31.03.2015	-	1,976,443	254,966,681	2,582,214,852	75,645,818	2,950,767	29,598,735	1,505,972	2,948,859,268	163,539,502
Charge for the year	-	2,481,423	37,702,088	319,795,406	11,956,507	1,848,468	6,385,371	2,519	380,171,782	9,256,117
Depreciation on disposal	-	-	53,446	95,035,784	5,987,447	561,604	1,626,584	-	103,264,865	-
At 31.03.2016	-	4,457,866	292,615,323	2,806,974,474	81,614,878	4,237,631	34,357,522	1,508,491	3,225,766,185	172,795,619
At 31.03.2015	425,104,249	117,527,446	1,338,679,825	1,127,644,243	54,286,370	1,652,972	26,061,801	22,345	3,090,979,251	14,070,523
At 31.03.2016	425,104,249	115,046,023	1,313,824,368	993,659,835	48,060,601	13,716,670	18,965,833	19,826	2,928,397,405	38,709,957

# NOTES TO ACCOUNTS: PART A (CONTD.)

## Note : A 11 : Non Current Investments

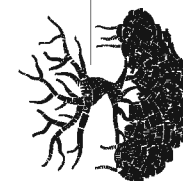
₹

	Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
I	Long term investments - at cost		
	Trade Investments		
	(a) Investment in Equity instruments	2,184,093,770	2,184,093,770
	(b) Investments in preference shares	250,000,000	150,000,000
	<b>TOTAL</b>	<b>2,434,093,770</b>	<b>2,334,093,770</b>
	Particulars	As at 31 March, 2016	As at 31 March, 2015
	Aggregate amount of quoted investments	-	-
	Aggregate amount of unquoted investments	2,434,093,770	2,334,093,770

₹

Details of Trade Investments										
Sr. No.	Name of the Body Corporate	Subsidiary / JV/ Others	No. of Shares / Units		Quoted / Unquoted	Partly Paid / Fully paid	Extent of Holding (%)		Amount	
			2016	2015			2016	2015	2016	2015
(a)	<b>Investment in Equity Instruments</b>									
1	Kirloskar Proprietary Limited	Others	2	2	Unquoted	Fully Paid	-	-	200	200
2	Kirloskar Ebara Pumps Limited	Joint Venture	225,000	225,000	Unquoted	Fully Paid	45%	45%	2,747,272	2,747,272
3	The Kolhapur Steel Limited	Subsidiary	16,314,315	16,314,315	Unquoted	Fully Paid	96%	96%	93,875,911	93,875,911
4	Kirloskar Systech Limited (refer note part C-26 )	Subsidiary	90,000	90,000	Unquoted	Fully Paid	100%	100%	46,140,000	46,140,000
5	Kirloskar Corrocoat Private Limited	Subsidiary	3,250,000	3,250,000	Unquoted	Fully Paid	65%	65%	94,000,000	94,000,000
6 - i	Kirloskar Brothers International B V	Subsidiary	59,724	59,724	Unquoted	Fully Paid	100%	100%	456,679,373	456,679,373
6 - ii	Kirloskar Brothers International B V	Subsidiary	2,000	2,000	Unquoted	Partly Paid	100%	100%	10,007,717	10,007,717
7	Karad Projects & Motors Ltd.	Subsidiary	13,952,450	13,952,450	Unquoted	Fully Paid	100%	100%	1,480,643,297	1,480,643,297
									2,184,093,770	2,184,093,770
(b)	<b>Investments in Preference Shares</b>									
	The Kolhapur Steel Limited (refer note part C-25 )	Subsidiary	25,000,000	15,000,000	Unquoted	Fully Paid	100%	100%	250,000,000	150,000,000
	<b>Total</b>								<b>2,434,093,770</b>	<b>2,334,093,770</b>

\* For basis of valuation refer note part B-10



## NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-12</b>		
<b>Long Term Loans and Advances</b>		
(a) <b>Capital advances</b>		
Unsecured, considered good	33,437,982	17,920,522
(b) <b>Security deposits</b>		
Unsecured, considered good	303,363,492	270,187,873
Doubtful	48,281,304	23,605,612
	351,644,796	293,793,485
Less : Provision for doubtful deposits	48,281,304	23,605,612
	303,363,492	270,187,873
(c) <b>Other loans and advances</b>		
(i) Advances to suppliers and others		
Unsecured, considered good	234,201,709	129,579,607
Doubtful	128,220,570	138,246,800
	362,422,279	267,826,407
Less : Provision for doubtful advances	128,220,570	138,246,800
	234,201,709	129,579,607
(ii) Prepaid expenses	10,357,987	22,650,363
(iii) Advance Income tax (net of provision)		
Unsecured, considered good	892,067,096	1,063,396,062
<b>TOTAL</b>	<b>1,473,428,266</b>	<b>1,503,734,427</b>

<b>Note : A-13</b>		
<b>Other Non Current Assets</b>		
(a) <b>Long term trade receivables</b>		
Unsecured, considered good	23,450,855	29,326,443
Doubtful	437,624,502	335,248,484
	461,075,357	364,574,927
Less : Provision for doubtful receivables	437,624,502	335,248,484
	23,450,855	29,326,443
(b) <b>Others</b>		
(i) Claims Receivables		
Unsecured, considered good	11,120,228	39,728,877
Doubtful	216,688,199	192,585,767
	227,808,427	232,314,644
Less : Provision for doubtful claims	216,688,199	192,585,767
	11,120,228	39,728,877
(ii) Gross amount due from customers (refer note part C - 3)		
Unsecured, considered good	172,737,867	231,532,008
(iii) Retentions		
Unsecured, considered good	1,151,443,381	637,687,883
<b>TOTAL</b>	<b>1,358,752,331</b>	<b>938,275,211</b>



## NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A -14</b>		
<b>Inventories</b>		
(a) Raw Materials *	438,173,547	456,938,914
(b) Work-in-progress (refer note part C - 16)	871,444,781	642,071,782
(c) Finished goods (refer note part C - 12)	447,426,495	527,292,941
(d) Stock-in-trade (refer note part C - 13) **	240,104,091	183,625,578
(e) Stores and spares	65,069,173	66,636,456
Mode of valuation (refer note part B - 3)		
*Include goods in transit - ₹ 13,556,757/- (PY ₹ 7,439,959/-)		
**Include goods in transit - ₹ 9,293,555/- (PY ₹ 1,840,994/-)		
<b>TOTAL</b>	<b>2,062,218,087</b>	<b>1,876,565,671</b>

<b>Note : A-15</b>		
<b>Trade receivables</b>		
(i) Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	1,490,841,366	1,457,002,931
(ii) Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	2,001,388,854	2,489,736,048
<b>TOTAL</b>	<b>3,492,230,220</b>	<b>3,946,738,979</b>

<b>Note : A-16</b>		
<b>Cash &amp; Bank Balances</b>		
(a) <b>Cash &amp; Cash Equivalents</b>		
(i) Cash on hand	1,004,302	3,499,212
(ii) Balances with banks	161,852,770	95,465,004
(iii) Earmarked balances with banks		
Unpaid dividend accounts	37,162,810	43,563,160
<b>TOTAL</b>	<b>200,019,882</b>	<b>142,527,376</b>

## NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-17</b>		
<b>Short term loans and advances</b>		
Unsecured, considered good		
(a) Loans and advances to related parties		
(i) Advances to subsidiary companies	29,996,144	23,053,434
(b) Others		
(i) Security and other deposits	915,845,868	952,964,584
(ii) Advances to suppliers and others	69,160,740	71,752,784
(iii) Prepaid Expenses	114,520,431	122,970,108
(iv) Advance Income Tax (net of Provision for Tax)	328,912,715	50,003,361
<b>TOTAL</b>	<b>1,458,435,898</b>	<b>1,220,744,271</b>

<b>Note : A-18</b>		
<b>Other current assets</b>		
Unsecured, considered good		
(a) Claims receivables		
(i) Excise, service tax and custom duty	440,562,482	354,709,971
(ii) Sales tax and value added tax	934,226,311	785,891,027
(iii) Insurance	10,128,120	19,429,488
(b) Interest accrued	32,854	3,122,258
(c) Gross amount due from customers (refer note part C - 3)	143,042,182	189,671,278
(d) Retentions	2,175,249,121	2,680,560,956
<b>TOTAL</b>	<b>3,703,241,070</b>	<b>4,033,384,978</b>

Particulars	2015-16	2014-15
<b>Note : A-19</b>		
<b>Revenue from operations (refer note part C -12 and C -13)</b>		
Sale of products	15,488,577,103	14,193,031,409
Less : Excise duty	819,855,040	776,095,470
	<b>14,668,722,063</b>	<b>13,416,935,939</b>
Project related revenue	1,523,958,527	2,406,250,185
Sale of services	190,038,228	226,542,076
	<b>16,382,718,818</b>	<b>16,049,728,200</b>
Other operating revenues	179,656,155	207,323,288
<b>TOTAL</b>	<b>16,562,374,973</b>	<b>16,257,051,488</b>



## NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	2015-16	2014-15
<b>Note : A-20</b>		
<b>Other Income</b>		
(a) <b>Interest Income</b>		
(i) On fixed deposits	9,315	494,312
(ii) From customers	7,850,387	5,767,209
(iii) From others	5,675,647	10,520,280
(b) <b>Dividend income from long term investments</b>		
(i) From subsidiary companies	159,916,788	33,500,000
(ii) From others	100	100
(c) <b>Profit on sale of long term investment</b>	-	8,777,512
(d) <b>Foreign exchange difference (net)</b>	6,439,253	-
(e) <b>Other non-operating income</b>	61,207,119	53,655,351
<b>TOTAL</b>	<b>241,098,609</b>	<b>112,714,764</b>

<b>Note : A-21</b>		
<b>Cost of material consumed</b>		
Raw material consumed (refer note part C -14 & 15)	7,455,225,560	7,117,446,694
Stores and spares consumed	652,969,451	679,636,845
Processing charges	214,130,809	266,598,665
	<b>8,322,325,820</b>	<b>8,063,682,204</b>
<b>Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
<b>Opening Stock (refer note part C -12,13 and 16)</b>		
Finished goods	527,292,941	304,092,831
Work-in- progress	642,071,782	466,262,054
Stock in trade	183,625,578	147,900,905
	<b>1,352,990,301</b>	<b>918,255,790</b>
<b>Closing Stock</b>		
Finished goods	447,426,495	527,292,941
Work-in- progress	871,444,781	642,071,782
Stock in trade	240,104,091	183,625,578
	<b>1,558,975,367</b>	<b>1,352,990,301</b>
<b>TOTAL</b>	<b>(205,985,066)</b>	<b>(434,734,511)</b>

<b>Note : A-22</b>		
<b>Employee benefits expense</b>		
Salaries, wages and bonus	1,573,596,001	1,459,084,620
Contribution to provident fund, super annuation fund and E.S.I	100,752,236	81,406,838
Gratuity	39,404,773	43,193,427
Welfare expenses	108,464,591	109,074,302
Pension benefits	2,466,441	5,355,562
ESOS expenses	211,321	4,180,645
<b>TOTAL</b>	<b>1,824,895,363</b>	<b>1,702,295,394</b>

## NOTES TO ACCOUNTS : PART A (CONTD.)

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Particulars	2015-16	2014-15
<b>Note : A-23</b>		
<b>Finance cost</b>		
Interest expense	304,499,675	336,181,400
Other borrowing costs	67,743,089	76,994,814
<b>TOTAL</b>	<b>372,242,764</b>	<b>413,176,214</b>

<b>Note : A-24</b>		
<b>Other expenses</b>		
Power & fuel	251,607,914	242,116,349
Repairs and maintenance		
Plant and machinery	125,289,838	111,080,931
Buildings	20,205,236	24,565,305
Other	76,219,338	47,408,787
Rent	82,052,450	77,053,500
Rates and taxes	90,451,836	83,350,550
Travel and conveyance	254,871,404	244,274,218
Communication expenses	56,119,926	54,972,690
Insurance	81,061,447	102,745,018
Directors' sitting fees	4,875,000	5,475,000
Royalties and fees	43,028,797	41,965,949
Cash discount	171,964,149	143,876,986
Freight and forwarding charges	358,068,462	362,840,543
Brokerage and commission	130,339,738	204,284,005
Advertisements and publicity	202,414,332	205,296,727
Provision for product warranty	155,849,850	117,414,534
Loss on sale/disposal of fixed assets	4,681,039	18,187,607
Provision for doubtful debts, advances and claims	138,874,765	110,512,444
Bad debts, advances, deposits and claims written off	59,915,202	135,994,425
Auditor's remuneration (refer note part C -4 )	5,539,530	5,068,482
Professional, consultancy and legal expenses	484,039,205	339,285,810
Security services	47,121,085	41,149,295
Computer services	249,980,645	212,076,144
Non executive directors remuneration	2,200,000	-
Stationery & Printing	15,623,068	17,030,993
Training course expenses	3,981,003	9,623,468
Outside service charges	134,177,868	110,115,963
Foreign exchange difference (net)	-	24,904,324
Other miscellaneous expenses	201,648,039	138,743,071
<b>TOTAL</b>	<b>3,452,201,166</b>	<b>3,231,413,118</b>





## NOTES TO ACCOUNTS : PART B

### Significant Accounting Policies

#### Corporate information

Kirloskar Brothers Limited (KBL) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1913. KBL is engaged in providing global fluid management solutions and is the largest manufacturer and exporter of centrifugal pumps and valves from India. The core products of the company are Engineered Pumps, Industrial Pumps, Agriculture and Domestic Pumps, Valves, and Hydro turbines.

#### B-1 Basis of preparation of financial statements

- a) The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India and comply in all material respects with the Accounting Standards specified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provision of the Companies Act, 2013
- b) The financial statements have been prepared under the historical cost convention on an accrual basis.
- c) The accounting policies applied by the Company are consistent with those used in the previous year.

#### B-2 Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, current assets, non-current assets, current liabilities, non-current liabilities and disclosure of the contingent liabilities at the end of each reporting period. Although these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amount of assets or liabilities in future periods.

#### B-3 Inventories

- a) Inventories are valued at the lower of cost and estimated net realizable value.
- b) The cost is calculated on moving weighted average method.
- c) Cost comprises costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of finished goods includes excise duty, as applicable.

#### B-4 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.

#### B-5 Depreciation

Depreciation on fixed assets has been provided in a manner that amortizes the cost of the assets over their estimated useful lives on straight line method as per the useful life prescribed under Schedule- II to the Companies Act, 2013 except in the cases mentioned below where the management based on a technical evaluation have estimated the life to be lower than the life prescribed in Schedule - II

## NOTES TO ACCOUNTS : PART B (CONTD.)

Sr. No.	Particulars	Life
1	Patterns	1 year to 5 years

### B-6 Construction Contracts

- a) Contract revenue and contract costs arising from fixed price contracts are recognized in accordance with the percentage completion method. Revenue is recognized only to the extent of actual cost incurred till such time the outcome of the contract cannot be ascertained reliably.
- b) The stage of completion is measured by reference to costs incurred to date as a percentage of total estimated costs for each contract.
- c) Full provision is made for any loss estimated on a contract in the year in which it is first foreseen.

### B-7 Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

- a) Sale of products and services are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and when services are rendered.
- b) Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of raising any claim, revenue recognition is postponed to the extent of uncertainty involved. In such cases revenue is recognized only when it is reasonably certain that the ultimate collection will be made.
- c) Interest is recognized on a time proportion basis determined by the amount outstanding and the rate applicable.
- d) Dividend from investments in shares is not recognized in the profit and loss statement until a right to receive payment is established in the reporting period.
- e) Income from royalties is recognized on an accrual basis in accordance with the terms of the relevant agreement.

### B-8 Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment (if any). The cost of a fixed asset comprises its purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs attributable to construction or acquisition of qualifying fixed assets for the period up to the completion of construction or acquisition of such fixed assets are included in the gross book value of the asset to which they relate.

### B-9 Foreign Currency Transactions

- a) Initial Recognition: A foreign currency transaction is recorded on initial recognition in the reporting currency by applying to the foreign currency amount, the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- b) Conversion: At the year end, monetary items denominated in foreign currencies are converted into rupee equivalents at the year-end exchange rates.

**NOTES TO ACCOUNTS : PART B (CONTD.)**

- c) Forward Exchange Contracts: In respect of transactions covered by forward exchange contracts, the difference between the forward rate and the exchange rate (premium) at the date of the transaction is recognized as income or expense over the life of the contract.
- d) Exchange Differences: All exchange differences arising on settlement/conversion on foreign currency transactions are included in the Profit and Loss Statement.
- e) Foreign entities: Assets and liabilities of non-integral foreign entities are translated into rupee equivalents using year-end spot foreign exchange rates. Revenues and expenses are translated monthly at average exchange rates.

**B-10 Investments**

Investments are classified as trade when investment is made in the shares or debentures of another company for the purpose of promoting the trade or business of the company.

Investments that are readily realizable and intended to be held for not more than a year from the date on which such investment is made are classified as current investments. All other investments are classified as long-term investments.

- a) Current investments are carried at lower of cost and fair value determined on an individual investment basis.
- b) Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of such investments.

**B-11 Employee Benefits**

The actuarial valuations in respect of post-employment defined benefit plans and long term employee benefit as at the balance sheet date are measured using Projected Unit Credit Method.

**I. Short Term Employee Benefits**

All employee benefits payable wholly within twelve months of rendering the services are classified as short term employee benefits. Benefits such as salaries, wages, expected cost of bonus and short term compensated absences, leave travel allowance etc. are recognized in the period in which the employee renders the related service.

**II. Post-Employment Benefits****a) Defined Contribution Plans**

The Company's superannuation scheme, state governed provident fund scheme related to Dewas factory and employee state insurance scheme are defined contribution plans. The contribution paid/payable under the scheme is recognized during the period in which the employee renders the related service.

**b) Defined Benefit Plans**

The employees' gratuity fund schemes, provident fund scheme managed by a Trust and pension scheme are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

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## NOTES TO ACCOUNTS : PART B (CONTD.)

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

Actuarial gains and losses are recognized immediately in the Profit & Loss Statement.

In case of funded plans, the fair value of the plan's assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expenses on a straight-line basis over the average period until the benefits become vested.

The Company pays contribution to a recognized provident fund trust in respect of all locations except Dewas factory.

### III. Long Term Employee Benefit

The obligation for long term employee benefits such as long term compensated absences is recognized in the same manner as in the case of defined benefit plans as mentioned in note II (b) above.

Accumulated leaves that are expected to be utilized within the next 12 months are treated as short term employee benefits.

### B-12 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. It also includes exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Other borrowing costs are recognized as an expense in the period in which they are incurred.

### B-13 Segment Accounting

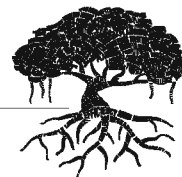
The company's business segment is a distinguishable component that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. The company's geographical segment is based on the location of its customers.

- a) The accounting policies for individual segments are in line with accounting policies of the company.
- b) Segment revenue from inter segment transactions is accounted on the basis of transfer price agreed between the segments. Such transfer prices are determined with reference to the desired margins.

### B - 14. Earnings per share

#### Basic earnings per share

For the purpose of calculating basic earnings per share, the net profit or loss for the period attributable to equity shareholders after deducting any attributable tax thereto for the period is divided by weighted number of equity shares outstanding during the period.



## NOTES TO ACCOUNTS : PART B (CONTD.)

### Diluted earnings per share

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### B-15 Taxes on Income

- a) Tax on income for the current period is determined on the basis of taxable income after considering the various deductions available under The Income Tax Act, 1961.
- b) Deferred tax is recognized on timing differences between the accounting income and the taxable income for the year. The tax effect is calculated on the accumulated timing differences at the end of the accounting period based on prevailing enacted or subsequently enacted regulations.
- c) Deferred tax liabilities are recognized for all timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. At each reporting date the company reassesses the unrecognized deferred tax assets and reviews the deferred tax assets recognized.

### B-16 Intangible Assets

The company has only computer software as acquired intangible asset. It is amortized over a period of 3 years on straight line method.

Research and development costs are expensed out as and when incurred, except for development costs which relate to the design and testing of new or improved material, products or processes which are recognized as an asset, when it is expected that such assets will generate future economic benefits.

### B-17 Accounting for interests in Joint Ventures

#### Type of Joint Venture

#### A. Jointly controlled Operations

Company's share of revenue, expenses, assets and liabilities are included in Revenues, Expenses, Assets and Liabilities respectively.

#### B. Jointly Controlled Entities

Investment in such Joint ventures is carried at cost after providing for any permanent diminution in value, if applicable. Income on investments in; incorporated Jointly Controlled Entities is recognized when the right to receive the same is established in the reporting period.

### B-18 Impairment Policy

The company assesses at each balance sheet date whether there is any indication that an asset or cash generating unit (CGU) may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's or CGU's net selling price or its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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## NOTES TO ACCOUNTS : PART B (CONTD.)

### B-19 Provisions and contingent liabilities

A Provision is recognized when an enterprise has a present obligation as a result of a past event and it is probable that an outflow of resources is expected to settle the obligation, in respect of which a reliable estimate can be made.

Provision for warranty related costs are recognized when the product is sold. Provision is based on historical experience.

Contingent liability is disclosed in case of

- a) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.
- b) present obligation arising from past events, when no reliable estimate is possible
- c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognized, nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

### B-20 Employee Stock Ownership Scheme

In respect of stock options granted pursuant to the Company's Employee Stock Option Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period.



## NOTES TO ACCOUNTS : PART C

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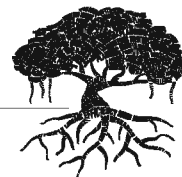
	2015-16	2014-15
<b>C-1 Contingent liabilities:</b>		
<b>a) Guarantees:</b>		
By the company to Citi Bank N. A. on behalf of SPP Pumps Ltd., UK USD-10,500,000	695,730,000	658,035,000
By the company to Indian Overseas Bank Ltd. on behalf of Karad Projects and Motors Ltd.	98,782,254	500,000,000
By the company to Citi Bank on behalf of Kirloskar Brothers(Thailand) Ltd,USD- 3,000,000	198,780,000	188,010,000
By the company to Citi Bank on behalf of Kirloskar Pompen B V USD-5,000,000	331,300,000	313,350,000
By the company to Citi Bank on behalf of Braybar Pumps (Proprietary) Ltd. USD- 2,000,000	132,520,000	125,340,000
By the company to Weatherford Oil Tool Middle East Ltd. on behalf of SPP Pumps Ltd.,UK GBP- 89,785	8,552,919	8,308,345
By the company to Secretary of Business of State, London, on behalf of SPP Pumps Ltd.,UK GBP- 1,120,000	106,691,200	103,640,320
<b>b) Other money for which the company is contingently liable for</b>		
i) Central Excise and Service tax (Matter Subjudice)	1,017,697,103	1,017,697,103
ii) Sales Tax (Matter Subjudice)	192,994,331	205,419,339
iii) Income Tax (Matter Subjudice)	749,747,635	740,451,909
iv) Labour Matters (Matter Subjudice)	48,664,385	48,933,183
v) Other Legal Cases ( Matter Subjudice )	162,665,127	162,665,127
<b>C-2 Commitments</b>		
i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	34,350,598	39,902,327
ii) Letters of credit outstanding	577,248,162	852,997,533
<b>C-3 Construction contracts</b>		
a) Contract Revenue recognised as revenue for the year	1,523,958,527	2,406,250,185
b) Advances received	241,204,468	301,329,681
c) Amount of retentions	3,326,692,502	3,318,248,839
d) Gross amount due from customer		
Contract costs incurred	15,866,626,499	21,795,013,901
Recognised Profits less recognised Losses	2,239,196,067	2,312,519,785
Less: Progress Billing	17,790,042,517	23,686,330,400
Net [ Note A- 13(b)(ii) + A- 18(c) ]	315,780,049	421,203,286
e) Gross amount due to customer		
Contract costs incurred	31,895,423,634	32,966,386,564
Recognised Profits less recognised Losses	6,894,642,402	7,392,146,731
Less: Progress Billing	40,624,090,759	42,281,503,606
Net [ Note A- 5(b)(ii) + A- 8(c)(i) ]	(1,834,024,723)	(1,922,970,311)

## NOTES TO ACCOUNTS : PART C (CONTD.)

₹

	2015-16	2014-15
<b>C-4 Remuneration to Auditors</b>		
Statutory Auditors :		
a) Audit fees	3,750,000	3,250,000
b) Tax audit fees	250,000	250,000
c) VAT audit fees	300,000	250,000
d) Limited review	750,000	750,000
e) Certification services	367,500	458,820
f) Expenses reimbursed	122,030	109,662
	<b>5,539,530</b>	<b>5,068,482</b>
<b>C-5 Expenditure in foreign currencies.</b>		
i) Professional Fees	94,607,411	28,766,093
ii) Other Matters	268,948,373	193,259,487
<b>C-6 Earnings in foreign currencies :</b>		
i) F.O.B. Value of goods exported	1,235,231,084	1,056,073,430
ii) Services rendered / Civil work	2,384,207	58,016,211
iii) Others	7,812,387	165,367,825
<b>C-7 C.I.F. Value of Imports</b>		
i) Raw Materials & components	397,141,502	369,753,911
ii) Capital Goods	6,058,793	154,234,415
<b>C-8 Earning per Share ( Basic and diluted )</b>		
I - Basic		
a) Profit for the year before tax	64,154,146	55,289,084
Less : Attributable Tax thereto	(53,916,131)	(29,579,796)
Profit after Tax	118,070,277	84,868,880
b) Weighted average number of equity shares used as denominator	79,408,926	79,388,176
c) Basic earning per share of nominal value of ₹ 2/- each	1.49	1.07
II - Diluted		
a) Profit for the year before tax	64,154,146	55,289,084
Less : Attributable Tax thereto	(53,916,131)	(29,579,796)
	118,070,277	84,868,880
b) Weighted average number of equity shares	79,408,926	79,388,176
c) Add : Weighted average number of potential equity shares on account of employee stock options	-	2,727
d) Weighted average number of shares outstanding used as denominator	79,408,926	79,390,903
e) Diluted earning per share of nominal value of ₹ 2/- each	1.49	1.07
<b>C-9 Prior Period Expenses (included in other expense)</b>	1,747,739	3,180,490





## NOTES TO ACCOUNTS : PART C (CONTD.)

## C-10

- A Research and Development expenditure eligible for weighted average deduction under section 35(2AB) of the Income Tax Act, 1961

₹

Sr. No.	Particulars	2015-16	2014-15
A	Revenue expenditure		
	Manufacturing expenses:		
	Raw Material , Store , Spares & Tools consumed	18,007,310	13,769,933
	Payments to and Provision for Employees:		
	Salaries , Wages , Bonus , Allowances etc.	54,180,166	65,157,654
	Other Expenses:		
	Membership Fees	652,165	1,255,798
	Computer Services	3,008,058	11,654,960
	Power & Fuel	232,659	33,185
	Travel & Conveyance	5,145,252	6,537,107
	Other Expenses	709,510	4,546,527
	Repairs & Maintenance	2,118,434	52,590
	<b>TOTAL</b>	<b>84,053,554</b>	<b>103,007,754</b>
B	Capital Expenditure	20,766,254	150,795,422
	<b>Total Eligible Research &amp; Development Expenditure (A + B)</b>	<b>104,819,808</b>	<b>253,803,176</b>

## B Other Research and Development expenditure

₹

Sr. No.	Particulars	2015-16	2014-15
A	Revenue expenditure	99,713,549	202,943,758
B	Capital expenditure	12,118,885	-
	<b>Total</b>	<b>111,832,434</b>	<b>202,943,758</b>

## C-11 Employee Benefits :

## i Defined Contribution Plans:

Amount of ₹ 93,295,062/- (₹ 69,785,591/-) is recognised as an expense and included in "Employees benefits expense"(Part A-22) in the Profit and Loss Statement.

## NOTES TO ACCOUNTS : PART C (CONTD.)

### ii Defined Benefit Plans:

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

₹

Particulars	As at 31-03-2016		As at 31-03-2015	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
A. Amount to be recognised in Balance Sheet Present Value of Defined Benefit Obligation	368,422,433	24,528,959	327,188,569	25,235,040
Less: Fair Value of Plan Assets	329,017,660	-	283,006,653	-
Amount to be recognised as liability or (asset)	39,404,773	24,528,959	44,181,916	25,235,040
B. Amounts reflected in the Balance Sheet				
Liabilities	39,404,773	24,528,959	44,181,916	25,235,040
Assets				
Net Liability / (Assets)	39,404,773	24,528,959	44,181,916	25,235,040

#### b) The amounts recognised in Profit and Loss Statement are as follows:

₹

Particulars	As at 31-03-2016		As at 31-03-2015	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
1 Current Service Cost	26,579,115	-	25,581,439	-
2 Past Service Cost	-	-	-	-
3 Interest Cost	24,418,545	1,844,605	25,434,555	-
4 Expected Return on Plan Assets	(26,198,750)	-	(23,428,223)	-
5 Actuarial Losses / (gains)	14,865,664	621,836	15,381,591	6,111,708
6 Effect of any curtailment or settlement	-	-	-	-
7 Actuarial Gain not recognised in books	-	-	-	-
8 Adjustment for earlier years	-	-	-	-
Total included in Part A-22 "Employee benefits expense"	39,664,574	2,466,441	42,969,362	6,111,708
Actual Return on Plan Assets	8.25%		8.85%	

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

₹

Particulars	As at 31-03-2016		As at 31-03-2015	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
1 Balance of the present value of Defined benefit Obligation as at 01-04-2015	327,188,569	25,235,040	287,454,777	23,243,530
2 Add: Current Service Cost	26,579,115	-	25,581,439	-
3 Curtailment Cost / (credit)	-	-	-	(2,689,285)
4 Add: Past Service Cost	-	-	-	-
5 Add: Interest Cost	24,418,545	1,844,605	25,434,555	1,981,437
6 Add / (less): Actuarial losses / (gains)	18,496,793	621,836	10,702,247	6,111,708
7 (Less): Benefits paid	(28,260,589)	(3,172,522)	(21,984,449)	(3,412,350)
8 Balance of the present value of Defined Benefit Obligation as at 31-03-2016	368,422,433	24,528,959	327,188,569	25,235,040



## NOTES TO ACCOUNTS : PART C (CONTD.)

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

Sr. No.	Particulars	Gratuity Plan (Funded)	
		31.03.2016	31.03.2015
1	Opening balance of the fair value of the plan assets as at 01-04-2015	283,006,653	256,369,404
2	Add: Expected Return on plan assets	26,198,750	23,428,223
3	Add / (less) : Actuarial gains / (losses)	3,631,129	(4,679,344)
4	Add: Contribution by the employer	44,441,717	29,872,819
5	Less: Benefits paid	28,260,589	21,984,449
6	Closing balance of the plan assets as at 31-03-2016	329,017,660	283,006,653

- 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	Particulars	Percentage	
		31.03.2016	31.03.2015
1	Central Government Securities	31.35	31.35
2	State Government Securities	10.71	10.71
3	Other Approved Securities ( Government Guraranted Securities)	1.35	1.35
4	Bonds and Debentures etc.	42.85	42.85
5	Fixed Deposits	8.35	8.35
6	Equity Shares	5.23	5.23
7	Money Market Instrument	0.16	0.16
	Grand Total	100.00	100.00

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

Life Insurance Corporation of India (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, along with the estimated incremental investments to be made during the year. Yield on the portfolio is calculated based on a suitable mark-up over the benchmark Government securities of similar maturities.

- f) Principal actuarial assumptions at the balance sheet date (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 the attrition rate is taken at 9.33%
  - The estimates of future salary increase considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## NOTES TO ACCOUNTS : PART C (CONTD.)

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

Particulars	As at 31-03-2016		As at 31-03-2015	
	Gratuity Plan	Pension Scheme	Gratuity Plan	Pension Scheme
	(Funded)	(Non Funded)	(Funded)	(Non Funded)
Defined Benefit Obligation	368,422,433	24,528,929	327,188,569	25,235,040
Plan Assets	329,017,660	-	283,006,653	-
Surplus / (Deficit)	(39,404,773)	(24,528,929)	(44,181,916)	25,235,040

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. The benefit vests after five years of continuous service.

**2 Company's Pension Plan:**

The company operates a Pension Scheme for specified ex-employees wherein the beneficiaries are entitled to defined monthly pension.

i) The Company expects to fund ₹ 39,404,773 (₹ 41,181,916/-) towards its gratuity plan in the year 2016-17.

### C-12 Information in respect of sales and inventory of manufactured finished goods and services:

Particulars	Sales value	Closing inventory of finished goods	Opening inventory of finished goods
Power Driven Pumps	10,064,858,504	384,868,304	468,122,632
	(9,201,716,499)	(468,122,632)	(259,714,264)
Valves	879,097,257	32,113,811	30,880,912
	(1,070,619,636)	(30,880,912)	(23,942,426)
Spare Parts and Others	1,588,031,162	30,444,380	28,289,397
	(1,777,048,296)	(28,289,397)	(20,436,141)
Services and Job Order Receipts	51,562,892	-	-
	(97,311,837)	-	-
Civil Receipts	367,393,846	-	-
	(431,268,595)	-	-
<b>TOTAL</b>	<b>12,950,943,661</b>	<b>447,426,495</b>	<b>527,292,941</b>
	(12,577,964,863)	(527,292,941)	(304,092,831)



## NOTES TO ACCOUNTS : PART C (CONTD.)

## C-13 Information in respect of sales and inventory of trading goods :

₹

Particulars	Purchases	Sales	Closing inventory of trading goods	Opening inventory of trading goods
Pumps	994,682,947 (730,321,308)	1,321,194,697 (1,080,819,179)	108,821,783 (117,883,809)	117,883,809 (96,055,663)
Transformers	31,743,296 (35,375,240)	51,413,294 (40,180,738)	- -	- -
Alternators	68,679,123 (71,602,215)	84,287,370 (105,985,072)	12,689,466 (7,728,300)	7,728,300 (9,332,439)
Motors	761,917,340 (688,147,219)	781,300,856 (653,234,030)	31,667,034 (10,166,307)	10,166,307 (15,671,202)
Valves	20,281,873 (114,024,170)	21,653,650 (150,979,944)	585,358 (924,215)	924,215 (290,528)
Others	706,906,911 (1,202,409,967)	1,171,925,290 (1,440,564,374)	86,340,450 (46,922,947)	46,922,947 (26,551,073)
TOTAL	2,584,211,490 (2,841,880,119)	3,431,775,157 (3,471,763,337)	240,104,091 (183,625,578)	183,625,578 (147,900,905)

## C-14 Consumption of Raw Materials :

₹

Particulars	2015-16		2014-15	
	₹	Percentage	₹	Percentage
Imported	29,855,724	0.40	44,431,829	0.63
Indigenous	7,425,369,836	99.60	7,073,014,865	99.37
TOTAL	7,455,225,560	100.00	7,117,446,694	100.00

## C-15 Details of Raw Materials Consumption :

₹

Particulars	2015-16	2014-15
a) Castings	2,164,754,078	2,220,556,658
b) Stator Stacks	508,656,955	555,332,478
c) Motors	898,806,514	962,363,466
d) Engines	413,029,166	371,521,943
e) Civil Construction Material	417,880,092	506,212,942
f) Others	3,052,098,755	2,501,459,207
TOTAL	7,455,225,560	7,117,446,694

## NOTES TO ACCOUNTS : PART C (CONTD.)

### C-16 Details of Work-in-Process :

₹

Particulars	2015-16	2014-15
Power Driven Pumps	545,452,998	257,862,806
Valves	-	206,090,803
Others	325,991,783	178,118,173
<b>TOTAL</b>	<b>871,444,781</b>	<b>642,071,782</b>

### C-17 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	Karad Projects and Motors Limited	Subsidiary Company
2	The Kolhapur Steel Limited	Subsidiary Company
3	Kirloskar Systech Limited	Subsidiary Company
4	Kirloskar Corrocoat Private Limited	Subsidiary Company
5	Kirloskar Brothers International B. V.	Subsidiary Company
6	SPP Pumps Limited	Subsidiary of Kirloskar Brothers International B.V.
7	Kirloskar Brothers(Thailand) Limited	Subsidiary of Kirloskar Brothers International B.V.
8	SPP Pumps (MENA) L.L.C.	Subsidiary of Kirloskar Brothers International B.V.
9	Kirloskar Pompen B. V.	Subsidiary of Kirloskar Brothers International B.V.
10	Micawber 784 (Proprietary Limited)	Subsidiary of Kirloskar Brothers International B.V.
11	Kirloskar Brothers International PTY Ltd.	Subsidiary of Kirloskar Brothers International B.V.
12	Certified Engines Limited	Subsidiary of SPP Pumps Limited
13	SPP France S A S	Subsidiary of SPP Pumps Limited
14	SPP Pumps, Inc.	Subsidiary of SPP Pumps Limited
15	SPP Pumps France EURL	Subsidiary of SPP Pumps Limited (up to 02.06.2015)
16	SPP Pumps Holdings LLC	Subsidiary of SPP Pumps Limited (up to 20.07.2015)
17	SPP Pumps Management LLC	Subsidiary of SPP Pumps Limited (up to 20.07.2015)
18	SPP Pumps (South Africa Pty.) Limited	Subsidiary of Kirloskar Brothers International PTY Ltd.
19	Braybar Pumps (Proprietary) Limited	Subsidiary of Kirloskar Brothers International PTY Ltd.
20	Rodelta Pumps International B.V.	Subsidiary of Kirloskar Pompen B.V. (from 17.07.2015)
21	Rotaserve Overhaul B.V.	Subsidiary of Kirloskar Pompen B.V. (from 04.01.2016)
22	SPP Pumps Real Estate LLC	Subsidiary of SPP Pumps Inc.
23	SyncroFlo Inc.	Subsidiary of SPP Pumps Inc.



## NOTES TO ACCOUNTS : PART C (CONTD.)

## (B) Disclosure of related parties transactions

₹

Sr No	Nature of transaction/ relationship/major parties	2015-16		2014-15	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
1	<b>Purchase of goods &amp; services</b> Subsidiary/Fellow subsidiary Companies The Kolhapur Steel Limited Karad Projects And Motors Limited	2,412,279,439	350,514,713 2,024,203,015	2,046,403,114	184,654,251 1,804,882,614
2	<b>Sale of goods/contract revenue &amp; services</b> Subsidiary/Fellow subsidiary Companies SPP Pumps Limited Kirloskar Brothers (Thailand) Ltd. SPP Pumps, Inc. Kirloskar Pompen B.V.	978,208,303	167,752,841 173,136,519 341,104,490 141,693,329	854,911,540	140,130,568 121,408,403 235,470,020 258,558,670
3	<b>Rendering Services</b> Subsidiary/Fellow subsidiary Companies Kirloskar Corrocoat Private Limited Kirloskar Systech Limited	122,272,021	13,398,756 87,577,851	103,147,942	13,213,536 79,252,641
4	<b>Receiving Services</b> Subsidiary/Fellow subsidiary Companies Kirloskar Systech Limited Kirloskar Brothers (Thailand) Ltd.	272,003,929	212,950,970 35,130,819	264,428,881	183,549,379 36,704,780
5	<b>Sale of Fixed Assets</b> Subsidiary/Fellow subsidiary Companies Karad Projects And Motors Limited	54,664	54,664	51,345,728	-
6	<b>Investment Made</b> Subsidiary/Fellow subsidiary Companies The Kolhapur Steel Limited Kirloskar Systech Limited	100,000,000	100,000,000 -	195,640,000	150,000,000 45,640,000
7	<b>Dividend Paid</b> Key Management Personnel Mr. Sanjay Kirloskar  Relatives of Key Management Personnel Mrs. Pratima Kirloskar	30,410,522 16,650,034  13,760,488	16,650,034  13,760,488	74,039,543 35,563,765  34,375,853	35,563,765  34,375,853
8	<b>Dividend Received</b> Subsidiary/Fellow subsidiary Companies Karad Projects & Motors Limited Kirloskar Corrocoat Pvt. Ltd. Kirloskar Systech Limited	159,916,788	24,416,788 89,375,000 45,000,000	33,500,100	- 32,500,000 1,000,000

## NOTES TO ACCOUNTS : PART C (CONTD.)

### (B) Disclosure of related parties transactions (Contd.)

₹

Sr No	Nature of transaction/ relationship/major parties	2015-16		2014-15	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
9	Remuneration Paid	40,135,396		18,794,991	
	Key Management Personnel				
	Mr. Sanjay Kirloskar		13,254,503		11,746,447
	Mr. J.R. Sapre		24,791,885		5,649,830
10	Deposit Paid	800,000		900,000	
	Subsidiary/ Fellow Subsidiary Company				
	Karad Projects And Motors Limited		300,000		400,000
	The Kolhapur Steel Limited		300,000		300,000
	Kirloskar Systech Limited		100,000		-
	Kirloskar Ebara Pumps Limited		100,000		-
	Kirloskar Corrocoat Pvt. Ltd.		-		200,000
11	Deposit Refunded	400,000		900,000	
	Subsidiary/ Fellow Subsidiary Company				
	The Kolhapur Steel Limited		300,000		300,000
	Kirloskar Ebara Pumps Limited		100,000		-
	Karad Projects And Motors Limited		-		400,000
	Kirloskar Corrocoat Pvt. Ltd.		-		200,000
12	Reimbursement of Expenses	42,145,848		56,224,584	
	Subsidiary/Fellow subsidiary Companies				
	Karad Projects And Motors Limited		5,227,890		17,137,401
	Kirloskar Ebara Pumps Limited		13,855,900		2,838,747
	SPP Pumps Limited		12,142,144		4,064,624
	Kirloskar Systech Limited		-		19,586,900
13	Advance Given	14,000,000		-	
	Subsidiary/Fellow subsidiary Companies				
	Kirloskar Corrocoat Pvt. Ltd.		14,000,000		-
14	Advance Returned	14,000,000		-	
	Subsidiary/Fellow subsidiary Companies				
	Kirloskar Corrocoat Pvt. Ltd.		14,000,000		-

\* Major parties denote entities who account for 10% or more of the aggregate for that category of transaction

### (C) Amount due to/from related parties

₹

Sr No	Nature of transaction/ relationship/major parties	2015-16		2014-15	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
1	Accounts receivable	351,476,096		81,015,904	
	Subsidiary/Fellow subsidiary Companies				
	SPP Pumps Ltd.		62,657,918		-
	SPP Pumps LP		74,113,899		18,257,796
	Kirloskar Brothers (Thailand) Ltd.		107,002,876		845,661
	SPP Pumps (MENA) L.L.C.		42,510,913		6,730,175
2	Amount Due	493,288,268		297,037,753	
	Subsidiary/Fellow subsidiary Companies				
	Karad Projects And Motors Limited		401,723,293		297,037,753





## NOTES TO ACCOUNTS : PART C (CONTD.)

### (D) Names of related parties with whom transactions have been entered into:

1) Subsidiary Companies	Karad Projects and Motors Limited	
	The Kolhapur Steel Limited	
	Kirloskar Systech Limited	
	Kirloskar Corrocoat Private Limited	
	SPP Pumps Limited	
	SPP Pumps (South Africa Pty.) Limited	
	SPP Pumps (MENA) LLC	
	SPP Pumps, Inc.	
	Kirloskar Pompen B.V.	
	Braybar Pumps (Proprietary) Limited	
	Kirloskar Brothers (Thailand) Limited	
2) Joint Venture	Kirloskar Ebara Pumps Limited	
3) Key Management Personnel	Mr. Sanjay Kirloskar	
	Mr. J. R. Sapre (upto May 31, 2015)	
4) Relatives of Key Management Personnel	Mrs. Pratima Kirloskar	Wife of Mr. Sanjay Kirloskar
	Mr. Alok Kirloskar	Son of Mr. Sanjay Kirloskar
	Mrs. Suman Kirloskar	Mother of Mr. Sanjay Kirloskar
	Ms. Rama Kirloskar	Daughter of Mr. Sanjay Kirloskar
	Ms. Preeti Sapre (upto May 31, 2015)	Daughter of Mr. J. R. Sapre
5) Enterprises over which key managerial personnel or their relatives exercise significant influence	Prakar Investments Private Limited	

## NOTES TO ACCOUNTS : PART C (CONTD.)

### C-18 Disclosure pursuant to Schedule V read with regulations 34(3) and 53(f) of the SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 :

#### A Loans and advances in the nature of loans:

Name of the Company	Balance as at		Maximum outstanding	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
To Subsidiary Companies				
The Kolhapur Steel Limited	13,214,020	13,214,020	13,214,020	73,214,020
Kirloskar Corrocoat Private Limited	-	-	14,000,000	-

#### B Loans and advances in the nature of loans to firms/companies in which directors are interested: NIL

#### C Investment by the loanee (borrower) in the shares of the Company or subsidiary of the Company : NIL

Note:- Loans to employees including directors under various schemes of the company (such as housing loan, furniture loan, education loan etc.) have been considered to be outside the purview of this disclosure requirements.

### C-19 Particulars related to Joint Venture :

#### a) List of Joint Venture

Sr No	Name of the Joint Venture	Description	Ownership Interest	Country of Incorporation
1	Kirloskar Ebara Pumps Limited	Jointly controlled entity	45%	India

#### b) Financial Interest in Jointly controlled entity

Sr. No	Name of the Joint Venture	Company's share in		
			As at 31 <sup>st</sup> March 2016	As at 31 <sup>st</sup> March 2015
1	Kirloskar Ebara Pumps Limited	Assets	695,367,244	736,069,801
		Liabilities	292,260,668	211,967,691
			2015-16	2014-15
		Income	715,761,873	765,831,436
		Expenses	848,453,818	682,399,974

#### c) Contingent liabilities, if any, incurred in relation to interest in Joint Ventures :

₹ 6,520,638/- (₹ 442,454/-)

#### d) Capital commitments, if any, in relation to interest in Joint Ventures :

₹ 22,374,462/- (₹ 4,016,540/-)



## NOTES TO ACCOUNTS : PART C (CONTD.)

## e) List of Jointly controlled operations :

Sr No	Name of the Jointly controlled operation	Description	Ownership Interest	Country of Incorporation
1	HCC - KBL	Jointly controlled operations	N A	India
2	KBL – MCCL	Jointly controlled operations	N A	India
3	KCCPL – IHP – BRC – TAIPPL – KBL JV	Jointly controlled operations	N A	India
4	IVRCL – KBL JV	Jointly controlled operations	N A	India
5	Maytas – KBL JV	Jointly controlled operations	N A	India
6	Larsen & Toubro – KBL JV	Jointly controlled operations	N A	India
7	KBL-MEIL-KCCPL JV	Jointly controlled operations	N A	India
8	KBL – PLR JV	Jointly controlled operations	N A	India
9	KBL – Koya – VA Tech JV	Jointly controlled operations	N A	India
10	KBL – PIL Consortium	Jointly controlled operations	N A	India
11	Larsen & Toubro – KBL – Maytas JV	Jointly controlled operations	N A	India
12	IVRCL – KBL – MEIL JV	Jointly controlled operations	N A	India
13	Pioneer – Avantica – ZVS – KBL JV	Jointly controlled operations	N A	India
14	AMR – Maytas – KBL – WEG JV	Jointly controlled operations	N A	India
15	Indu – Shrinivasa Constructions – KBL – WEG JV	Jointly controlled operations	N A	India
16	MEIL – KBL – IVRCL JV	Jointly controlled operations	N A	India
17	MEIL – Maytas – KBL JV	Jointly controlled operations	N A	India
18	KCCPL – TAIPPL – KBL JV	Jointly controlled operations	N A	India
19	KBL-SPML JV	Jointly controlled operations	N A	India
20	MEIL - KBL JV	Jointly controlled operations	N A	India
21	KIRLOSKAR - MEMWPL JV	Jointly controlled operations	N A	India
22	MAYTAS – MEIL – KBL JV	Jointly controlled operations	N A	India
23	Gondwana - KBL JV	Jointly controlled operations	N A	India
24	MEIL -PRASAD-KBL CONSORTIUM	Jointly controlled operations	N A	India
25	JCPL - MEIL - KBL CONSORTIUM	Jointly controlled operations	N A	India
26	KBL -PTIL UJV	Jointly controlled operations	N A	India
27	KBL - RATNA - JOINT VENTURE	Jointly controlled operations	N A	India
28	MEIL-KBL-WEG CONSORTIUM	Jointly controlled operations	N A	India
29	MEIL-KBL- ( KDWS ) JV	Jointly controlled operations	N A	India
30	KBL and TCIPL JOINT VENTURE	Jointly controlled operations	N A	India
31	ACPL & KBL JV	Jointly controlled operations	N A	India
32	Kirloskar Brothers Ltd. JV	Jointly controlled operations	N A	India
33	ITD CEMENTATION INDIA LIMITED JV	Jointly controlled operations	N A	India
34	GSJ - KBL JV	Jointly controlled operations	N A	India
35	JBL-KBL-GSJ JV	Jointly controlled operations	N A	India
36	KBL SYNERGE JV	Jointly controlled operations	N A	India

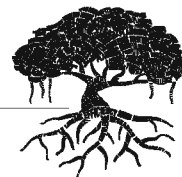
## NOTES TO ACCOUNTS : PART C (CONTD.)

C-20 a) Details of Derivative Instruments ( for hedging ) : NIL

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

Particulars	Currency	Amount in Foreign Currency		Equivalent Amount in ₹	
		2016	2015	2016	2015
<b>Liability</b>					
Trade Payables	EGP	4,413,051	4,435,051	32,929,303	36,345,242
	EUR	2,045,101	538,400	152,339,589	36,153,565
	GBP	63,300	177,156	6,029,973	16,374,575
	JPY	25,734	25,734	15,188	13,410
	USD	1,718,260	3,975,925	113,851,940	248,515,170
	VND	189,989,100	189,989,100	564,458	552,044
	CHF	70,984	24,473	4,777,375	1,571,432
Advances received from Customers	EGP	1,344,406	1,942,125	10,030,077	15,908,527
	EUR	229,871	752,001	17,107,034	50,481,832
	GBP	3,299	5,021	314,134	463,806
	USD	1,170,873	1,857,267	77,570,304	116,069,909
	VND	335,246,400	335,246,400	992,329	972,215
	AED	1,568,770	-	28,264,368	-
Amount Due to Employees	EGP	110,972	110,972	828,051	909,416
<b>Assets</b>					
Advances to Suppliers	EGP	5,531,933	4,215,958	41,278,175	34,549,773
	EUR	99,411	167,215	7,405,126	11,228,487
	GBP	1,958	2,868	186,519	265,089
	USD	136,335	149,005	9,033,587	9,313,555
	JPY	571,872	-	337,519	-
Trade Receivables	EGP	1,861	663,556	13,884	5,435,387
	EUR	501,700	1,025,912	37,336,512	68,869,484
	GBP	345,542	61,726	32,902,491	5,701,672
	USD	8,533,296	5,215,454	565,330,843	325,939,777
Bank Accounts	EGP	5,170	1,757,348	38,577	14,417,988
	EUR	74,969	333	5,581,793	22,563
	GBP	262,586	57,607	25,008,725	5,330,676
	USD	1,662,638	689,894	110,158,090	43,235,682
	VND	588,630	720,630	1,746	2,094
Other Deposits	EGP	1,150,148	1,691,679	8,581,484	13,879,213
Amount Due from Employees	EGP	81,649	81,649	609,150	668,811
	EUR	-	3,158	-	211,997
	GBP	14,885	2,705	1,417,350	249,861
	USD	71,782	16,255	4,755,569	1,015,884

(EGP - Egyptian Pound, GBP - Great Britain Pound, EUR - Euro, CHF- Swiss Franc, USD - US Dollar, VND - Vietnamese Dong, SGD - Singapore Dollar, JPY - Japanese Yen, OMR - Omani Rial, AED - Arab Emirates Dirham)



## NOTES TO ACCOUNTS : PART C (CONTD.)

## C-21 Details of provisions and movements in each class of provisions.

₹

Particulars	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2016	As at 31 <sup>st</sup> March, 2016
	Product Warranty	Leave Encashment	Provision for Loss on Long Term Contracts
Carrying amount at the beginning of the year	120,674,199 (124,340,141)	208,335,629 (186,880,709)	24,952,769 (27,100,182)
Provision made during the year	150,571,470 (120,674,199)	41,899,315 (37,915,250)	11,082,398 -
Amount used during the year	123,969,522 (119,503,622)	15,493,420 (14,405,193)	6,716,147 (2,147,413)
Unused amounts reversed during the year	(3,295,323) (4,836,520)	- (2,055,137)	- -
Carrying amount at the end of the year	150,571,470 (120,674,199)	234,741,525 (208,335,629)	29,319,020 (24,952,769)

## C-22 Stock Option Schemes:

Under the Employees' "Share a Vision" – Stock Option Scheme, 2007 (ESOS-2007), equity shares of ₹ 2/- each would be issued and allotted against stock options, at an Exercise price of ₹ 200/- or ₹ 2/- per share based on performance and other eligibility criteria.

Subject to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the terms of the ESOS – 2007, the options granted would vest, after one year of the grant, in 3 annual instalments of 30%, 30% and 40% and the same would be exercisable within a period of 3 years from the date of vesting.

I<sup>st</sup> tranche of options i.e. 30% of the total options have been vested on August 31, 2008. The vesting of the II<sup>nd</sup> tranche (August 31, 2009) stands cancelled due to non achievement of the performance targets specified in the performance matrix. III<sup>rd</sup> tranche of options i.e. 40% of the total options have been vested on August 31, 2010.

The details of the grants under the Stock Option Scheme are summarised below.

## I) Details of Stock Options granted in previous year.

Sr No	Particulars											
		Grant I	Grant II	Grant III	Grant IV	Grant V	Grant VI	Grant VII	Grant VIII	Grant IX	Grant X	Grant XI
1)	Exercise Price - ₹	200/-	200/-	2/-	2/-	2/-	2/-	2/-	2/-	2/-	2/-	2/-
2)	Grant Date	31/8/2007	19/1/2008	01/06/2009	06/10/2009	22/10/2009	14/05/2010	08/08/2011	28/05/2013	24/07/2013	22/04/2014	06/06/2014
3)	Vesting Commences on	31/8/2008	19/1/2009	01/06/2010	06/10/2010	22/10/2010	14/05/2011	08/08/2012	28/05/2014	24/07/2014	24/07/2015	06/06/2015
4)	Options granted and outstanding at the beginning of the year	-	-	-	-	-	-	-	-	-	20,000	-
		-	-	-	-	-	-	-	-	-	-	-
5)	Options granted during the year	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	(20,000)	(3,850)
6)	Options cancelled/ lapsed during the year	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	3,850
7)	Options exercised during the year	-	-	-	-	-	-	-	-	-	20,000	-
		-	-	-	-	-	-	-	-	-	-	-
8)	Option outstanding at the end of year	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	(20,000)	-
9)	Options granted and outstanding at the end of the year of which											
a	Options Vested	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-
b	Options yet to Vest	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-

## II) No additional options are granted during current year.



## NOTES TO ACCOUNTS : PART C (CONTD.)

**C-23** The identification of suppliers as micro, small and medium enterprise defined under the Small, Micro and Medium Enterprises Development Act 2006, was done on the basis of information to the extent provided by the suppliers of company.

Particulars	2015-16	2014-15
Principal amount due and remaining unpaid	-	-
Interest due on above and unpaid interest	-	-
Interest paid	-	-
Payment made beyond appointment day	-	-
Interest due and payable for the period of delay	-	-
Interest accrued and remaining unpaid	-	-
Amount of further interest remaining due and payable in succeeding years	-	-

**C-24** Effective from April 1, 2014 the Company has charged depreciation based on the revised remaining useful life of the assets as per the requirement of Schedule II of the Companies Act, 2013. Due to above, depreciation charge for the year ended March 31, 2015 is higher by ₹ 153,496,015/-. Further, an amount of ₹ 61,740,367/- (net of tax of ₹ 40,754,517/-) representing the carrying amount of assets with revised useful life as nil, has been charged to the retained earnings as on April 01, 2014 pursuant to the Companies Act, 2013.

**C-25** Kirloskar Brothers Limited(KBL) has infused additional ₹ 10 crores (₹ 15 crores) by way of preference shares during the current year in The Kolhapur Steel Limited its subsidiary company and will continue to support its operations going forward as the KBL management is confident of its growth and expects a turnaround in the near future.

**C-26** Kirloskar Systech Limited (KSL), a wholly owned subsidiary of the Company has filed a Petition to sanction the proposed scheme of amalgamation between KSL and the Company with the Honourable High Court of Judicature at Bombay, on April 20, 2016. The said petition has been admitted by the Honourable High Court subject to the compliance of certain conditions.

**C-27** The figures have been regrouped / rearranged wherever necessary to confirm to current year's disclosure. Figures in bracket relate to previous year.

## Form AOC - 1

## Statement containing salient features of the financial statement of subsidiaries / associate companies / joint venture

## PART "A": Subsidiaries

₹

Sr. No	Name of the Subsidiary Company	Reporting period	Reporting Currency	Relevant Exchange Rate	Share Capital	Reserves & Surplus	Total Assets	Total Liabilities	Investment	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country	% of Holding
1	Karad Projects & Motors Pvt. Ltd.	01/04/2015 To 31/03/2016	INR	1.0000	139,524,500	545,414,910	1,339,874,989	654,935,579	5,100	2,625,667,961	53,188,541	7,861,207	45,327,334	-	India	100
2	Kirloskar Corrocoat Pvt. Ltd.	01/04/2015 To 31/03/2016	INR	1.0000	50,000,000	39,950,547	262,967,351	173,016,804	-	455,682,828	47,392,918	16,533,443	30,859,473	-	India	65
3	The Kolhapur Steel Limited	01/04/2015 To 31/03/2016	INR	1.0000	267,000,000	(256,360,056)	203,092,418	192,452,474	-	388,700,300	(46,572,523)	5,970,299	(52,542,822)	-	India	95.96
4	Kirloskar Systech Limited	01/04/2015 To 31/03/2016	INR	1.0000	900,000	73,740,894	98,004,499	23,363,605	-	218,590,728	70,951,525	24,010,492	46,941,033	-	India	100
5	SPP Pumps Ltd.	01/01/2015 To 31/12/2015	GBP	97.7356	190,584,349	1,469,889,321	3,459,335,816	1,798,862,146	28,002,705	4,335,771,177	(151,023,437)	(10,230,568)	(140,792,869)	-	U K	100
6	SPP Pumps France SAS	01/01/2015 To 31/12/2015	EURO	71.9379	27,549,193	(43,028,429)	52,443,734	67,922,970	-	108,636,006	(13,284,915)	-	(13,284,915)	-	France	100
7	SPP (South Africa) Pty. Ltd.	01/01/2015 To 31/12/2015	RAND	4.2667	716,974	(5,051,444)	155,938,861	160,273,331	-	206,951,937	(24,352,379)	(6,816,518)	(17,535,861)	-	South Africa	100
8	SPP Pumps Inc.	01/01/2015 To 31/12/2015	USD	66.2014	33,100,690	279,572,002	944,125,550	631,452,858	201,414,918	1,763,603,567	68,862,874	10,179,786	58,683,088	-	U S A	100
9	SPP Pumps Real Estate L.L.C.	01/01/2015 To 31/12/2015	USD	66.2014	-	88,868,070	360,069,702	271,201,632	-	-	4,550,881	-	4,550,881	-	U S A	100
10	Kirloskar Brothers International B.V.	01/01/2015 To 31/12/2015	EURO	71.9379	441,151,951	1,012,189,356	1,457,755,272	4,413,965	1,049,137,019	105,599,220	103,858,610	-	103,858,610	-	The Netherlands	100
11	Kirloskar Pompen B.V.	01/01/2015 To 31/12/2015	EURO	71.9379	71,937,896	22,438,868	510,988,541	416,611,777	105,690,365	435,926,742	22,558,501	3,293,389	19,265,112	-	The Netherlands	100
12	Micawber 784 (Proprietary Ltd.)	01/01/2015 To 31/12/2015	RAND	4.2667	79,943,830	(54,510,259)	107,623,143	82,189,572	-	10,527,044	877,534	(982,985)	1,860,519	-	South Africa	100
13	Braybar Pumps (Proprietary) Ltd.	01/01/2015 To 31/12/2015	RAND	4.2667	427	30,872,158	162,507,818	131,635,233	-	164,133,323	6,278,424	1,757,961	4,520,463	-	South Africa	100
14	Kirloskar Brothers(Thailand) Ltd.	01/01/2015 To 31/12/2015	Baht	1.8373	45,931,847	(26,973,901)	290,405,114	271,447,168	-	280,979,569	4,098,480	1,650,691	2,447,789	-	Thailand	100
15	SPP Pumps (MENA) L.L.C.	01/01/2015 To 31/12/2015	EGP	8.4602	2,538,072	(134,852,625)	93,280,477	225,595,030	-	19,468,637	(26,782,879)	50,550	(26,833,429)	-	Egypt	100
16	SyncroFlo, Inc.	01/01/2015 To 31/12/2015	USD	66.2014	7,422,896	105,124,282	467,551,084	355,003,906	-	1,283,865,470	49,345,846	11,319,443	38,026,403	-	U S A	100
17	Kirloskar Brothers International Pty Limited	01/01/2015 To 31/12/2015	RAND	4.2667	512	(3,984,200)	183,835,430	187,819,118	853	148,315,764	(5,568,891)	(1,557,619)	(4,011,272)	-	South Africa	100
18	Rodeita Pumps International B.V.	01/01/2015 To 31/12/2015	EURO	71.9379	1,294,882	(25,092,729)	187,038,097	210,835,944	-	14,188,167	(51,784,494)	(10,799,749)	(40,984,745)	-	The Netherlands	100

Details of Certified Engines Limited and SPP Pumps France SAS are not provided as yet to commence operations.



**PART "B": ASSOCIATES AND JOINT VENTURES**

**Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to  
Associate Companies and Joint Venture**

Name of Joint Ventures	Kirloskar Ebara Pumps Limited
1. Latest audited Balance Sheet Date	31 <sup>st</sup> March 2016
2. Shares of Associate/Joint Ventures held by the company on the year end	
No.	225,000
Amount of Investment in Associates/Joint Venture	2,747,272
Extend of Holding %	45%
3. Description of how there is significant influence	It is Jointly Controlled entity
4. Reason why the associate/joint venture is not consolidated	consolidated to the extend of 45%
5. Networth attributable to Shareholding as per latest audited Balance Sheet	403,106,576
6. Profit / Loss for the year	
(i) Considered in Consolidation	(120,995,534)
(ii) Not Considered in Consolidation	(147,883,430)

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# CONSOLIDATED FINANCIAL STATEMENTS

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF KIRLOSKAR BROTHERS LIMITED

#### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Kirloskar Brothers Limited** (hereinafter referred to as "the Holding Company"), its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its jointly controlled entity, comprising of the Consolidated Balance Sheet as at 31<sup>st</sup> March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

#### Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entity 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. The respective Board of Directors of the companies included in the Group and jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

#### Auditor's Responsibility

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

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



We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in, Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated 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 and its jointly controlled entity as at 31<sup>st</sup> March, 2016 and their consolidated loss and their consolidated cash flows for the year ended on that date.

### Other Matters

We did not audit the financial statements of eighteen subsidiary companies and one jointly controlled entity, whose financial statements reflect total assets of ₹ 6,968,798,929/- as at 31<sup>st</sup> March, 2016, total revenues of ₹ 9,439,946,066/- and net cash flows amounting to ₹ (51,933,760/-) for the year ended on that date, as considered in the consolidated 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 financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary companies and jointly controlled entity, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary companies and jointly controlled entity, is based solely on the reports of the other auditors.

Our opinion on the consolidated 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 / financial information certified by the Management.

### Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated 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, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated 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 of the Holding Company as on 31<sup>st</sup> March, 2016 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and jointly controlled company incorporated in India, none of the directors of the Group companies and jointly controlled company incorporated in India is disqualified as on 31<sup>st</sup> 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 Holding Company, its subsidiary companies, its jointly controlled entity and the operating effectiveness of such controls, refer to our separate Report in "Annexure I".

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(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its jointly controlled entity – Refer note part B-3 to the consolidated financial statements.
- ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
- 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 and jointly controlled company incorporated in India.

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

Abhijeet Bhagwat  
Partner  
Membership No.: 136835

Pune : May 10, 2016



## ANNEXURE I

To the Independent Auditors' Report of even date on the consolidated financial statements of Kirloskar Brothers Limited.

### **Report on the Internal Financial Controls**

Under Clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31<sup>st</sup> March, 2016, we have audited the internal financial controls over financial reporting of Kirloskar Brothers Limited (hereinafter referred to as "the Holding Company"), its subsidiary companies and its jointly controlled entity, which are companies incorporated in India, as of that date.

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

The respective Board of Directors of the of the Holding Company, its subsidiary companies and its jointly controlled entity, which are 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 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 the 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 Holding Company, its subsidiaries and its jointly controlled entity'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") issued by the ICAI 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 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the Holding Company, its subsidiaries and its jointly controlled entity's internal financial controls system over financial reporting.

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## 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.

## Qualified opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Holding Company, its subsidiaries and its jointly controlled entity's internal financial controls over financial reporting as at 31<sup>st</sup> March, 2016:

### Kirloskar Brothers Limited (Holding Company)

- a) The Company's internal financial controls over accurate and timely estimation of costs relating to project business were not operating effectively which could potentially lead to incorrect revenue recognition.
- b) The Company's internal financial controls for timely assessment of the eligibility of claims receivable were not operating effectively, which could potentially lead to incorrect balances being stated in the balance sheet and consequently its effect on Profit or Loss.

### Kirloskar Ebara Pumps Limited (Jointly Controlled Entity)

- a) The Company's internal financial controls over inventory with regard to issue for production, recording for consumption and physical verification, were not operating effectively which could potentially result in to over or under recording of Company's consumption and inventory balances.

## Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one jointly controlled company, which is a company incorporated in India, is based on the corresponding report of the auditors of the company incorporated in India.

Reporting on the adequacy and operating effectiveness of internal financial controls over financial reporting (IFCOFR) is applicable only to companies under The Companies Act, 2013 and therefore in our report we have not commented on IFCOFR with respect to the foreign subsidiary companies included in the consolidated financial statements.



A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, the Holding Company, its subsidiaries and its jointly controlled entity have, in all material respects, maintained adequate internal financial controls over financial reporting as of 31<sup>st</sup> March, 2016, based on, the internal control over financial reporting criteria established by the Holding Company, its subsidiaries and its jointly controlled entity 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, and except for the possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Holding Company, its subsidiaries and its jointly controlled entity's internal financial controls over financial reporting were operating effectively as of 31<sup>st</sup> March, 2016.

We have considered the material weakness identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31<sup>st</sup> March, 2016 consolidated financial statements of the Group and its jointly controlled entity and these material weaknesses do not affect our opinion on the consolidated financial statements of the Group and its jointly controlled entity.

For M/s P. G. Bhagwat

Chartered Accountants

Firm's Registration No.: 101118W

Abhijeet Bhagwat

Partner

Membership No.: 136835

Pune : May 10, 2016

# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2016

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Particulars		Note No.	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>I.</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' funds</b>			
(a)	Share capital	A-1	158,817,852	158,776,352
(b)	Reserves and surplus	A-2	9,521,044,707	9,957,561,124
(c)	Money received against share warrants		-	-
			<b>9,679,862,559</b>	<b>10,116,337,476</b>
<b>2</b>	<b>Share application money pending allotment</b>		-	-
<b>3</b>	<b>Minority Interest</b>			
	Capital		18,188,500	18,188,500
	Reserves and Surplus		13,294,192	18,290,363
			<b>31,482,692</b>	<b>36,478,863</b>
<b>4</b>	<b>Non-current liabilities</b>			
(a)	Long-term borrowings	A-3	454,849,166	515,312,020
(b)	Deferred tax liabilities (net)	A-4	-	-
(c)	Other long term liabilities	A-5	1,457,561,057	1,114,041,322
(d)	Long-term provisions	A-6	213,051,394	177,812,575
			<b>2,125,461,617</b>	<b>1,807,165,917</b>
<b>5</b>	<b>Current liabilities</b>			
(a)	Short-term borrowings	A-7	3,058,012,496	2,963,855,390
(b)	Trade payables			
	Total outstanding dues of Micro Enterprises & small enterprises		285,081,031	-
	Total outstanding dues of creditors other than Micro Enterprises & small enterprises		5,283,886,685	6,254,623,157
(c)	Other current liabilities	A-8	4,328,420,137	4,486,211,451
(d)	Short-term provisions	A-9	704,814,068	582,931,440
			<b>13,660,214,417</b>	<b>14,287,621,438</b>
	<b>Total</b>		<b>25,497,021,285</b>	<b>26,247,603,694</b>
<b>II.</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-current assets</b>			
(a)	Fixed assets			
(i)	Tangible assets	A-10	4,872,179,058	4,985,997,448
(ii)	Intangible assets	A-10	774,198,446	723,580,517
(iii)	Capital work-in-progress		70,409,334	120,787,135
(iv)	Intangible assets under development		-	-
(b)	Non-current investments		5,300	349,329
(c)	Deferred tax assets (net)	A-4	252,519,421	162,953,832
(d)	Long-term loans and advances	A-11	1,547,266,084	1,562,853,241
(e)	Other non-current assets	A-12	1,417,791,753	1,107,039,375
			<b>8,934,369,396</b>	<b>8,663,560,877</b>
<b>2</b>	<b>Current assets</b>			
(a)	Current investments		-	-
(b)	Inventories	A-13	3,704,486,488	3,387,017,843
(c)	Trade receivables	A-14	6,543,870,050	7,877,129,354
(d)	Cash and bank balances	A-15	613,464,606	637,420,136
(e)	Short-term loans and advances	A-16	1,862,250,559	1,475,066,252
(f)	Other current assets	A-17	3,838,580,186	4,207,409,232
			<b>16,562,651,889</b>	<b>17,584,042,817</b>
	<b>Total</b>		<b>25,497,021,285</b>	<b>26,247,603,694</b>

Notes to accounts

Part- B

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

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered Accountants

**SANJAY KIRLOSKAR**  
Chairman & Managing Director  
DIN : 00007885

**S. N. INAMDAR**  
Director  
DIN: 00025180

**ABHIJEET BHAGWAT**  
Partner  
Pune : May 10, 2016

**SANDEEP PHADNIS**  
Company Secretary

**C. M. MATE**  
CFO & Vice President (Finance)  
Pune : May 10, 2016




**CONSOLIDATED PROFIT AND LOSS STATEMENT FOR YEAR ENDED MARCH 31, 2016**

Particulars		Note No.	2015-16	2014-15
I.	Revenue from operations	A-18	27,213,287,071	28,457,269,143
	Less: Excise duty		1,269,709,054	1,178,736,201
			25,943,578,017	27,278,532,942
II.	Other income	A-19	303,262,419	172,406,043
III.	<b>Total Revenue (I + II)</b>		<b>26,246,840,436</b>	<b>27,450,938,985</b>
IV.	Expenses:			
	Cost of materials consumed	A-20	14,283,171,522	15,453,007,995
	Purchases of Stock-in-Trade		1,235,977,624	1,231,567,417
	Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	A-20	(363,887,711)	(645,790,060)
	Employee benefits expense	A-21	4,400,380,666	4,161,282,099
	Finance costs	A-22	522,646,769	504,569,549
	Depreciation and amortization expense		770,573,863	947,064,533
	Other expenses	A-23	5,734,885,644	5,173,970,179
	<b>Total expenses</b>		<b>26,583,748,377</b>	<b>26,825,671,712</b>
V.	Profit before exceptional and extraordinary items and tax (III-IV)		(336,907,941)	625,267,273
VI.	Exceptional items		-	-
VII.	<b>Profit before extraordinary items and tax (V - VI)</b>		<b>(336,907,941)</b>	<b>625,267,273</b>
VIII.	Extraordinary Items		-	-
IX.	<b>Profit before tax (VII- VIII)</b>		<b>(336,907,941)</b>	<b>625,267,273</b>
X.	Tax expense:			
	(1) Current tax		100,599,171	264,829,205
	(2) Deferred tax		(109,953,539)	(106,837,620)
	(3) Short provision of income tax on account of earlier years		(5,953,085)	14,737,145
			(15,307,453)	172,728,730
XI.	Profit/(Loss) for the period from continuing operations (IX-X)		(321,600,488)	452,538,543
XII.	Profit/(Loss) from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-
XIV.	Profit/(Loss) from discontinuing operations (after tax) (XII-XIII)		-	-
XV.	<b>Profit/(Loss) for the period (XI - XIV)</b>		<b>(321,600,488)</b>	<b>452,538,543</b>
XVI.	<b>Less : Minority Interest</b>		<b>10,800,816</b>	<b>41,540,479</b>
XVII.	<b>Profit/(Loss) for the period (XV- XVI)</b>		<b>(332,401,304)</b>	<b>410,998,064</b>
XVIII.	Earnings per equity share having nominal value of ₹ 2/- per share	B-9		
	(1) Basic		(4.19)	5.18
	(2) Diluted		(4.19)	5.18

Notes to accounts

Part- B

The notes referred to above and accompanying notes form an integral part of the consolidated profit and loss statement.

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered Accountants

**SANJAY KIRLOSKAR**  
Chairman & Managing Director  
DIN : 00007885

**S. N. INAMDAR**  
Director  
DIN: 00025180

**ABHIJEET BHAGWAT**  
Partner  
Pune : May 10, 2016

**SANDEEP PHADNIS**  
Company Secretary

**C. M. MATE**  
CFO & Vice President (Finance)  
Pune : May 10, 2016

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

Particulars		2015-16	2014-15
<b>A</b>	<b>Cash flows from Operating Activities</b>		
	Net Profit before Taxes and Extraordinary Items	(336,907,941)	625,267,273
	Adjustments for :-		
1	Depreciation / Amortization	770,573,863	947,064,533
2	Diminution in value of Asset held for disposal	1,183,429	2,842,776
3	(Profit)/Loss on sale of Fixed Assets	(212,282)	23,903,925
4	Employees Stock Option - Compensation debited to Profit and Loss Account (Net)	211,321	4,180,645
5	Bad debts, advances and claims written off	182,053,687	251,122,933
6	Provision for doubtful debts/advances/claims/deposits/inventory	217,297,756	143,473,581
7	Interest Income	(30,570,780)	(27,575,362)
8	Dividend Income	(30,800)	(5,566,432)
9	Interest Expenses	387,364,745	387,961,965
10	Unrealized exchange ( gain)/ loss - Others	(45,061,574)	3,860,814
11	(Profit) / Loss on sale of investment	(658,076)	(8,777,512)
12	Excess provision written back	(2,101,054)	(19,262,867)
13	Sundry credit balances written back	(8,700,347)	(3,808,272)
14	CSR spent	1,823,000	-
	Operating Profit Before Working capital changes	1,136,264,947	2,324,688,000
	Adjustments for :-		
1	(Increase)/ decrease in Inventories	(420,589,539)	(571,457,395)
2	(Increase)/ decrease in Trade and Other Receivables	592,962,685	(14,719,774)
3	Increase/ (decrease) in Trade and other Payables	(99,127,907)	(154,681,364)
4	Cash Generated from Operations	1,209,510,186	1,583,829,467
5	Income tax (paid ) / refunded	(224,933,928)	(310,006,829)
	Net Cash from Operating Activities	984,576,258	1,273,822,638
<b>B</b>	<b>Cash flows from Investing Activities</b>		
1	Purchase of Fixed Assets	(675,608,443)	(1,331,662,871)
2	Sale of Fixed Assets	19,750,561	41,055,560
3	(Purchase)/sale of Investments	20,402,764	(99,413,179)
4	Interest Received	29,783,964	21,157,527
5	Dividend Received	159,947,588	39,066,520
	Net Cash from Investment Activities	(445,723,566)	(1,329,796,443)
<b>C</b>	<b>Cash Flows from Financing Activities</b>		
1	Proceeds from borrowing	1,013,071,462	1,865,588,377
2	Repayment of borrowings	(836,803,553)	(1,341,202,767)
3	Interest Paid	(525,687,465)	(405,415,343)
4	Dividend Paid	(188,892,426)	(250,030,082)
5	Tax on Dividend	(13,309,861)	(40,405,576)
6	Proceeds from issuance of share capital	41,500	195,699,450
7	CSR payment debited to reserves	-	(45,886,000)
	Net Cash used in Financing Activities	(551,580,343)	(21,651,941)
<b>D</b>	<b>CSR Spent</b>	(1,823,000)	-
<b>E</b>	<b>Unrealized Exchange Gain / (Loss) in cash and cash equivalents</b>	(11,232,327)	(7,595,438)
	Net Increase in Cash and Cash Equivalents	(25,782,978)	(85,221,184)
1	Cash & Cash Equivalents at beginning of period (refer note part A -15 (a))	627,725,836	712,947,020
2	Cash & Cash Equivalents at end of period (refer note part A - 15 (a))	601,942,858	627,725,836

As per our report of even date attached

For and on behalf of the Board of Directors

For M/s P. G. Bhagwat  
Chartered Accountants

SANJAY KIRLOSKAR  
Chairman & Managing Director  
DIN : 00007885

S. N. INAMDAR  
Director  
DIN: 00025180

ABHIJEET BHAGWAT  
Partner  
Pune : May 10, 2016

SANDEEP PHADNIS  
Company Secretary

C. M. MATE  
CFO & Vice President (Finance)  
Pune : May 10, 2016



## NOTES TO CONSOLIDATED ACCOUNTS: PART A

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Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-1</b>		
<b>Share Capital</b>		
<b>Authorised</b>		
250,000,000 ( 250,000,000 ) equity shares of ₹ 2/- each (₹ 2/- each)	500,000,000	500,000,000
<b>Issued, subscribed &amp; fully paid up</b>		
79,408,926 (79,388,176) equity shares of ₹ 2/- each (₹ 2/- each)	158,817,852	158,776,352
<b>TOTAL</b>	<b>158,817,852</b>	<b>158,776,352</b>

## a) Reconciliation of share capital

Particulars	Figures as at March 31, 2016		Figures as at March 31, 2015	
	Number	₹	Number	₹
Shares outstanding at the beginning of the year	79,388,176	158,776,352	79,358,451	158,716,902
Shares Issued during the year under ESOS	20,750	41,500	29,725	59,450
Shares outstanding at the end of the year	79,408,926	158,817,852	79,388,176	158,776,352

## b) Rights of equity shareholder:

The company has only one class of equity shares, having par value of ₹ 2/- per share. Each holder of equity share is entitled to one vote per share and has 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 distribution 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, 2016 the board of directors have proposed final dividend of ₹ Nil (₹ 0.50) per share subject to shareholders' approval.

The board of directors have declared interim dividend of ₹ 0.50 (₹ Nil) per share on March 14, 2016.

## 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 Industries Limited	18,988,038	23.91%	18,988,038	23.92%
Mr. Sanjay Chandrakant Kirloskar *	17,436,733	21.96%	15,863,335	19.98%
Mrs. Pratima Sanjay Kirloskar	13,760,488	17.33%	13,754,056	17.33%
Amansa Capital Pte. Ltd.	2,793,105	3.52%	4,809,712	6.06%

\* includes 1,624,615 (1,624,615), 2% (2%) shares held in the capacity of a trustee.

## d) Shares reserved for Employee Stock Option Scheme (ESOS)

Particulars	Figures as at March 31, 2016		Figures as at March 31, 2015	
	No. of Shares	₹	No. of Shares	₹
Shares reserved for ESOS scheme	5,161,840	10,323,680	5,182,590	10,365,180

# NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)

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Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-2</b>		
<b>Reserves &amp; Surplus</b>		
(a) Capital Reserves	6,587,204	6,587,204
(b) Capital Redemption Reserve	9,236,726	9,236,726
(c) Securities Premium Reserve		
Opening balance	411,283,289	406,726,221
Add: Securities premium credited on share issue	3,945,313	4,557,068
Closing balance	415,228,602	411,283,289
(d) Share Options Outstanding Account		
Opening balance	3,733,991	4,110,414
Less: Written back in current year	3,733,991	376,423
Closing balance	-	3,733,991
(e) Revaluation Reserve		
Opening balance	-	-
Add: Addition during the year	18,270,998	-
Closing Balance	18,270,998	-
(f) Foreign currency translation reserve		
Opening balance	264,903,602	386,562,286
Add: Current year transfer	(51,254,442)	(121,658,684)
Closing balance	213,649,160	264,903,602
(g) General Reserve		
Opening balance	6,819,163,487	6,802,859,728
Add: Transfer from surplus	-	16,303,759
Closing balance	6,819,163,487	6,819,163,487
(h) Surplus		
Opening balance	2,442,652,825	2,182,559,413
Less: As per Schedule II note 7 (b) of Companies Act, 2013	-	46,428,579
Add: Net Profit/(loss) for the current year	(332,401,304)	410,998,064
Balance available for appropriation	2,110,251,521	2,547,128,898
Less: Appropriations :		
Corporate social responsibility (CSR) spend	-	45,886,000
Interim Dividend	52,829,463	-
Proposed dividend	-	40,819,088
Tax on dividend	18,513,528	1,467,226
Transfer to general reserve	-	16,303,759
	71,342,991	104,476,073
Closing balance	2,038,908,530	2,442,652,825
<b>TOTAL</b>	<b>9,521,044,707</b>	<b>9,957,561,124</b>



## NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)

₹

Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-3</b>		
<b>Long Term Borrowings</b>		
<b>Secured</b>		
(a) Term loans from banks	367,396,253	423,482,868
<b>Unsecured</b>		
(a) From others		
(i) Interest free loan under sales tax deferral scheme	22,087,698	33,583,769
(ii) Long term maturities of finance lease obligations	65,365,215	58,245,383
<b>TOTAL</b>	<b>454,849,166</b>	<b>515,312,020</b>

<b>Note : A- 4</b>		
<b>Deferred Tax Assets / (Liabilities) (net)</b>		
<b>(a) Deferred Tax Liabilities</b>		
(i) On depreciation / amortization of fixed assets	148,642,382	171,026,166
(ii) On other timing differences	5,925,504	2,425,661
<b>TOTAL</b>	<b>154,567,886</b>	<b>173,451,827</b>
<b>(b) Deferred Tax Assets</b>		
(i) On employees voluntary retirement schemes	758,927	993,834
(ii) On provision for doubtful debts / advances	242,420,396	193,282,504
(iii) On provision for employee benefits	100,288,994	84,525,760
(iv) On other timing differences	63,618,990	57,603,561
<b>TOTAL</b>	<b>407,087,307</b>	<b>336,405,659</b>
<b>NET</b>	<b>252,519,421</b>	<b>162,953,832</b>

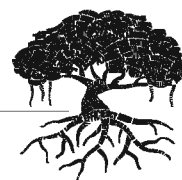
<b>Note : A-5</b>		
<b>Other Long Term Liabilities</b>		
<b>(a) Trade Payables</b>		
Total outstanding dues of Micro Enterprises & small enterprises	-	-
Total outstanding dues of creditors other than Micro Enterprises & small enterprises	409,557,032	320,195,808
<b>(b) Others</b>		
(i) Advances and deposits received from Customers	348,055,899	538,343,485
(ii) Gross amount due to customers for project related contract work (refer note part B-5)	699,948,126	255,502,029
<b>TOTAL</b>	<b>1,457,561,057</b>	<b>1,114,041,322</b>

## NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)

₹

Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-6</b>		
<b>Long Term Provisions</b>		
(a) Provision for employee benefits		
(i) Leave encashment	136,354,156	117,468,408
(ii) Pension scheme	24,528,959	25,235,040
(iii) Gratuity	32,825,070	28,620,842
(b) Others		
(i) Provision for product warranty	19,343,209	6,488,285
<b>TOTAL</b>	<b>213,051,394</b>	<b>177,812,575</b>

<b>Note : A-7</b>		
<b>Short Term Borrowings</b>		
<b>Secured</b>		
(a) Loans repayable on demand from banks		
(i) Working capital demand loans	400,000,000	400,000,000
(ii) Cash / export credit facilities	1,858,012,496	1,485,279,861
(b) Other loans and advances	350,000,000	373,575,529
<b>Unsecured</b>		
(a) Rupee short term loans and advances from banks		
(i) HDFC Bank Ltd.	450,000,000	-
(ii) Citi Bank N.A	-	300,000,000
(iii) Credit Agricole Corporate & Investment Bank	-	350,000,000
(b) Other loans and advances	-	55,000,000
<b>TOTAL</b>	<b>3,058,012,496</b>	<b>2,963,855,390</b>



## NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)

₹

Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-8</b>		
<b>Other Current Liabilities</b>		
(a) Current maturities of long-term debt	137,350,314	75,369,021
(b) Interest accrued but not due on borrowings	393,856	8,562,639
(c) Investor Education & Protection fund (will be credited as and when due)		
(i) Unpaid dividends	37,797,838	44,176,299
(d) Other payables		
(i) Gross amount due to customers for project related contract work (refer note part B-5)	1,134,076,597	1,667,468,282
(ii) Advances from customers	1,159,071,409	956,248,935
(iii) Trade deposits	51,585,436	50,003,652
(iv) Salary & Reimbursements	332,921,586	346,410,343
(v) Contribution to PF & Superannuation	35,344,382	33,662,413
(vi) Statutory dues	570,152,318	509,699,219
(vii) Payables on account of purchases of fixed assets	34,978,457	37,653,128
(viii) Provision for expenses	834,747,944	756,957,520
<b>TOTAL</b>	<b>4,328,420,137</b>	<b>4,486,211,451</b>

<b>Note : A-9</b>		
<b>Short Term Provisions</b>		
(a) <b>Provision for employee benefits</b>		
(i) Gratuity	48,519,745	54,575,732
(ii) Leave encashment	136,520,148	136,830,661
(b) <b>Others</b>		
(i) Proposed dividend	-	75,819,088
(ii) Dividend distribution tax	-	8,465,126
(iii) Provision for income tax (net of advance tax)	50,109,397	57,416,472
(iv) Provision for loss on long term contracts	29,319,020	24,952,769
(v) Provision for product warranty	435,843,012	220,586,375
(vi) Other short term provisions	4,502,746	4,285,217
<b>TOTAL</b>	<b>704,814,068</b>	<b>582,931,440</b>

# NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)

## Note A 10: Tangible and Intangible Assets

₹

	Tangible Assets							Intangible assets			
	Land Free/ Lease Hold	Buildings	Plant & Equipment	Furniture & Fixture & office equipment	Vehicles	Railway Siding	Total	Goodwill	Computer Software	Other Intangible	Total
<b>Gross Block</b>											
At 01.04.2014	524,746,639	2,275,605,048	4,831,840,377	495,492,975	88,611,352	1,646,402	8,217,942,793	772,614,912	208,159,080	14,371,340	995,145,332
<b>Additions</b>											
Additions through acquisition	5,916,888	-	31,391,063	-	1,014,613		38,322,564	-	-	-	-
Additions during the year	232,216,482	330,016,396	621,529,551	83,232,525	15,911,073	89,720	1,282,995,747	18,620,842	19,859,022	70,062,004	108,541,868
Exchange difference	(199,934)	(18,511,189)	(30,390,322)	(9,415,716)	(1,258,596)	-	(59,775,757)	(30)	1,404,074	2,320,609	3,724,653
Additions/ Assets acquired / transferred	237,933,436	311,505,207	622,530,292	73,816,809	15,667,090	89,720	1,261,542,554	18,620,812	21,263,096	72,382,612	112,266,520
<b>Deductions</b>	-	28,120,521	125,468,195	5,177,047	7,137,845	-	165,903,608	-	101,660	-	101,660
Asset held for sale	-	-	8,560,294	-	-	-	8,560,294	-	-	-	-
At 31.03.2015	762,680,075	2,558,989,734	5,320,342,180	564,132,737	97,140,597	1,736,122	9,305,021,445	791,235,724	229,320,516	86,753,953	1,107,310,193
<b>Additions</b>											
Additions during the year	-	18,294,499	523,829,287	27,475,672	6,029,362	-	575,628,820	3,636,275	45,941,820	110,400,706	159,978,801
Exchange difference	(62,134,813)	45,683,773	(54,575,335)	43,801,308	(5,638,130)	-	(32,863,197)	845,116	(872,683)	2,585,254	2,557,687
Additions/ Assets acquired / transferred	(62,134,813)	63,978,272	469,253,952	71,276,980	391,232	-	542,765,623	4,481,391	45,069,137	112,985,960	162,536,488
<b>Deductions</b>	91,207	476,405	111,136,048	10,575,184	10,387,320	-	132,666,164	-	-	473,078	473,078
Impairment	-	-	183,429	-	-	-	183,429	-	-	-	-
At 31.03.2016	700,454,055	2,622,491,601	5,678,276,855	624,834,533	87,144,509	1,736,122	9,714,937,475	795,717,115	274,389,653	199,266,635	1,269,373,603
<b>Depreciation / Amortisation</b>											
At 01.04.2014	1,019,781	353,451,894	2,858,855,464	321,865,328	43,601,097	1,577,380	3,580,370,944	16,324,711	181,806,206	8,269,129	206,400,046
For the year	2,060,163	73,676,271	663,417,645	25,344,587	13,574,934	10,611	778,084,211	137,460,663	15,230,126	16,289,533	168,980,322
Transfer to Retained Earnings	-	1,441,157	63,963,332	4,102,839	467,741	-	69,975,069	-	29,000	-	29,000
Exchange difference	-	21,788,433	(73,297,511)	24,429,409	(1,209,430)	-	(28,289,099)	6,136,103	206,385	2,079,480	8,421,968
For the year including on Assets Acquired	2,060,163	96,905,861	654,083,466	53,876,835	12,833,245	10,611	819,770,181	143,596,766	15,465,511	18,369,013	177,431,290
Recouped	-	125,278	69,805,156	4,920,074	3,549,102	-	78,399,610	-	101,660	-	101,660
Recouped on asset transferred as held for sale	-	-	2,717,518	-	-	-	2,717,518	-	-	-	-
At 31.03.2015	3,079,944	450,232,477	3,440,416,256	370,822,089	52,885,240	1,587,991	4,319,023,997	159,921,477	197,170,057	26,638,142	383,729,676
For the year	2,565,143	42,609,444	581,452,356	20,767,921	13,646,274	13,154	661,054,292	70,218,752	18,233,167	21,067,652	109,519,571
Exchange difference	-	1,457,982	(76,103,214)	63,424,884	(3,816,576)	-	(15,036,924)	2,515,456	(613,547)	497,079	2,398,988
For the year including on Assets Acquired	2,565,143	44,067,426	505,349,142	84,192,805	9,829,698	13,154	646,017,368	72,734,208	17,619,620	21,564,731	111,918,559
Recouped	-	132,282	105,702,482	8,110,173	8,338,011	-	122,282,948	-	-	473,078	473,078
	2,565,143	43,935,144	399,646,660	76,082,632	1,491,687	13,154	523,734,420	72,734,208	17,619,620	21,091,653	111,445,481
At 31.03.2016	5,645,087	494,167,621	3,840,062,916	446,904,721	54,376,927	1,601,145	4,842,758,417	232,655,685	214,789,677	47,729,795	495,175,157
<b>Net Block</b>											
As at 31.03.2015	759,600,131	2,108,757,257	1,879,925,924	193,310,648	44,255,357	148,131	4,985,997,448	631,314,247	32,150,459	60,115,811	723,580,517
As at 31.03.2016	694,808,968	2,128,323,980	1,838,213,739	177,929,812	32,767,582	134,977	4,872,179,058	563,081,430	59,599,978	151,537,040	774,198,448





## NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)

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Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-11</b>		
<b>Long Term Loans and Advances</b>		
(a) <b>Capital advances</b>		
Unsecured, considered good	46,599,335	32,099,827
(b) <b>Security deposits</b>		
Unsecured, considered good	327,463,632	288,051,349
Doubtful	48,281,304	23,605,612
	375,744,936	311,656,961
Less : Provision for doubtful deposits	48,281,304	23,605,612
	327,463,632	288,051,349
(c) <b>Other loans and advances</b>		
(i) <b>Advances to suppliers and others</b>		
Unsecured, considered good	241,223,302	144,538,151
Doubtful	128,383,694	138,409,924
	369,606,996	282,948,075
Less : Provision for doubtful advances	128,383,694	138,409,924
	241,223,302	144,538,151
(ii) <b>Prepaid expenses</b>	10,357,987	22,650,363
(iii) <b>Advance Income tax (net of provision)</b>		
Unsecured, considered good	921,621,828	1,075,513,551
<b>TOTAL</b>	<b>1,547,266,084</b>	<b>1,562,853,241</b>

<b>Note : A-12</b>		
<b>Other Non Current Assets</b>		
(a) <b>Long term trade receivables</b>		
Unsecured, considered good	37,533,392	115,178,478
Doubtful	479,829,662	420,555,938
	517,363,054	535,734,416
Less : Provision for doubtful receivables	479,829,662	420,555,938
	37,533,392	115,178,478
(b) <b>Others</b>		
(i) <b>Claims receivables</b>		
Unsecured, considered good	38,400,125	86,005,396
Doubtful	216,688,199	192,585,767
	255,088,324	278,591,163
Less : Provision for doubtful claims	216,688,199	192,585,767
	38,400,125	86,005,396
(ii) <b>Gross amount due from customers (refer note part B-5)</b>		
Unsecured, considered good	172,737,868	231,532,009
(iii) <b>Fixed deposits with bank for maturity of more than 12 months</b>		
Unsecured, considered good	375,000	20,099,319
(iii) <b>Retentions</b>	1,168,745,368	654,224,173
<b>TOTAL</b>	<b>1,417,791,753</b>	<b>1,107,039,375</b>

# NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)

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Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A -13</b>		
<b>Inventories</b>		
(a) Raw Materials *	1,103,129,395	1,144,234,837
(b) Work-in-progress	1,420,626,685	1,106,836,444
(c) Finished goods	849,984,564	856,318,272
(d) Stock-in-trade **	240,104,091	183,672,914
(e) Stores and spares	90,641,753	95,955,376
* Include goods in transit - ₹ 13,803,378/- (PY ₹ 7,439,959/-)		
** Include goods in transit - ₹ 16,964,001/- (PY ₹ 1,840,994/-)		
<b>TOTAL</b>	<b>3,704,486,488</b>	<b>3,387,017,843</b>

<b>Note : A-14</b>		
<b>Trade receivables</b>		
(i) Trade receivables outstanding for a period exceeding six months from the date they are due for payment		
Unsecured, considered good	1,930,300,986	1,879,509,991
Doubtful	31,788,317	-
	1,962,089,303	1,879,509,991
Less: Provision for doubtful receivables	31,788,317	-
	1,930,300,986	1,879,509,991
(ii) Trade receivables outstanding for a period less than six months from the date they are due for payment		
Unsecured, considered good	4,613,569,064	5,997,619,363
<b>TOTAL</b>	<b>6,543,870,050</b>	<b>7,877,129,354</b>

<b>Note : A-15</b>		
<b>Cash &amp; Bank Balances</b>		
(a) Cash & cash equivalents		
(i) Cash on hand	1,730,293	4,262,158
(ii) Balances with banks	562,457,871	579,286,346
(iii) Earmarked balances with banks		
Unpaid dividend accounts	37,754,694	44,177,332
	601,942,858	627,725,836
(b) Other bank balances		
Fixed deposits (more than 3 months but less than 12 months)	11,521,748	9,694,300
<b>TOTAL</b>	<b>613,464,606</b>	<b>637,420,136</b>


**NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)**

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Particulars	Figures as at March 31, 2016	Figures as at March 31, 2015
<b>Note : A-16</b>		
<b>Short term loans and advances</b>		
Unsecured, considered good		
(a) <b>Others</b>		
(i) Security deposits	917,941,542	959,700,705
(ii) Advances to suppliers and others	337,276,872	257,289,978
(iii) Advance Income Tax (net of Provision for Tax)	484,767,420	135,105,461
(iv) Prepaid Expenses	122,264,725	122,970,108
<b>TOTAL</b>	<b>1,862,250,559</b>	<b>1,475,066,252</b>

<b>Note : A-17</b>		
<b>Other current assets</b>		
Unsecured, considered good		
(i) Interest accrued on investments & deposits	451,397	5,575,686
(ii) Claims receivables		
a) Excise, service tax, customs duty	451,424,210	372,139,092
b) Sales tax, value added tax	936,718,937	792,562,133
c) Insurance & others	35,206,208	102,870,210
(iii) Gross amount due from customers (refer note part B -5)	234,153,226	250,701,155
(iv) Retentions	2,175,249,121	2,680,560,956
(v) Other current assets	5,377,087	3,000,000
<b>TOTAL</b>	<b>3,838,580,186</b>	<b>4,207,409,232</b>

Particulars	2015-16	2014-15
<b>Note : A-18</b>		
<b>Revenue from operations</b>		
Sale of products	24,786,040,324	25,146,995,301
Less : Excise duty	1,269,709,054	1,178,736,201
	<b>23,516,331,270</b>	<b>23,968,259,100</b>
Project related revenue	1,587,573,858	2,430,325,496
Sale of services	299,197,114	432,158,174
	<b>25,403,102,242</b>	<b>26,830,742,770</b>
Other operating revenues	540,475,775	447,790,172
<b>TOTAL</b>	<b>25,943,578,017</b>	<b>27,278,532,942</b>

# NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)

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Particulars	2015-16	2014-15
<b>Note : A-19</b>		
<b>Other Income</b>		
(a) Interest Income		
(i) from banks	3,746,216	13,016,230
(ii) From customers	7,850,387	5,767,209
(iii) From others	18,974,177	8,791,923
(b) Dividend income from long term investments		
(i) From others	30,800	5,566,432
(c) Profit on sale of long term investment	658,076	8,777,512
(d) Foreign exchange difference (net)	23,927,208	-
(e) Other non-operating income	248,075,555	130,486,737
<b>TOTAL</b>	<b>303,262,419</b>	<b>172,406,043</b>

<b>Note : A-20</b>		
<b>Cost of material consumed</b>		
Raw material consumed	12,744,274,503	13,844,594,243
Stores and spares consumed	977,557,271	976,689,637
Processing charges	561,339,748	631,724,115
	<b>14,283,171,522</b>	<b>15,453,007,995</b>
<b>Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
<b>Opening Stock</b>		
Finished goods	856,318,272	521,694,745
Work-in- progress	1,106,836,443	831,390,541
Stock in trade	183,672,914	147,952,283
	<b>2,146,827,629</b>	<b>1,501,037,569</b>
<b>Closing Stock</b>		
Finished goods	849,984,564	856,318,272
Work-in- progress	1,420,626,685	1,106,836,443
Stock in trade	240,104,091	183,672,914
	<b>2,510,715,340</b>	<b>2,146,827,629</b>
<b>TOTAL</b>	<b>(363,887,711)</b>	<b>(645,790,060)</b>

<b>Note : A-21</b>		
<b>Employee benefits expense</b>		
Salaries, wages and bonus	3,847,976,751	3,616,772,558
Contribution to provident fund, superannuation fund, pension and E.S.I	313,513,568	326,020,816
Gratuity	50,120,260	56,206,882
Welfare expenses	188,558,766	158,101,198
ESOS expenses	211,321	4,180,645
<b>TOTAL</b>	<b>4,400,380,666</b>	<b>4,161,282,099</b>


**NOTES TO CONSOLIDATED ACCOUNTS: PART A (CONTD.)**

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Particulars	2015-16	2014-15
<b>Note : A-22</b>		
<b>Finance cost</b>		
Interest expense	387,364,745	387,961,965
Other borrowing costs	103,953,758	116,607,584
Revaluation effect of forward contracts	31,328,266	-
<b>TOTAL</b>	<b>522,646,769</b>	<b>504,569,549</b>

<b>Note : A-23</b>		
<b>Other expenses</b>		
Power & fuel	408,434,291	382,008,247
Repairs and maintenance		
Plant and Machinery	207,996,648	169,343,155
Building	38,333,957	48,762,264
Other	80,827,237	56,599,501
Rent	346,711,588	255,826,207
Rates and taxes	145,861,374	102,469,890
Travel and conveyance	536,785,543	510,547,031
Communication expenses	179,187,961	158,268,201
Insurance	184,129,922	207,470,957
Directors' sitting fees	5,148,400	5,571,300
Non executive director's remuneration	2,200,000	-
Royalties and fees	46,879,649	51,537,738
Cash discount	176,517,452	149,112,081
Freight and forwarding charges	597,634,132	515,080,192
Brokerage and commission	314,755,086	414,364,225
Advertisements and publicity	306,203,223	269,664,881
Provision for product warranty	177,232,879	124,725,115
Loss on sale/disposal of fixed assets	7,024,921	23,903,925
Bad debts, advances and claims written off	182,053,686	251,122,933
Provision for doubtful debts, advances and claims	146,136,167	143,473,581
Foreign exchange difference (net)	-	3,860,814
Security services	69,945,691	60,269,296
Professional, consultancy and legal expenses	671,492,473	533,350,413
Outside service charges	241,693,623	219,007,084
Printing & Stationery	12,254,156	28,222,986
Computer services	50,841,246	16,259,765
Training course expenses	28,980,071	46,989,059
Other Miscellaneous expenses	569,624,268	426,159,338
<b>TOTAL</b>	<b>5,734,885,644</b>	<b>5,173,970,179</b>

## NOTES TO CONSOLIDATED ACCOUNTS: PART B

### B-1 Accounting Policies

#### Principles of Consolidation

- (i) The consolidated financial statements relate to Kirloskar Brothers Limited (KBL) and
- a) its majority owned subsidiary companies, 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-group transactions and the unrealised profit/ losses on intra-group transactions, and are presented to the extent possible, in the manner as the Company's independent financial statements.

The names of the subsidiary companies, country of incorporation, proportion of ownership interest and reporting dates considered in the consolidated financial statements are:

Name of the Company	Country of Incorporation	Proportion of Ownership Interest of KBL	Reporting Date
The Kolhapur Steel Limited	India	95.96%	31 <sup>st</sup> March, 2016
Kirloskar Corrocoat Private Limited	India	65.00%	31 <sup>st</sup> March, 2016
Kirloskar Systech Limited	India	100.00%	31 <sup>st</sup> March, 2016
Karad Projects and Motors Limited	India	100.00%	31 <sup>st</sup> March, 2016
Kirloskar Brothers International B.V.	The Netherlands	100.00%	31 <sup>st</sup> December, 2015
SPP Pumps Limited	United Kingdom	100.00%	31 <sup>st</sup> December, 2015
Kirloskar Brothers(Thailand) Limited	Thailand	100.00%	31 <sup>st</sup> December, 2015
SPP Pumps (MENA) L.L.C.	Egypt	100.00%	31 <sup>st</sup> December, 2015
Kirloskar Pompen B.V.	The Netherlands	100.00%	31 <sup>st</sup> December, 2015
Micawber 784 (Proprietary) Limited	South Africa	100.00%	31 <sup>st</sup> December, 2015
Kirloskar Brothers International PTY Ltd.	South Africa	100.00%	31 <sup>st</sup> December, 2015
SPP Pumps Inc.	United States of America	100.00%	31 <sup>st</sup> December, 2015
SPP France SAS	France	100.00%	31 <sup>st</sup> December, 2015
SPP Pumps (South Africa Pty.) Limited	South Africa	100.00%	31 <sup>st</sup> December, 2015
Braybar Pumps (Proprietary) Limited	South Africa	100.00%	31 <sup>st</sup> December, 2015
Rodelta Pumps International B.V.	The Netherlands	100.00%	31 <sup>st</sup> December, 2015
SPP Pumps Real Estate LLC	United States of America	100.00%	31 <sup>st</sup> December, 2015
SyncroFlo Inc.	United States of America	100.00%	31 <sup>st</sup> December, 2015

The excess of cost to the company of its investment in the subsidiary company over the parents' portion of equity is recognised in the consolidated financial statements as goodwill. The excess of company's share of equity of the subsidiary company over the cost of acquisition is treated as capital reserve.

- b) its jointly controlled joint venture company by using proportionate consolidation method which means; the consolidated Balance Sheet of KBL includes its share of assets that it controls jointly and its share of liabilities for which it is jointly responsible and the consolidated statement of Profit & Loss of KBL includes its share of the income and expenses of its joint venture company. Under this



method, separate line items of KBL's share of the assets, liabilities, income and expenses of joint venture company are included in its consolidated financial statements.

The jointly controlled joint venture company considered in the consolidated financial statements is :

Name of the Company	Country of Incorporation	Proportion of Ownership Interest of KBL	Reporting Date
Kirloskar Ebara Pumps Limited	India	45%	31 <sup>st</sup> March, 2016

Share of the assets and liabilities of the above joint venture company considered for proportionate consolidation :

₹

Particulars	Kirloskar Ebara Pumps Limited
<b>Sources of Funds</b>	
Reserves & Surplus	400,856,576
<b>Non-current liabilities</b>	
Long-term borrowings	934,367
Deferred tax liabilities (Net)	7,937,560
Long-term provisions	8,014,349
Other long term liabilities	824,774
<b>Current liabilities</b>	
Short-term borrowings	22,508,487
Trade payables	184,017,610
Other current liabilities	58,070,268
Short-term provisions	9,953,253
<b>Application of Funds</b>	
<b>Non-current assets</b>	
Fixed assets	196,607,776
Long-term loans and advances	13,583,616
<b>Current assets</b>	
Current investments	-
Inventories	85,721,571
Trade receivables	274,423,967
Cash and bank balances	4,148,388
Short-term loans and advances	120,881,926
Other current assets	-

Share of the income and expenses of the above joint venture company considered for proportionate consolidation :

₹

Particulars	Kirloskar Ebara Pumps Limited
<b>Income</b>	
Revenue and Other Income	715,761,873
<b>Expenditure</b>	
Materials consumed	463,766,681
Payments and benefits to employees	111,952,004
Operating and other expenses	232,571,442
Finance cost	1,946,916
Depreciation and amortization	38,216,775
Provision for tax	(5,585,295)

## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

### B-2 Other Accounting Policies : Significant accounting policies

- They are set out in Part B: Notes forming parts of accounts of the parent company.
- The financial statements of all Indian subsidiaries and joint venture company have been prepared to comply in all material respects with The Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 and those of the foreign subsidiaries have been prepared in compliance with the local laws and applicable Accounting Standards.
- Goodwill arising on the acquisition of subsidiary undertaking and businesses, representing any excess of the value of the consideration given over the value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life which is 10 years. Provision is made for any impairment.
- Foreign Currency Transactions

The operations of the foreign subsidiaries are not considered as an integral part of the operations of the parent company. Hence, all monetary and non monetary assets and liabilities have been translated at the exchange rate prevailing as on 31<sup>st</sup> December, 2015.

Income and expenditure have been translated at the average rate of the exchange between currencies prevailing for the financial year. Gains and losses arising out of the translation are carried to " Foreign Exchange Translation Reserve."

**Accounting policies other than those adopted by the parent company for the consolidated financial statements:**

#### SPP Pumps Limited:

The company has revalued its forward currency contracts as on it's balance sheet date due to which the consolidated loss of KBL is higher by ₹ 6,440,680/- and consequently its reserves are lower by ₹ 6,440,680/-

B-3	Particulars	2015-16	2014-15
	<b>Contingent liabilities not provided for in respect of :</b>		
	<b>Other money for which the company is contingently liable for</b>		
	i) Central Excise and Service Tax (Matter Subjudice)	1,035,103,146	1,033,551,805
	ii) Sales Tax (Matter Subjudice)	197,334,433	264,848,919
	iii) Income Tax (Matter Subjudice)	755,858,820	740,894,363
	iv) Labour Matters (Matter Subjudice)	55,186,069	54,787,035
	v) Other Legal Cases (Matter Subjudice)	638,542,811	574,418,658
	vi) Karad Projects and Motors Ltd. Probable claims in respect of projects*	98,782,254	98,782,254

\* Note: ₹ 98,782,254/- are in respect of Bank Guarantees for which Honorable Madras High Court had granted a stay and the matter was under arbitration. Meanwhile, vacate stay petition was moved to court and matter is now pending in the court of law. However, the management doesn't expect any ultimate liability in this respect. In view of this, and in view of the fact that there are no other claims in respect of projects, the possibilities of arising of any liability are remote in the view of the management.





## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

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B-4	Particulars	2015-16	2014-15
a)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances):	229,994,523	59,025,945
b)	Export obligation under EPCG license	42,083,809	77,495,311
c)	Letters of credit outstanding	577,248,162	852,997,533

## B-5 Construction contracts:

₹

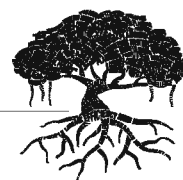
Particulars	2015-16	2014-15
a) Contract Revenue recognised as revenue for the year	1,587,573,858	2,430,325,496
b) Advances received	241,903,757	303,032,259
c) Amount of retentions	3,343,994,490	3,334,785,129
d) Gross amount due from customer		
Contract costs incurred	16,393,161,570	22,299,831,777
Add: Recognised Profits less recognised Losses	2,115,183,304	2,197,544,140
Less: Progress Billing	18,101,453,780	24,015,142,753
Net *	406,891,094	482,233,164
*[Comprises of note part A-12 (b)(ii) + note part A-17 (iii)]		
e) Gross amount due to customer		
Contract costs incurred	31,895,423,634	32,966,386,564
Add: Recognised Profits less recognised Losses	6,894,642,402	7,392,146,731
Less: Progress Billing	40,624,090,759	42,281,503,606
Net **	(1,834,024,723)	(1,922,970,311)
**[Comprises of note part A-5 (b)(ii) + note part A - 8 (d)(i)]		

## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

### B-6 Details of foreign currency exposures that are not hedged by a derivative instrument or otherwise

Particulars	Currency	Amount in Foreign Currency		Equivalent Amount in ₹	
		2015-16	2014-15	2015-16	2014-15
<b>Liability</b>					
Trade Payables	EGP	4,413,051	4,435,051	32,929,303	36,345,242
	EUR	2,166,110	538,572	161,059,633	36,165,115
	GBP	169,045	744,441	16,309,241	68,879,099
	JPY	25,734	25,734	15,188	13,410
	USD	3,599,713	4,718,901	238,389,229	295,076,206
	VND	189,989,100	189,989,100	564,458	552,044
	CHF	70,984	24,473	4,777,375	1,571,432
Advances received from Customers	EGP	1,344,406	1,942,125	10,030,077	15,908,527
	EUR	229,871	752,001	17,107,034	50,481,832
	GBP	3,299	5,021	314,134	463,806
	USD	1,299,271	1,857,267	86,064,228	116,069,909
	VND	355,246,500	335,246,400	992,329	972,215
	AED	1,568,770	-	28,264,368	-
Amount Due to Employees	EGP	110,972	110,972	828,051	909,416
<b>Assets</b>					
Advances to Suppliers	EGP	5,531,933	4,215,958	41,278,175	34,549,773
	EUR	101,386	177,727	7,555,089	11,951,502
	GBP	1,958	2,868	186,519	265,089
	USD	142,407	149,005	9,441,443	9,313,555
	JPY	571,872	-	337,519	-
Trade Receivables	EGP	40,208	663,556	3,776,820	5,435,387
	EUR	555,209	1,133,364	41,318,652	76,084,887
	GBP	377,072	121,581	35,936,548	11,231,713
	USD	10,277,368	5,284,504	680,697,856	330,255,634
Bank Accounts	EGP	5,170	1,757,348	38,577	14,417,988
	EUR	74,969	333	5,581,793	22,563
	GBP	262,635	147,638	25,013,533	13,661,785
	USD	1,805,467	900,117	119,606,710	56,410,358
	VND	162,145,856	720,630	485,165	2,094
	CNY	24,484	-	249,842	-
Other Deposits	EGP	1,150,148	1,691,679	8,581,484	13,879,213
Amount Due from Employees	EGP	81,649	81,649	609,150	668,811
	EUR	-	3,158	-	211,997
	GBP	14,885	2,705	1,417,350	249,861
	USD	71,782	16,255	4,755,569	1,015,884

(EGP- Egyptian Pound, GBP - Great Britain Pound, EUR- Euro, USD - US Dollar, VND- Vietnamese Dong, SGD- Singapore Dollar, JPY - Japanese Yen, OMR - Omani Rial, CHF - Swiss Franc, AED- Arab Emirates Dinar, CNY - Chinese Yuan)



## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

## B-7 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	Karad Projects and Motors Limited	Subsidiary Company
2	The Kolhapur Steel Limited	Subsidiary Company
3	Kirloskar Systech Limited	Subsidiary Company
4	Kirloskar Corrocoat Private Limited	Subsidiary Company
5	Kirloskar Brothers International B.V.	Subsidiary Company
6	SPP Pumps Limited	Subsidiary of Kirloskar Brothers International B.V.
7	Kirloskar Brothers(Thailand) Limited	Subsidiary of Kirloskar Brothers International B.V.
8	SPP Pumps (MENA) L.L.C.	Subsidiary of Kirloskar Brothers International B.V.
9	Kirloskar Pompen B.V.	Subsidiary of Kirloskar Brothers International B.V.
10	Micawber 784 (Proprietary) Limited	Subsidiary of Kirloskar Brothers International B.V.
11	Kirloskar Brothers International PTY Ltd.	Subsidiary of Kirloskar Brothers International B.V.
12	Certified Engines Limited	Subsidiary of SPP Pumps Limited
13	SPP France S A S	Subsidiary of SPP Pumps Limited
14	SPP Pumps Inc	Subsidiary of SPP Pumps Limited
15	SPP Pumps France EURL	Subsidiary of SPP Pumps Limited (up to 02.06.2015)
16	SPP Pumps Holdings LLC	Subsidiary of SPP Pumps Limited (up to 20.07.2015)
17	SPP Pumps Management LLC	Subsidiary of SPP Pumps Limited (up to 20.07.2015)
18	SPP Pumps (South Africa Pty.) Limited	Subsidiary of Kirloskar Brothers International PTY Ltd.
19	Braybar Pumps (Proprietary) Limited	Subsidiary of Kirloskar Brothers International PTY Ltd.
20	Rodelta Pumps International B.V.	Subsidiary of Kirloskar Pompen BV (from 17.07.2015)
21	Rotaserve Overhaul B.V.	Subsidiary of Kirloskar Pompen BV (from 04.01.2016)
22	SPP Pumps Real Estate LLC	Subsidiary of SPP Pumps Inc.
23	SyncroFlo Inc.	Subsidiary of SPP Pumps Inc.

## (B) Disclosure of related parties transactions

₹

Sr No	Nature of transactions with related parties	2015-16		2014-15	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
1	Purchase of goods & services Joint Venture Kirloskar Ebara Pumps Limited Substantial Interest Corrocoat Limited, UK	71,036,525	53,510,374	69,676,453	13,818,894
2	Sale of goods/contract revenue & services Joint Venture Kirloskar Ebara Pumps Limited	36,274,419	17,526,151	93,250,843	20,006,181
3	Rendering Services Joint Venture Kirloskar Ebara Pumps Limited	36,505,544	36,250,424	10,490,988	2,304,236
			36,505,544		9,672,081

# NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

₹

Sr No	Nature of transactions with related parties	2015-16		2014-15	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
4	<b>Receiving Services</b>	3,621,361		3,346,188	
	Substantial Interest				
	Corrocoat Limited, UK		575,441		100,000
	Relatives of Key Management Personnel				
	Mrs. Pratima Kirloskar		2,331,424		2,056,188
	Mr. Alok Kirloskar		375,000		375,000
5	<b>Reimbursement of expenses</b>	14,995,270		2,838,747	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		14,379,602		2,838,747
6	<b>Dividend paid</b>	45,288,018		104,962,453	
	Substantial Interest				
	Corrocoat Limited, UK		13,125,000		35,000,000
	Key Management Personnel				
	Mr. Sanjay Kirloskar		16,721,879		35,563,765
	Relatives of Key Management Personnel				
	Mrs. Pratima Kirloskar		13,762,363		34,375,853
7	<b>Remuneration Paid</b>	53,304,848		26,086,828	
	Key Management Personnel				
	Mr. Sanjay Kirloskar		13,254,503		11,746,447
	Mr. J. R. Sapre		24,791,885		5,649,830
	Mr. Aseem Srivastav		9,385,421		3,942,093
8	<b>Deposit Paid</b>	55,000		55,000,000	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		55,000		55,000,000
9	<b>Deposit Refunded</b>	55,055,000		-	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		55,055,000		-
10	<b>Interest Paid</b>	3,542,601		5,085,617	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		3,542,601		5,085,617
11	<b>Royalty Paid</b>	2,292,970		7,530,446	
	Associates				
	Elliott Company		2,193,638		6,876,655

\* "Major parties" denote entities who account for 10% or more of the aggregate for that category of transactions



## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

## (C) Amount due to/from related parties

₹

Sr No	Nature of transactions with related parties	2015-16		2014-15	
		Amount	Amount for Major parties*	Amount	Amount for Major parties*
1	Accounts receivable	9,643,692		10,664,399	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		9,619,961		10,615,290
2	Amount Due	5,285,269		1,514,503	
	Substantial Interest				
	Corrocoat Limited, UK		766,880		1,514,503
	Associates				
	Ebara Corporation, Japan		1,658,091		-
	Elliott Company, USA		574,279		-
	Key Management Personnel				
	Mr. Sanjay Kirloskar		1,558,000		-

\* "Major parties" denote entities who account for 10% or more of the aggregate for that category of transactions

## (D) Names of related parties with whom transactions have been entered into:

1)	Joint Venture	Kirloskar Ebara Pumps Limited	
2)	Substantial Interest	Corrocoat Limited, UK	
3)	Associates	Ebara Pumps Malaysia SDN BHD.	
		Ebara Corporation, Japan	
		Elliott Company, USA	
4)	Key Management Personnel	Mr. Sanjay Kirloskar	
		Mr. J. R. Sapre (upto May 31, 2015)	
		Mr. Aseem Srivastav	
		Mr. Ravindra Samant	
5)	Relatives of Key Management Personnel	Mrs. Pratima Kirloskar	Wife of Mr. Sanjay Kirloskar
		Mr. Alok Kirloskar	Son of Mr. Sanjay Kirloskar
		Mrs. Suman Kirloskar	Mother of Mr. Sanjay Kirloskar
		Ms. Rama Kirloskar	Daughter of Mr. Sanjay Kirloskar
		Ms. Preeti Sapre (upto May 31, 2015)	Daughter of Mr. J. R. Sapre
6)	Enterprises over which Key Managerial Personnel or their relatives exercise significant influence	Prakar Investments Private Limited	

## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

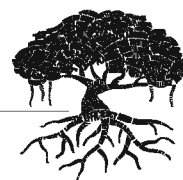
₹

<b>B-8</b>	<b>Earning per Share ( Basic and diluted )</b>	<b>2015-16</b>	<b>2014-15</b>
	<b>I - Basic</b>		
	Profit for the year before tax	(336,907,941)	625,267,273
	Less : Attributable tax thereto	(15,307,453)	172,728,730
	Less : Minority interest	10,800,816	41,540,479
	Profit after tax	(332,401,304)	410,998,064
	Total Number of equity shares at the end of the year used as denominator	79,408,926	79,388,176
	<b>Basic earning per share of nominal value of Rs 2/- each</b>	<b>(4.19)</b>	<b>5.18</b>
	<b>II - Diluted</b>		
	Profit for the year before tax	(336,907,941)	625,267,273
	Less : Attributable tax thereto	(15,307,453)	172,728,730
	Less : Minority interest	10,800,816	41,540,479
	Profit after tax	(332,401,304)	410,998,064
	Total Number of equity shares at the end of the year	79,408,926	79,388,176
	Add : Weighted average number of potential equity shares on account of Employee stock option	-	2,727
	Weighted average number of shares outstanding used as denominator	79,408,926	79,390,903
	<b>Diluted earning per share of nominal value of ₹ 2/- each</b>	<b>(4.19)</b>	<b>5.18</b>

### B-9 Particulars related to Joint Ventures :

#### List of Joint Venture and Jointly controlled operations

Name of the Jointly controlled operation	Description	Ownership Interest	Country of Incorporation
HCC - KBL	Jointly controlled operations	N A	India
KBL – MCCL	Jointly controlled operations	N A	India
KCCPL – IHP – BRC – TAIPPL – KBL JV	Jointly controlled operations	N A	India
IVRCL – KBL JV	Jointly controlled operations	N A	India
Maytas – KBL JV	Jointly controlled operations	N A	India
Larsen & Toubro – KBL JV	Jointly controlled operations	N A	India
KBL-MEIL-KCCPL JV	Jointly controlled operations	N A	India
KBL – PLR JV	Jointly controlled operations	N A	India
KBL – Koya – VA Tech JV	Jointly controlled operations	N A	India
KBL – PIL Consortium	Jointly controlled operations	N A	India
Larsen & Toubro – KBL – Maytas JV	Jointly controlled operations	N A	India
IVRCL – KBL – MEIL JV	Jointly controlled operations	N A	India
Pioneer – Avantica – ZVS – KBL JV	Jointly controlled operations	N A	India
AMR – Maytas – KBL – WEG JV	Jointly controlled operations	N A	India
Indu – Shrinivasa Constructions – KBL – WEG JV	Jointly controlled operations	N A	India
MEIL – KBL – IVRCL JV	Jointly controlled operations	N A	India



## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

Name of the Jointly controlled operation	Description	Ownership Interest	Country of Incorporation
MEIL – Maytas – KBL JV	Jointly controlled operations	N A	India
KCCPL – TAIPPL – KBL JV	Jointly controlled operations	N A	India
KBL-SPML JV	Jointly controlled operations	N A	India
MEIL - KBL JV	Jointly controlled operations	N A	India
KIRLOSKAR - MEMWPL JV	Jointly controlled operations	N A	India
Maytas – MEIL – KBL JV	Jointly controlled operations	N A	India
Gondwana - KBL JV	Jointly controlled operations	N A	India
MEIL -PRASAD-KBL CONSORTIUM	Jointly controlled operations	N A	India
JCPL - MEIL - KBL CONSORTIUM	Jointly controlled operations	N A	India
KBL -PTIL UJV	Jointly controlled operations	N A	India
KBL - RATNA - JOINT VENTURE	Jointly controlled operations	N A	India
MEIL-KBL-WEG CONSORTIUM	Jointly controlled operations	N A	India
MEIL-KBL- ( KDWSP ) JV	Jointly controlled operations	N A	India
KBL and TCIPL JV	Jointly controlled operations	N A	India
ACPL & KBL JV	Jointly controlled operations	N A	India
Kirloskar Brothers Ltd. JV	Jointly controlled operations	N A	India
ITD CEMENTATION INDIA LIMITED JV	Jointly controlled operations	N A	India
GSJ - KBL JV	Jointly controlled operations	N A	India
JBL-KBL-GSJ JV	Jointly controlled operations	N A	India
KBL SYNERGY JV	Jointly controlled operations	N A	India

## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

### B-10 Segment Information in respect of KBL and its Subsidiaries and Joint Venture Company

₹

(A) Primary Segments - Business Segments	Pumps	Others	Eliminations	Total
a) Segment Revenue				
Sales to External Customers	23,859,712,419 (24,729,713,402)	1,543,389,823 (2,101,029,368)	- -	25,403,102,242 (26,830,742,770)
Inter Segment Revenue	- -	(151,933,631) (174,033,049)	151,933,631 (174,033,049)	- -
Total Segment Revenue	23,859,712,419 (24,729,713,402)	1,391,456,192 (1,926,996,319)	151,933,631 (174,033,049)	25,403,102,242 (26,830,742,770)
b) Segment Result	1,130,511,758 (1,677,807,428)	267,317,554 (368,191,078)	- -	1,397,829,312 (2,045,998,506)
Less :				
I) Finance Costs				522,646,769 (504,569,549)
II) Unallocable Corporate expenditure (net of other income)				1,248,518,836 (991,904,156)
Add :				
I) Income from Investments				36,428,352 (75,742,472)
Total Profit Before Tax				(336,907,941) (625,267,273)
Less : Provision for Tax				94,646,086 (279,566,350)
Less : Deferred Tax				(109,953,539) (106,837,620)
Net Profit				(321,600,488) (452,538,543)
c) Segment Assets	17,926,428,454 (18,559,020,196)	2,002,319,709 (2,371,856,845)	- -	19,928,748,163 (20,930,877,041)
Unallocable Corporate Assets				5,568,273,122 (5,316,726,653)
Total				25,497,021,285 (26,247,603,694)
d) Segment Liabilities	10,734,540,894 (10,933,380,552)	1,196,073,332 (1,279,443,970)	- -	11,930,614,226 (12,212,824,522)
Unallocable Corporate Liabilities				3,855,061,808 (3,881,962,833)
Total				15,785,676,034 (16,094,787,355)
e) Cost Incurred during the period to acquire Segment Fixed Assets	561,889,396 (951,045,822)	114,972,031 (207,156,939)		
f) Depreciation / Amortisation / Impairment	507,257,498 (664,585,229)	130,739,946 (145,117,921)		
g) Non Cash Expenses other than Depreciation / Amortisation	323,822,777 (274,399,356)	126,942,795 (124,377,803)		
B) Secondary Segment -	Within India	Outside India	Total	
a) Segment Revenue Geographic Segment by location of customer	15,986,669,039 (17,532,103,953)	9,416,433,203 (9,298,638,816)	25,403,102,242 (26,830,742,770)	
b) Carrying Amount of Segment Assets by location of assets	19,015,581,309 (19,379,498,066)	6,481,439,974 (6,868,105,628)	25,497,021,283 (26,247,603,694)	
c) Cost Incurred during the period to acquire Segment Fixed Assets	323,587,131 (591,615,442)	353,274,296 (566,587,319)	676,861,427 (1,158,202,761)	





## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

**B-11** The identification of suppliers as Micro, Small and Medium enterprise defined under the Small, Micro, Medium Enterprises Development Act 2006, was done on the basis of information to the extent provided by the suppliers of the Company.

Particulars	2015-16	2014-15
Principal amount due and remaining unpaid	7,690,138	2,861,711
Interest due on above and unpaid interest	935,405	137,453
Interest paid	-	-
Payment made beyond appointment day	-	-
Interest due and payable for the period of delay	-	-
Interest accrued and remaining unpaid	797,952	137,453
Amount of further interest due and payable in succeeding years	-	-

### **B-12 Kirloskar Pompen B.V.:**

On July 17 2015, Kirloskar Pompen B.V., wholly owned subsidiary of Kirloskar Brothers International B.V. (KBI B.V.) has acquired Rodelta Pumps International, B.V. The company is engaged in manufacturing of pumps for oil and gas, pulp and paper, water, chemical and various other applications.

On January 04, 2016, Kirloskar Pompen B.V., wholly owned subsidiary of Kirloskar Brothers International B.V. (KBI B.V.) has incorporated Rotaserve Overhaul B.V. as its wholly owned subsidiary in The Netherlands. This company will handle sale of spares and service activity of Kirloskar Pompen B.V.

### **B-13 The Kolhapur Steel Limited:**

The Company has turned Sick Industrial Company due to negative net worth on basis of financials for the year ending 31<sup>st</sup> March 2014. The reasons for sickness are poor utilization of available resources, process obsolescence, quality issues and the resultant sales returns, poor cash generation and overdue creditors, unbalanced foundry infrastructure resulting in poor productivity and other controllable factors. As committed by holding company, infusion of funds by way of preference shares has been taken place during the year. As a result of planned revival activity initiated under "Project Parivartan Foundry Upgradation" and effective control over internal and external rejections etc. the company's net worth has turned positive during the Financial Year 2015-16. Hence the company is not a sick industrial company within the meaning of clause (o), sub section (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985. Accordingly the company has communicated to Hon'ble BIFR vide letter dtd. 30<sup>th</sup> December, 2015 for disposal of the case registered under Sick Industrial Companies (Special Provisions) Act, 1985.

### **B-14 Kirloskar Brothers Limited:**

Kirloskar Brothers Limited (KBL) has infused additional Rs. 10 crores (Rs. 15 crores) by way of preference shares during the current year in The Kolhapur Steel Limited its subsidiary company and will continue to support its operations going forward as the KBL management is confident of its growth and expects a turnaround in the near future.

## NOTES TO CONSOLIDATED ACCOUNTS: PART B (CONTD.)

### B-15 Kirloskar Systech Limited:

Kirloskar Systech Limited (KSL), a wholly owned subsidiary of the Company has filed a Petition to sanction the proposed scheme of amalgamation between KSL and the Company with the Honourable High Court of Judicature at Bombay, on April 20, 2016. The said petition has been admitted by the Honourable High Court subject to the compliance of certain conditions.

### B-16 SPP Pumps Limited :

Three subsidiaries of SPP Pumps Limited namely SPP Pumps France EURL, SPP Pumps Holdings LLC and SPP Pumps Management LLC are closed during the year.

B-17 The figures of previous year have been regrouped / rearranged wherever necessary to confirm to current year's disclosures. Figures in brackets relate to previous year.

### B-18 Additional information regarding subsidiaries as per Schedule III of The Companies Act, 2013

Name of the Entity	Net Assets		Share in Profits or Loss	
	As % of consolidated net assets	Amount ₹	As % of consolidated P&L	Amount ₹
<b>Parent</b>				
Kirloskar Brothers Limited (including effect of consolidation elimination and adjustment effects)	85.09%	8,263,081,978	-37.19%	(119,593,596)
<b>Subsidiaries</b>				
<b>Indian</b>				
1. Karad Projects and Motors Pvt Ltd	-5.31%	(516,055,017)	14.09%	45,327,333
2. The Kolhapur Steels Limited	-2.79%	(270,643,032)	-16.34%	(52,542,822)
3. Kirloskar Corrocoat Private Limited	0.55%	53,272,180	6.24%	20,058,659
4. Kirloskar Systech Limited	0.76%	73,500,894	14.60%	46,941,033
<b>Foreign</b>				
1. Kirloskar Brothers International B.V. (Consolidated)	17.25%	1,674,723,979	-47.14%	(151,596,377)
<b>Minority Interests in all Subsidiaries &amp; Associates</b>				
Indian	0.32%	31,482,692	3.36%	10,800,816
Foreign	0.00%	-	0.00%	-
<b>Joint Ventures</b>				
<b>Indian</b>				
Kirloskar Ebara Pumps Limited	4.13%	401,981,577	-37.62%	(120,995,534)
<b>TOTAL</b>	<b>100%</b>	<b>9,711,345,251</b>	<b>100%</b>	<b>(321,600,488)</b>



**Delhi Metro - Fluid Management Solutions  
that offer safety & comfort in Metros**



**Participation in ACHEMA, Germany -  
Showcasing capability on global stage**



**Expanding global footprint through  
strategic acquisition - Kirloskar Brothers International  
acquires Rodelta Pumps**



**The revolutionary ROMAK Pump -  
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protected magnets for longer performance**



Enriching Lives

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**A Kirloskar Group Company**

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