



# KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

97<sup>th</sup> ANNUAL REPORT 2016-2017

Enriching Lives



## PARTNERING THE WORLD

*Fluid Management for a Better Tomorrow*

Partnership is the building block of a long term relationship. KBL being one of the earliest engineering companies in India, enjoys many such successful partnerships with its customers across the globe on a platform of mutual benefit and trust.

KBL has always created a win-win situation by offering value engineered products and services and executing complex projects worldwide. With decades of design and experiential technical expertise, KBL is committed to continuous innovation, providing world class product quality and customer service anytime, anywhere. Our philosophy of triple **AAA**, i.e. Adaptable, Affordable and Appropriate solutions, is the essential basis of our partnership that extends across various continents, organisations and customers.

Through our subsidiaries, joint ventures, manufacturing facilities and partners, KBL has a worldwide presence spread across almost all the continents with installations in 80+ countries. Be it executing large irrigation projects, providing critical solutions for nuclear reactors and off-shore oil exploration rigs, safeguarding iconic global buildings or providing complete range of fluid and process management solutions to industries across the globe, our partnership extends in every form of our business relationship.



#### **Your company is partnering the world by:**

- ▶ Executing large irrigation projects in Africa and CLMV (Cambodia, Laos, Myanmar & Vietnam) countries, thereby helping bring prosperity in these regions
- ▶ Providing solutions through value added products like Lowest Life-Cycle Cost pumps, thereby saving energy and maintenance cost for the customers
- ▶ Carrying out design, supply, erection and commissioning of cooling piping system for world's third largest Hypersonic Wind Tunnel facility commissioned by ISRO, and thereby being associated with the success of India's space programme
- ▶ Creating regional manufacturing base in the ASEAN region and expanding presence across the Asian Economic Community
- ▶ Supplying largest pump by impeller diameter (UPH) to Viransehir Pumping Station, Turkey and largest Impeller Pull-out VT pump with largest pump bowl to Electricity Generating Authority of Thailand



Board of Directors	Sanjay C. Kirloskar Shrikrishna N. Inamdar Padmakar S. Jawadekar Lalita D. Gupte Pratap B. Shirke Alok S. Kirloskar Kishor A. Chaukar	Chairman and Managing Director
Chief Financial Officer	Chittaranjan M. Mate	
Company Secretary	Sandeep Phadnis	
Auditors	M/s P. G. Bhagwat, Chartered Accountants, Pune	
Bankers	Bank of India Canara Bank HDFC Bank Limited Citibank N.A. Credit Agricole, Corporate and Investment Bank ICICI Bank Limited	
Registered Office	Udyog Bhavan, Tilak Road, Pune - 411002, Maharashtra State (India) Phone: (020) 24440770 Fax : (020) 24402083 E-mail: <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>	
Corporate Office	'Yamuna', Survey No. 98 (3-7), Baner, Pune – 411 045, Maharashtra (India) Phone: (020) 27214444 Fax: (020) 67211136 E-mail: <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>	
Works	Kirloskarvadi, Dewas, Shirwal, Kondhapuri, Coimbatore (Kaniyur), Ahmedabad (Sanand)	

Information for Members	Contents	Page No.
Annual General Meeting	Decade at a Glance	2
Day & Date : Thursday, July 27, 2017	Boards' Report	3
Time : 11.00 a. m.	Management Discussion and Analysis	34
Venue : "Yamuna", Survey No.98 (3-7) Baner, Pune – 411 045	Report on Corporate Governance	44
Record Date : Friday, July 14, 2017 for Dividend	Auditors' Report	61
	Balance Sheet	68
	Statement of Profit and Loss	69
	Statement of Cash Flow	70
	Statement of Changes in Equity	71
	Notes to the Accounts	72
	Statement relating to Subsidiary Companies	137
	Consolidated Financial Statements	139

## DECADE AT A GLANCE

(Amounts in Million ₹)

Particulars	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Sales	15,251	18,309	20,178	19,469	17,819	18,724	17,598	16,257	17,212	18,230
Other Income	430	359	479	129	463	70	53	113	208	182
Material Cost	11,126	13,927	14,987	13,431	12,661	13,204	11,696	10,471	9,898	9,992
Other Expenses	2,704	3,249	3,339	4,386	4,441	4,108	4,502	4,933	6,658	7,175
Interest	169	303	336	453	537	443	409	413	382	315
Depreciation	182	207	265	300	303	320	346	497	408	397
Profit before tax	1,500	981	1,730	1,028	340	719	697	56	74	533
Income tax provision	399	312	555	414	28	285	221	(30)	(33)	203
Net Profit after tax	1,101	666	1,175	615	312	434	476	86	107	330
Share Capital	212	212	159	159	159	159	159	159	159	159
Reserves	6,409	6,879	6,975	7,275	7,377	7,627	7,842	7,804	7,903	8,221
Net Worth	6,621	7,091	7,134	7,434	7,536	7,786	8,001	7,963	8,062	8,380
Imports	1,152	2,084	5,073	2,026	729	473	671	524	403	382
Exports	1,483	2,291	1,694	1,827	1,153	1,544	1,184	1,279	1,245	1,651
Basic Earnings per Share ₹ (Face Value of ₹ 2/-)	10.41	6.34	14.81	7.73	3.93	5.47	6.00	1.07	1.36	4.16
Basic Earnings per Share ₹ (Face Value of ₹ 2/-) (Excluding Extraordinary Income Expense)	10.41	6.34	14.81	7.73	3.93	5.47	6.01	1.07	1.36	4.16
Dividend %	200%	100%	275%	175%	100%	100%	125%	25%	25%	*50%
Book Value per Share ₹	62.60	67.05	89.92	93.70	94.98	98.11	100.82	100.30	101.53	105.53
Debt Equity Ratio	0.09	0.03	0.06	0.12	0.06	0.01	0.01	0.00	0.00	0.00

### Notes :

Figures of Financial Year 2016-17 and 2015-16 are as per revised accounting standards (IND AS) and for earlier Financial Years figures are as per old accounting standards (IGAAP)

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

\* Dividend recommended @ 50%.



## BOARD'S REPORT TO THE MEMBERS

Your Directors present the 97<sup>th</sup> Annual Report and the Audited financial statements of the Company for the year ended March 31, 2017 together with the reports of the Auditors and Board thereon.

## FINANCIAL RESULTS

The financial results of the Company for the year 2016-17 as compared with the previous Financial Year are as under:

	Year ended March 31, 2017 (Amounts in Million ₹)	Year ended March 31, 2016 (Amounts in Million ₹)
Revenue from Operations	18,230.39	17,212.23
Other income	182.38	207.86
Total	18,412.77	17,420.10
Profit before tax	532.89	74.44
Tax Expense	202.92	(33.34)
Profit for the period	329.97	107.77
Other Comprehensive Income	(11.45)	14.72
Surplus in Profit & Loss Account brought forward from previous year	1,696.61	1,663.88
Interim Dividend for the year 2015-16	-	89.76
Available surplus	2015.13	1,696.61

## DIVIDEND

The Board of Directors have recommended a Dividend of 50%, i.e. ₹ 1/- per equity share for the year 2016-17.

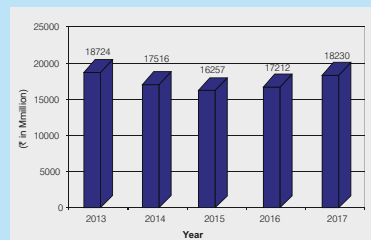
## OPERATIONS OF THE COMPANY

The revenue from operations for the year under review is ₹ 1823.04 crores, which is more than 6% compared to the previous year.

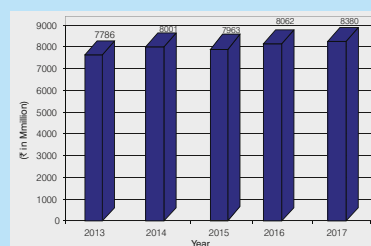
Your Company continues to be the only Indian company manufacturing metallic volute pumps in the country. We have become the world's largest concrete volute pump manufacturer. Our focused efforts on HYPN systems [Pressure Boosting (Hydro Pneumatic) System], has crossed a landmark of 200 systems for the year under review.

Small Pump Business has registered an approximate growth of about 13% over the last year. The sales for the small pump business were affected in the month of November 2016 due to demonetisation but registered an increase in the month of December 2016.

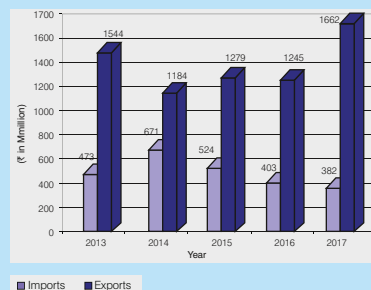
### Net Sales



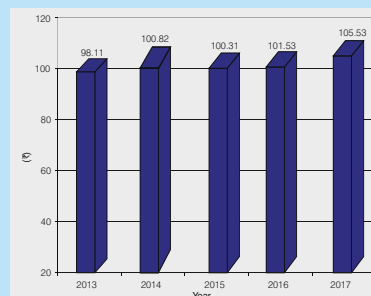
### Net Worth



### Import & Export



### Book Value per Share



---

Valves sector despatched 2000 mm size Multi Door Non Returnable Valve (MDNRV), one of the largest valve installed in India. BHIMA LIS Telangana project was successfully commissioned.

During the year, Company has received a 'Completion of Facilities Certificate' for DVC, Koderma Project. A final 'Completion Certificate' for Jaypee Bina 2 x 250 MW Thermal Power Project (M.P.) was also received. The preliminary handing over of 'El Tagen' pumping stations in Egypt, was completed this year.

Main focus of the Power sector during the year was on International projects along with the development of business in the subcontinent.

Kirloskarvadi factory has designed, developed and supplied Vertical Turbine Pumps (BHR34C(S)). These pumps comply with UL (Underwriters Laboratories) standards. It has also developed a trolley mounted Autoprime Pumpset (APM200/24), with 19HP engine. During the year, it has manufactured largest split case pump and also developed Closed Coupled Magnetic Drive pump Type RMKC. This series of pumps are useful in handling aggressive chemicals. In addition, Kondhapuri and Kirloskarvadi plants received Bronze and Silver awards respectively, at GreenCo Summit: 2016 held by CII at Hyderabad.

Dewas plant implemented Green Projects (Bio-gas plant, Solar LED street lighting, LED shopfloor lighting, Solar water heating system etc.) to reduce carbon foot-print and cost. Five new improved series of pumps were launched at Sanand Plant.

During the year, Sanand and Kaniyur plants received ISO 50001 certification for energy management.

Aggressive marketing activities were conducted across the country by organising plumber meets, mechanics meets, campaigning by wall painting and reach activity, with special focus on Maharashtra. In addition, an intensive marketing campaign has been launched, which includes radio and outdoor media, covering public transport shelter. A mobile and Web application, 'Storm II' was launched for Small Pump Business.

Kondhapuri plant was awarded a 'Certificate of Excellence', under small & medium enterprise sector at the 11<sup>th</sup> state level awards for excellence in Energy Conservation and Management Competition organized by Maharashtra Energy Development Agency, Government of Maharashtra. It has also received SA 8000 Certificate from Social Accountability Accreditation Services (SAAS).

The World Environment day was celebrated at corporate office, 'Yamuna', Pune and at all manufacturing units on June 5, 2016. International Yoga Day was celebrated at Kirloskarvadi on June 21, 2016, over 500 employees participated in this event. Also, 200 trees were planted at Kirloskarvadi and 350 saplings were handed over to the students at Kirloskarvadi School in support to Government of Maharashtra's plantation drive.

There were no material changes or commitments to report which affect the financial position of the Company that has occurred between the end of the 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, 6 (Six) Board meetings were held, the details are appearing in the Corporate Governance report.



### 3. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (a) in preparation of the annual accounts, the applicable accounting standards have been followed;
- (b) the directors have selected such accounting policies and applied them consistently and made judgements 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 have prepared the annual accounts on a going concern basis; and
- (e) the directors have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively;
- (f) the directors have 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 to the Directors, subject to the overall limits set under the Act, as outlined in the Remuneration Policy approved by the Board. As per the policy, the Executive Director is entitled for a fixed salary, other non-monetary benefits etc., and commission based on performance evaluation. In case of Non-Executive Directors, apart from receiving sitting fees, they are entitled for 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 Secretarial Auditor in his Secretarial Audit Report, which is annexed herewith as **Annexure VII**.

Pursuant to provisions of Section 139 of the Act read with applicable rules framed thereunder, M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration no. 101118W) the present Auditors would complete their term as Statutory Auditors of the Company at the ensuing Annual General Meeting (AGM). The Board would like to place on record its appreciation for the long association of M/s P. G. Bhagwat with the Company and their continued support.



---

M/s Sharp & Tannan Associates, Chartered Accountants (Firm Registration No. 109983W) have been recommended by the Board of Directors to be appointed as Statutory Auditors of the Company for a period of 5 (Five) years from the conclusion of 97<sup>th</sup> Annual General Meeting till the conclusion of 102<sup>nd</sup> Annual General Meeting. The proposed Statutory Auditors have confirmed their eligibility and necessary certificates as required under the Act have been received from them.

Mr. M. J. Risbud, Practicing Company Secretary (CP No. 185) who was appointed as a Secretarial Auditor as per Section 204 of the Companies Act, 2013 for the Financial Year 2016-17, tendered his resignation during the year.

Mr. Shyamprasad Limaye, Practicing Company Secretary (CP No. 572), has been appointed as a Secretarial Auditor of the Company as per Section 204 of the Companies Act, 2013 for the Financial Year 2016-17. Mr. Shyamprasad Limaye has been re-appointed as Secretarial Auditor for the Financial Year 2017-18.

M/s 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 2017-18. Their remuneration is subject to ratification 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. 31 (D) and 32 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 contracts/arrangements /transactions entered by the Company during the Financial Year 2016-17 with the related parties were in the ordinary course of business and at 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-31 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 identifies and prioritises the risks for the Company. The progress and review status of those identified risks are presented to the Audit and Finance Committee and Board. In the opinion of the Board there are no risks identified, that may threaten the existence of the Company.

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

The Company has formulated a Corporate Social Responsibility Policy as per the requirements 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. The evaluation for the year ended March 31, 2017 has been completed.

In compliance with the requirements under Regulation 25(3) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations, 2015) a meeting of Independent Directors was held on October 26, 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:

During the year, Hon'ble High Court of Judicature at Bombay, vide its order dated September 29, 2016 approved the Scheme of Amalgamation of Kirloskar Systech Limited with Kirloskar Brothers Limited.

### I. Karad Projects and Motors Limited

The revenue for the year under review is ₹ 3373.97 Mln which is 14% more as compared to the previous year.

### ii. The Kolhapur Steel Limited

The revenue for the year under review is ₹ 363.19 Mln which is 19% less as compared to the previous year.

### iii. Kirloskar Corrocoat Private Limited

The revenue for the year under review is ₹ 300.85 Mln which is 38% less as compared to the previous year.

### iv. Kirloskar Brothers International B.V. (consolidated)

The revenue for the year under review is ₹ 7858.59 Mln which is 10% less as compared to the previous year.

### v. Kirloskar Ebara Pumps Limited (Joint Venture)

The revenue for the year under review is ₹ 1768.16 which is 8% more 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 included elsewhere in this report;

(ii) **Change in the nature of the business during the year under review:**

During the year Kirloskar Systech Limited (KSL), a wholly owned subsidiary of the Company merged with the Company pursuant to the Scheme of Amalgamation which was approved by the Hon'ble High Court of Judicature of Bombay on September 29, 2016. All the activities carried on by erstwhile KSL are now undertaken by the Company.

---

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

At the 96<sup>th</sup> AGM of the Company, Members confirmed re-appointment of Mr. Sanjay C. Kirloskar as Managing Director with effect from November 19, 2015 for a period of 5 (Five) years. In terms of the provisions of Section 152(6) of the Act, read with the Articles of Association of the Company, the Managing Director of the Company shall be considered for retirement by rotation in case the number of directors liable to retire by rotation is less than  $\frac{2}{3}$ <sup>rd</sup> of total directors liable to retire by rotation.

Mr. Sanjay C. Kirloskar, Chairman and Managing Director, being longest in the office, is liable to retire by rotation and being eligible offers himself for re-appointment as a Director at the ensuing Annual General Meeting.

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

The Company in association with Synerge Overseas Pte. Limited incorporated KBL Synerge LLP with effect from September 1, 2016. KBL Synerge LLP is in the business of manufacture, supply and installation of solar power plants and distribution and transitions of electricity generated from solar power plants, dealing in solar pumps and pumping systems, LED lighting and ESCO projects.

During the year, SPP Pumps (Asia) Limited, SPP Pumps (Singapore) Pte. Limited and Kirloskar Brothers International Zambia Limited have been incorporated as step down subsidiaries of the Company with the objective to engage in pumps business.

(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 adequate internal financial control systems in place. The control systems are regularly reviewed by the external auditors and their reports are presented to the Audit and Finance Committee.

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 reported to Audit and Finance Committee along with management response.

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

- Composition of the Audit and Finance Committee has been disclosed in 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 in Corporate Governance Report;
- Disclosures 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

Statement of Cash flow for the period ended March 31, 2017 is attached to the Balance Sheet.

### **SAFETY, HEALTH AND ENVIRONMENT**

#### **Safety and Health**

All our manufacturing plants are certified for Occupational Health and Safety Assessment Series (OHSAS) standards ISO 18001 and Environment Management System (ISO 14001) and SA8000. Periodic internal audits of all our manufacturing units are being conducted to ensure legal compliances, OHSAS 18001, ISO 14001 requirements and standard industrial practices.

Incident tracking system is fully utilizing for capturing unsafe acts / conditions and accidents, Corrective Action and Preventive Action (CAPAs) are tracked through this system. Almost 500 incidents were logged, which is more than 150% compare to last year. It helped to control the accident rate.

All manufacturing units and subsidiaries are brought under one Umbrella of corporate safety which helps to implement common safety programs and strategy.

Company strives for 100% compliance with Environment, Health and Safety (EHS) requirements. To verify that our facilities are meeting regulatory compliance requirements, all the project sites and manufacturing plants are inspected frequently.

Safety week and Environment day are celebrated at manufacturing plants, offices and project sites with number of activities, competitions and awareness programs. As a part of it, online Safety quiz organised along with other safety activities to increase the safety awareness. More than 700 employees participated in this quiz from KBL and subsidiaries.

BBS on line and classroom training provided to staff employees in Sanand, Dewas and Coimbatore plants. A 2 (Two) day Safety meet of all persons looking after safety was organised at Kirloskarwadi, plant.

Safety internal audit team formed and training provided for carrying out safety audits. All manufacturing plants and subsidiaries.

#### **Environment and Energy**

Manufacturing plants of the Company at Kirloskarvadi, Dewas, Sanand, Kaniyur and Kondhapuri are certified for the Environment Management System (ISO 14001). We continuously monitor our environmental impact through measurement of important parameters related to the use of resources such as energy, water and materials. We ensure compliance with environmental norms and established systems to initiate timely actions to improve the environmental performance.

Our plants at Kirloskarvadi, Kondhapuri, Dewas, Sanand and Kaniyur have also received certification for implementing Energy Management System (ISO 50001).

We monitor our direct and indirect energy consumption which is reported in our annual sustainability report. A Company level Energy Conservation (ENCON) competition encourages all our manufacturing plants to implement energy conservation projects.

The Company has initiated many actions to reduce energy consumption and conserve energy which includes installation of Roof Top Solar Plants at the Corporate Office and manufacturing plants, replacing streetlights with LED lights, installing screw compressors at Foundry.

## CORPORATE GOVERNANCE

Pursuant to SEBI Listing 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, no allotments were made under ESOS -2007 scheme.

### 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, 2017:

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	23
5	Nature of action by employer or District Officer, if any	NA

### ACKNOWLEDGEMENTS

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 17, 2017



## Annexure I

## Form No. MGT-9

## EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.03.2017

[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	75.8

## 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), Tal - Hatkanangale Kolhapur – 416122	U27106MH1965PLC013212	Subsidiary	99.74	2(87)
3	Kirloskar Corrocoat Private Limited Udyog Bhavan, Tilak Road, Pune - 411 002	U28920PN2006PTC022240	Subsidiary	65	2(87)
4	Kirloskar Brothers International B.V. Haaksbergweg 71, 1101 BR, Amsterdam, The Netherlands	Foreign Company	Subsidiary	100	2(87)
5	Kirloskar Pompen B.V. Rooswijkweg 7, 1951 MH Velsen-Noord, The Netherlands	Foreign Company	Subsidiary of Kirloskar Brothers International BV	100	2(87)

Sl. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
6	Rodelta Pumps International B.V. Enschedesestraat 234, 7552 CM Hengelo, Netherlands	Foreign Company	Subsidiary of Kirloskar Pompen B.V.	100	2(87)
7	Rotaserve B.V. Rooswijkweg 7-9, 1951 MD Velsen-Noord, The Netherlands	Foreign Company	Subsidiary of Kirloskar Pompen B.V.	100	2(87)
8	SPP Pumps Ltd. 1420 Lakeview, Arlington Business Park, Theale, Reading, Berkshire, England RG7 4SA	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
9	SPP France SAS 2, Rue Chateau d'Eau, 95450 US, France	Foreign Company	Subsidiary of SPP Pumps Ltd.	100	2(87)
10	SPP Pumps Inc. 6716 Best Friend Road, Norcross, GA, USA 30071	Foreign Company	Subsidiary of SPP Pumps Ltd.	100	2(87)
11	SPP Pumps Real Estate LLC 6716 Best Friend Road, Norcross, GA, USA 30071	Foreign Company	Owned by SPP Pumps Inc.	100	2(87)
12	Syncroflo Inc. 2905 Pacific Drive, Norcross, GA, USA 30071	Foreign Company	Owned by SPP Pumps Inc.	100	2(87)
13	Rotaserve Limited The Poynt, 45 Wollaton Street, Nottingham, Nottinghamshire, NG1 5FW, United Kingdom	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
14	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)
15	Kirloskar Brothers (Thailand) Limited 193/118 Lake Rajada Office Complex, 28th Floor, Ratchadapisek Road, Klongtoey, Bangkok - 10110, Thailand	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
16	SPP Pumps (Asia) Co. Limited 193/118 Lake Rajada Office Complex, 28th floor, Ratchadapisek Road, Klongtoey Sub-district, Klongtoey District, Bangkok.	Foreign Company	Subsidiary of Kirloskar Brothers (Thailand) Ltd.	100	2(87)
17	SPP Pumps (Singapore) Pte. Limited 20 Maxwell Road, # 09-17, Maxwell House, Singapore (069113)	Foreign Company	Subsidiary of SPP Pumps (Asia) Co. Ltd.	100	2(87)
18	Micawber 784 (Proprietary) Limited Corner of Horn & Brine Street, Chloorkop – Kempton Park, Gauteng, 1620, South Africa	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
19	Kirloskar Brothers International (Pty) Limited Cnr Horne & Brine Ave, Chloorkop Ext 1, Kempton Park, Gauteng, South Africa,	Foreign Company	Subsidiary of Kirloskar Brothers International B.V.	100	2(87)
20	Braybar Pumps (Proprietary) Limited Corner of Horn & Brine Street, Chloorkop – Kempton Park, Gauteng, 1620, South Africa	Foreign Company	Subsidiary of Kirloskar Brothers International (Pty) Ltd.	100	2(87)
21	SPP Pumps (South Africa) (Pty) Limited P.O. Box 8483, Edleen, Corner of Horne & Brine Street, Chloorkop – Kempton Park, Gauteng, 1625 South Africa	Foreign Company	Subsidiary of Kirloskar Brothers International (Pty) Ltd.	100	2(87)
22	Kirloskar Brothers International Zambia Limited Unit B Counting House Square, Thabo Mbeki Road Lusaka	Foreign Company	Subsidiary of Kirloskar Brothers International (Pty) Ltd.	99.9	2(87)
23	Kirloskar Ebara Pumps Limited Pride Kumar Senate Building, Senapati Bapat Road, Pune – 411016	U29120MH1988PLC045865	Associate	45	2(6)
24	KBL Synerge LLP Udyog Bhavan, Tilak Road, Pune - 411 002	AAH-2867 (LLPIN)	Associate	--	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>									
<b>(1) Indian</b>									
a) Individual/HUF	32,541,987	0	32,541,987	40.98	32,634,387	0	32,634,387	41.10	0.12
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	24.34	19,329,956	0	19,329,956	24.34	0.00
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other....	0	0	0	0.00	0	0	0	0.00	0.00
<b>Sub-total (A) (1):-</b>	<b>51,871,943</b>	<b>0</b>	<b>51,871,943</b>	<b>65.32</b>	<b>51,964,343</b>	<b>0</b>	<b>51,964,343</b>	<b>65.44</b>	<b>0.12</b>
<b>(2) Foreign</b>									
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>51,871,943</b>	<b>0</b>	<b>51,871,943</b>	<b>65.32</b>	<b>51,964,343</b>	<b>0</b>	<b>51,964,343</b>	<b>65.44</b>	<b>0.12</b>
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds	4,136,750	0	4,136,750	5.21	3,707,643	0	3,707,643	4.67	(0.54)
b) Banks / FI	5,332	85,811	91,143	0.11	12,429	85,811	98,240	0.12	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	3,358,285	2,250	3,360,535	4.23	(0.15)
g) FIs	2,770,189	0	2,770,189	3.49	97,635	0	97,635	0.12	(3.37)
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)									
Foreign Portfolio Investor	1,106,991	0	1,106,991	1.39	1,139,933	0	1,139,933	1.44	0.04
<b>Sub-total (B)(1):-</b>	<b>11,499,723</b>	<b>88,061</b>	<b>11,587,784</b>	<b>14.59</b>	<b>8,315,925</b>	<b>88,061</b>	<b>8,403,986</b>	<b>10.58</b>	<b>(4.01)</b>
<b>2. Non-Institutions</b>									
<b>a) Bodies Corp.</b>									
i) Indian	2,791,161	11,972	2,803,133	3.53	3,068,494	11,972	3,080,466	3.88	0.35
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
<b>b) Individuals</b>									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	6,882,405	4,118,117	11,000,522	13.85	7,973,797	3,994,800	11,968,597	15.07	1.22
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	1,537,014	318,171	1,855,185	2.34	2,300,089	318,171	2,618,260	3.30	0.96
<b>c) Others (specify)</b>									
- NRI	185,398	54,518	239,916	0.30	685,367	54,518	739,885	0.93	0.63
- Clearing members	50,443	0	50,443	0.06	112,979	0	112,979	0.14	0.08
HUF	225,517	0	225,517	0.28	508,823	0	508,823	0.64	0.36
Foreign nationals	4,792	0	4,792	0.01	4,792	0	4,792	0.01	0.00
Trusts	0	6,795	6,795	0.01	0	6,795	6,795	0.01	0.00
<b>Sub-total (B)(2)</b>	<b>11,446,421</b>	<b>4,502,778</b>	<b>15,949,199</b>	<b>20.08</b>	<b>14,654,341</b>	<b>4,386,256</b>	<b>19,040,597</b>	<b>23.98</b>	<b>3.89</b>
<b>Total Public Shareholding(B) = (B) (1) + (B) (2)</b>	<b>22,946,144</b>	<b>4,590,839</b>	<b>27,536,983</b>	<b>34.68</b>	<b>22,970,266</b>	<b>4,474,317</b>	<b>27,444,583</b>	<b>34.56</b>	<b>(0.12)</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>74,818,087</b>	<b>4,590,839</b>	<b>79,408,926</b>	<b>100.00</b>	<b>74,934,609</b>	<b>4,474,317</b>	<b>79,408,926</b>	<b>100.00</b>	<b>0.00</b>

Note: % 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 #	17,436,733	21.96	0.00	17,529,133	22.07	0.00	0.12
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	441,705	0.56	0.00	0.01
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	0.00	0.00	0.00	(0.01)
8	Mrinalini Shreekant Kirloskar	13,781	0.02	0.00	13,781	0.02	0.00	0.00
9	Pratima Sanjay Kirloskar	13,760,488	17.33	0.00	13,760,488	17.33	0.00	0.00
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	23.91	0.00	18,988,038	23.91	00.00	0.00
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 Private Limited	72,247	0.09	0.00	72,247	0.09	0.00	0.00
	<b>Total</b>	<b>51,871,943</b>	<b>65.32</b>	<b>0.00</b>	<b>51,964,343</b>	<b>65.44</b>	<b>0.00</b>	<b>0.12</b>

Note: Shares held by Late Ms. Neeta Achyut Kulkarni were transferred to Mr. Gautam Achyut Kulkarni by way of transmission dated 16.07.2016.

- # Out of these, Mr. Sanjay C. Kirloskar holds 15,812,118 (15,812,118) equity shares in the individual capacity, 1,714,000 (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
- ## Out of these, Mr. 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, Mr. 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, Mr. 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	51,871,943	65.32	51,871,943	65.32
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 04, 2016	41,500	0.05	51,913,443	65.37
September 01, 2016	50,000	0.06	51,963,443	65.44
September 02, 2016	900	0.00	51,964,343	65.44
At the End of the year			51,964,343	65.44

**(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	2,762,605	3.48	NA*	NA
2	Reliance Capital Trustee Co. Limited	3,682,376	4.64	3,048,201	3.84
3	ICICI Prudential Life Insurance Company Limited	1,957,360	2.46	1,957,630	2.47
4	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	Warburg Value Fund	1,000,000	1.26	1,000,000	1.26
7	The Oriental Insurance Company Limited	536,806	0.68	409,240	0.52
8	Kotak Emerging Equity Scheme	454,374	0.57	458,066	0.58
9	Dhanesh S Shah	343,003	0.43	343,003	0.43
10	Kiran Navinchandra Asher	NA*	NA	300,000	0.38
11	Arun Nahar	NA*	NA	284,000	0.36
12	Kala Hiralal Doshi	200,000	0.25	200,000	0.25

\*Not constituting part of top ten shareholders for the respective years.

(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 C. Kirloskar#	17,436,733	21.96		
	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):				
	April 04, 2016	41,500	0.05	17,478,233	22.01
	September 01, 2016	50,000	0.06	17,528,233	22.07
	September 02, 2016	900	0.00	17,529,133	22.07
	At the End of the year			17,529,133	22.07
2	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
3	Padmakar S. 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
4	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
5	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
6	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
7	Kishor A. Chaukar				
	At the beginning of the year	0	0.00	0.00	0.00
	Increase/decrease during the year	0	0.00		
	At the End of the year			0.00	0.00
8	Chittaranjan M. Mate				
	At the beginning of the year	0	0.00	0.00	0.00
	Increase/decrease during the year	0	0.00		
	At the End of the year			0.00	0.00
9	Sandeep A. Phadnis				
	At the beginning of the year	0	0.00	0.00	0.00
	Increase/decrease during the year	0	0.00		
	At the End of the year			0.00	0.00

# Out of these, Mr. Sanjay C. Kirloskar holds 15,812,118 (14,238,720) equity shares in the individual capacity, 1,714,000 (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



## V. INDEBTEDNESS

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

(Amounts in Million ₹)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	2,067.17	481.73	-	2,548.90
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	2,067.17	481.73	-	2,548.90
<b>Change in Indebtedness during the financial year</b>				
Addition	277.63	1,135.53	-	1,135.53
Reduction	1,789.54	-	-	1,789.54
Net Change	1,789.54	1,135.53	-	(654.01)
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	277.63	1,617.26	-	1,894.89
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	277.632	1,617.260	-	1,894.89

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Amounts in Million ₹)

Sl. No.	Particulars	Name of MD/WTD/Manager	
		Sanjay C. Kirloskar Managing Director	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	9.00	9.00
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	3.82	3.82
	(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	30.00	30.00
	- others, specify		
5	Others, please specify		
	Total (A)	42.82	42.82
	Ceiling as per the Act (5% of the Net Profit as on 31 <sup>st</sup> March, 2017 is considered since there is no Executive Director other than Managing Director)		43.82

**B. Remuneration to other directors**

(Amounts in Million ₹)

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	0.90	0.60	0.90	1.28	0.75	4.43
Commission	1.00	1.00	1.00	1.00	1.00	5.00
Others, please specify: Professional fees	1.00	-	-	-	-	1.00
<b>Total (1)</b>	<b>2.90</b>	<b>1.60</b>	<b>1.90</b>	<b>2.28</b>	<b>1.75</b>	<b>10.43</b>

Other Non Executive Director		
Name of the Director	Alok S. Kirloskar	Total (1+2)
Fee for attending board / committee meetings	0.45	4.88
Commission	1.00	6.00
Others, please specify	0	1.00
<b>Total (2)</b>	<b>1.45</b>	<b>11.88</b>

<b>Total Managerial Remuneration</b>	<b>48.82</b>
<b>Overall Ceiling as per the Act</b>	<b>51.99</b>


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

(Amounts in Million ₹)

Sl. No.	Particulars	Name of Key Managerial Personnel		
		Chittaranjan M. Mate (Chief Financial Officer)	Sandeep Phadnis (Company Secretary)	Total
1	Gross salary	4.41	2.89	7.30
	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	0.06	-	0.06
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961			
2	Stock Option			
3	Sweat Equity			
4	Commission			
	- as % of profit			
	- others, specify			
5	Others, please specify			
	Total (C)	4.47	2.89	7.36

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

Sl. 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)
A.	COMPANY					
	Penalty					
	Punishment					
	Compounding					
B.	DIRECTORS					
	Penalty					
	Punishment					
	Compounding					
C.	OTHER OFFICERS IN DEFAULT					
	Penalty					
	Punishment					
	Compounding					

Nil

---

## 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.

---

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 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:**

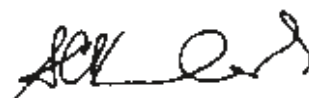
The Company may take Directors & Officers liability insurance or such insurance of like nature for indemnifying any of the Directors or its KMP against any liability in respect of any negligence, default, misfeasance, breach of duty or trust for which they may be guilty in relation to the Company, the 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**

- Installation of Screw compressor at Foundry shop
- Installation of LED lighting in manufacturing area
- Installation of LED street lights by replacing Metal halide
- Installation of Power Saver for lighting
- Use of Battery operated tools in place of pneumatic tools for assembly of pumps
- Replacement of motors with new series energy efficient motors
- Use of cold washing chemical in place of hot washing chemical.

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

- Increased the contribution of renewable energy from 30% to 45 % (1 MW solar power + 2.5MW wind power) at Dewas Plant
- Kirloskarvadi Plant shares major source of energy through wind generators and solar power
- Installed 68.25kWp Roof Top Solar Plant at Corporate office
- Initiated installation of Roof Top Solar Plant with capacity 1.5MW at Kirloskarvadi Plant, 190 kWp at Kondhapuri Plant and 550 kWp at KEPL Plant site.

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

- Installation of Screw compressor at Foundry shop & replacement of Pneumatic Line (2.5 Mn)
- Installation of Energy efficient water cooler (0.32 Mln)
- Installation of LED street lights (0.49Mln)
- Installation of LED lights in manufacturing shop (0.27Mln)
- Investment made for installation of Rooftop Solar Plant at Corporate office and at various manufacturing plant locations (103.69 Mln).

**(B) Technology absorption:**

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

- Development of Bottom suction split case pumps
- Development Metallic Volute pumps for Irrigation
- Development of Large VT pumps with Pullout arrangement
- FM/UL testing of New Thrubore version of Hydrostream pumps
- Development of Shut Down Cooling Pump for Nuclear power plant
- Development of 2000 mm Multi door non return valve – Largest valve developed by weight.



- Development of 1000 mm Knife Edge Gate Valve – Largest till date.
- Development of 1200 mm Flap valve, 700 mm turbine inlet valve
- Development of 80 mm & 100 mm Sluice Valve (Rising), PN25
- Development of 200, 550 mm Butterfly Valve, Pn16
- Development of 2", 3", 4" & 6" Gate Valves, CL150

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

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

(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) <b>Expenditure incurred on Research and Development</b>	<b>(Amounts in Million ₹)</b>
Revenue expenditure	221.93
Capital Expenditure	59.68
<b>Total</b>	<b>281.61</b>

(C) <b>Foreign Exchange earnings and outgo</b>	<b>(Amounts in Million ₹)</b>
Foreign Exchange earned in terms of actual inflows during the year	1651.25
Foreign Exchange outgo during the year in terms of actual outflows	840.59



**Annexure IV**  
**ANNUAL REPORT FOR CORPORATE SOCIAL RESPONSIBILITY (CSR)**  
**ACTIVITIES FOR THE FINANCIAL YEAR 2016-17**

(Amounts in Million ₹)

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 is education. The implementing agency viz. Vikas Charitable Trust has 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	₹ 365.80 Mln
4	Prescribed CSR Expenditure (2% of amount as in item 3 above)	₹ 7.32 Mln
5	Details of CSR spent during the financial year:	
	Total amount to be spent for the year:	₹ 7.32 Mln
	Amount unspent, if any	NIL
	Manner in which the amount spent during the Financial Year is detailed in as below	

1	2	3	4	5	6		7	8
S. 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
1	*Expenses towards Infrastructure for Educational Institution	Education	A/P - Kirloskarvadi, Tal - Palus, Dist -Sangli. State - Maharashtra	2.00	1.96	0	1.96	1.96
2	*Roof Renovation & other repairing work of Kirloskar Bal Vikas Mandir, Vidyalaya, High School & Junior College, Kirloskarvadi	Education	A/P - Kirloskarvadi, Tal - Palus, Dist -Sangli. State - Maharashtra	0.96	0.96	0	0.96	0.96
3	*Expenses towards Infrastructure for Educational Institution	Education	A/P - Kirloskarvadi, Tal - Palus, Dist -Sangli. State - Maharashtra	2.57	2.57	0	2.57	2.57
4	Ramnagar and Kundal Grampanchayat	Education and Health	Various activities under Education, Healthcare etc for Village Ramnagar & Village Kundal	1.83	1.83	0	1.83	1.83
				7.35	7.32	0	7.32	7.32

\* Amount spent through implementing agency – Vikas Charitable Trust

6	In case the Company has failed to spend two percent of Average Net Profit of last three financial years or any part thereof the Company shall provide the reasons for not spending the amount: NA
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  
Chairperson CSR Committee

Date : May 17, 2017

## 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	Managing Director – 17 : 1 Non-Executive Directors – 1.25: 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 – 249.10 % Chief Financial Officer – 14.5% Company Secretary – 8 %
(iii)	the percentage increase in the median remuneration of employees in the financial year	Average increase remuneration (15.67%)
(iv)	the number of permanent employees on the rolls of company	Staff - 1,444 Workmen – 947
(v)	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.(ii) and (iii); Percentage increase in Managerial Remuneration for Managing Director is on account of increase in Commission as a percentage of Profits for the current year.
(vi)	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	₹ 42.82 Mln	Contractual	Bachelor of Science (M.E), Illinois Inst. of Tech. USA	02.05.1983	60 Years	Kirloskar Cummins Limited, Pune	22.07 (#17,529,133)	Yes	Mr. Alok Kirloskar

# Out of these, Mr. Sanjay C. Kirloskar holds 15,812,118 equity shares in the individual capacity 1,714,000, 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.

\* Position as on March 31, 2017

---

**Annexure VII**  
**Form No. MR - 3**  
**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, 2017

To,  
The Members of,  
KIRLOSKAR BROTHERS LIMITED  
(CIN: L29113PN1920PLC000670)  
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 as "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 authorised 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 March, 2017 complied with the applicable 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 March, 2017 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;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable: -
  - (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, 2015;
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - (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;



- (f) The Securities and Exchange Board of India (Registrars to an 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;
- (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; and
- (l) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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

- (i) Secretarial Standards pursuant to Section 118(10) of the Act, issued by the Institute of Company Secretaries of India.
- (ii) Listing Agreements entered into by the Company with BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the applicable 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, non-Executive and independent directors. There is no change in the composition of the Board of Directors during the period under review.

Adequate notice is given to all directors to schedule the Board Meetings, along with agenda and detailed notes on agenda 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 by the Directors. The decisions were carried unanimously.

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.

During the year under report, the Scheme of Amalgamation of Kirloskar Systech Limited with the Company was approved by the High Court of the Judicature at Bombay on September 29, 2016 and the said scheme was made effective on November 10, 2016.

I further report that during the audit period there was no other event/action having major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.

**Shyamprasad D. Limaye**

FCS No. 1587

C P No.: 572

Pune : May 17, 2017

## MANAGEMENT DISCUSSION AND ANALYSIS 2016-17

### World Economic Outlook

As compared to the previous year, in 2016, the global GDP grew at a lesser pace.

According to IMF's latest world economic outlook released in April 2017, growth in global output in 2016 was restricted to 2.42%. This was 0.27% lesser than that in 2015. Meanwhile the average consumer price index inflation grew from 2.78% in 2015 to 2.83% in 2016.

World Bank too identified three factors (stagnant global trade, subdued investment and heightened policy uncertainty) for the lower than expected performance of world economy.

Reviving signs of economic activities observed in the second half of 2016 might help in achieving higher growth rate in 2017. On the other hand, tightening of financial conditions in Emerging Markets and Developing Economies (EMDE) may create hurdles. Furthermore, the Brexit process may hinder the economic growth of Europe, especially the United Kingdom.

In 2016, the crude oil prices began to improve; this may enhance economy of the Middle East and other oil producing countries but could impose pressure on many of the importing countries. Crude oil prices are expected to continue to rise in 2017 as well.

### Indian Economic Outlook

India has retained its image and position as one of the fastest growing economy in 2016-17. Basis the IMF estimates (refer world economic outlook released in April 2017), India witnessed a GDP growth of around 6.83% despite uncertainty in the world economy. This is expected to be little lower than the last year. The key driving factors for this growth rate were structural reforms by the government, growth in private consumption at market prices, advancement in

economic activities leading to higher industrial output and increase in agricultural spending.

Agriculture and government spending continues to strongly support the GDP growth. Normal monsoon and the resultant favourable Kharif crop production boosted agriculture growth at an impressive rate of 6% in Q3 2016-17 as compared to the subdued 3.8% growth rate in the previous quarter. As per the Department of Agriculture and Cooperation statistics, the Kharif and Rabi crop production during the last fiscal year increased by 9.9% and 6.8%, respectively. Conversely, in the previous year, the agricultural sector witnessed 2.3% (Kharif) and 2.0% (Rabi) decline in its growth rate.

The industrial output also grew from 5.1% to 6.6% in Q3 2016-17. Private consumption (basis market prices) grew by 10.1% in Q3 2016-17 as compared to 5.1% in the previous quarter. The government also played an important role in maintaining the GDP on the higher side by posting a growth of final consumption expenditure (FCE), which rose from 15.2% in Q2 2016-17 to 19.9% in Q3 2016-17.

India's foreign exchange reserves increased by 2.8% in the last fiscal year. Thus, with increase of USD 10.2 billion, the country's foreign exchange reserves stood around USD 370 billion by the end of March 2017. The consumer price inflation averaged at 5.1% in 2016 as against 4.9% in 2015.

According to Nomura, the RBI's efforts to cut inflation may involve reducing repo rates by cutting the existing rates by 25 BPS in Q1 2016-17. This may bring average inflation down to 4.9% in first half of 2017.

### Global Pump Market

According to market research company Technavio, the global pump market grew by 4.8% in 2016. Thus, in 2016, the global pump market stood at USD 44.4 billion. The global market is expected to expand at a CAGR of 5% till 2020.





Growing population and urbanisation has had a compounding impact on water and water management requirements. In addition, optimum use of water in pharmaceuticals, food & beverages and the power sectors has been one of the major driving factors for the growth of the global pump market.

### Indian Pump Market

In 2016, the Indian Government, through its union budget, increased its spending on the rural, social and infrastructure sectors. Schemes like allocation of irrigation funds worth ₹ 20,000 crores under National Bank for Agriculture and Rural Development ('NABARD'), and budget allocation of ₹ 36,000 crores for farmers' welfare provided a renewed impetus to the confidence of rural consumers. Furthermore, fund allocation of ₹ 2,21,246 crores for infrastructure development benefitted the construction and allied industries. All this indicates good consumer demand for pumps in coming years.

The presence of a stable government and its bold growth related steps have strengthened investors' confidence. In 2016, we saw improvements in macro-economic parameters. This lessened pressure on currency prices, leading to its stabilisation. This further boosted the confidence of the Indian manufacturing industry.

According to European Industrial Forecasting Ltd, in 2016, the overall pump market in India was valued approximately at USD 2.5 billion.

### Strategy and Policy

The strategy to have a central project execution cell for all on-going projects related to the water, power and irrigation sectors has yielded expected results. Periodic detailed reviews across the value chain have helped to identify hurdles, have pre-emptive plan in place, optimise the allocation of necessary inputs and integrate them to meet the scheduled milestones. This year, we have successfully closed 9 projects physically and 30 projects financially.

The well-planned organisational structure of the Small Pump Business (SPB) division has helped bring in the required customer centricity and alignment with support functions and plants. The results are visible through the double-digit growth achieved during fiscal 2016-17 by the SPB division.

In pursuit of addressing the industrial customer requirement for specific pumps for niche process applications, during fiscal 2016-17, we launched our air-cooled thermic fluid process pumps. This series is suitable for handling hot water and other high temperature liquids, such as mineral-based oils and synthetic heat transfer fluids up to 350°C. This pump dimensionally conforms to EN 22858 (DIN 24256). The pump is foot-mounted for a given temperature range.

In 2016-17, we developed various valves for water supply and hydel turbine inlet applications. These included 1200 mm resilient seated sluice valve (PN 20), 700 mm PN 40 turbine inlet valve, double seal butterfly valves, 2000 mm multi-door non-return valve (PN 2.4), etc. Optimisation of the entire product basket through the VA/VE approach has been a continuous process in KBL.

As planned, we have created a dedicated state-of-the-art facility for packaging of HYPN [Pressure Boosting (Hydro Pneumatic) System] units. Through this facility, we now offer packages with minimum lead-time, meeting the expected high quality standards for various applications in the Building & Construction (B&C) and general industries.

### International Business Strategy

The strategy with higher emphasis on value added products has brought in success in the form of large orders for tailor-made pumps required in water supply and irrigation projects. In addition, establishment of a new global structure with better cross border synergies across all KBL offices/subsidiaries helped in bagging contracts from a global clientele spread across continents.



---

KBL, through its subsidiaries, is creating regional manufacturing base in the ASEAN region to expand its presence across AEC (Asian Economic Community). This facility is being created in Thailand to further cement our base in the Far East market. Focus on export business has helped us maintain our export revenues in the slow global economic environment. We were also able to repeat our success stories on our funded projects in Asia, East Africa and South America. Besides, we plan to continue to work closely with government bodies of developing countries.

### **Sustainability and Growth Initiatives**

KBL has broadened its focus on sustainability and accountability in business performance beyond financial performance alone. The Global Reporting Initiative(GRI) produces a comprehensive Sustainability Reporting Framework that is widely used around the world. We report our sustainability performance in our Annual Sustainability Report, which is based on the guidelines in accordance with the Sustainability Reporting Framework to enable greater organisational transparency. We have extended our scope of reporting framework to KBL's subsidiaries from this year. The report will cover the performance of five KBL plants, corporate office and three KBL subsidiaries in India.

Measuring and monitoring sustainable development in the form of indicators, such as energy, water and materials, has grabbed major global attention. KBL's manufacturing plants utilise renewable energy sources such as wind and solar power. 36% of Kirloskarvadi factory's electrical energy requirement is met using renewable energy sources. Meanwhile, 45% of the electrical energy used at Dewas plant is generated from wind and solar energy sources.

#### **a) People**

We focus on social bottom line of business and maintaining low employee attrition rate. We ensure that

all our steps benefit our employees as well the community around us by recognising the values of our diverse workforce. Human Resource (HR) managers of KBL are not just concerned about providing adequate compensation to their workers, but also about creating a safe and pleasant working environment and helping employees find value in their work. KBL practices Social Accountability guidelines and abides by international/ local labour laws as part of our commitment to provide the best work environment to our stakeholders. Our corporate office as well as Kirloskarvadi, Dewas, Sanand, Kaniyur and Kondhapuri plants have implemented the SA 8000 management system and have been certified by an external certification body.

#### **b) Planet**

KBL takes all the possible measures to refrain from any activities that could harm the environment and looks for ways to reduce any negative impacts that its operations may have on the ecosystem. We ensure that we control our energy and water consumption and take the necessary steps to reduce our carbon emissions. We go beyond these basic measures by taking advantage of other alternate means, such as wind power and solar power, for achieving sustainable development. Materials extracted are used by applying sustainable methods and techniques. Many of these practices actually increase our Company's profitability while contributing to the health of our planet. We have also taken actions to reduce impact of our products and services on the environment.

Every year, KBL organises Energy Conservation (ENCON) competition between our respective manufacturing plants to encourage them to reduce specific energy consumption. KBL regularly reviews its energy performance and has been widely recognised for its achievements in energy conservation.



### c) Profit

The cornerstone of our strategy is the continuous improvement of our successful business model. We focus on achieving growth in existing markets as well as across existing sectors by attaining organic growth, business development and by rolling out success stories across all regions. Maximising employee and customer satisfaction, partnering with suppliers for mutual gain and being accountable for actions to the society in general is as important as making profit. We have been undertaking various customer focussed initiatives which in turn have led to increased levels of customer satisfaction.

### Information Systems

During 2016-17, we further strengthened our business development activities through vigorous pipeline management system. It provides the individual sales managers an interface for effective case and task management. The sales manager can more effectively utilise the available resources and ensure faster support to the customers.

Considering GST implementation, we have done the necessary changes in our system and are now GST ready. We have undertaken series of training programmes within the organisation as well as across our vendor base for effective, smooth transition to the new tax structure.

The SAP CRM tool has been leveraged through our authorised service dealers for immediate registration and effective time bound resolution of the complaints, thereby helping us achieve higher customer satisfaction.

### Quality Assurance

Continuous improvement is important to achieve desired result; this is achieved by adhering to set processes, systems and consistently improving them

over a period of time so that the latest manufacturing tools can be used to refine the processes regularly. Following significant initiatives were taken to strengthen our commitment to deliver best products to our customers.

- a. Formed a Customer Voice team to ensure that all the requirements of the customer are addressed and that the product is delivered in the best conditions, which will guarantee complete user satisfaction.
- b. Implemented digital offline control of critical quality processes like impeller balancing and heat treatment, thereby making remote access possible from anywhere around the world.
- c. Continued product audits to ensure that the quality of outgoing products is in accordance with the defined standards, customer expectations and process requirement.
- d. Standardised site storage infrastructure to preserve the high value items properly at project sites.
- e. Conducted outbound training of the entire quality team to improve team work, analytical, behavioural and communication skills. This will also help everyone to understand the environment we are working in and address organisational challenges.

### Risks and Concerns

The Company continuously identifies and assesses impact of various risks on its business. The Risk Management Committee discusses and prioritises actions required to mitigate risks. The Company has identified risk owners and their teams. Root causes, action plans and key performance indicators for all these risks have been clearly outlined. Some risks witnessed a reduction in their levels, indicating that the mitigation actions were yielding results as perceived by senior leaders.

## Water Resource Management

Projects such as AMRUT Yojana & Smart City are expected to drive demand for water supply solutions. In fiscal 2016-17 major Waste Water Management projects are expected to be tendered from metro cities (i.e. Mumbai, Chennai and Kolkata). Many water grid projects are expected to be executed in Andhra Pradesh, Telangana and Rajasthan in this Financial Year. Scope for replacement and rehabilitation projects seems to be promising.

We are focusing on Auto Prime and Concrete Volute Pumps (CVPs) for flood control schemes and LLC design for ESCO and 24 X 7 water pumping schemes.



Concrete Volute Pump (CVP)

## Irrigation

Fiscal 2016-17 has been a good year for the irrigation project related business. The sales grew by 33%, while its order booking rose by 140% over annual targets.

The Irrigation business is now spread evenly amongst a larger base of EPCs. As a result, we are now able to concentrate our efforts towards achieving better results. Nowadays, the pre-qualification criteria for various project/tenders are being successfully worked out to incorporate high technology products such as metallic volute pumps.

Presence of a stable government and formulation of favourable policies have been conducive for the infrastructure sector and related projects. During 2016-17, the irrigation sector continued to adopt "Selective Projects and Tenders" strategy, which helped it achieve a positive YoY growth.

## Power

The Power sector is undergoing a significant change. Total installed capacity of power stations in India stood at 315.42 GW as of February 28, 2017. The government further added 8.5 GW of conventional generation capacity during April 2016-January 2017. Power business in the thermal segment is now being addressed primarily through EPCs. As a result, we are now focussing on channelising our efforts towards incorporating our value added products, such as CVPs and LLC series pumps, in the technical specifications of the various project/tenders floated by the end-users.



Pump as Turbine (PAT)

## Industry

The Industry sector catering to clients from the manufacturing & allied industries recorded annual growth of around 16%. Over the period, sales of KBL's process application pumps grew by 30%. During the last fiscal year, we added 69 new customers to our customer base. They contributed 14% of the total revenue.

To strengthen our relationship with relevant stakeholders and increase our market reach, we conducted 50 seminars for high potential customers/consultants all across the country. This led to acquisition of 100+ new customers.

Besides, last year, KBL's canned motor pumps were registered under Association of Ammonia Refrigeration.



Canned Motor Pump (i-CM)



Fire-fighting Pump (FM/UL)

### Oil & Gas

The sales grew by 55% over the last year. This was in spite of the fact that in 2016-17, no Greenfield projects were taken up for execution while the Brownfield projects showed dismal execution.

Over the period, we bagged orders for firefighting pump sets from new EPC contractors.

We observed positive movement in our upstream segment, due to the declaration of investment running up to ₹ 50,000 crores by ONGC. Projects like Sagar Pragati, SH platform & the redevelopment of NH platform picked up speed in 2016-17. These are expected to create considerable number of growth opportunities for our firefighting, sea-water lifting and general purpose pumps that we can offer from our SPP range of pumps.

### Building & Construction

Over the period, the major focus has been on value added products which accounted for more than 1/3<sup>rd</sup> of the business. In addition, the Hydro-Pneumatic (HYPN) business has been yielding higher customer demand than previous year. More importantly, we successfully executed an order for containerized fire set (complete pump room within a container) with 100% in-house design and engineering.

### Marine & Defence

KBL is proud to be associated with the Hypersonic Wind Tunnel facility commissioned recently by ISRO (Indian Space Research Organisation) at Vikram Sarabhai Space Centre (VSSC), Trivandrum. This is an indigenous 'Made in India' project intended at facilitating design and development of space transportation systems in the country. KBL has carried out the design, supply, erection and commissioning of cooling piping system for this facility. In view of his efforts, the concerned KBL employee was felicitated by Dr. A. S. Kiran Kumar, ISRO Chairman.



KBL employee felicitated by Dr. A.S. Kiran Kumar, ISRO, Chairman

### Valves

Fiscal 2016-17 has been an important year for the valves business.

The valves business of KBL grew by around 50% over

the last year. Approx. 80% of the revenue was generated through repeat orders from existing customers, which further signified our customers' high level of trust on KBL. In addition, more than 40 new customers were added.

Moreover, in 2016-17, due to its special focus and attention on its channel network, the valves sector achieved annual growth of 25% in channel sales.

Also, during the last Financial Year, the valves business set the record for designing, manufacturing, and delivering one of India's largest Multi-Door Non-Return valve (of diameter 2000 mm) for Greater Mohali Area Development Authority (GMADA) in Punjab.



Multi-Door Non-Return Valve (MDNRV)

### Small Pumps Business (SPB)

Economic survey tabled in parliament by Union Ministry of Finance forecasts a growth rate of 6.75% - 7.5 % for fiscal 2017-18. As per this survey, in 2016-17, the agriculture and allied sectors are estimated to expand at a rate of 4.1% while the industrial sector is estimated to expand at a moderate pace of 5.2%. With the advent of GST, there will be a common Indian market which will boost investment and growth.

Demonetisation holds the potential to offer long-term benefits. Among other benefits like clean businesses, greater digitalisation of the economy, etc., the greatest benefit would be the large scale formalisation of the economy.

Supportive government policies and implementation of various initiatives intended at encouraging the application of solar pumping systems and energy efficient pumps are expected to provide a boost to the agricultural pumps market in India. KBL is empanelled with Ministry of New and Renewable Energy (MNRE) to work under NABARD's solar pump subsidy scheme in 29 states of India.

During the period, the channel business achieved sales revenue growth close to 15% in spite of demonetisation, with the SPB division registering growth in all its product groups, including solar pumping systems.



Energy Efficient Kirloskar Submersible Pumps

### Customer Service & Spares (CSS)

CSS works with the aim of achieving higher customer satisfaction and enhancing customer experience through proactive & reliable service support by ensuring availability of spare parts. The IT enabled spare part distributors & authorised service centres across India have helped us reach closer to our users and improve our Customer Satisfaction Index (CSI).

### Engineered Service Division (ESD)

Our Engineered Service Division continued with the retro-fitment/development of components for imported/obsolete pumps as part of the Prime Minister's 'Make in India' strategy, which was welcomed by various customers by way of repeat orders.





## Factories

### Kirloskarvadi

During 2016-17, the Kirloskarvadi plant's small & medium pumps and large pumps divisions achieved the best performance, manufacturing the highest ever number of pumps. The foundry division offered considerable support in achieving these production numbers by optimising their resources.

Effective coordination and communication between the team members and maintaining synergy with suppliers and subsidiaries have been the driving factors responsible for this achievement.

### Kondhapuri

During 2016-17, Kondhapuri plant was awarded with "Certificate of Excellence in Energy Conservation & Management" by Maharashtra Energy Development Agency (MEDA) at the 11<sup>th</sup> State Level Energy Conservation Awards. The plant also successfully achieved "GreenCo. Bronze Rating" under the Green Company Ratings in the last fiscal year.

On the planning and manufacturing front, the plant management took various steps to increase production capacity. This included channelizing efforts on higher size KBL products (such as 2000 mm MDNRV, 2800 mm and above size valves and flap valves). To further improve KBL's competitive advantage, the plant's production and testing lines were improved. This was further supported with various factory planning initiatives as well as quality improvement measures.

### Dewas

Dewas plant focussed on improving its capacity utilisation through production planning and by improving supply chain and productivity, which worked well for us. In this fiscal year, Dewas plant registered the record for producing and dispatching the highest number of units.

Besides, many other initiatives were undertaken by the plant for energy conservation and environment improvement. In fact, the plant has been certified for Energy Management System (ISO: 50001). During the fiscal 2016-17, the plant entered into a 1 MW solar power purchase agreement to minimise our carbon footprints and maximise cost savings. Thus, the contribution of renewable power increased from 32% to 46%.

### Sanand

During 2016-17, the Sanand plant recorded 35% growth in production volume over the last Financial Year. Continuous focus on improving quality of products has had a positive impact, as feedback from dealers and end-users has been affirmative.

Additionally, the Sanand plant has been certified for Energy Management System (ISO: 50001).

### Kaniyur

Our all-women Kaniyur plant increased its production capacity and production during the last Financial Year to cater to the higher demand from domestic markets and capture higher market share through better asset utilisation and by bringing improvements in the process, supply chain and quality.

During fiscal 2016-17, the plant's production was increased by 30%.

The plant participated in various external competitions and received three awards from QCFI Coimbatore Chapter and also received Regional Level II Distinguished and One Excellence Awards from National QCFI Competition 2016 held at Raipur.

The plant has been certified for Energy Management System (ISO: 50001).

## Research Engineering and Development

Our research and engineering activities are directed towards development of special pumps for nuclear applications.

During fiscal 2016-17, initiatives were taken for introducing vertical turbine pumps with submersible motors and range extension of i-CAN, thermic fluid pumps and submersible pumps for agriculture applications.

New areas in water and irrigation fields were addressed by developing metallic volute pumps, vertical turbine pumps, multi-door non-return valve and turbine inlet valve.



**Air-cooled Thermic Pump - AT**

## Global Marketing

In 2016-17, the marketing department undertook a number of initiatives to strengthen the company's brand image, create product awareness while reaching out to a larger customer base and generate business enquiries. By participating in leading Indian and international events, we successfully showcased our capabilities as a leading provider of various fluid management solutions across all industries. At the IFAT exhibition in Munich (Germany), we showcased one of the largest UPH pumps along with other innovative products like LLC pump and Auto Prime pump set. During 2016-17, KBL participated in a number of other prestigious events such as IFAT India, CLMV, Chemtech

and CII India-Africa conclave. During the last fiscal year, KBL also participated in many Kisan melas to promote our agricultural and domestic product range with special focus on showcasing our solar pumping solution.

Besides, we used various digital platforms as an ideal marketing vehicle for increasing our customer reach. In 2016-17, we also took efforts to improve our customer engagement through social media platforms. In addition, to increase our brand exposure and penetration across the rural markets, we undertook activities like van campaigns and wall paintings across various states of the country.



**KBL at IFAT Munich, Germany**

## Financial Performance

During 2016-17, revenue generated from operations was valued at ₹1,823 crores as against ₹1,721 crores in the previous year, registering a rise of 6%. Revenue figures are as per revised Accounting Standards (IND AS) applicable from 1<sup>st</sup> April 2016.

Revenue share of the project business remained at the same level as the previous year, i.e. 25%. However, this year, revenue generated by the project business from product sales rose to 67% from 63% recorded in the previous year.

During the period, KBL was selective in taking project orders, preferably opting to be an equipment seller on payment terms that were fair and reasonable. KBL also continued its policy of dispatching only against recovery of money for projects business.



Composite material cost as percentage to sales revenue reduced from 57.5% in the previous year to 54.8% in the current year.

Profit before interest and tax for the year was valued at ₹ 85 crores as against ₹ 46 crores in the previous year.

Total finance cost including bank charges stood at ₹ 32 crores as against ₹ 39 crores in the previous year.

For the year 2016-17, Profit Before Tax (PBT) was valued at ₹ 53 crores as against PBT of ₹ 7 crores in the Financial Year 2015-16.

The Net Current Assets have shown a reduction of ₹ 26 crores over the 2015-16. Our endeavour to improve the quality of the Balance Sheet continues.

Borrowings at the end of the year stood at ₹ 189 crores as against ₹ 253 crores recorded at the end of the previous year.

### Human Resource

The journey for organisational efficiency and effectiveness continued with special focus on enhancing plant level performance, enhancing project management skills and building future leadership pool. Project Execution function was created and manned with seasoned professionals to effectively and efficiently deliver the projects in hand within the scheduled time and cost.

The Company revisited its campus hiring process and has recruited talented young engineers from diverse cultures and specialties from across different regions of India. A professionally customised Support Level Development Programme (SLDP) was introduced to groom these budding talents and build the future leadership pipeline.

Talent acquisition has been another focus area for the organisation and efforts were being made to bring in the best talent into the organisation. Initiatives were being taken to strengthen our employer branding by creating more brand visibility as well as through competitive compensation & benefits and other HR policies.

We continued to reinforce KBL's values and ethics amongst our employees through regular workshops and self-certification programmes.

Many new internal communication channels for employees were introduced that enhanced organisational transparency and alignment with the organisational objectives. We are coming closer to a performance driven culture as our entire "Performance Management System" which got revamped last year has been institutionalised. Effective policy deployment/goal cascading has brought in enhanced accountability amongst the organisation's ranks and files.

During the period, the industrial relations scenario remained harmonious and peaceful at all manufacturing locations and almost all locations have surpassed all previous years' production records.

### Internal Control Systems

The Company has an Internal Audit Charter specifying the mission, scope of work, independence, accountability, responsibility and authority of the Internal Audit Department. Internal audits are regularly carried out as per the approved audit calendar and an Audit Programme 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 the internal controls. For this purpose, the Company has continued the practice of appointing professional firms of Chartered Accountants.

We have continued to set a higher benchmark for the audit process of the Company and its subsidiaries.

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 the 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, 2017, 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.

The shareholders have accorded their approval for re-appointment of Mr. Sanjay C. Kirloskar as the Managing Director for a period of 5 (Five) years up to November 18, 2020 in the last Annual General Meeting (AGM) of the Company which was held on July 21, 2016.

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

During the year under review, 6 (Six) Board meetings were held on the following dates:

April 18, 2016; May 10, 2016; July 21, 2016; October 26, 2016; January 27, 2017 and March 15, 2017.

None of the Directors on the Board hold 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. Necessary disclosures regarding Committee positions in other public companies as on March 31, 2017 have been made by the Directors. None of the Directors except Mr. Sanjay C. Kirloskar and Mr. Alok S. Kirloskar, son of Mr. Sanjay C. Kirloskar, are related to each other.

Independent Directors are non executive directors as defined under Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations, 2015') read with Section 149(6) of the Companies Act, 2013 ('the Act'). The maximum tenure of independent directors is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria as mentioned under Regulation 16(1)(b) of the SEBI Listing Regulations, 2015 read with Section 149(6) of the Act.

The above limits are determined as follows:

- the limit of the committees on which a director is 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 Act are excluded;
- for the purpose of determination of limit, chairpersonship and membership of only Audit and the Stakeholders' Relationship Committees are considered.

None of the Independent Directors are Independent Directors in more than 7 (Seven) listed companies. The Managing Director of the Company is serving as an Independent Director in one listed company.

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)	6	Present	7	0/2
Mr. Shrikrishna N. Inamdar	INED	6	Present	4	1/2
Mr. Padmakar S. Jawadekar	INED	6	Present	0	0/0
Mrs. Lalita D. Gupte	INED	6	Present	5	5/1
Mr. Pratap B. Shirke	INED	4	Present	13	0/0
Mr. Alok S. Kirloskar	NED (P)	6	Present	13	0/0
Mr. Kishor A. Chaukar	INED	6	Present	9	3/1

@ 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) All the relevant information suggested under Schedule II of the SEBI Listing Regulations, 2015 is furnished to the Board from time to time.



During the year under review, meeting of the Independent Directors was held on October 25, 2016. The Independent Directors, *inter-alia*, reviewed the performance of non-independent directors, Chairman of the Company and the Board as a whole.

Statement showing number of Equity Shares of (₹) 2/- each of the Company, held by the Non Executive Directors as on March 31, 2017:

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

The details of familiarisation programme imparted to the Directors are 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 SEBI Listing Regulations, 2015 read with Section 177 of the Act.

The terms of reference of the Audit and Finance Committee include the matters specified in Schedule II (Part C) of the SEBI Listing Regulations, 2015. 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 Act;
  - 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. Modified Opinion 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 the 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. Shrikrishna N. Inamdar - Chairman, Mr. Padmakar S. Jawadekar, Mr. Pratap B. Shirke and Mrs. Lalita D. Gupte. Mr. Shrikrishna N. Inamdar is an Independent Non Executive Director. Mr. Inamdar was present at the AGM of the Company held for the year 2015-16.

During the year, 5 (Five) Audit and Finance Committee meetings were held on, May 10, 2016; July 21, 2016; October 26, 2016; January 27, 2017 and March 15, 2017.

Attendance at Audit and Finance Committee meetings:

Member's Name	No. of Meetings attended	Member's Name	No. of Meetings attended
Mr. Shrikrishna N. Inamdar	5	Mrs. Lalita D. Gupte	5
Mr. Padmakar S. Jawadekar	5	Mr. Pratap B. Shirke	4

#### 4. Nomination and Remuneration Committee :

The Nomination and Remuneration Committee is constituted in compliance with the requirements under Regulation 19 of the SEBI Listing Regulations, 2015 read with Section 178 of the Act.

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.

The Committee comprises of Mr. Padmakar S. Jawadekar - Chairman, Mr. Shrikrishna N. Inamdar, Mrs. Lalita D. Gupte and Mr. Sanjay C. Kirloskar.

Mr. Padmakar S. Jawadekar is an Independent Non Executive Director. He was present at the AGM of the Company for the year 2015-16.

During the year, one Nomination and Remuneration Committee meeting was held on May 10, 2016.

Attendance at the meeting:

Member's Name	No. of Meeting attended	Member's Name	No. of Meeting attended
Mr. Padmakar S. Jawadekar	1	Mr. Shrikrishna N. Inamdar	1
Mr. Sanjay C. Kirloskar	1	Mrs. Lalita D. Gupte	1

#### Criteria for performance evaluation of Independent Directors

As required under Regulation 19 (4) & Schedule II Part D of the SEBI Listing Regulations, 2015 and in terms of the Act, 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, including its committees and individual directors. Evaluation Criteria includes ethical conduct, objectivity, value addition, participation, 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 Personnel. 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 remuneration of the KMP and Senior Management Personnel 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. Shrikrishna 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 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, KMP 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 the recommendation of Nomination and Remuneration Committee, the Board has also recommended a payment of commission to Non Executive Directors. There has been no payment apart from this to any Non Executive Director except to Mr. Shrikrishna N. Inamdar, purely on account of professional services.

Details of remuneration to Directors for the year 2016-17 are as follows:

(Amounts in Million ₹)

Name of Director	Sitting Fees	Commission / Bonus on Profits	Salary	Contribution to Statutory Funds	Perquisites	Others	Total
<b>Executive Directors</b>							
Mr. Sanjay C. Kirloskar	-	30.00	9.00	3.48	3.82	-	46.30
<b>Non Executive Directors</b>							
Mr. Shrikrishna N. Inamdar	0.90	1.00	-	-	-	1.00#	2.90
Mr. Padmakar S. Jawadekar	0.90	1.00	-	-	-	-	1.90
Mrs. Lalita D. Gupte	1.28	1.00	-	-	-	-	2.28
Mr. Pratap B. Shirke	0.60	1.00	-	-	-	-	1.60
Mr. Alok S. Kirloskar	0.45	1.00	-	-	-	-	1.45
Mr. Kishor A. Chaukar	0.75	1.00	-	-	-	-	1.75

# Approval is sought from the Shareholders at the ensuing AGM.

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 Act and rules made thereunder, including any amendments, modifications and re-enactments thereto and compliance of related provisions provided therein.

### Directors' Service Contract Details

Executive Director	Service Contract and Period	Severance Fees
Mr. Sanjay C. Kirloskar	Agreement dt. 16.11.15 Period: 19.11.15 to 18.11.20	Three years or unexpired period, whichever is less.

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

Mr. Sanjay C. Kirloskar (60 years) (DIN 00007885) is Executive Chairman and Managing Director who has been re-appointed as Managing Director of Kirloskar Brothers Limited with effect from November 16, 2015. He graduated with a Bachelor of Science degree in Mechanical Engineering from the Illinois Institute of Technology, Chicago in 1978. Mr. Kirloskar underwent practical training in a number of Kirloskar group companies.

Under his leadership Kirloskar Brothers Limited has become one of the leading pump companies in the world, catering to various sectors like Power, Industry, Irrigation, Water, Oil and Gas, Marine and Defence, Distribution, Hydro turbine and others.

He has promoted conservation of energy in the Kirloskar group to promote "Green industrialization" since 1989. He is a National Council Member of CII Western Region and Director of the India Resources Trust (WRI).

He also serves on the boards of Kulkarni Power Tools Limited, Kirloskar Ebara Pumps Limited, Kirloskar Proprietary Limited, Prakar Investments Private Limited, Asara Sales & Investments Private Limited, SPP Pumps Limited, UK and Kirloskar Brothers International B.V., the Netherlands.

He is a member of Nomination and Remuneration, Stakeholders Relationship and Corporate Social Responsibility Committees of the Board of Directors of the Company. He is also a Chairman of Audit Committee, Member of Nomination and Remuneration Committee and Stakeholders Transfer Committee of Kirloskar Ebara Pumps Limited, a Joint Venture Company of Kirloskar Brothers Limited. He is also a member of Remuneration Committee of Kirloskar Proprietary Limited.

He holds 17,529,133 (22.07%) equity shares of (₹) 2/- each of the Company. Out of these, Mr. Sanjay C. Kirloskar holds 15,812,118 equity shares in the individual capacity 1,714,000, 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. He is not related to any other Director of the Company except Mr. Alok S. Kirloskar.

#### 6. Stakeholders' Relationship Committee :

The Committee comprises of Mr. Kishor A. Chaukar, Mrs. Lalita D. Gupte and Mr. Sanjay C. Kirloskar. Mr. Kishor A. Chaukar, a Non Executive Independent Director is Chairman of the Committee. 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, AVP and Company Secretary.

'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 the 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, one Stakeholders' and Relationship Committee meeting was held on September 28, 2016.

Attendance at the meeting

Member's Name	No. of Meeting attended
Mr. Kishor A. Chaukar	1
Mr. Sanjay C. Kirloskar	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 were two complaints received during the year out of which one is pending as on March 31, 2017.

With reference to Regulation 13 of the SEBI 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) 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. 159 (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>	
ii) 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.	
iii) 96 <sup>th</sup> Annual General Meeting	July 21, 2016: 11.00 A. M. Yamuna, Survey No.98 (3-7), Baner, Pune - 411 045
Special resolution passed:	
For approval of the shareholders for payment and distribution of a sum not exceeding 1% of the net profits of the Company by way of Commission to and amongst the Directors (other than Managing/Executive Directors).	

## 8. Means of Communication :

- Quarterly results are displayed on the Company's website '[www.kirloskarpumps.com](http://www.kirloskarpumps.com)' immediately, after its submission to the Stock Exchanges. The Company's website also displays official news release.
- 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 :

### 97<sup>th</sup> Annual General Meeting

Day & Date	:	Thursday, July 27, 2017
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
Record Date for dividend	:	July 14, 2017
Dividend payment date	:	August 02, 2017
Listing on Stock Exchanges	:	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

Phiroze Jeejeebhoy 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

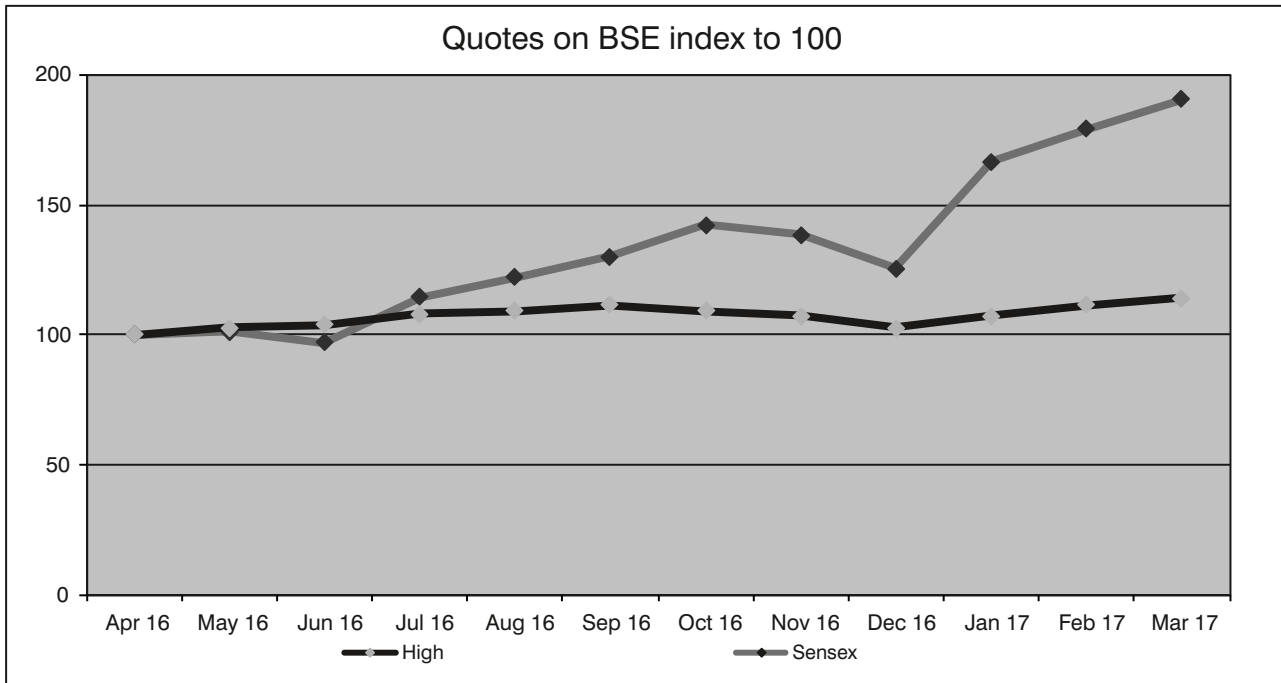
The annual listing fees have been paid to both BSE Limited and National Stock Exchange of India Limited (NSE).

### Market Price data:

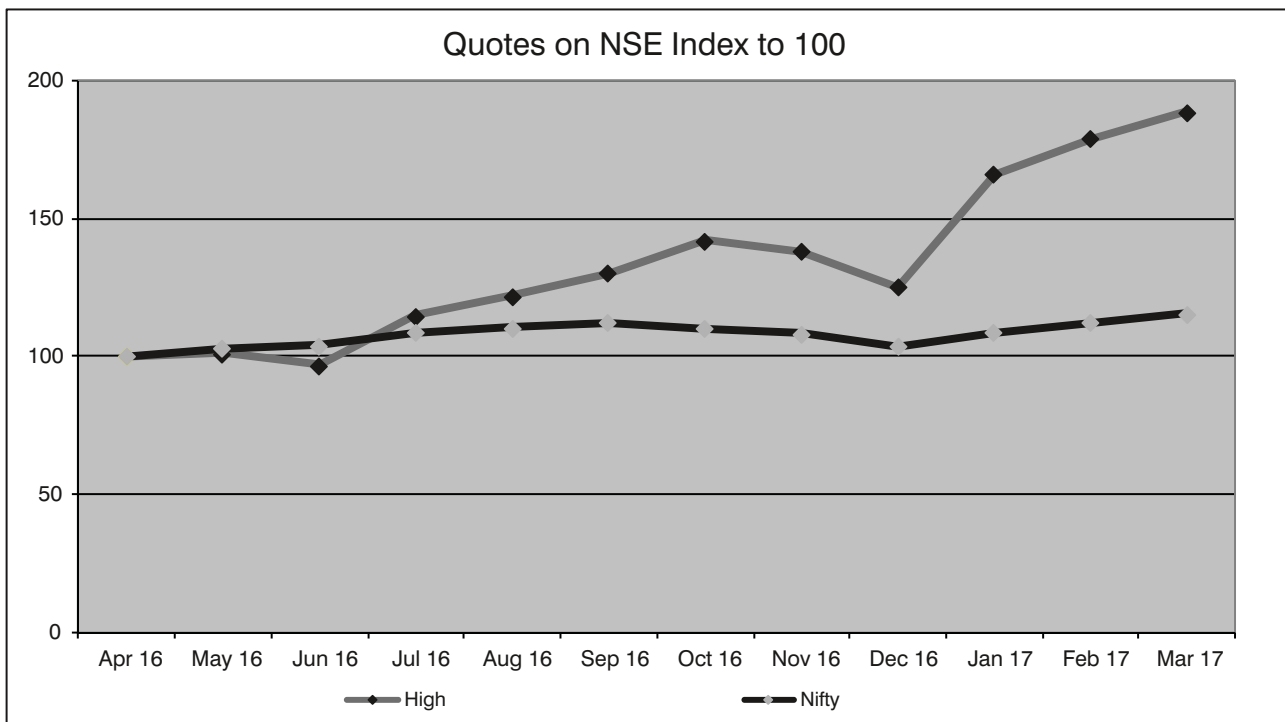
Month	Quotations on BSE		Quotations on NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2016	139.10	115.40	139.40	115.00
May 2016	140.70	122.00	140.80	121.50
June 2016	134.90	116.25	134.80	116.95
July 2016	159.50	124.00	159.80	124.00
August 2016	169.90	142.70	169.95	143.00
September 2016	180.90	150.10	181.50	151.50
October 2016	198.00	163.50	198.00	163.00
November 2016	192.65	141.00	192.50	138.35
December 2016	174.70	156.40	174.70	157.55
January 2017	232.00	165.00	231.75	164.00
February 2017	248.95	210.95	249.45	210.90
March 2017	265.00	235.00	263.00	233.55



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 SEBI 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, 94.37% share capital is held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited as on March 31, 2017. The Company has established connectivity with both the Depositories through its R & T Agent, 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, 2017:**

Nominal value of shares (in ₹)		Number of holders	% to total holders	Total face value (In ₹)	% to total face value
From	To				
1	1000	13769	74.99	3,437,704	2.16
1001	2000	1709	9.31	2,597,408	1.64
2001	4000	1479	8.05	4,214,472	2.65
4001	6000	479	2.61	2,424,704	1.53
6001	8000	248	1.35	1,772,876	1.12
8001	10000	135	0.73	1,246,514	0.78
10001	20000	301	1.64	4,309,946	2.71
20001	Above	242	1.32	138,816,228	87.41
	<b>TOTAL</b>	<b>18362</b>	<b>100.00</b>	<b>158,817,852</b>	<b>100.00</b>


**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 2016-17, the Company has managed the foreign exchange risk and hedged to the extent considered necessary. The details of foreign currency exposure are disclosed in Note No. 2.13 and 36 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
Corporate 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
--	---

---

## 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 has 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, 2017, 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: 23
- 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 SEBI 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. Modified Opinion in Audit Report:

The Company is already in the regime of financial statements with unmodified audit opinion.

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 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 October 25, 2016 to review and discuss on the matters required under SEBI Listing Regulations, 2015.

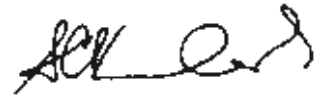
---

## 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 9, 2017



## AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

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 2017, 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.

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 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: 17<sup>th</sup> May 2017



## 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 requesting them to forward correct addresses to avoid transfer of all such unclaimed shares into one folio in the name of “Unclaimed Suspense Account”, in Demat mode.

We have received certain responses from the 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 (01.04.16 to 31.03.17) of the year 2016 – 17.	2,516	1,287,969
(ii)	Number of shareholders who approached the Company for transfer of shares from shares considered to be transferred to the Unclaimed Suspense Account during (01.04.16 to 31.03.17) the year 2016 – 17.	11	4,909
(iii)	Number of shareholders to whom shares were transferred from shares considered to be transferred to the Unclaimed Suspense Account during (01.04.16 to 31.03.17) the year 2016 – 17.	11	4,909
(iv)	Aggregate number of shareholders and the outstanding shares considered to be transferred to the Unclaimed Suspense Account at the end of the (01.04.16 to 31.03.17) year 2016 – 17.	2,505	1,283,060

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 Ind AS financial statements of **Kirloskar Brothers Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014 and amendments thereof.

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

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

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs

---

(financial position) of the Company as at 31<sup>st</sup> March 2017, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

#### **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2016 ("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.
2. As required by Section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) The Balance Sheet, the Statement of Profit and Loss Statement, the Cash Flow Statement and Statement of Changes in Equity dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with the Companies (Accounts) Rules, 2014 and amendments thereof.
  - (e) On the basis of the written representations received from the directors as on 31<sup>st</sup> March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March 2017 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 pending litigations and the impact on its financial position - refer note 24 to the standalone Ind AS financial statements.
    - ii. The Company has made provision, as required under the applicable law or Indian accounting standards, for material foreseeable losses on long term contracts – refer note 34 to the standalone Ind AS financial statements.
    - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
    - iv. The Company has provided the disclosure regarding Specified Bank Notes (SBN) in Note 40 to the standalone Ind AS financial statements as per notification no. G.S.R. 308(E), dated 30<sup>th</sup> March 2017 issued by the Ministry of Corporate Affairs and these are in accordance with the books of account maintained by the Company.

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

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

Pune : 17<sup>th</sup> May 2017



## Annexure A to the Independent Auditors' Report

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

- (i)
  - (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets are being physically verified by the management at regular intervals based on the programme of verification which in our opinion is reasonable. During the current year, no physical verification of assets was undertaken.
  - (c) According to the information and explanation provided to 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, except to a subsidiary company in earlier years and an associate in the current year as mentioned below.

Name of Party	Opening balance (₹) Mln	Year End balance (₹) Mln	Maximum balance (₹) Mln
The Kolhapur Steel Limited (TKSL) – subsidiary company	13.210	13.210	13.210
KBL Synerge LLP - associate	Nil	1.500	1.500

- 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. Further, in our opinion, the terms of the loan given to the associate are not prejudicial to the Company's interest;
- b) According to the information and explanations provided to us, there is no schedule for 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. The schedule for repayment of principal and payment of interest has been stipulated for the loan to the associate and the repayments is as per said schedule;
- c) According to the information and explanations provided to us, no amount is overdue.
- (iv) According to information and explanation provided to us, for the transaction covered under the sections 185 and section 186 of the Companies Act, 2013, the Company has complied with the provisions of the said sections.
- (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 in the current year.

- (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 (l) of Section 148 of the Companies Act, 2013 and we are of the opinion that, prima facie; the prescribed accounts and records have been made and maintained. We have 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 2017, for a period of 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 because of any dispute except the following:

Name of Statute	Nature of Dues	Amount in Mil. ₹	Period to which amount relates	Forum where dispute is pending
Sales Tax Act of various States	Sales tax	30.986	2002-03, 2013-14	Appellate Tribunal
		14.155	1989-2006	High Court
		90.879	1993-94, 2000-01, 2008-09, 2011-12, 2012-13, 2013-14, 2014-15, 2015-16	Commissioner
		11.000	2000-01, 2010-11, 2011-12, 2012-13, 2014-15	Deputy Commissioner (Appeals)
Central Sales Tax Act, 1956	Central Sales Tax	0.310	1993-94	High Court
		2.586	2011-12	Assistant Commissioner (Appeals)
		3.634	2012-13	Assistant Commissioner
Finance Act, 1994	Service Tax	7.521	2011-12	Appellate Tribunal
		898.656	2012-13	Commissioner
Central Excise Act, 1944	Excise duty	23.951	2003-04 and 2006-10	CESTAT
		0.808	2008-09, 2014-15	Assistant Commissioner
		0.144	1990-91	Deputy Commissioner
Income Tax Act, 1961	Income Tax	10.316	2003-04	High Court
		20.565	2001-2002	Appellate Tribunal
		98.865	08-09, 09-10, 10-11	Commissioner

- (viii) Based on our audit procedures and according to the information and explanation provided to us, the Company has not defaulted in repayment of dues to a financial institution, bank or government. The Company does not have any debenture holders.



- (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 provided to us, term loans availed by the Company were, prima facie; applied for the purpose for which the loans were obtained.
- (x) Based upon the audit procedures performed by us and according to the information and explanations provided to us, no fraud by the Company or any fraud on the Company by its officers or employees has been noticed or reported to us during the year.
- (xi) According to the information and explanation provided to us, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act.
- (xii) The Company is not a Nidhi Company and accordingly, Clause (xii) of the Order is not applicable to the Company.
- (xiii) According to the information and explanation provided to us, all transactions with the related parties are in compliance with Sections 177 and 188 of Companies Act, 2013 wherever applicable and the details have been disclosed in the standalone Ind AS financial statements as required by the applicable Indian 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 : 17<sup>th</sup> May 2017

---

## **Annexure B to the Independent Auditors' Report**

Referred to in paragraph 2 (f) under the heading, "Report on Other legal and Regulatory Requirements" of our report on even date:

### **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 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

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

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, 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 standalone financial statements, whether due to fraud or error.

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

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone 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 standalone



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 standalone financial statements.

#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

#### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India..

For M/s P.G.BHAGWAT

Chartered Accountants

Firm's Registration No.: 101118W

**Abhijeet Bhagwat**

Partner

Membership No. 136835

Pune : 17<sup>th</sup> May 2017



## BALANCE SHEET AS AT 31 MARCH 2017

(Amounts in Million ₹)

Particulars	Note	31 March 2017	31 March 2016	1 April 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and Equipment	3 a	2,851.601	2,911.318	3,088.699
Capital work-in-progress		32.625	61.345	70.655
Investment Property	3 b	5.020	5.020	5.020
Other Intangible assets	3 a	60.813	44.534	23.024
<b>Financial Assets</b>				
Investments	4	2,387.958	2,387.953	2,287.953
Trade receivables	5 a	115.982	23.451	29.326
Loans	5 b	193.440	304.274	271.099
Others	5 c	17.688	11.120	39.729
Deferred tax assets (net)	6	191.697	186.702	111.381
Other non-current assets	7	2,645.057	2,948.217	2,289.770
<b>Total non-current assets</b>		<b>8,501.881</b>	<b>8,883.934</b>	<b>8,216.656</b>
<b>Current assets</b>				
Inventories	8	2,595.112	2,062.218	1,876.566
<b>Financial Assets</b>				
Trade receivables	5 a	3,399.728	3,566.085	4,005.885
Cash and cash equivalents	9	254.666	201.610	151.408
Loans	5 b	933.927	928.905	966.179
Others	5 c	28.455	10.161	22.551
Other current assets	7	3,815.048	3,899.089	4,218.796
<b>Total current assets</b>		<b>11,026.936</b>	<b>10,668.068</b>	<b>11,241.385</b>
<b>TOTAL ASSETS</b>		<b>19,528.817</b>	<b>19,552.002</b>	<b>19,458.041</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	10	158.818	158.818	158.776
Other equity	11	8,221.316	7,902.793	7,869.873
<b>Total equity</b>		<b>8,380.134</b>	<b>8,061.611</b>	<b>8,028.649</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
<b>Financial Liabilities</b>				
Borrowings	12	8.587	17.260	25.078
Trade payables	13 a	313.109	408.732	319.434
Other financial liabilities	13 b	30.625	2.002	5.550
Provisions	14	163.862	161.521	131.340
Deferred tax liabilities (net)	6	-	-	-
Other non-current liabilities	15	756.851	1,141.177	890.046
<b>Total non-current liabilities</b>		<b>1,273.034</b>	<b>1,730.692</b>	<b>1,371.448</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings	12	1,877.632	2,517.167	2,341.936
Trade payables	13 a	4,138.871	3,908.362	4,037.365
Other financial liabilities	13 b	816.159	601.958	651.875
Other current liabilities	15	2,671.613	2,410.275	2,729.639
Provisions	14	371.374	321.937	297.129
Current tax liabilities (net)		-	-	-
<b>Total current liabilities</b>		<b>9,875.649</b>	<b>9,759.699</b>	<b>10,057.944</b>
<b>Total liabilities</b>		<b>11,148.683</b>	<b>11,490.391</b>	<b>11,429.392</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,528.817</b>	<b>19,552.002</b>	<b>19,458.041</b>

Corporate information 1  
Summary of significant accounting policies 2  
See accompanying notes to financial statements 3-43  
The notes referred to above form an integral part of the financial statements.

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 17, 2017

Pune : May 17, 2017



## STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31 MARCH 2017

(Amounts in Million ₹)

Particulars	Notes	2016-17	2015-16
Revenue from Operations	16	18,230.387	17,212.231
Other Income	17	182.381	207.864
<b>Total Income</b>		<b>18,412.768</b>	<b>17,420.095</b>
Expenses			
Cost of materials consumed	18	7,117.803	7,512.728
Purchases of Stock-in-Trade		3,248.883	2,590.984
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	18	(374.886)	(205.984)
Employee benefits expense	19	2,165.563	1,915.524
Finance costs	20	315.090	381.891
Depreciation and amortization expense	21	396.688	408.067
Other expenses	22	5,010.738	4,742.447
<b>Total expenses</b>		<b>17,879.879</b>	<b>17,345.657</b>
Profit / (Loss) before exceptional items and tax		532.889	74.438
Exceptional items		-	-
<b>Profit / (Loss) before tax</b>		<b>532.889</b>	<b>74.438</b>
Tax expenses			
Current tax	6	111.250	41.827
Deferred tax	6	(4.995)	(75.321)
Short provision of earlier years		96.664	0.158
<b>Total Tax expenses</b>		<b>202.919</b>	<b>(33.336)</b>
<b>Profit/(Loss) for the period from continuing operations</b>		<b>329.970</b>	<b>107.774</b>
Profit/(Loss) from discontinued operations		-	-
Tax expenses of discontinued operations		-	-
<b>Profit/(Loss) from discontinued operations (after tax)</b>		<b>-</b>	<b>-</b>
<b>Profit/(Loss) for the period</b>		<b>329.970</b>	<b>107.774</b>
Other Comprehensive Income			
Items that will not be reclassified to profit or loss	23	(17.505)	22.504
Income tax relating to items that will not be reclassified to profit or loss		6.058	(7.788)
Items that will be reclassified to profit or loss		-	-
Income tax relating to items that will be reclassified to profit or loss		-	-
<b>Total Comprehensive Income for the period (Comprising Profit/(Loss) and Other Comprehensive Income for the period)</b>		<b>318.523</b>	<b>122.490</b>
<b>Earnings per equity share (for continuing operations)</b>			
Basic	28	4.16	1.36
Diluted		4.16	1.36
<b>Earnings per equity share (for discontinued operations)</b>			
Basic		-	-
Diluted		-	-
<b>Earnings per equity share (for discontinued and continuing operations)</b>	28		
Basic		4.16	1.36
Diluted		4.16	1.36

Corporate information

1

Summary of significant accounting policies

2

See accompanying notes to financial statements

3-43

The notes referred to above form an integral part of the financial statements.

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 &amp; Vice President (Finance)

Pune : May 17, 2017

Pune : May 17, 2017

## STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2017

(Amounts in Million ₹)

Particulars	2016-17	2015-16
<b>Cashflows from Operating Activities</b>		
Net Profit before taxation and extraordinary items	532.889	74.438
Adjustments for :-		
Depreciation / amortization	396.688	408.067
Loss on sale of fixed assets	0.145	4.681
Profit on sale of fixed assets	(2.749)	(0.331)
Employees stock option - compensation debited to profit and loss account (net)	-	0.191
Bad debts written off	25.568	20.228
Advances, deposits and claims written off	52.062	39.687
Liquidated damages	148.467	25.459
Provision for loss on long term contracts	26.581	5.003
Provision for slow / non moving inventory	19.879	66.795
Provision for doubtful debts, advances and claims	281.211	138.875
Interest income	(115.937)	(21.430)
Deferred income	(2.759)	(3.324)
Dividend income	-	(114.917)
Interest expenses	258.860	314.127
Unrealised exchange (gain) / loss - others	(2.893)	(4.000)
<b>Operating Profit Before Working capital changes</b>	<b>1,618.012</b>	<b>953.549</b>
Adjustments for :-		
(Increase) / decrease in inventories	(552.773)	(252.447)
(Increase) / decrease in trade receivables	(349.691)	276.286
(Increase) / decrease in financial assets	80.952	35.047
(Increase) / decrease in non-financial assets	15.991	(278.047)
Increase / (decrease) in trade payable	148.613	(42.125)
Increase / (decrease) in financial liabilities	248.219	(49.746)
Increase / (decrease) in non-financial liabilities	(117.172)	(68.233)
Increase / (decrease) in provisions	34.273	77.494
<b>Cash Generated from Operations</b>	<b>1,126.424</b>	<b>651.778</b>
Income tax (paid) / refunded	47.814	(146.829)
<b>Net Cash from Operating Activities</b>	<b>1,174.238</b>	<b>504.949</b>
<b>Cashflows from Investing Activities</b>		
Purchase of fixed assets	(324.701)	(248.182)
Sale of fixed assets	2.776	0.947
Purchase of investments	(0.005)	(100.000)
Sale of investments	-	-
Interest received	115.937	14.391
Dividend received	-	114.917
Advance / loans to subsidiaries	(2.282)	17.093
<b>Net Cash from Investment Activities</b>	<b>(208.275)</b>	<b>(200.834)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowing	1,900.000	825.231
Repayment of borrowings	(2,547.353)	(655.138)
Interest paid	(258.860)	(314.127)
Dividend paid	(6.250)	(85.799)
Tax on dividend	-	(10.367)
Proceeds from issuance of share capital (ESOP)	-	0.042
<b>Net Cash used in Financing Activities</b>	<b>(912.463)</b>	<b>(240.158)</b>
Unrealised Exchange Gain / (Loss) in cash and cash equivalents	(0.444)	(13.755)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>53.500</b>	<b>63.957</b>
Cash and Cash Equivalents at begining of period	201.610	151.408
<b>Cash and Cash Equivalents at end of period (refer note 9)</b>	<b>254.666</b>	<b>201.610</b>

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 17, 2017

Pune : May 17, 2017



## STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017

(Amounts in Million ₹)

## A. Equity Share Capital

Balance as on 1 April 2015	Changes in equity share capital during the year	Balance as on 31 March 2016
158.776	0.042	158.818
Balance as on 31 March 2016	Changes in equity share capital during the year	Balance as on 31 March 2017
158.818	-	158.818

## B. Other Equity

	Share application money pending allotment	Equity component of compound financial instruments	Reserves and Surplus						Total
			Capital reserve	Capital redemption reserve	Securities Premium Reserve	Share options outstanding account	General reserve	Retained Earnings	
Restated balance at 1 April 2015	-	-	0.172	4.000	411.283	3.130	5,787.407	1,663.881	7,869.873
Profit for the year	-	-	-	-	-	-	-	122.490	122.490
Other comprehensive income	-	-	-	-	-	-	-	-	-
Dividend	-	-	-	-	-	-	-	(89.761)	(89.761)
Transfer to/from retained earnings	-	-	-	-	-	-	-	-	-
Employee stock options issued during the year	-	-	-	-	3.321	(3.130)	-	-	0.191
Balance as on 31 March 2016	-	-	0.172	4.000	414.604	-	5,787.407	1,696.610	7,902.793
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the reporting period	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the year	-	-	-	-	-	-	-	318.523	318.523
Dividend	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-
Any other change	-	-	-	-	-	-	-	-	-
Balance as on 31 March 2017	-	-	0.172	4.000	414.604	-	5,787.407	2,015.133	8,221.316

---

## NOTES TO ACCOUNTS

### Significant accounting policies

Notes to the financial statements for the year ended 31 March 2017

(All amounts are in Indian rupees rounded in millions, unless otherwise stated)

#### 1. Corporate information

Kirloskar Brothers Limited ("KBL" or "the Company") is a public limited company domiciled in India and incorporated under the provisions of the Indian Companies Act. KBL is engaged in providing global fluid management solutions. The core products of the Company are Engineered Pumps, Industrial Pumps, Agriculture and Domestic Pumps, Valves, and Hydro turbines.

#### 2. Significant accounting policies

##### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind-AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 ("the Act") and other relevant provisions of the Act.

For all periods up to and including the year ended 31 March 2016, the Company prepared its financial statements in accordance with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) notified under section 133 of the Act and other relevant provisions of the Act.

These are the Company's first financial statements prepared in accordance with Ind AS and Ind AS 101 First-time adoption of Indian Accounting Standards (Ind AS 101) has been applied. An explanation of how the transition from previous GAAP to Ind AS has affected the reported Balance Sheet, Profit or Loss and Cash Flows of the Company is provided in note 43.

The financial statements were authorised for issue by the Board of Directors on 17 May, 2017.

##### 2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
Share based payment transactions	Fair value
Defined benefit plan – plan assets	Fair value

##### 2.3 Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is the Company's functional currency. All financial information is presented in INR rounded to the nearest Millions, except share and Earning per share data, unless otherwise stated.

##### 2.4 Use of judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS 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. The estimates are based on management's best knowledge



## NOTES TO ACCOUNTS

### Significant accounting policies

of current events and actions, however, due to uncertainty about these assumptions and estimates, actual results may differ from the estimates.

This note provides an overview of the areas that involved a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

#### Critical estimates and judgements

The areas involving critical estimates or judgements are:

- Estimation of defined benefit obligation – The cost of the defined benefit gratuity and pension plan, and the present value of the gratuity/pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates.
- Estimation of leave encashment provision - The cost of the leave encashment and the present value of the leave encashment obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates.
- Impairment of receivables - The impairment provisions for financial receivables disclosed are based on assumptions about risk of default and expected loss rates.
- Decommissioning liability – Initial estimate of dismantling and restoration liability requires significant judgement about cost inflation index and other factors as discussed in note.
- Estimation of provision for warranty claims – key assumptions about likelihood and magnitude of an outflow of resources.

### 2.5 Inventories

Inventories are valued at the lower of cost and net realizable value. The cost is calculated on moving weighted average method.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: cost includes cost of purchase excluding taxes subsequently recoverable from tax authorities and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work in progress: cost includes cost of direct materials, labour and a systematic allocation of fixed and variable production overhead that are incurred in converting raw material into finished goods based on the normal operating capacity. Excise duty is considered as part of cost at the end of reporting period.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

---

## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

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

#### 2.6 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks, cash on hand and highly liquid short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

#### 2.7 Property, plant and equipment

##### Measurement

Freehold land is carried at historical cost. All other items of property, plant and equipment are measured at cost of acquisition or construction less accumulated depreciation and accumulated impairment loss, if any.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any discounts and rebates are deducted in arriving at the purchase price.

Borrowing costs directly attributable to the construction or acquisition of a qualifying asset upto completion or acquisition are capitalised as part of the cost. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment under construction are disclosed as capital work-in-progress.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date are disclosed under "Other non-current assets".

##### Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit and loss as incurred.

##### Disposal

An item of property, plant and equipment is derecognized upon disposal or when no future benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of





## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

property, plant and equipment, and are recognised net within other income / expenses in the statement of profit and loss.

#### Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment as prescribed in Schedule II of the Companies Act 2013 except in the cases mentioned below where the management based on the technical evaluation have estimated the life to be lower than the life prescribed in schedule II.

Patterns - Useful life 1-5 Years

Particulars	Life
Building	60 Years
Factory Building	30 Years
Plant and Equipment	3-22 Years
Furniture and Fixtures	10 Years
Vehicles	8 Years
Office equipment	5 Years
Railway Siding	15 Years

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

### 2.8 Investment properties

Investment property is a property, being land or building or part of it, that is held to earn rental income or for capital appreciation or both but not held for sale in ordinary course of business, use in manufacturing or rendering services or for administrative purposes.

Upon initial recognition, investment property is measured at cost. The cost of investment property includes its purchase price and directly attributable expenditure, if any. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Investment property in the form of land is not depreciated.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their use. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit and loss in the period of derecognition.

---

## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

#### 2.9 Intangible assets

##### Recognition and measurement

Intangible assets are recognised when the asset is identifiable, is within the control of the Company, it is probable that the future economic benefits that are attributable to the asset will flow to the Company and cost of the asset can be reliably measured.

Intangible assets acquired by the Company that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (if any).

Intangible assets with indefinite useful lives (Goodwill) are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

##### Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

##### Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Computer software is amortised over the period of three years.

##### Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss.

During the period of development, the asset is tested for impairment annually.



## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

#### 2.10 Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences in relation to the foreign currency borrowings to the extent those are regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised in the cost of that asset. Qualifying assets are those assets which necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

#### 2.11 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable. Amounts included in revenue are inclusive of excise duty and net of returns, trade allowances, rebates, value added taxes.

In case of multiple deliverable arrangements where two or more revenue generating activities or deliverables are provided under a single contract, each deliverable that is considered to be a separate component is accounted for separately. Revenue recognition criteria are applied for each separately identifiable component of transaction in order to reflect the substance of the transaction and revenue is recognised separately for each component as and when the recognition criteria for the component is fulfilled.

##### **Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

##### **Customer loyalty programs**

Within its product segment, the Company operates loyalty points programs, which allows customers to accumulate points and utilize in subsequent year. The fair value of the consideration received or receivable in respect of initial sale is allocated between the loyalty points issued and pumps sold. The amount allocated to loyalty points is deferred and is recognised as revenue when the loyalty points are redeemed and the Company has fulfilled its obligation towards loyalty points or when time period to redeem its loyalty points is expired.

##### **Rendering of services**

Revenue from services is recognised when services are rendered.

##### **Construction Contracts**

Contract revenue includes initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

---

## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

Contract revenue and contract cost arising from fixed price contract are recognized in accordance with the percentage completion method (POC). The stage of completion is measured with reference to cost incurred to date as a percentage of total estimated cost of each contract. Until such time (25% of Project Cost) where the outcome of the contract cannot be ascertained reliably, the Company recognizes revenue equal to actual cost.

Full provision is made for any loss estimated on a contract in the year in which it is first foreseen.

Where the Company is involved in providing operation and maintenance services under a single construction contract, then the consideration is allocated on a relative fair value basis between various components of a contract.

#### 2.12 Other income

Interest is recognized on a time proportion basis determined by the amount outstanding and the rate applicable using the effective interest rate (EIR) method. Dividend income and export benefits in the form of duty draw back claims are recognised in the statement of profit and loss on the date that the Company's right to receive payment is established

#### 2.13 Foreign currencies transactions

##### Transactions and balances

Transactions in foreign currency are recorded at exchange rates prevailing at the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies which are outstanding, as at the reporting period are translated at the closing exchange rates and the resultant exchange differences are recognised in the statement of profit and loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

#### 2.14 Employee benefits

##### 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.

##### Post-employment benefits

##### Defined contribution plans

The company's superannuation scheme, state governed provident fund scheme related to Dewas, Kainiyur, Sanand factories and employee state insurance scheme are defined contribution plans.



## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

#### Defined Benefit Plans

The employees' gratuity fund schemes and 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.

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.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurements are not reclassified to the statement of profit and loss in subsequent periods.

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 recognise the obligation on net basis.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of profit and loss. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The company recognises gains/ losses on settlement of a defined plan when the settlement occurs.

The Company pays contribution to a recognized provident fund trust in respect of above mentioned PF schemes.

#### Other long term employee benefit

The liabilities for earned leave that are not expected to be settled wholly within twelve months after the end of the reporting period in which the employee render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating the terms of the related obligation. Re-measurements as a result of experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss.

---

## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

#### 2.15 Income taxes

Income tax expense comprises current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to a business combination or items recognised directly in equity or in OCI.

##### Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the country where the Company operates and generates taxable income. Current tax assets and liabilities are offset only if certain criteria are met.

##### Deferred tax

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

Deferred tax 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.

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

#### 2.16 Share-based payments

Share based compensation benefits are provided to the employees (including senior executives) of the company under the Company's Employee Stock Option Scheme, whereby employees render services as consideration for equity instruments (equity-settled transactions).

##### Equity-settled transactions

The fair value of the options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.



## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The statement of Profit and Loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through Profit or Loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### 2.17 Provisions

A Provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the statement of Profit and Loss.

##### Warranty provisions

Provisions for warranty is recognised when the underlying products and services are sold to the customer based on historical warranty data and at its best estimate using expected value method. The initial estimate of warranty-related costs is revised annually.

##### Provision for decommissioning and site restoration

The Company has a legal obligation for decommissioning of windmills and restoring the site back to its original condition. Decommissioning and restoration costs are measured initially at its best estimate using expected value method. The present value of initial estimates is provided as a liability and corresponding amount is capitalised as a part of the windmill. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingent liability is disclosed when company has:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; or



---

## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

- present obligation arising from past events, when no reliable estimate is possible; or
- a possible obligation arising from past events where the probability of outflow of resources is not remote.

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

#### 2.18 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered prior to 1 April 2015, the Company has determined whether the arrangement contains lease based on facts and circumstances existing on the date of transition.

- **Company as a lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of Profit and Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of Profit and Loss.

- **Company as lessor**

Leases in which the company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases or another systematic basis is available. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the company to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the company's net investment in the leases. Finance lease income is



## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

allocated to accounting periods to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

#### 2.19 Impairment of non-financial assets

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 fair value less costs of disposal 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the statement of Profit and Loss.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 2.20 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

---

## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

For the purpose of fair value disclosures, the company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 2.21 Financial instruments

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

##### Financial assets

##### Initial recognition and measurement

All financial assets are recognised initially at fair value. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

##### Subsequent measurement

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

- 1) Debt instruments at amortised cost.
- 2) Debt instruments at fair value through other comprehensive income (FVTOCI).
- 3) Debt instruments, derivatives and equity instruments at fair value through Profit or Loss (FVTPL).
- 4) Equity instruments measured at fair value through other comprehensive income (FVTOCI).

##### Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

##### Impairment of financial asset

Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:



## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

- a. Financial assets that are debt instruments, and are measured at amortised cost e.g. loans, debt securities, deposits, trade receivables and bank balance.
- b. Financial assets that are debt instruments and are measured as FVTOCI.
- c. Lease receivables.
- d. Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18.
- e. Loan commitments which are not measured as FVTPL.
- f. Financial guarantee contracts which are not measured as FVTPL.

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

- a. Trade receivables or contract revenue receivables; and
- b. All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

### Financial liabilities

#### Initial recognition and measurement

The Company initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through Profit or Loss, transaction costs that are directly attributable to its acquisition or issue.

#### Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined and the amount recognised less cumulative amortisation.

---

## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of Profit or Loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### Derivative financial instruments

##### Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

### 2.22 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Company by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

Diluted EPS adjust the figures used in the determination of basic EPS to consider:

- The after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares (if any).

### 2.23 Segment reporting

Operating segments are reporting in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM).

The Board of Directors of the Company assesses the financial performance and position of the Company and makes strategic decisions. The Board of Directors, which are identified as a CODM, consists of Chief Executive Officer, Chief Financial Officer and all other Executive Directors.

### 2.24 Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102,



## NOTES TO ACCOUNTS (CONTD.)

### Significant accounting policies (contd.)

'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payment,' respectively. The amendments are applicable to the Company from 1 April 2017.

#### **Amendment to Ind AS 7:**

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

#### **Amendment to Ind AS 102:**

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. Since company has not entered into share based payment arrangement, amendments to Ind AS 102 are not applicable to Company.

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

### Note 3 a : Property, Plant and Equipment

	Tangible Assets						Intangible Assets			
	Land Free hold	Land Lease hold	Buildings	Plant & Equipments	Furniture & Fixtures	Office equipments	Vehicles	Railway Siding	Total	
<b>Gross Block</b>										
As at 1 April 2015 [refer note 43(i)]	420.084	75.157	1,593.647	3,756.315	130.042	4.604	55.661	1.528	6,037.038	200.880
Additions	-	-	12.850	188.664	8.107	13.975	-	-	223.596	33.896
Acquired through business combinations *	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	0.057	97.180	8.363	0.624	2.337	-	108.561	-
As at 31 March 2016	420.084	75.157	1,606.440	3,847.799	129.786	17.955	53.324	1.528	6,152.073	234.776
Additions	-	-	23.454	264.379	3.340	1.447	23.200	-	315.820	37.603
Acquired through business combinations *	-	-	-	25.876	0.026	-	-	-	25.902	0.471
Disposals	-	-	-	47.713	-	-	-	-	47.713	31.484
As at 31 March 2017	420.084	75.157	1,629.894	4,090.341	133.152	19.402	76.524	1.528	6,446.082	241.366
<b>Depreciation/ Amortisation</b>										
As at 1 April 2015	-	0.503	254.967	2,583.168	75.646	2.951	29.599	1.505	2,948.339	177.856
Charge for the year	-	1.003	37.702	336.768	11.972	1.848	6.385	0.003	395.681	12.386
Acquired through business combinations *	-	-	-	-	-	-	-	-	-	-
Depreciation on disposal	-	-	0.053	95.036	5.987	0.562	1.627	-	103.265	-
As at 31 March 2016	-	1.506	292.616	2,824.900	81.631	4.237	34.357	1.508	3,240.755	190.242
Charge for the year	-	1.003	38.266	315.564	11.335	3.268	5.925	0.003	375.364	21.324
Acquired through business combinations *	-	-	-	25.876	0.026	-	-	-	25.902	0.471
Depreciation on disposal	-	-	-	47.540	-	-	-	-	47.540	31.484
As at 31 March 2017	-	2.509	330.882	3,118.800	92.992	7.505	40.282	1.511	3,594.481	180.553
<b>Net block</b>										
As at 1 April 2015	420.084	74.654	1,338.680	1,173.147	54.396	1.653	26.062	0.023	3,088.699	23.024
As at 31 March 2016	420.084	73.651	1,313.824	1,022.899	48.155	13.718	18.967	0.020	2,911.318	44.534
As at 31 March 2017	420.084	72.648	1,299.012	971.541	40.160	11.897	36.242	0.017	2,851.601	60.813

\* During the year Kirloskar Systech Limited (100% subsidiary of the Kirloskar Brothers Limited 'KBL') was merged with KBL. The merger is accounted as per guidance under Appendix C of Ind AS 103 (pooling of interest method) and the corresponding comparative periods are restated to give the effect of merger.





## NOTES TO ACCOUNTS (CONTD.)

## Note 3 b : Investment Property

(Amounts in Million ₹)

Particulars	Land
Gross Block	
As at 1 April 2015	5.020
Additions	-
Disposals	-
As at 31 March 2016	5.020
Additions	-
Disposals	-
<b>As at 31 March 2017</b>	<b>5.020</b>
Depreciation and Impairment	
As at 1 April 2015	-
Charge for the year	-
Depreciation on disposals	-
As at 31 March 2016	-
Charge for the year	-
Depreciation on disposals	-
<b>As at 31 March 2017</b>	<b>-</b>
Net block	
<b>31 March 2017</b>	<b>5.020</b>
31 March 2016	5.020
01 April 2015	5.020

## Fair Value Table

Particulars	Land
Opening balance as at 1 April 2015	43.619
Fair value difference	4.718
Purchases	-
Closing Balance as at 1 April 2016	48.337
Fair value difference	10.166
Purchases/transfer from PPE	-
<b>Closing balance as at 31 March 2017</b>	<b>58.503</b>

## NOTES TO ACCOUNTS (CONTD.)

### Note 4 : Financial Asset - Non-current Investments

(Amounts in Million ₹)

	Particulars	31 March 2017	31 March 2016	1 April 2015
I	Long term investments - at cost			
	Trade Investments			
	(a) Investment in Equity instruments	2,387.953	2,137.953	2,137.953
	(b) Investments in preference shares	-	250.000	150.000
	(c) Capital contribution in partnership firm	0.005	-	-
	<b>Total</b>	<b>2,387.958</b>	<b>2,387.953</b>	<b>2,287.953</b>
	<b>Particulars</b>	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>1 April 2015</b>
	Aggregate amount of quoted investments	-	-	-
	Aggregate amount of unquoted investments	<b>2,387.958</b>	<b>2,387.953</b>	<b>2,287.953</b>

Sr No	Particulars	Face Value	Partly Paid / Fully paid	Extent of holding(%)			No. of Shares / Units				Amounts in Million ₹			
				31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015		31 March 2017	31 March 2016	1 April 2015	
(1)	Investments at fair value through Other comprehensive income													
	Investment in Structured Entities													
(1)	Kirloskar Proprietary Limited *	INR 100	Fully Paid	-	-	-	2	2	2		-	-	-	
a	Investment in equity shares (unquoted)													
1	Investment in Joint Venture													
b	Kirloskar Ebara Pumps Limited	INR 10	Fully Paid	45%	45%	45%	225,000	225,000	225,000		2,747	2,747	2,747	
1	Investment in Subsidiaries													
1	The Kolhapur Steel Limited	INR 1	Fully Paid	99%	96%	96%	266,314,315	16,314,315	16,314,315		343.876	93.876	93.876	
2	Kirloskar Corrocoat Private Limited	INR 10	Fully Paid	65%	65%	65%	3,250,000	3,250,000	3,250,000		94.000	94.000	94.000	
3	Kirloskar Brothers International B V	Eur 100	Fully Paid	100%	100%	100%	59,724	59,724	59,724		456.679	456.679	456.679	
4	Kirloskar Brothers International B V	Eur 100	Partly Paid	100%	100%	100%	2,000	2,000	2,000		10.008	10.008	10.008	
5	Karad Projects & Motors Ltd.	INR 10	Fully Paid	100%	100%	100%	13,952,450	13,952,450	13,952,450		1,480.643	1,480.643	1,480.643	
1	Investment in Partnership Firm													
	KBL Synerge LLP**	N A	N A	50%	N A	N A	N A	-	-		0.005	-	-	
	<b>Total investment in equity shares of subsidiaries and Joint Venture</b>										<b>2,387.958</b>	<b>2,137.953</b>	<b>2,137.953</b>	
1	Investments in Preference Shares (unquoted)													
	The Kolhapur Steel Limited	INR 10	Fully Paid	100%	100%	100%	-	25,000,000	15,000,000		-	250.000	150.000	
	<b>Total</b>						<b>2,387.958</b>	<b>2,387.953</b>	<b>2,287.953</b>		<b>2,387.958</b>	<b>2,387.953</b>	<b>2,287.953</b>	

\* The investment in unquoted equity shares is Rs.200/- and therefore not seen in the above table.

\*\* During the year KBL Synerge LLP a limited liability partnership was formed between Kirloskar Brothers Ltd, Mrs. Sneha Phatak and Synerge Overseas Pte. Ltd. This LLP has been created for a short term project. Following are the details of total capital and share of each partner in it.

Name of Partner	Capital Contributed (Rs)	Share in Partnership (%)
Kirloskar Brothers Limited	5,000	50
Synerge Overseas Pte. Ltd.	2,600	26
Mrs. Sneha Phatak	2,400	24
<b>Total</b>	<b>10,000</b>	<b>100</b>



## NOTES TO ACCOUNTS (CONTD.)

## Note 5 : Financial Assets

(Amounts in Million ₹)

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>a) Trade receivable</b>			
Unsecured, considered good			
Receivable from related parties	533.917	351.476	81.016
Others	2,981.793	3,238.060	3,954.195
Doubtful	514.202	437.625	335.248
	4,029.912	4,027.161	4,370.459
Less: Provision for doubtful receivables	514.202	437.625	335.248
	3,515.710	3,589.536	4,035.211
Non current	115.982	23.451	29.326
Current	3,399.728	3,566.085	4,005.885
<b>b) Loans</b>			
<b>(i) Security deposits</b>			
Unsecured, considered good	1,112.027	1,220.120	1,224.063
Doubtful	73.862	48.281	23.606
	1,185.889	1,268.401	1,247.669
Less: Provision for doubtful deposits	73.862	48.281	23.606
	1,112.027	1,220.120	1,224.063
Non current	193.440	304.274	271.098
Current	918.587	915.846	952.965
<b>(ii) Advances to related parties</b>			
Unsecured, considered good	15.340	13.059	13.214
Non current	-	-	-
Current	15.340	13.059	13.214
<b>Total loans</b>	<b>1,127.367</b>	<b>1,233.179</b>	<b>1,237.277</b>
Non current	193.440	304.274	271.099
Current	933.927	928.905	966.178
<b>c) Other financial assets</b>			
<b>(i) Claims receivable</b>			
Unsecured, considered good			
Insurance Claims	28.422	10.128	19.429
Other Miscellaneous Claims	17.688	11.120	39.729
Doubtful	3.845	216.688	192.586
	49.955	237.936	251.744
Less: Provision for doubtful claims	3.845	216.688	192.586
	46.110	21.248	59.158
Non-current claims receivable	17.688	11.120	39.729
Current claims receivable	28.422	10.128	19.429
<b>(ii) Interest accrued</b>	<b>0.033</b>	<b>0.033</b>	<b>3.122</b>
Non-current interest accrued	-	-	-
Current interest accrued	0.033	0.033	3.122
<b>Total Other financial assets</b>	<b>46.143</b>	<b>21.281</b>	<b>62.280</b>
Non current	17.688	11.120	39.729
Current	28.455	10.161	22.551

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days

## NOTES TO ACCOUNTS (CONTD.)

### Note 6 : Deferred tax

(Amounts in Million ₹)

(1) The major components of income tax expense for the years ended 31 March 2017 and 31 March 2016 are:

(a) Profit or loss

Particulars	31 March 2017	31 March 2016
<b>Current income tax:</b>		
Current income tax charge	111.250	41.827
Adjustments in respect of current income tax of previous year	96.664	0.158
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(4.995)	(75.321)
<b>Income tax expense reported in the statement of profit and loss</b>	<b>202.919</b>	<b>(33.336)</b>

(b) Other Comprehensive Income (OCI)

Current tax related to items recognised in OCI during in the year:

Particulars	31 March 2017	31 March 2016
Net Loss / (Gain) on remeasurements	6.058	(7.788)
<b>Income tax charged to OCI</b>	<b>6.058</b>	<b>(7.788)</b>

(2) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2017 and 31 March 2016:

Particulars	31 March 2017	31 March 2016
Accounting profit before tax	532.889	74.438
<b>At India's statutory income tax rate of 34.608% (a)</b>	<b>184.422</b>	<b>25.762</b>
<b>Adjustments</b>		
<b>Add: Exempt income</b>		
Dividend	-	114.917
<b>Subtotal (b)</b>	<b>-</b>	<b>114.917</b>
<b>Add: Accelerated deduction</b>		
Research and development expenses	162.967	104.820
80 IA	40.726	10.000
Allowance of TDS on payment basis	38.642	-
<b>Subtotal (c)</b>	<b>242.335</b>	<b>114.820</b>
<b>Less : Non deductible expenses</b>		
Expenses disallowed u/s 14A	-	0.500
Penalties and fines	-	0.025
Provision for Advances	68.700	1.584
Provision for Deposits	24.777	11.030
Advance written off	213.049	0.360
Wealth tax debited to Profit and Loss	-	2.421
Interest on tax deducted at source	1.837	0.680
Fixed assets capitalised	21.292	-
Donation	4.954	0.029
<b>Subtotal (d)</b>	<b>334.609</b>	<b>16.629</b>
<b>Sub total (e) = (b+c-d)</b>	<b>(92.274)</b>	<b>213.108</b>
Tax impact of above adjustments	(31.934)	73.752
MAT credit assets (not recorded) / Utilised	116.637	(11.560)
Rate difference on opening DTA/ DTL	-	(2.679)
Other items	(6.536)	(0.264)
Share based payment	-	0.007
Earlier year short provision	(96.664)	(0.158)
<b>Total (f)</b>	<b>(18.497)</b>	<b>59.098</b>
<b>Tax expenses at effective rate (a-f)</b>	<b>202.919</b>	<b>(33.336)</b>
<b>Tax expenses recored in books</b>	<b>202.919</b>	<b>(33.336)</b>



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

## Note 6 : Deferred tax (contd.)

## (3) Movement in deferred tax

(a)	Deferred tax relates to the following: Deferred tax liabilities (DTL) / Deferred tax asset (DTA)	Balance Sheet		
		31 March 2017	31 March 2016	1 April 2015
	Property, plant and equipment (Depreciation)	131.621	130.777	155.659
	Employee benefits - compensated absences	(87.179)	(81.608)	(72.343)
	Employee benefits - Pension to employees	-	(8.489)	(8.733)
	Provision for doubtful debts and advances	(179.291)	(226.451)	(182.673)
	MAT credit	(59.829)	-	-
	Others -DTA	0.664	(5.042)	(8.063)
	Others-DTL	2.317	4.111	4.772
	<b>Net deferred tax liabilities/(assets)</b>	<b>(191.697)</b>	<b>(186.702)</b>	<b>(111.381)</b>

	Particulars	Statement of profit and loss	
		31 March 2017	31 March 2016
	Property, plant and equipment (Depreciation)	0.844	(24.882)
	Employee benefits - compensated absences	(5.571)	(9.265)
	Employee benefits - Pension to employees	8.489	0.244
	Provision for doubtful debts and advances	47.160	(43.778)
	MAT credit	(59.829)	-
	Others -DTA	5.706	3.021
	Others-DTL	(1.794)	(0.661)
	<b>Deferred tax expense/(income)</b>	<b>(4.995)</b>	<b>(75.321)</b>

(b)	Reflected in balance sheet as	Balance Sheet		
		31 March 2017	31 March 2016	1 April 2015
	Deferred tax asset	325.635	321.590	271.812
	Deferred tax liability	133.938	134.888	160.431
	<b>Net Deferred tax asset</b>	<b>191.697</b>	<b>186.702</b>	<b>111.381</b>

## (4) (a) Movement in current tax

	Particulars	31 March 2017	31 March 2016
	Non Current tax (asset)/ liability as at beginning of period	(1,217.699)	(1,113.399)
	Add: Additional provision during the year - Statement of Profit and loss account	207.914	41.985
	Add: Additional provision during the year - Other comprehensive income	(6.058)	7.788
	Less: Current tax paid during the year	47.814	(154.073)
	<b>Non Current tax (asset)/ liability as at end of period</b>	<b>(968.029)</b>	<b>(1,217.699)</b>

## (b) Reflected in balance sheet as

	Particulars	Balance Sheet		
		31 March 2017	31 March 2016	1 April 2015
	Provision for income tax	84.250	90.066	97.310
	Non- current advance tax	(1,052.279)	(1,307.765)	(1,210.709)
		<b>(968.029)</b>	<b>(1,217.699)</b>	<b>(1,113.399)</b>

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

### Note 7 : Other non-financial assets

Particulars	31 March 2017	31 March 2016	1 April 2015
1) Capital advances			
Unsecured, considered good	19.282	33.438	17.921
Non-current	19.282	33.438	17.921
Current	-	-	-
2) Other loans and advances			
(i) Advances to supplier and others			
Unsecured, considered good			
Advances to related parties	34.007	16.938	9.839
Others	333.423	303.320	201.343
Doubtful	197.836	128.221	138.247
	565.266	448.479	349.429
Less: Provision for doubtful advances	197.836	128.221	138.247
	367.430	320.258	211.182
Non-current	212.810	234.202	129.580
Current	154.620	86.056	81.602
(ii) Prepaid expenses			
Unsecured, considered good	119.662	169.965	193.922
Non-current	7.250	48.631	62.340
Current	112.412	121.335	131.581
(iii) Gross amount due from customers (Refer note 26 )			
Unsecured, considered good	273.338	311.336	414.198
Non-current	161.747	172.738	231.532
Current	111.591	138.598	182.666
(iv) Retention			
Unsecured, considered good	3,414.733	3,326.693	3,318.249
Non-current	1,191.689	1,151.443	637.688
Current	2,223.043	2,175.249	2,680.561
(v) Advance income tax (net of provision)			
Unsecured, considered good	1,052.279	1,307.765	1,210.709
Non-current	1,052.279	1,307.765	1,210.709
Current	-	-	-
(vi) Claims receivable			
Unsecured, considered good			
i) Excise, Service Tax and Custom Duty	415.470	443.625	356.495
ii) Sales tax and value added tax	797.912	934.226	785.891
Non-current	-	-	-
Current	1,213.382	1,377.851	1,142.386
Total non-current non-financial assets	2,645.057	2,948.217	2,289.770
Total current non-financial assets	3,815.048	3,899.089	4,218.796



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

## Note 8 : Inventories

Particulars	31 March 2017	31 March 2016	1 April 2015
Raw Materials *	568.457	438.174	456.939
Work-in-progress	925.033	871.445	642.072
Finished goods	777.897	447.426	527.293
Stock-in-trade **	230.931	240.104	183.626
Stores and spares	92.794	65.069	66.636
(Mode of valuation refer note 2.5 )			
	2,595.112	2,062.218	1,876.566

\* Include goods in transit - Rs.2.580 Million, (2016 : Rs. 13.560 Million, 2015 : Rs. 7.440 Million)

\*\* Include goods in transit - Rs 10.410 Million, (2016 : Rs. 9.240 Million, 2015 : Rs. 1.840 Million)

## Amounts recognised in profit or loss

Write-down of inventories to net realisable value amounted to Rs. 19.879 Millon (net of reversal) (31 March 2016: Rs 66.794 Million, 31 March 2015: Rs 3.170 Million). These were recognised as an expenses during the year and included in 'material consumption'.

## Note 9 : Cash and cash equivalents

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>Balances with bank</b>			
In current account	15.008	20.284	48.645
In EEFC accounts	202.436	138.244	47.965
Otherbank deposits	5.332	4.908	7.730
<b>Earmarked balances with bank</b>			
Unpaid dividend accounts	30.913	37.163	43.563
<b>Cash on hand</b>	0.977	1.011	3.505
	254.666	201.610	151.408

## Note 10 : Share Capital

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>Authorised</b>			
250,000,000 ( 250,000,000 ) equity shares of ₹ 2/- each (₹ 2/) each	500.000	500.000	500.000
<b>Issued, subscribed &amp; fully paid up</b>			
79,408,926 (79,408,926) equity shares of ₹ 2/- each (₹ 2/) each	158.818	158.818	158.776
	158.818	158.818	158.776

## a) Terms/rights attached to equity shares

The Company has only one class of equity shares, having par value of Rs. 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 31 March 2017 the Board of Directors have proposed dividend of Rs. 1/- (2016: Nil, 2015: Rs. 0.50) per share subject to shareholders' approval.

The Board of Directors have declared interim dividend of Rs. Nil (2016: Rs. 0.50, 2015: Rs. Nil) per share.



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

### b) Reconciliation of share capital

	31 March 2017		31 March 2016		1 April 2015	
	Number	Amounts in Million ₹	Number	Amounts in Million ₹	Number	Amounts in Million ₹
Shares outstanding at the beginning of the year	79,408,926	158.818	79,388,176	158.776	79,358,451	158.717
Shares Issued during the year under ESOS	-	-	20,750	0.042	29,725	0.059
Shares outstanding at the end of the year	79,408,926	158.818	79,408,926	158.818	79,388,176	158.776

### c) Details of shareholder holding more than 5% shares

	31 March 2017		31 March 2016		1 April 2015	
	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Industries Limited	18,988,038	23.91%	18,988,038	23.91%	18,988,038	23.92%
Mr. Sanjay Chandrakant Kirloskar *	17,529,133	22.07%	17,436,733	21.96%	15,863,335	19.98%
Mrs. Pratima Sanjay Kirloskar	13,760,488	17.33%	13,760,488	17.33%	13,754,056	17.33%

\* includes 1,717,015 (1,624,615), 2% (2%) shares held in the capacity of a trustee.

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

	31 March 2017		31 March 2016		1 April 2015	
	Number	Amounts in Million ₹	Number	Amounts in Million ₹	Number	Amounts in Million ₹
Shares reserved for ESOS scheme	5,161,840	10.324	5,161,840	10.324	5,182,590	10.365



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

## Note 11 : Other equity

Particulars	31 March 2017	31 March 2016	1 April 2015
1) Capital reserve	0.172	0.172	0.172
2) Capital redemption reserve	4.000	4.000	4.000
3) Securities premium reserve			
Opening balance	414.604	411.283	406.726
Add: Securities premium credited on shares issue	-	3.321	4.557
	414.604	414.604	411.283
4) Shares options outstanding account			
Opening balance	-	3.130	4.110
Less: written back during the year for ESOPs issued during the year	-	3.130	0.980
	-	-	3.130
5) General reserves			
Opening balance	5,787.407	5,787.407	5,780.016
Add: Transfer from surplus	-	-	7.391
	5,787.407	5,787.407	5,787.407
6) Retained Earning			
Opening balance	1,696.610	1,663.881	1,650.006
Less: As per Schedule II note 7 (b) of Companies Act, 2013 (refer note 41)	-	-	40.755
Add: Total comprehensive income for the year	318.523	122.490	107.021
Balance available for appropriation	2,015.133	1,786.371	1,716.272
Less: Appropriations :			
Corporate social responsibility spend(refer note 39)	-	-	45.000
Interim dividend including tax	-	89.761	-
Transfer to general reserve	-	-	7.391
Sub total	-	89.761	52.391
Closing balance	2,015.133	1,696.610	1,663.881
Total Reserves and surplus	8,221.316	7,902.793	7,869.873

## NOTES TO ACCOUNTS (CONTD.)

### Note 12 :Financial Liabilities - Borrowings

(Amounts in Million ₹)

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>Borrowings</b>			
<b>Unsecured</b>			
1) <b>Deferral payment liabilities under sales tax deferral scheme (Unsecured)</b>	17.260	25.078	30.216
Less- Current maturities of non current borrowings disclosed under the head 'Other Current financial Liabilities' (refer note 13)	8.673	7.818	5.138
	8.587	17.260	25.078
Terms of loans: Rs. 52.883 Million to be repaid in 9 yearly installments starting from April 2013.			
<b>2) Rupee short term loans and advances from banks</b>			
(i) Citi Bank NA	-	-	300.000
Terms of loans: Loan carries interest @ 10% per annum.			
(ii) Credit Agricole Corporate & Investment Bank	-	-	350.000
Terms of loans: Loan carries interest @ 9.15% per annum.			
(iii) Bank of India	900.000	-	-
Terms of loans: Loan carries interest @ 8.20% per annum.			
(iv) HDFC Bank Ltd.	200.000	450.000	-
Terms of loans: Loan carries interest @ 8.20% per annum.			
	1,100.000	450.000	650.000
<b>3) Commercial paper</b>			
HDFC Bank Ltd.	500.000	-	-
Terms of loans: Loan carries interest @ 6.80% per annum.			
<b>Secured</b>			
<b>1) Loans repayable on demand from bank</b>			
(i) Cash / export credit facilities	27.632	1,317.167	591.936
(ii) Working capital demand loans	250.000	400.000	400.000
Terms of loans: Loan carries interest @ 8.10% to 10.1% per annum.			
	277.632	1,717.167	991.936
<b>2) Rupee short term loans and advances from banks</b>			
(i) HDFC Bank Ltd.	-	-	350.000
Terms of loans: Loan carries interest @ 10.1% per annum.			
(ii) Credit Agricole Corporate & Investment Bank	-	350.000	350.000
Terms of loans: Loan carries interest @ 9.15% per annum.	-	350.000	700.000
Nature of security : The loans are secured by hypothecation of all current assets of the company.			
<b>Total borrowings</b>	<b>1,886.219</b>	<b>2,534.427</b>	<b>2,367.014</b>
<b>Total non-current</b>	<b>8.587</b>	<b>17.260</b>	<b>25.078</b>
<b>Total current</b>	<b>1,877.632</b>	<b>2,517.167</b>	<b>2,341.936</b>

#### Deferral liability payment under sales tax deferral scheme

Unsecured interest free sales deferral loan is measured at amortised cost using effective rate of interest. The loan is repayable in 9 yearly instalments starting from April 2013 till March 2022.



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

## Note 13 : Financial liabilities

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>a) Trade payable</b>			
<b>To Others</b>			
Total outstanding dues of micro enterprises & small enterprises (refer note 38)	648.965	285.081	-
Total outstanding dues of creditors other than micro enterprises & small enterprises	3,803.015	4,032.013	4,356.798
	<b>4,451.980</b>	<b>4,317.094</b>	<b>4,356.798</b>
<b>Non-current trade payable</b>	<b>313.109</b>	<b>408.732</b>	<b>319.434</b>
<b>Current trade payable</b>	<b>4,138.871</b>	<b>3,908.362</b>	<b>4,037.365</b>
<b>b) Other financial liabilities</b>			
(i) Current maturities of long term loan (refer note 12 )	8.673	7.818	5.138
(ii) Investor Education & Protection fund (will be credited as and when due)			
Unpaid dividends	30.913	37.163	43.563
(iii) Others			
Trade deposits	51.756	51.544	50.004
Salary & Reimbursements	332.449	181.435	189.551
Payables on account of purchases of fixed assets	79.023	30.366	34.326
Provision for expenses	304.923	289.425	322.804
Financial guarantee contracts	39.047	6.209	12.040
	<b>846.784</b>	<b>603.960</b>	<b>657.426</b>
<b>Non-current</b>	<b>30.625</b>	<b>2.002</b>	<b>5.550</b>
<b>Current</b>	<b>816.159</b>	<b>601.958</b>	<b>651.875</b>
<b>Total financial liabilities</b>	<b>5,298.764</b>	<b>4,921.054</b>	<b>5,014.224</b>
<b>Non-current</b>	<b>343.734</b>	<b>410.734</b>	<b>324.984</b>
<b>Current</b>	<b>4,955.030</b>	<b>4,510.320</b>	<b>4,689.240</b>

## Terms and conditions of the above financial liabilities:

- 1) Trade payables are non-interest bearing and are normally settled on 60-day terms
- 2) Other payables are non-interest bearing and have an average term of six months
- 3) For explanations on the Company's credit risk management processes, refer note 36

## Note 14 : Provisions

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>1) Provision for employee benefits</b>			
Compensated absences (refer note 34 )	229.492	235.849	209.082
Pension scheme (refer note 30)	22.406	24.529	25.235
Gratuity (refer note 30)	37.795	38.573	43.693
	<b>289.693</b>	<b>298.951</b>	<b>278.010</b>
<b>Non-current</b>	<b>131.124</b>	<b>139.432</b>	<b>121.752</b>
<b>Current</b>	<b>158.569</b>	<b>159.520</b>	<b>156.258</b>
<b>2) Other provision (refer note 34)</b>			
Provision for product warranty	182.841	148.839	120.214
Provision for loss on long term contracts	56.707	30.127	25.124
Provision for decommissioning and restoration costs	5.995	5.541	5.120
	<b>245.543</b>	<b>184.507</b>	<b>150.458</b>
<b>Non-current</b>	<b>32.738</b>	<b>22.089</b>	<b>9.588</b>
<b>Current</b>	<b>212.805</b>	<b>162.418</b>	<b>140.870</b>
<b>Total Provisions</b>	<b>535.236</b>	<b>483.458</b>	<b>428.468</b>
<b>Non-current</b>	<b>163.862</b>	<b>161.521</b>	<b>131.340</b>
<b>Current</b>	<b>371.374</b>	<b>321.937</b>	<b>297.129</b>

## NOTES TO ACCOUNTS (CONTD.)

### Note 15 : Other non financial liabilities

(Amounts in Million ₹)

Particulars	31 March 2017	31 March 2016	1 April 2015
1) Gross amount due to customers for project related contract work (refer note 26)	1,767.026	1,890.367	1,969.414
Non-current	467.660	699.948	255.502
Current	1,299.366	1,190.419	1,713.912
2) Advance from customer	1,336.012	1,320.054	1,323.804
Non-current	202.946	347.270	537.826
Current	1,133.066	972.784	785.978
3) Contribution to PF and superannuation	15.031	31.622	28.879
Non-current	-	-	-
Current	15.031	31.622	28.879
4) Statutory dues	89.360	140.726	137.182
Non-current	-	-	-
Current	89.360	140.726	137.182
5) Deferred revenue	136.784	78.616	70.340
Non-current	1.994	3.893	6.652
Current	134.789	74.723	63.689
6) Provision for income tax (net of advance tax)	84.251	90.067	90.066
Non-current	84.251	90.067	90.066
Current	-	-	-
Total non financial liabilities	3,428.464	3,551.452	3,619.685
Total Non-Current	756.851	1,141.177	890.046
Total Current	2,671.613	2,410.275	2,729.639

### Note 16 : Revenue from operations

Particulars	2016-17	2015-16
(a) Sale of products (including excise duty)	17,814.756	16,543.533
(b) Sale of services	246.376	489.042
	18,061.132	17,032.575
(c) Other operating revenues (majorly includes scrap sales)	169.255	179.656
	18,230.387	17,212.231

### Note 17 : Other Income

Particulars	2016-17	2015-16
(a) Interest Income		
From customers and others	30.335	21.430
On income tax and sales tax refund	85.602	-
(b) Release of deferred income (refer note 43d)	2.759	3.324
(c) Dividend income from subsidiary companies	-	114.917
(d) Foreign exchange difference (net)	-	6.986
(e) Other non-operating income	63.685	61.207
	182.381	207.864



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

## Note 18 : Cost of material consumed

Particulars	2016-17	2015-16
Raw material consumed	7,117.803	7,512.728
<b>Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>		
Opening Stock		
Finished goods	447.426	527.293
Work-in- progress	871.445	642.072
Stock in trade	240.104	183.626
	1,558.975	1,352.991
<b>Closing Stock</b>		
Finished goods	777.897	447.426
Work-in- progress	925.033	871.445
Stock in trade	230.931	240.104
	1,933.861	1,558.975
<b>Net</b>	<b>(374.886)</b>	<b>(205.984)</b>

## Note 19 : Employee benefits expense

Particulars	2016-17	2015-16
Salaries, wages and bonus	1,903.903	1,641.871
<b>Defined contribution plans</b>		
Contribution to provident fund, super annuation fund and E.S.I	43.405	42.962
<b>Defined benefit plans</b>		
Gratuity, Provident fund and Pension	76.856	120.795
<b>Welfare expenses</b>	141.399	109.705
<b>ESOP expenses</b>	-	0.191
	2,165.563	1,915.524

## Note 20 : Finance cost

Particulars	2016-17	2015-16
Interest expense	258.860	314.127
Other borrowing costs (includes bank guarantee commission, LC charges, loan processing charges)	56.230	67.764
	315.090	381.891

## Note 21 : Depreciation and amortisation

Particulars	2016-17	2015-16
Depreciation on tangible assets	375.364	395.681
Amortisation of intangible assets	21.324	12.386
	396.688	408.067

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

### Note 22 : Other expenses

Particulars	2016-17	2015-16
Stores and spares consumed	699.440	655.490
Processing charges	213.661	214.131
Power & fuel	255.808	251.608
Repairs and maintenance		
Plant and machinery	135.262	125.515
Buildings	28.007	20.205
Other	47.782	76.276
Rent	77.450	83.470
Rates and taxes	97.225	91.060
Travel and conveyance	248.249	259.592
Communication expenses	61.255	56.275
Insurance	78.666	81.102
Directors' sitting fees	4.875	4.875
Royalties and fees	44.326	43.134
Freight and forwarding charges	410.674	358.068
Brokerage and commission	87.107	130.340
Advertisements and publicity	150.109	190.822
Provision for product warranty	198.055	154.118
Loss on sale/disposal of fixed assets	0.145	4.681
Provision for doubtful debts, advances and claims	281.211	138.875
Bad debts written off (Net off reversal of provision for bad debts Rs. 109.820 Million)	25.568	20.228
Advances, deposits and claims written off (Net off reversal of provision for doubtful claims Rs. 212.840 Million )	52.062	39.687
Auditor's remuneration (refer note 27 )	5.327	5.847
Professional, consultancy and legal expenses	292.228	476.471
Security services	50.843	47.121
Computer services	153.586	112.281
Non executive directors remuneration	6.000	2.200
Stationery & Printing	9.880	15.669
Training course expenses	3.704	3.996
Outside labour charges	146.154	134.178
Foreign exchange difference (net)	8.776	-
Corporate social responsibility expenses (refer note 39 )	7.318	-
Liquidated damages	148.467	25.459
Excise duty	876.229	825.167
Other miscellaneous expenses	105.289	94.506
	5,010.738	4,742.447

### Note 23 : Other Comprehensive Income

Particulars	2016-17	2015-16
Remeasurements gains and losses on post employments benefits	(17.505)	22.504
Tax on remeasurements gains and losses	6.058	(7.788)
	(11.447)	14.716





## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

## Note 24 : Contingent liabilities

Particulars	31 March 2017	31 March 2016	1 April 2015
(a) Other money for which the company is contingently liable for			
i) Central Excise and Service tax (Matter Subjudice)	936.080	1,017.697	1,017.697
ii) Sales Tax (Matter Subjudice)	200.557	192.994	205.419
iii) Income Tax (Matter Subjudice)	552.044	749.748	740.452
iv) Labour Matters (Matter Subjudice)	37.095	48.664	48.933
v) Other Legal Cases (Matter Subjudice)	363.587	162.665	162.665
	2,089.363	2,171.768	2,175.166

## Note 25 : Commitments

i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	97.810	34.351	39.902
ii) Letters of credit outstanding	710.264	577.248	852.998

## Note 26 : Construction contracts

a) Contract Revenue recognised as revenue for the year	1,637.108	1,516.621	2,352.801
b) Advances received	285.415	241.204	301.330
c) Amount of retentions	3,414.733	3,326.693	3,318.249
d) Gross amount due from customer			
Contract costs incurred	19,304.816	15,866.627	21,795.014
Recognised Profits less recognised Losses	3,401.497	2,234.752	2,305.514
Less: Progress Billing	22,432.975	17,790.043	23,686.330
Net	273.338	311.336	414.198
e) Gross amount due to customer			
Contract costs incurred	28,909.691	31,895.424	32,966.387
Recognised Profits less recognised Losses	4,626.535	6,838.300	7,345.703
Less: Progress Billing	35,303.253	40,624.091	42,281.504
Net	(1,767.027)	(1,890.367)	(1,969.414)

## Note 27 : Remuneration to Auditors

Particulars	2016-17	2015-16
Statutory Auditors :		
a) Audit Fees	3.550	3.800
b) Tax Audit Fees	0.300	0.280
c) VAT Audit Fees	0.300	0.300
d) Limited Review	0.750	0.750
e) Certification services	0.255	0.568
d) Other services	0.080	0.025
e) Expenses reimbursed	0.092	0.124
	5.327	5.847

## Note 28 : Earning per Share ( Basic and diluted )

a) Profit for the year before tax	532.889	74.438
Less : Attributable Tax thereto	(202.919)	33.336
Profit after Tax	329.970	107.774
b) Weighted average number of equity shares used as denominator	79,408,926	79,408,926
c) Basic earning per share of nominal value of Rs. 2/- each	4.16	1.36

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

Note 29 a : Research and Development expenditure incurred eligible for weighted average deduction under section 35(2AB) of the Income Tax Act, 1961

Sr. no.	Particulars	2016-17	2015-16
A	Revenue expenditure		
	Manufacturing expenses:		
	Raw Material, Store, Spares & Tools consumed	23.059	18.007
	Payments to and Provision for Employees:		
	Salaries, Wages, Bonus, Allowances etc	62.131	54.180
	Other Expenses:		
	Membership Fees	0.703	0.652
	Computer Services	12.837	3.008
	Power charges	0.331	0.233
	Travelling & Conveyance Expenses	4.221	5.145
	Other Expenses	0.363	0.710
	Repairs & Maintenance	21.239	2.118
	Total	124.884	84.053
B	Capital Expenditure	38.083	20.766
	Total Eligible Research & Dev. Expenditure ( A + B )	162.967	104.819

b : Other Research & Development expenditure

A	Revenue expenditure	97.042	99.714
B	Capital Expenditure	21.597	12.119
	Total	118.639	111.833

Note 30 : Employee Benefits

i. Defined Contribution Plans:

Amount of Rs. 43.405 Miln (Rs.42.962 Miln) is recognised as an expense and included in Employees benefits expense (Note-19 in the Profit and Loss Statement.)

ii. Defined Benefit Plans:

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

Particulars	31 March 2017		31 March 2016	
	Gratuity Plan (Funded)	Provident Fund (Funded)	Gratuity Plan (Funded)	Provident Fund (Funded)
A. Amount to be recognised in Balance Sheet				
Present Value of Defined Benefit Obligation	400.459	31.369	369.790	14.064
Less: Fair Value of Plan Assets	362.664	52.395	331.217	44.525
Amount to be recognised as liability or (asset)	37.795	(21.026)	38.573	(30.461)
B. Amounts reflected in the Balance Sheet				
Liabilities	37.795	-	38.573	-
Assets	-	-	-	-
Net Liability/(Assets)	37.795	-	38.573	-



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

b) The amounts recognised in the Profit and Loss Statement are as follows: Funded Plan

Particulars	31 March 2017		31 March 2016	
	Gratuity Plan	Provident Fund	Gratuity Plan	Provident Fund
	(Funded)	(Funded)	(Funded)	(Funded)
1 Current Service Cost	27.802	2.029	26.841	0.967
2 Acquisition (gain)/ loss	-	-	-	-
3 Past Service Cost	-	-	-	-
4 Net Interest (income)/expenses	1.535	(2.376)	1.650	0.222
5 Actuarial Losses/(Gains)	-	-	-	-
6 Curtailment (Gain)/ loss	-	-	-	-
7 Settlement (Gain)/loss	-	-	-	-
8 Others	-	-	-	-
Net periodic benefit cost recognised in the statement of profit & loss- (Employee benefit expenses - Note 19)	29.337	(0.347)	28.491	1.189

c) The amounts recognised in the statement of other comprehensive income (OCI) : Funded Plan

Particulars	31 March 2017		31 March 2016	
	Gratuity Plan	Provident Fund	Gratuity Plan	Provident Fund
	(Funded)	(Funded)	(Funded)	(Funded)
1 Opening amount recognised in OCI outside profit and loss account	-	-	-	-
2 Remeasurements for the year - Obligation (Gain)/loss	8.377	14.178	17.924	0.113
3 Remeasurement for the year - Plan assets (Gain) / Loss	0.134	(4.397)	(7.094)	(34.612)
Closing balances (remeasurement (Gain)/Loss recognised in OCI)	8.511	9.781	10.830	(34.499)

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

Particulars	31 March 2017		31 March 2016	
	Gratuity Plan	Provident Fund	Gratuity Plan	Provident Fund
	(Funded)	(Funded)	(Funded)	(Funded)
1 Balance of the present value of Defined benefit Obligation at the beginning period	368.422	14.064	328.745	12.044
2 Acquisition adjustment	-	-	-	-
3 Transfer in/ (out)	-	-	-	-
4 Interest expenses	27.503	1.097	24.540	0.939
5 Past Service Cost	-	-	-	-
6 Current Service Cost	27.802	2.029	26.841	0.967
7 Curtailment Cost / (credit)	-	-	-	-
8 Settlement Cost/ (credit)	-	-	-	-
9 Benefits paid	(31.644)	-	(28.261)	-
10 Remeasurements on obligation - (Gain) / Loss	8.377	14.178	17.924	0.113
Present value of obligation as at the end of the period	400.460	31.368	369.789	14.063

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

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

Particulars	31 March 2017		31 March 2016	
	Gratuity Plan	Provident Fund	Gratuity Plan	Provident Fund
	(Funded)	(Funded)	(Funded)	(Funded)
1 Fair value of the plan assets as at beginning of the period	329.018	44.525	285.052	9.196
2 Acquisition adjustment	-	-	-	-
3 Transfer in/(out)	-	-	-	-
4 Interest income	25.968	3.473	22.706	0.717
5 Contributions	39.457	-	44.442	-
6 Benefits paid	(31.644)	-	(28.261)	-
7 Amount paid on settlement	-	-	-	-
8 Return on plan assets, excluding amount recognized in Interest Income - Gain / (Loss)	(0.134)	4.397	7.278	34.612
9 Fair value of plan assets as at the end of the period	362.664	52.395	331.217	44.525

- f) Net interest (Income) /expenses: Funded Plan

Particulars	31 March 2017		31 March 2016	
	Gratuity Plan	Provident Fund	Gratuity Plan	Provident Fund
	(Funded)	(Funded)	(Funded)	(Funded)
1 Interest (Income) / Expense – Obligation	27.503	3.473	24.540	9.196
2 Interest (Income) / Expense – Plan assets	(25.968)	(1.097)	(22.706)	(0.717)
3 Net Interest (Income) / Expense for the year	1.535	2.376	1.834	0.222

- g) The broad categories of plan assets as a percentage of total plan assets as at 31-03-2017 of Employee's Gratuity Scheme are as under:

Particulars		Percentage
		31 March 2017
1	Central Government Securities	31.42%
2	State Government Securities	10.65%
3	Other Approved Securities (Government Guraranted Securities)	1.34%
4	Bonds and Debentures etc.	42.85%
5	Fixed Deposits	8.29%
6	Equity Shares	5.23%
7	Money Market Instrument	0.22%
	Grand Total	100%



## NOTES TO ACCOUNTS (CONTD.)

h) The amounts pertaining to defined benefit plans are as follows: Funded Plan

(Amounts in Million ₹)

Particulars	31 March 2017		31 March 2016	
	Gratuity Plan	Provident Fund	Gratuity Plan	Provident Fund
	(Funded)	(Funded)	(Funded)	(Funded)
Defined Benefit Obligation	400.459	31.369	369.790	14.064
Plan Assets	362.664	52.395	331.217	44.525
Surplus/(Deficit)	(37.795)	21.026	(38.573)	30.461

i) The amounts recognised in Balance Sheet are as follows: Non Funded Plan

Particulars		31 March 2017	31 March 2016
		Pension Scheme	Pension Scheme
		(Non Funded)	(Non Funded)
A.	Amount to be recognised in Balance Sheet		
	Present Value of Defined Benefit Obligation	22.406	24.529
	Less: Fair Value of Plan Assets	-	-
	Amount to be recognised as liability or (asset)	22.406	24.529
B.	Amounts reflected in the Balance Sheet		
	Liabilities	22.406	24.529
	Assets	-	-
	Net Liability/(Assets)	22.406	24.529

j) The amounts recognised in the Profit and Loss Statement are as follows: Non Funded Plan

Particulars		2016-17	2015-16
		Pension Scheme	Pension Scheme
		(Non Funded)	(Non Funded)
1	Current Service Cost	-	-
2	Acquisition (gain)/ loss	-	-
3	Past Service Cost	-	-
4	Net Interest (income)/expenses	1.791	1.845
5	Actuarial Losses/(Gains)	-	0.622
6	Curtailment (Gain)/ loss	-	-
7	Settlement (Gain)/loss	-	-
8	Others	-	-
	Net periodic benefit cost recognised in the statement of profit & loss- (Employee benefit expenses - Note 19)	1.791	2,467

k) The amounts recognised in the statement of other comprehensive income (OCI) : Non Funded Plan

Particulars		2016-17	2015-16
		Pension Scheme	Pension Scheme
		(Non Funded)	(Non Funded)
1	Opening amount recognised in OCI outside profit and loss account	-	-
2	Remeasurements for the year - Obligation (Gain)/loss	(0.787)	8.377
3	Remeasurement for the year - Plan assets (Gain) / Loss	-	0.134
4	Total Remeasurements Cost / (Credit) for the year recognised in OCI	(0.787)	8.510
5	Less: Accumulated balances transferred to retained earnings	-	-
	Closing balances (remeasurement (gain)/loss recognised OCI)	(0.787)	0.085

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

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

Particulars		2016-17	2015-16
		Pension Scheme	Pension Scheme
		(Non Funded)	(Non Funded)
1	Opening Balance of the present value of Defined benefit Obligation	24.529	25.235
2	Acquisition adjustment	-	-
3	Transfer in/ (out)	-	-
4	Interest expenses	1.791	1.845
5	Past Service Cost	-	-
6	Current Service Cost	-	-
7	Curtailment Cost / (credit)	-	-
8	Settlement Cost/ (credit)	-	-
9	Benefits paid	(3.128)	(3.173)
10	Remeasurements on obligation - (Gain) / Loss	(0.787)	0.622
	Present value of obligation as at the end of the period	22.406	24.529

- m) Net interest (Income) /expenses Non Funded Plan

Particulars		Pension	
		(Non Funded)	
		2016-17	2015-16
1	Interest (Income) / Expense – Obligation	1.791	1.845
2	Interest (Income) / Expense – Plan assets	-	-
3	Net Interest (Income) / Expense for the year	1.791	1.845

- n) The amounts pertaining to defined benefit plans are as follows: Non Funded Plan

Particulars		2016-17	2015-16
		Pension Scheme	Pension Scheme
		(Non Funded)	(Non Funded)
1	Defined Benefit Obligation	22.406	24.529
	Plan Assets	-	-
2	Surplus/(Deficit)	(22.406)	(24.529)

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

The net interest approach effectively assumes an expected rate of return on plan assets equal to the beginning of the year discount rate. Expected return of 6.80% has been used for the valuation purpose.

- o) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

- Discount rate as at 31 March 2017 - 6.80%
- Expected return on plan assets as at 31 March 2017 - 7.80%
- Salary growth rate : For Gratuity Scheme - 9.50%
- Attrition rate: For gratuity scheme the attrition rate is taken at 7.00%
- 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 (CONTD.)

(Amounts in Million ₹)

## p) 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.

q) The Company expects to fund Rs 37.80 Million (Rs. 39.40 Million) towards its gratuity plan in the year 2017-18.

## r) Sensitivity analysis

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation (PVO). Sensitivity analysis is done by varying (increasing / decreasing) one parameter at a time and studying its impact

	Change in assumption	Effect on Gratuity obligation	
		31 March 2017	31 March 2016
1	<b>Discount rate</b>		
	Increase by 1.00% to 7.80%	374.452	344.959
	Decrease by 1.00% to 5.80%	430.011	394.992
2	<b>Salary increase rate</b>		
	Increase by 1.00% to 10.50%	425.471	390.777
	Decrease by 1.00% to 8.50%	377.887	348.215
3	<b>Withdrawal rate</b>		
	Increase by 1.00% to 8.00%	396.595	365.569
	Decrease by 1.00% to 6.00%	404.753	371.588

	Change in assumption	Effect on Provident Fund obligation	
		31 March 2017	31 March 2016
1	<b>Discount rate</b>		
	Increase by 0.50% to 7.30%	31.250	0.908
	Decrease by 0.50% to 6.30%	31.596	27.959
2	<b>Interest rate</b>		
	Increase by 0.50% to 9.15%	45.406	27.222
	Decrease by 0.50% to 8.15%	17.331	0.906



## NOTES TO ACCOUNTS (CONTD.)

### Note 31 : 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 Corrocoat Private Limited	Subsidiary Company
4	Kirloskar Brothers International B.V.	Subsidiary Company
5	SPP Pumps Limited	Subsidiary of Kirloskar Brothers International B.V.
6	Kirloskar Brothers(Thailand) Limited	Subsidiary of Kirloskar Brothers International B.V.
7	SPP Pumps (MENA) L.L.C.	Subsidiary of Kirloskar Brothers International B.V.
8	Kirloskar Pompen B.V.	Subsidiary of Kirloskar Brothers International B.V.
9	Micawber 784 Proprietary Limited	Subsidiary of Kirloskar Brothers International B.V.
10	Kirloskar Brothers International Pty Limited	Subsidiary of Kirloskar Brothers International B.V.
11	SPP France S A S	Subsidiary of SPP Pumps Limited
12	SPP Pumps Inc.	Subsidiary of SPP Pumps Limited
13	SPP Pumps South Africa Proprietary Limited	Subsidiary of Kirloskar Brothers International Pty Limited
14	Braybar Pumps Limited	Subsidiary of Kirloskar Brothers International Pty Limited
15	Rodelta Pumps International B.V.	Subsidiary of Kirloskar Pompen B.V.
16	Rotaserve B.V.	Subsidiary of Kirloskar Pompen B.V.
17	SPP Pumps Real Estate L.L.C.	Subsidiary of SPP Pumps Inc.
18	SyncroFlo Inc.	Subsidiary of SPP Pumps Inc.
19	SPP Pumps (Asia) Limited	Subsidiary of Kirloskar Brothers (Thailand) Limited
20	SPP Pumps (Singapore) Limited	Subsidiary of SPP Pumps (Thailand) Limited
21	Rotaserve Limited	Subsidiary of Kirloskar Brothers International B.V. (from 27.09.2016)
22	Kirloskar Brothers International Zambia Limited	Subsidiary of Kirloskar Brothers International Pty Limited (from 30.11.2016)



## NOTES TO ACCOUNTS (CONTD.)

## Note 31 : Related Party Disclosures

(Amounts in Million ₹)

## (B) Disclosure of related parties transactions

Sr No	Nature of transaction/relationship/major parties	2016-17		2015-16	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
1	<b>Purchase of goods &amp; services</b>	2,738.764		2,412.279	
	Subsidiary/Fellow subsidiary Companies/Joint Venture				
	The Kolhapur Steel Limited		195.204		350.515
	Karad Projects and Motors Limited		2,450.214		2,024.203
2	<b>Sale of goods/contract revenue &amp; services</b>	870.279		1,010.845	
	Subsidiary/Fellow subsidiary Companies/Joint Venture				
	SPP Pumps Limited		124.310		177.190
	Kirloskar Brothers (Thailand) Limited		151.364		173.137
	SPP Pumps , Inc.		153.631		350.734
	Kirloskar Pompen B.V.		309.814		141.693
3	<b>Rendering Services</b>	53.630		34.928	
	Subsidiary/Fellow subsidiary Companies/Joint venture				
	Kirloskar Corrocoat Private Limited		13.058		13.399
	Karad Projects and Motors Limited		12.638		11.232
	Kirloskar Ebara Pumps Limited		14.311		8.887
4	<b>Receiving Services</b>	149.562		61.289	
	Subsidiary/Fellow subsidiary Companies				
	Kirloskar Brothers (Thailand) Limited		84.889		35.131
	Kirloskar Corrocoat Private Limited		29.028		17.297
	Kirloskar Pompen B.V.		15.370		3.735
5	<b>Sale of Fixed Assets</b>	0.022		0.055	
	Subsidiary/Fellow subsidiary Companies				
	Karad Projects and Motors Limited		-		0.055
	The Kolhapur Steel Limited		0.022		-
6	<b>Investment Made</b>	250.005		100.000	
	Subsidiary/Fellow subsidiary Companies/Associates				
	The Kolhapur Steel Limited (Equity Shares)		250.000		100.000
	KBL Synerge LLP		0.005		-
7	<b>Investment Refunded</b>	250.000		-	
	Subsidiary/Fellow subsidiary Companies/Associates				
	The Kolhapur Steel Limited (Preference shares)		250.000		-

## NOTES TO ACCOUNTS (CONTD.)

### Note 31 : Related Party Disclosures

(Amounts in Million ₹)

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

Sr No	Nature of transaction/relationship/major parties	2016-17		2015-16	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
8	<b>Dividend Paid</b>	-		30.411	
	Key Management Personnel				
	Mr. Sanjay Kirloskar		-		16.650
	Relatives of Key Management Personnel				
	Mrs. Pratima Kirloskar		-		13.760
9	<b>Dividend Received</b>	-		114.917	
	Subsidiary/Fellow subsidiary Companies				
	Karad Projects and Motors Limited		-		24.417
	Kirloskar Corrocoat Private Limited		-		89.375
10	<b>Remuneration Paid</b>	55.333		40.135	
	Key Management Personnel				
	Short Term Employee Benefit				
	Mr. Sanjay Kirloskar		39.627		11.016
	Mr. J.R. Sapre		-		24.792
	<b>Commission on profits</b>				
	Mr. Shrikrishna Inamdar		1.000		0.447
	Mr. Padmakar Jawadekar		1.000		0.447
	Ms. Lalita Gupte		1.000		0.550
	Mr. Pratap Shirke		1.000		0.344
	Mr. Alok Kirloskar		1.000		0.172
	Mr. Kishor Chaukar		1.000		0.241
	<b>Sitting Fees</b>				
	Mr. Shrikrishna Inamdar		0.900		0.975
	Mr. Padmakar Jawadekar		0.900		0.975
	Ms. Lalita Gupte		1.275		1.275
	Mr. Pratap Shirke		0.600		0.750
	Mr. Alok Kirloskar		0.450		0.375
	Mr. Kishor Chaukar		0.750		0.525
	<b>Post Employment Benefit</b>				
	Mr. Sanjay Kirloskar		4.831		4.688
11	<b>Deposit Paid</b>				
	Subsidiary / Fellow Subsidiary Company / Joint Venture	1.100		0.700	
	Karad Projects And Motors Limited		0.100		0.300
	The Kolhapur Steel Limited		0.300		0.300
	Kirloskar Ebara Pumps Limited		0.500		0.100
	Kirloskar Corrocoat Private Limited		0.200		-



## NOTES TO ACCOUNTS (CONTD.)

## Note 31 : Related Party Disclosures

(Amounts in Million ₹)

## (B) Disclosure of related parties transactions

Sr No	Nature of transaction/relationship/major parties	2016-17		2015-16	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
12	<b>Deposit Refunded</b>	0.900		0.400	
	Subsidiary / Fellow Subsidiary Company /Joint Venture				
	The Kolhapur Steel Limited		0.300		0.300
	Kirloskar Ebara Pumps Limited		0.500		0.100
	Karad Projects and Motors Limited		0.100		-
13	<b>Reimbursement Received</b>	38.969		46.967	
	Subsidiary / Fellow Subsidiary Company / Joint Venture				
	Karad Projects and Motors Limited		4.091		5.652
	Kirloskar Ebara Pumps Limited		1.413		15.184
	SPP Pumps Limited		14.573		12.142
	Kirloskar Pompen B.V.		6.953		4.964
14	<b>Reimbursement Paid</b>	57.938		4.884	
	Subsidiary/ Fellow Subsidiary Company/Joint Venture				
	Kirloskar Pompen B.V.		5.798		3.057
	Kirloskar Brothers (Thailand) Limited		29.444		-
	SPP Pumps Limited		25.315		-
15	<b>Advance Given</b>	1.500		14.000	
	Subsidiary / Fellow Subsidiary Company / Associate				
	Kirloskar Corrocoat Private Limited		-		14.000
	KBL Synerge LLP		1.500		-
16	<b>Advance Returned</b>	-		14.000	
	Subsidiary / Fellow subsidiary Companies				
	Kirloskar Corrocoat Private Limited		-		14.000
17	<b>Contribution Paid for Post Employment Benefit Plan</b>	80.228		75.306	
	Provident Fund Trust		32.327		28.701
	Superannuation Trust		17.842		20.286
	Gratuity Trust		30.059		26.319
18	<b>Corporate Guarantees Given</b>	2,407.313		1,572.356	
	Kirloskar Pompen B.V.		622.643		331.300
	Kirloskar Brothers (Thailand) Limited		372.859		198.780
	SPP Pumps Limited		1,149.698		810.974

\* Major parties denote entities who account for 10% or more of the aggregate for that category of transaction. The above transaction have been entered at arms length price.

## NOTES TO ACCOUNTS (CONTD.)

### Note 31 : Related Party Disclosures

(Amounts in Million ₹)

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

Sr No	Nature of transaction/relationship/major parties	2016-17		2015-16	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
1	<b>Accounts receivable</b>				
	Subsidiary/Fellow subsidiary				
	Companies/Associate/Joint Venture				
	SPP Pumps Limited		90.668		65.692
	SPP Pumps LP		-		74.114
	Kirloskar Brothers (Thailand) Limited		42.023		107.003
	SPP Pumps (MENA) L.L.C.		24.742		42.511
	Braybar Pumps Limited		7.079		1.794
	SPP Pumps South Africa Proprietary Limited		3.145		0.064
	Spp Pumps Inc.		70.599		1.281
	Karad Projects and Motors Limited		-		0.035
	Kirloskar Corrocoat Private Limited		-		0.167
	Kirloskar Ebara Pumps Limited		11.000		18.647
	SyncroFlo Inc.		9.931		-
	Rodelta Pumps International B.V.		7.506		-
	The Kolhapur Steel Limited		32.315		13.214
	KBL Synerge LLP		1.500		-
	Kirloskar Brothers International Pty Limited		39.089		-
	Kirloskar Pompen B.V.		209.034		-
	<b>TOTAL</b>	548.631		324.522	
2	<b>Amount Due</b>				
	Subsidiary/Fellow subsidiary				
	Companies/Associate				
	Karad Projects and Motors Limited		650.195		401.723
	Kirloskar Corrocoat Private Limited		2.412		-
	<b>TOTAL</b>	652.607		401.723	
3	<b>Key Management Personnel</b>				
	Mr. Sanjay Kirloskar		30.000		1.558
	Mr. J.R. Sapre		-		0.092
	Mr. Shrikrishna Inamdar		1.000		0.447
	Mr. Padmakar Jawadekar		1.000		0.447
	Ms. Lalita Gupte		1.000		0.550
	Mr. Pratap Shirke		1.000		0.344
	Mr. Alok Kirloskar		1.000		0.172
	Mr. Kishor Chaukar		1.000		0.241
	<b>TOTAL</b>	36.000		3.851	



## NOTES TO ACCOUNTS (CONTD.)

## Note 31 : Related Party Disclosures

(Amounts in Million ₹)

- (D) Corporate Guarantees: Below mentioned guarantees have been provided by the company to banks on behalf of subsidiary companies for availing financial facilities.

Sr No	Particulars	31 March 2017	31 March 2016
i)	By the company to ICICI Bank Ltd. on behalf of SPP Pumps Limited (GBP 12.600 Million)	1,020.008	-
ii)	By the company to ICICI Bank Ltd. on behalf of Kirloskar Pompen B.V. (EURO 7.350 Million)	509.164	-
iii)	By the company to Citi Bank on behalf of SPP Pumps Limited (USD 2.000 Million)	129.690	-
iv)	By the company to Citi Bank on behalf of Kirloskar Brothers (Thailand) Limited (USD 5.750 Million)	372.859	-
v)	By the company to Citi Bank on behalf of Kirloskar Pompen B.V. (USD 1.750 Million)	113.479	-
vi)	By the company to Citi Bank on behalf of Kirloskar Brothers International Pty Limited (USD 2.500 Million)	162.113	-
vii)	By the company to ICICI Bank Ltd. on behalf of The Kolhapur Steel Limited.	100.000	-
viii)	By the company to Citi Bank N A. on behalf of SPP Pumps Limited, UK (USD 10.500 Million)	-	695.730
ix)	By the company to Indian Overseas Bank Ltd. on behalf of Karad Projects and Motors Limited	-	98.782
x)	By the company to Citi Bank on behalf of Kirloskar Brothers (Thailand) Limited (USD 3.000 Million)	-	198.780
xi)	By the company to Citi Bank on behalf of Kirloskar Pompen B.V. (USD 5.000 Million)	-	331.300
xii)	By the company to Citi Bank on behalf of Braybar Pumps (Proprietary) Limited (USD 2.000 Million)	-	132.520
xiii)	By the company to Weatherford Oil Tool Middle East Ltd. on behalf of SPP Pumps Limited, UK (GBP 0.089 Million)	-	8.553
xiv)	By the company to Secretary of Business of State, London, on behalf of SPP Pumps Limited, UK (GBP 1.120 Million)	-	106.691
		<b>2,407.313</b>	<b>1,572.356</b>

## NOTES TO ACCOUNTS (CONTD.)

### Note 31 : Related Party Disclosures

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

1) Subsidiary Companies	Karad Projects and Motors Limited The Kolhapur Steel Limited Kirloskar Corrocoat Private Limited SPP Pumps Limited SPP Pumps (South Africa) Pty Limited SPP Pumps (MENA) L.L.C. SPP Pumps Inc. Kirloskar Pompen B.V. Braybar Pumps (Proprietary) Limited Kirloskar Brothers (Thailand) Limited Rodelta Pumps International B.V. Kirloskar Brothers International Pty Syncroflo Inc.	
2) Joint Venture	Kirloskar Ebara Pumps Limited	
3) Associate	KBL Synerge LLP	
4) Key Management Personnel	Mr. Sanjay Kirloskar Mr. Shrikrishna Inamdar Mr. Padmakar Jawadekar Ms. Lalita Gupte Mr. Pratap Shirke Mr. Alok Kirloskar Mr. Kishor Chaukar	
5) Relatives of Key Management Personnel	Mrs. Pratima Kirloskar Mr. Alok Kirloskar Mrs. Suman Kirloskar Ms. Rama Kirloskar	Wife of Mr. Sanjay Kirloskar Son of Mr. Sanjay Kirloskar Mother of Mr. Sanjay Kirloskar Daughter of Mr. Sanjay Kirloskar
6) Enterprises over which Key Managerial Personnel or their relatives exercise significant influence	Prakar Investments Private Limited	
7) Post Employee Benefit Plans	Kirloskar Brothers Limited, Employees Provident Fund For Engineering Factory Kirloskar Brothers Limited, Staff Members Provident Fund Kirloskar Brothers Limited, Kirloskarvadi Employee Gratuity Fund Kirloskar Brothers, Executive Staff Superannuation fund	





## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

Note 32 : 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 for working capital requirements :

Name of the Company	Balance as at		Maximum outstanding	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
<b>To Subsidiary Companies</b>				
The Kolhapur Steel Limited	13.214	13.214	13.214	13.214
Kirloskar Corrocoat Private Limited	-	-	-	14.000
<b>To Associate</b>				
KBL Synerge LLP	1.500	-	1.500	-

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.

Note 33: 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 entities

Sr. No	Name of the Joint Venture	Summarised financial information		
			31 March 2017	31 March 2016
1	Kirloskar Ebara Pumps Limited	Assets	1,760.711	1,620.154
		Liabilities	747.315	724.366
			2016-17	2015-16
		Income	1,817.875	1,674.843
		Expenses(including tax expenses)	1,699.446	1,939.703
		Other comprehensive income	(0.821)	(4.019)

c) Contingent liabilities, if any, incurred in relation to interest in Joint Ventures : Rs. 13.282 Million (Rs. 14.490 Million)

d) Capital commitments, if any, in relation to interest in Joint Ventures : Rs 15.460 Million (Rs.49.721 Million)

## NOTES TO ACCOUNTS (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-WEGCONSORTIUM	Jointly controlled operations	N A	India
29	MEIL-KBL- ( KDWSP ) JV	Jointly controlled operations	N A	India
30	KBL and TC IPL 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



## NOTES TO ACCOUNTS (CONTD.)

Note 34 : Details of provisions and movements in each class of provisions.

(Amounts in Million ₹)

Particulars	Compensated Absences	Product Warranty	Provision for decommissioning and restoration cost	Provision for Loss on Long Term Contracts
Carrying amount as at 1 April 2015	209.082	120.214	5.120	25.124
Add: Provision during the year 2015-16	42.260	148.839	-	11.883
Add: Unwinding of discounts	-	0.460	0.421	-
Less: Amount utilised during the year 2015-16	(15.493)	(123.970)	-	(6.880)
Less: Amount reversed during the year 2015-16	-	3.296	-	-
Carrying amount as at 31 March 2016	235.849	148.839	5.541	30.127
Add: Provision during the year 2016-17	15.329	218.404	-	32.689
Add: Unwinding of discounts	-	6.578	0.454	-
Less: Amount utilised during the year 2016-17	(21.687)	(190.980)	-	(6.109)
Less: Amount reversed during the year 2016-17	-	-	-	-
Carrying amount as at 31 March 2017	229.491	182.841	5.995	56.707

## Note 35 : Fair Value Measurements

As per assessments made by the management fair values of all financial instruments carried at amortised costs (except as specified below) are not materially different from their carrying amounts since they are either short term nature or the interest rates applicable are equal to the current market rate of interest.

The Company has not performed a fair valuation of its investment in unquoted ordinary shares which are classified as FVOCI (refer Note 4), as the Company believes that impact of change on account of fair value is insignificant.

Sr. No.	Particulars	Carrying value		
		31 March 2017	31 March 2016	1 April 2015
	<b>Levelled at Level 2</b>			
	<b>Financial Asset</b>			
a)	<b>Carried at amortised cost</b>			
	Trade receivable	3,515.710	3,589.536	4,035.211
	Security deposits	1,112.027	1,220.120	1,224.063
	Advances to subsidiaries and associates	15.340	13.059	13.214
	Other financial assets	46.143	21.281	62.280
	Cash and cash equivalent	254.666	201.610	151.408
	<b>Levelled at Level 3</b>			
	Investments in unquoted equity shares (FVOCI) *	0.000	0.000	0.000
	<b>Levelled at Level 2</b>			
	<b>Financial Liabilities</b>			
a)	<b>Carried at amortised cost</b>			
	Deferral payment liability	8.587	17.260	25.078
	Current borrowings at fixed rate of interest	1,877.632	2,517.167	2,341.936
	Trade payable	4,451.980	4,317.094	4,356.798
	Other current financial liabilities	807.737	597.751	645.386
	Financial guarantee contracts	39.047	6.209	12.040

\* The investment in unquoted equity shares is Rs.200/- and therefore not seen in the above table.

## NOTES TO ACCOUNTS (CONTD.)

### Note 36 : Financial risk management policy and objectives

Company's principal financial liabilities, comprise loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance company's operations and to provide guarantees to support its operations. Company's principal financial assets include advances to subsidiaries, trade and other receivables, security deposits and cash and cash equivalents, that derive directly from its operations.

In order to minimise any adverse effects on the financial performance of the Company, it has taken various measures. This note explains the source of risk which the entity is exposed to and how the entity manages the risk and impact of the same in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost.	Ageing analysis, External credit rating (wherever available)	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Foreign currency risk	Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Sensitivity Analysis	Management follows established risk management policies, including use of derivatives like foreign exchange forward contracts, where the economic conditions match the Company's policy.

The Company's risk management is carried out by management, under policies approved by the Board of Directors. Company's treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity.

#### (A) Credit Risk

Credit risk in case of the Company arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

#### Credit risk management

Credit risk arises from the possibility that counter party may not be able to settle their obligations as agreed. To manage this, the Company periodically assesses the reliability of customers, taking into account the financial condition, current economic trends, and analysis of historical bad debts and ageing of accounts receivable. Individual risk limits are set accordingly.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward looking information such as:

- Actual or expected significant adverse changes in business,
- Actual or expected significant changes in the operating results of the counterparty,
- Financial or economic conditions that are expected to cause a significant change to counterparty's ability to meet its obligations,
- Significant increases in credit risk on other financial instruments of the same counterparty,
- Significant changes in the value of collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

The Company provides for expected credit loss in case of trade receivables, claims receivable and security deposits when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or failing to engage in a



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

repayment plan with the Company. The Company categorises a receivable for provision for doubtful debts/write off when a debtor fails to make contractual payments greater than 1 year past due. The amount of provision depends on certain parameters set by the Company in its provisioning policy where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

**Provision for expected credit loss**

Financial assets for which loss allowance is measured using Lifetime Expected Credit Losses (ECL)

Exposure to Risk	31 March 2017	31 March 2016	1 April 2015
Trade Receivables	4,029.912	4,027.161	4,370.459
Less : Expected Loss	514.202	437.625	335.248
	3,515.710	3,589.536	4,035.211
Security Deposits	1,185.889	1,268.401	1,247.669
Less : Expected Loss	73.862	48.281	23.606
	1,112.027	1,220.120	1,224.063
Claims Receivable	49.955	237.936	251.744
Less : Expected Loss	3.845	216.688	192.586
	46.110	21.248	59.158
	31 March 2017	31 March 2016	1 April 2015
Trade Receivables			
Neither past due nor impaired	1,886.975	1,290.221	1,511.761
Past due but not impaired			
Less than 180 days	877.901	711.168	977.975
181 - 365 days	128.165	1,509.006	1,471.428
More than 365 days	1,136.871	516.766	409.295
Total	4,029.912	4,027.161	4,370.459

**Reconciliation of loss provision**

	Trade receivables	Others
Loss allowance as at 1 April 2015	335.248	216.191
Changes in loss allowance	102.376	48.778
Loss allowance as at 31 March 2016	437.625	264.970
Changes in loss allowance	76.578	(187.262)
Loss allowance as at 31 March 2017	514.202	77.707

**B) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, Company maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Company's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is carried out in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

Exposure to Risk	31 March 2017	31 March 2016	1 April 2015
<b>Interest bearing borrowings</b>			
On demand	277.632	1,717.167	991.936
Less than 180 days	1,600.000	800.000	1350.000
181 - 365 days	-	-	-
More than 365 days	8.587	17.260	25.078
<b>Total</b>	<b>1,886.219</b>	<b>2,534.427</b>	<b>2367.014</b>
<b>Other liabilities</b>			
On demand	60.913	37.163	43.563
Less than 180 days	762.011	562.888	605.274
181 - 365 days	23.860	3.909	8.589
More than 365 days	-	-	-
<b>Total</b>	<b>846.784</b>	<b>603.960</b>	<b>657.426</b>
<b>Trade &amp; other payables</b>			
On demand	2,089.295	1,737.786	1880.669
Less than 180 days	953.174	1,122.411	1346.621
181 - 365 days	50.798	178.064	67.421
More than 365 days	1,358.713	1,278.833	1062.087
<b>Total</b>	<b>4,451.980</b>	<b>4,317.094</b>	<b>4356.798</b>

The Company has access to following undrawn facilities at the end of the reporting period (Interest rates 6.8% - 10.1%)

	31 March 2017	31 March 2016	1 April 2015
Expiring within one year	3,537.781	2,889.572	3,056.986
Expiring beyond one year	-	-	-

### (C) Foreign Currency Risk

The Company is exposed to foreign exchange risk mainly through its sales to overseas customers and purchases from overseas suppliers in various foreign currencies.

The Company evaluates exchange rate exposure arising from foreign currency transactions and the Company follows established risk management policies, including use of derivatives like foreign exchange forward contracts to hedge exposure to foreign currency risk, where the economic conditions match the Company's policy.

#### Foreign currency exposure :

Financial Assets	Currency	Amount in Foreign Currency			Amount in INR		
		31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Trade Receivables	EGP	0.005	0.002	0.664	0.018	0.014	5.435
	EUR	1.680	0.500	1.026	116.366	37.190	68.869
	GBP	0.940	0.377	0.114	76.099	35.937	10.519
	USD	10.200	7.205	5.281	661.436	477.341	330.049
Bank Accounts	EGP	0.160	0.005	1.757	0.566	0.039	14.418
	EUR	0.312	0.075	-	21.644	5.582	0.023
	GBP	0.179	0.263	0.058	14.454	25.009	5.331
	USD	2.582	1.663	0.690	167.407	110.158	43.236
	VND	0.467	0.589	0.721	0.001	0.002	0.002
Other Deposits	EGP	1.150	1.150	1.692	4.080	8.581	13.879
	USD	0.025	-	-	1.621	-	-
Amount Due from Employees	EGP	0.082	0.082	0.082	0.290	0.609	0.669
	EUR	-	-	0.003	-	-	0.212
	GBP	0.001	0.015	0.003	0.119	1.417	0.250
	USD	0.070	0.072	0.016	4.542	4.756	1.016



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

Financial Liabilities	Currency	Amount in Foreign Currency			Amount in INR		
		31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
Trade Payables	EGP	4.629	4.413	4.435	16.513	32.929	36.345
	EUR	0.649	2.072	0.538	44.946	154.330	36.154
	GBP	0.128	0.104	0.177	10.373	9.952	16.375
	USD	2.954	2.604	3.983	191.606	172.569	248.984
	JPY	0.026	0.026	0.026	0.015	0.015	0.013
	VND	10,324.145	189.989	189.989	29.418	0.564	0.552
	CHF	-	0.071	0.024	-	4.777	1.571
Amount Due to Employees	EGP	0.111	0.111	0.111	0.396	0.828	0.909

## Currency wise net exposure ( assets -liabilities )

Particulars	Amount in Foreign Currency			Amount in INR		
	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
EGP	(3.343)	(3.285)	(0.352)	(11.955)	(24.514)	(2.853)
EUR	1.344	(1.497)	0.491	93.064	(111.558)	32.950
GBP	0.992	0.550	(0.003)	80.299	52.411	(0.275)
USD	9.923	6.335	2.004	641.779	419.686	125.316
JPY	(0.026)	(0.026)	(0.026)	(0.015)	(0.015)	(0.013)
VND	(10,323.678)	(189.400)	(189.268)	(29.417)	(0.563)	(0.550)
CHF	-	(0.071)	(0.024)	-	(4.777)	(1.571)

## Sensitivity Analysis

Currency	Amount in INR		Sensitivity %
	2016-17	2015-16	
EGP	(11.955)	(24.514)	0.29%
EUR	93.064	(111.558)	2.55%
GBP	80.299	52.411	5.01%
USD	641.779	419.686	7.56%
JPY	(0.015)	(0.015)	1.22%
VND	(29.417)	(0.563)	7.11%
CHF	-	(4.777)	6.29%
<b>Total</b>	<b>773.755</b>	<b>330.670</b>	

Currency	Impact on profit (strengthen)		Impact on profit (weakening)	
	2016-17	2015-16	2016-17	2015-16
EGP	0.035	0.071	(0.035)	(0.071)
EUR	(2.373)	2.845	2.373	(2.845)
GBP	(4.023)	(2.626)	4.023	2.626
USD	(48.518)	(31.728)	48.518	31.728
JPY	-	-	-	-
VND	2.092	0.040	(2.092)	(0.040)
CHF	-	0.300	-	(0.300)
<b>Total</b>	<b>(52.787)</b>	<b>(31.098)</b>	<b>52.787</b>	<b>31.098</b>

(EGP- Egyptian Pound, GBP - Great Britain Pound, EUR- Euro, USD - US Dollar, VND- Vietnamese Dong, JPY - Japanese Yen, CHF - Swiss Franc)



## NOTES TO ACCOUNTS (CONTD.)

Note 37 :

(Amounts in Million ₹)

### A Capital management

#### (a) Risk management

The Company's objectives when managing capital are to

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio: Net debt (total borrowings net of cash and cash equivalents) divided by Total 'equity' (as shown in the balance sheet).

The Company's strategy is to maintain a gearing ratio within 30%. The gearing ratios were as follows:

	31 March 2017	31 March 2016
Loans and borrowings	1,894.892	2,542.245
Less: Cash and cash equivalents	254.666	201.610
Net debt	1,640.226	2,340.635
Equity	8,380.134	8,061.610
Capital and net debt	10,020.360	10,402.245
Gearing ratio	16.37%	22.50%

### B Dividend

	31 March 2017	31 March 2016
(i) Equity Shares		
Final dividend for the year ended March 31, 2016 is Nil (31 March 2015 - INR 0.50) per fully paid share	Nil	39.694
Interim dividend for the year ended 31 March 2016 of INR 0.50 per fully paid share (31 March 2015 - Nil ) per fully paid share	Nil	39.704
(ii) Dividends not recognised at the end of the reporting period	79.409	Nil

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of INR 1 per fully paid equity share (31 March 2016 - Nil). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

**Note 38 :** 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	2016-17	2015-16
Principal amount due and remaining unpaid	648.965	285.081
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	-	-



## NOTES TO ACCOUNTS (CONTD.)

## Note 39 : Corporate social responsibility expenditure

(Amounts in Million ₹)

- (a) Amount required to be spent by the Company during the current year is Rs. 6.624 Million  
 (b) Amount spent by the Company during the current year is Rs. 7.318 Million

The Company as per its policy on Corporate Social Responsibility(CSR) and recommendation and approval of the CSR committee has contributed Rs. 5.493 Million towards Education through its implementing agency Vikas Charitable Trust, Rs 1.100 Million and Rs 0.725 Million towards Health Care & Education through Grampanchayat Kundal and Grampanchayat Ramanandnagar respectively in the current financial year.

In the Previous Year 2014-15, the Company based on the 'Frequently Asked Questions' on the provisions of Corporate Social Responsibility under Section 135 of the Companies Act, 2013 and Rules thereon issued by the Corporate Laws & Corporate Governance Committee of Institute of Chartered Accountants of India (ICAI) had appropriated CSR spend from Surplus. On 15<sup>th</sup> May 2015 ICAI came out with Guidance Note (34) changing the accounting treatment and therefore in the year 2016-17 CSR expenditure has been expensed out in the Profit and Loss account and disclosed under Other expenses.

## Note 40: Details of specified bank notes

Following is the disclosure of "Specified Bank Notes" (SBN) as required by the notification dated 30<sup>th</sup> March, 2017, issued by the Ministry of Corporate Affairs.

	SBN's	Other denomination notes	Total
Closing cash in hand as on 8 <sup>th</sup> Nov., 2016	0.885	0.270	1.155
Add: Permitted receipts	-	2.306	2.306
Less: Permitted payments	-	(1.718)	(1.718)
Less: Amount deposited in Banks	(0.885)	(0.040)	(0.925)
Closing cash in hand as on 30 <sup>th</sup> Dec., 2016	-	0.818	0.818

**Note 41 :** Effective from 1 April 2014 the Company had 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 31 March 2015 was higher by Rs. 153 Million. Further, an amount of Rs.61 Million (net of tax of Rs.40 Million) representing the carrying amount of assets with revised useful life as nil had been charged to the retained earnings as on 1 April 2014 pursuant to the Companies Act, 2013.

**Note 42 :** During the year Kirloskar Systech Limited (100% subsidiary of the Kirloskar Brothers Limited 'KBL') was merged with KBL. The merger is accounted as per guidance under Appendix C of Ind AS 103 (pooling of interest method) and the corresponding comparative periods are restated to give the effect of merger. (refer note 43 m)

## Note 43 : First Time Adoption of Ind AS

## Explanation of transition to Ind AS

These are Company's first financial statements prepared in accordance with Indian Accounting Standards (Ind AS) as notified under Companies' (Indian Accounting Standards) Rules, 2015. In preparing the financial statements for the year ended 31 March 2016 and balance sheet as at 1 April 2015 (Date of transition), the Company has adjusted amounts reported previously in financial statements prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP). This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2015 and the financial statements for the year ended 31 March 2016.

## Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional and mandatory exceptions applied in the transition from Indian Ind AS optional exemptions

## 1. Property, plant and equipment, intangible assets and investment properties

Ind AS 101 permits a first-time adopter to elect to continue with carrying value for all its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the Indian GAAP and use that as

---

## NOTES TO ACCOUNTS (CONTD.)

the deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 and Investment Property covered by Ind AS 40. Accordingly, the Company has elected to measure all of its property, plant and equipment, intangible assets and investment property at their Indian GAAP carrying value.

### 2. Investments in subsidiaries

Ind AS 101 permits a first-time adopter to elect to continue with carrying value for all of its investment in subsidiaries as recognised in its Indian GAAP financials as deemed cost as at the transition date. Accordingly, the Company has elected to measure all of its subsidiaries at their Indian GAAP carrying value.

### 3. Business Combination

Ind AS 101 provides the option to apply Ind AS 103 prospectively from the date of transition or from the specific date prior to the date of transition. This provides relief from full retrospective application that would require restatement of all business combinations prior to the date of transition.

The Company elected to apply Ind AS 103 prospectively to business combinations occurring after the date of transition. Business combinations occurring prior to the date of transition have not been restated.

### 4. Arrangement containing lease

Appendix C to Ind-AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind-AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material.

The Company has elected to apply this exemption for such contracts / arrangements.

## Ind AS mandatory exceptions

### 1. Estimates

An entity's estimates in accordance with Ind AS at the date of transition to the Ind AS shall be consistent with estimates made for the same date in accordance with Indian GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2015 are consistent with estimates as at the same date made in conformity with Indian GAAP. The Company made estimates for following items in accordance with Ind AS at the date of transition as these were not required by Indian GAAP:

- Impairment of financial assets based on expected credit loss model

### 2. Derecognition of financial assets and liabilities

Ind AS 101, requires first time adopter to apply the derecognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements of Ind AS 109, retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities de-recognised as a result of past transaction was obtained at the time of initially accounting of transactions.

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from date of transition to Ind AS.

### 3. Classification and measurement of financial asset

Ind AS 101 requires an entity to assess classification and measurement of financial assets, on the basis of the facts and circumstances that exists at the transition date to Ind AS.

### Explanation of transition to Ind AS

An explanation of how the transition from Indian GAAP to Ind AS has affected the Company's financial position, financial performance and cash flow is set out in the following tables and notes that accompany the tables. The reconciliations include-

- equity reconciliation as at 1 April 2015;
- equity reconciliation as at 31 March 2016;
- profit reconciliation for the year ended 31 March 2016; and
- cash flow reconciliation for the year ended 31 March 2016

In the reconciliations mentioned above, certain reclassifications have been made from Indian GAAP financial information to align with the Ind AS presentation.



## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from Indian GAAP to Ind AS

## Reconciliation of Equity

	Note No.	1 April 2015			31 March 2016		
		Indian GAAP	Ind AS Adjustments	Ind AS	Indian GAAP	Ind AS Adjustments	Ind AS
<b>ASSETS</b>							
<b>Non-current assets</b>							
(a) Property, Plant and Equipment	h,j,m,n	3,097.723	(9.024)	3,088.699	2,935.160	(23.842)	2,911.318
(b) Capital work-in-progress		70.655	-	70.655	61.345	-	61.345
(c) Investment Property	n	-	5.020	5.020	-	5.020	5.020
(d) Other Intangible assets	d,m	14.071	8.953	23.024	38.710	5.824	44.534
<b>(e) Financial Assets</b>							
(i) Investments	m	2,334.094	(46.141)	2,287.953	2,434.094	(46.141)	2,387.953
(ii) Trade receivables		29.326	-	29.326	23.451	-	23.451
(iii) Loans	j	270.188	0.911	271.099	303.363	0.911	304.274
(iv) Others - claims receivable		39.729	-	39.729	11.120	-	11.120
(f) Deferred tax assets (net)	l,m	98.371	13.010	111.381	181.294	5.408	186.702
(g) Other non-current assets	j	2,250.095	39.675	2,289.770	2,909.944	38.273	2,948.217
<b>Total non-current assets</b>		<b>8,204.252</b>	<b>22.404</b>	<b>8,216.656</b>	<b>8,898.481</b>	<b>(14.547)</b>	<b>8,883.934</b>
<b>Current assets</b>							
(a) Inventories		1,876.566	-	1,876.566	2,062.218	-	2,062.218
<b>(b) Financial Assets</b>							
(i) Trade receivables	c,m	3,946.740	59.145	4,005.885	3,492.230	73.855	3,566.085
(ii) Cash and cash equivalents	m	142.526	8.882	151.408	200.020	1.590	201.610
(iii) Loans		966.179	-	966.179	928.905	-	928.905
(iv) Others -Interest accrued		22.551	-	22.551	10.161	-	10.161
(c) Current Tax Assets (net)	m	(7.244)	7.244	-	3.281	(3.281)	-
(d) Other current assets	c,j,m	4,215.401	3.395	4,218.796	3,893.699	5.390	3,899.089
<b>Total current assets</b>		<b>11,162.719</b>	<b>78.676</b>	<b>11,241.385</b>	<b>10,590.514</b>	<b>77.554</b>	<b>10,668.068</b>
<b>TOTAL ASSETS</b>		<b>19,366.971</b>	<b>91.070</b>	<b>19,458.041</b>	<b>19,488.995</b>	<b>63.007</b>	<b>19,552.002</b>
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
(a) Equity share capital		158.776	-	158.776	158.818	-	158.818
(b) Other equity	c to m	7,811.047	58.826	7,869.873	7,889.624	13.168	7,902.792
<b>Total equity</b>		<b>7,969.823</b>	<b>58.826</b>	<b>8,028.649</b>	<b>8,048.442</b>	<b>13.168</b>	<b>8,061.610</b>
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
<b>(a) Financial Liabilities</b>							
(i) Borrowings	d	31.730	(6.652)	25.078	21.153	(3.893)	17.260
(ii) Trade payables		319.434	-	319.434	408.732	-	408.732
(iii) Other financial liabilities		-	5.550	5.550	-	2.002	2.002
(b) Provisions	h,i,m	126.025	5.315	131.340	157.057	4.464	161.521
(c ) Deferred tax liabilities (net)		(11.518)	11.518	-	(7.111)	7.111	-
(d) Other non-current liabilities	d,e,m	883.394	6.652	890.046	1,137.278	3.899	1,141.177
<b>Total non-current liabilities</b>		<b>1,349.065</b>	<b>22.383</b>	<b>1,371.448</b>	<b>1,717.109</b>	<b>13.583</b>	<b>1,730.692</b>
<b>Current liabilities</b>							
<b>(a) Financial liabilities</b>							
(i) Borrowings		2,341.936	-	2,341.936	2,517.167	-	2,517.167
(ii) Trade payables		4,050.160	(12.795)	4,037.365	3,939.442	(31.080)	3,908.362
(iii) Other financial liabilities	b,d,m	701.290	(49.415)	651.875	669.463	(67.505)	601.958
(b) Other current liabilities	b,c,d,e,m	2,616.410	113.229	2,729.639	2,275.865	134.410	2,410.275
(c) Provisions	c,k,m	338.287	(41.158)	297.129	321.509	0.428	321.938
<b>Total current liabilities</b>		<b>10,048.083</b>	<b>9.861</b>	<b>10,057.944</b>	<b>9,723.446</b>	<b>36.253</b>	<b>9,759.700</b>
<b>Total liabilities</b>		<b>11,397.148</b>	<b>32.244</b>	<b>11,429.392</b>	<b>11,440.555</b>	<b>49.836</b>	<b>11,490.392</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,366.971</b>	<b>91.070</b>	<b>19,458.041</b>	<b>19,488.997</b>	<b>63.004</b>	<b>19,552.002</b>

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

### Reconciliation of statement profit and loss and other comprehensive income

	Notes No.	Year ended 31 March 2016		
		Indian GAAP	Adjustments	IND AS
Revenue from Operations	a,b,c	16,562.375	649.856	17,212.231
Other Income	d,e	241.098	(33.234)	207.864
<b>Total Income</b>		<b>16,803.473</b>	<b>616.622</b>	<b>17,420.095</b>
<b>Expenses</b>				
Cost of materials consumed		7,512.728	-	7,512.728
Purchases of Stock-in-Trade		2,590.984	-	2,590.984
Changes in inventories of finished goods, Stock-in - Trade and work-in-progress		(205.984)	-	(205.984)
Employee benefits expense	f,g	1,824.895	90.629	1,915.524
Finance costs	d,e,g,h,i	372.243	9.648	381.891
Depreciation and amortization expense	d,h,j	389.428	18.639	408.067
Other expenses	a,b,c,e,i,j	4,255.026	487.421	4,742.447
<b>Total Expenses</b>		<b>16,739.320</b>	<b>606.337</b>	<b>17,345.657</b>
Profit/(loss) before exceptional items and tax		64.153	10.285	74.438
Exceptional Items				
Profit / (loss) before tax		64.153	10.285	74.438
(1) Current tax	I	24.600	17.227	41.827
(2) Deferred tax		(78.516)	3.195	(75.321)
(3) Short provision of earlier years		-	0.158	0.158
<b>Profit / (Loss) for the period from continuing operations</b>		<b>118.069</b>	<b>(10.295)</b>	<b>107.774</b>
Profit/(loss) from discontinued operations		-	-	-
Tax expenses of discontinued operations		-	-	-
<b>Profit/(loss) from discontinued operations (after tax)</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Profit/(loss) for the period</b>		<b>118.069</b>	<b>(10.295)</b>	<b>107.774</b>
<b>Other Comprehensive Income</b>				
Items that will not be reclassified to profit or loss	g	-	22.504	22.504
Income tax relating to items that will not be reclassified to profit or loss		-	(7.788)	(7.788)
Items that will be reclassified to profit or loss		-	-	-
Income tax relating to items that will be reclassified to profit or loss		-	-	-
<b>Total Comprehensive income for the period [Comprising Profit / (Loss) for the period (after tax) and Other Comprehensive Income (after tax)]</b>		<b>118.069</b>	<b>4.421</b>	<b>122.490</b>



## NOTES TO ACCOUNTS (CONTD.)

## a) Excise duty

(Amounts in Million ₹)

Under Indian GAAP, excise duty is reduced from gross revenues to report revenues net of excise duty.

Under Ind AS, revenue includes gross inflows of economic benefits received by a company for its own account. Excise duty collected, which is a duty on manufacture and a primary obligation of the manufacturer is considered as revenue with the corresponding payments to Government as expenditure. This adjustment does not have any impact on statement of profit and loss.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
Revenue from Operations	
Add: Excise duty	819.857
Other expenses - excise duty	
Add: Excise duty on sales	819.857

## b) Variable consideration

Under Indian GAAP, cash discounts and certain customer incentives such as award credits are reported separately as an expenditure in statement of profit and loss.

Under Ind AS, revenue is measured at the fair value of consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Customer incentives such as award credits and other loyalty programs are considered as separately identifiable component of the sale transaction in which they are granted (initial sale). The fair value of the consideration received or receivable of initial sale shall be allocated between the award credits and the other components of the sale. Allocation of initial sale value to be made with reference to the fair values of the components of sale. Such allocated fair value of award credit is deferred to be recognised subsequently as revenue when the award credits/ points are utilised or lapsed.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
Revenue from Operations	
Add / (Less): Cash discount	(171.964)
Add / (Less): Customer loyalty program	(11.600)
	(183.564)
Other expenses:	
(Less): Cash discount	(171.964)
Add / (Less): Customer loyalty program - Additional provision	(11.600)
	(183.564)

The impact on equity arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
Other current liabilities		
Add/ (Less): Deferred income	60.365	71.965
Other current financial liabilities		
Add/ (Less): Provision for bonanza scheme	(60.365)	(71.965)

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

### c) Project Revenue - Multiple element arrangements

Under Indian GAAP, there is no specific guidance on multiple elements transactions. Under Ind AS, it is necessary to apply the revenue recognition criteria for each separately identifiable component of a single transaction in order to reflect the substance of the transaction. Revenue is recognised separately for each component as and when the recognition criteria for the component is fulfilled. Further under Ind AS, contract revenue is measured at the fair value of the consideration received or receivable. The amount of revenue and estimates should be revised as and when events occur and uncertainties are resolved. Thus, contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. Accordingly, the amount of estimated contract revenue is decreased as a result of penalties arising from delays.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
<b>Revenue from Operations</b>	
Add / (Less): Project revenue	(7.338)
<b>Other expenses</b>	
Add / (Less): Unforeseeable loss and liquidated damages	(10.334)

The impact on equity arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
<b>Other current assets</b>		
Add/(Less): Gross amount due from customer	(7.006)	(4.445)
Add/(Less): Trade receivable	44.721	55.691
<b>Other current liabilities</b>	46.443	56.342
Gross amount due to customer		
<b>Current provisions</b>		
Provision for unrecognised losses	0.172	0.808
<b>Retained earnings</b>	(8.900)	(8.900)

### d) Sales tax deferral liability

Under Indian GAAP, a sales tax deferral liability, which is acquired from the third party for a consideration, is recorded as borrowings at transaction price. Amount paid for acquiring such sales tax deferral entitlement is recognised in statement of profit and loss in the year of acquisition.

Under Ind AS, acquired sales tax deferral liability is recorded as a financial liability. Such liability is measured at amortised cost using effective interest rate method. Amount paid for acquiring the sales tax deferral entitlement is treated as intangible asset and is amortised over the period of the benefit received.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
<b>Depreciation and amortisation</b>	
Add: amortisation of intangible asset	2.805
<b>Finance cost:</b>	
Add: fair valuation of deferral liability	3.324
<b>Other income</b>	
Add: amortisation of deferred income	3.324





## NOTES TO ACCOUNTS (CONTD.)

The impact on equity arising from this change is summarised as follows:

(Amounts in Million ₹)

Balance sheet	1 April 2015	31 March 2016
<b>Non current liabilities</b>		
Add/ (Less): Borrowings	(6.652)	(3.894)
Add/ Less: Other non current liabilities	6.652	3.894
<b>Other current liabilities</b>		
Add/ (Less): Other current financial liabilities	(3.324)	(2.759)
Less: Other current liabilities	3.324	2.759
<b>Other intangible asset</b>		
Add/ (Less): Deferral rights	8.418	5.613
<b>Retained earnings</b>	8.418	8.418

## e) Corporate guarantee

Under Indian GAAP, financial guarantee given by the parent on behalf of its subsidiaries is recognised as 'Contingent liability'.

Under Ind AS, corporate / financial guarantee is treated as financial liability and recognised at fair value on initial and subsequent recognition. The fair value of the guarantee recoverable from the subsidiary is treated as receivable from subsidiary. The fair value of the guarantee not recoverable from the subsidiary is written off as expenditure. Finance income is recognised over the term of the guarantee using effective interest method.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
<b>Finance cost</b>	
Add: fair valuation of corporate guarantee	1.636
<b>Other income</b>	
Add: amortisation of deferred income	7.862
<b>Other expenses</b>	
Add: fair valuation of corporate guarantee	0.395

The impact on equity arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
<b>Other non current financial liabilities</b>		
Deferred income	5.550	2.002
<b>Other current financial liabilities</b>		
Deferred income	6.490	4.207
<b>Retained earnings</b>	(12.040)	(12.040)

## f) Employee Stock Option Plan (ESOP)

Under Indian GAAP, a Company uses intrinsic value approach to measure the cost of share based payments. Under this approach, if the exercise price for employee stock option is not less than the market price of the underlying shares on the date of the grant, no compensation cost is recorded.

Under Ind AS, costs of share based payments are recorded based on the fair value of employee stock option. Under this approach, the instrument would have a value even if the exercise price is equal to the market price of the underlying shares on the date of grant.



## NOTES TO ACCOUNTS (CONTD.)

The impact on profitability arising from this change is summarised as follows:

(Amounts in Million ₹)

Statement of profit and loss	2015-16
Employee benefit expenses	
Less: excess of fair value over intrinsic value	(0.020)

The impact on equity arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
Other reserves		
Employee stock options reserve	(0.604)	(0.319)
Share premium	-	(0.305)
Retained earnings	0.604	0.604

### g) Employee benefit expenses - actuarial gains and losses and return on plan assets

Under Indian GAAP, actuarial gains and losses and return on plan assets on post-employment defined benefit plans are recognised immediately in statement of profit and loss.

Under Ind AS, remeasurements which comprise of actuarial gains and losses, return on plan assets and changes in the effect of asset ceiling, if any, with respect to post-employment defined benefit plans are recognised immediately in other comprehensive income (OCI). Further, remeasurements recognised in OCI are never reclassified to statement of profit and loss.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
Employee benefit expenses	
Add / (loss): Actuarial gain / loss	22.504
Tax expenses	
Add / (Less): Income tax impact of above	(7.788)
Other comprehensive income	
Items that will not be classified to P/L	
Add / (loss): Actuarial gain / loss	22.504
Add / (Less): Income tax impact of above	(7.788)

### Employee benefit expenses - net interest income / expenses

Under Indian GAAP, net finance cost / income on post-employment defined benefit plans (gratuity) is recognised in statement of profit and loss under 'employee benefit expense'.

Under Ind AS, net finance cost / income is recorded under 'finance cost / income'.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
Finance cost	
Add / (Less): net interest on net defined benefit obligation	3.781
Employee benefit expenses	
Add / (Less): net interest on net defined benefit obligation	(3.781)



## NOTES TO ACCOUNTS (CONTD.)

## h) Provision for decommissioning, restoration and similar liabilities

(Amounts in Million ₹)

Under Indian GAAP, at the initial recognition of an asset, provision for decommissioning, restoration and similar liabilities is not recorded.

Under Ind AS, the cost of dismantling or removing the item or restoration of the site is included as part of initial cost of the property, plant and equipment. Accordingly, a liability equivalent to the present value of such costs is recognised, with equivalent amount capitalised as an additional cost of the component. Depreciation on asset and imputed interest on the provision is subsequently recognised in statement of profit and loss.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
Depreciation and amortization expense	
Add: additional depreciation	0.116
Finance cost	
Add: present value of restoration liability	0.421

The impact on equity arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
Property, plant and equipment -		
Add/ (Less): Windmills	1.714	1.598
Non current provisions		
Add: Provision for decommissioning	5.120	5.541
Retained earnings	(3.406)	(3.406)

## i) Warranty provision

Under Indian GAAP, provision for warranty is recorded at transaction price.

Under Ind AS, warranty provision is discounted to its present value where the effect of time value of money is material. The imputed interest on the provision is subsequently recognised in statement of profit and loss.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
Finance cost	
Add: present value of warranty provision	0.460
Other expenses	
(Less): present value of warranty provision	(1.732)

The impact on equity arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
Non- current provisions		
(Less): Provision for warranty	(0.460)	(1.732)
Retained earnings	0.460	0.460

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

### j) Reclassification of lease

Under Indian GAAP, there is no specific guidance for contracts that involve leases of land.

Under Ind AS, leases of land is recognised as operating or finance lease as per definition and classification criteria. Where the land lease is for several decades, generally it qualifies as a finance lease even though the right of ownership of the land may not transfer at the end of the lease term. Land leases for relatively shorter periods are treated as operating leases. In such cases lease rentals paid in advance are recorded as prepaid lease rentals as part of other current / non-current assets.

The impact on profitability arising from this change is summarised as follows:

Statement of profit and loss	2015-16
Depreciation and amortization expense	
(Less): reversal of amortisation of leasehold land premium	(1.478)
Other expenses	
Add: rent expenses	1.418

The impact on equity arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
Property, plant and equipment		
(Less): Leasehold land - accumulated depreciation	(42.868)	(41.390)
Other non current asset		
Add/ (Less): Prepaid lease rentals	39.691	38.273
Other non current financial asset	0.910	0.910
Other current asset		
Add/ (Less): Prepaid lease rentals	1.417	1.417
Retained earnings	(0.850)	(0.850)

### k) Proposed dividend

Under Indian GAAP, dividend proposed after the date of the financial statements but prior to the approval of financial statements is considered as an adjusting event, and a provision for dividend is recognised in the financial statements of the period to which the dividend relates.

Under Ind AS, dividend declaration is considered as a non-adjusting event and provision for dividend is recognised only in the period when the dividend is approved by the shareholders in annual general meeting.

The impact on equity arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
Current provision		
(Less): Provision for dividend and tax on that	(40.932)	-
Retained earnings	40.932	-

### l) Deferred tax

Under Indian GAAP, the deferred tax is recognised using the income statement / balance sheet approach i.e. reflecting the tax effects of timing differences between accounting income and taxable income for the period.

Under Ind AS, the Company has recognised deferred taxes using the balance sheet approach i.e. reflecting the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Also, deferred taxes is recognised on account of the above mentioned changes explained in notes (a) to (k)



## NOTES TO ACCOUNTS (CONTD.)

The impact arising from this change is summarised as follows:

(Amounts in Million ₹)

Statement of profit and loss	2015-16
Add/ (Less): Deferred tax	4.357

The impact on equity arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
Deferred tax asset	12.768	5.041
Deferred tax liability	7.479	4.111
Retained earnings	5.288	5.288

m) Common control business combination

Under Indian GAAP, for common control business combinations, restatement of prior period financial statements is not required.

Under Ind AS, for common control business combinations, the financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination.

Statement of profit and loss	2015-16
Revenue from operations	218.590
Other income	0.579
	219.169
Employee benefit expenses	71.920
Finance cost	0.030
Depreciation	17.200
Other expenses	59.070
	148.220
<b>Profit before tax</b>	<b>70.949</b>
Current tax	25.020
Deferred tax	(1.160)
Short provision of earlier years	0.160
<b>Profit after tax</b>	<b>46.929</b>
<b>Effect of inter-company elimination on Profit</b>	
Revenue from operations	(197.690)
Other expenses	197.690
Other income	(45.000)
	(45.000)
<b>Merger of Kirloskar Systech Limited - restatement</b>	<b>1.929</b>

## NOTES TO ACCOUNTS (CONTD.)

(Amounts in Million ₹)

Balance sheet	1 April 2015	31 March 2016
Property, plant and equipments	37.131	20.968
Other intangible asset	0.535	0.211
Investments	(46.140)	(46.140)
Deferred tax asset	0.242	0.366
Trade receivable	14.425	18.164
Cash and cash equivalent	8.883	1.589
Current tax asset	7.244	(3.281)
Other current asset	8.988	8.417
Other equity	28.925	21.738
Other non-current financial liabilities	5.550	2.002
Provisions	0.656	0.656
Deferred tax liability	4.038	3.000
Other non-current liabilities	(5.550)	(1.996)
Trade payable	(12.795)	(31.080)
Other financial liabilities	14.274	7.219
Other current liabilities	(3.393)	(0.863)
Provisions	(0.398)	(0.381)

### n) Investment property

Under Indian GAAP, there is limited guidance on investment property.

Under Ind AS, investment property comprises of land or building held for earning rentals or for capital appreciation or both. Where a property is held for a currently undetermined future use, it is regarded as held for capital appreciation. Investment property is required to be measured at cost and is subsequently depreciated based on its useful life. Fair value of the investment property is to be disclosed at every reporting period end.

The impact arising from this change is summarised as follows:

Balance sheet	1 April 2015	31 March 2016
Property, plant and equipment	(5.020)	(5.020)
Investment property	5.020	5.020



## Form AOC - 1

## Statement containing salient features of the financial statement of Subsidiaries / Associate Companies / Joint Ventures

## PART 'A': Subsidiaries

Sl. No.	Name of the Subsidiary Company	Date of acquisition	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 Limited	09-Sep-16	1-Apr-16 to 31-March-17	INR	1.00	139,525	670,738	1,709,179	898,916	0.005	3,364,239	130,815	4,360	126,455	-	India	100.00
2	The Kolhapur Steel Limited	02-Aug-08	1-Apr-16 to 31-March-17	INR	1.00	267,000	(298,547)	223,965	255,512	0.000	359,806	(45,542)	(2,134)	(43,408)	-	India	99.00
3	Kirloskar Corrocoat Private Limited	12-Nov-09	1-Apr-16 to 31-March-17	INR	1.00	50,000	33,094	234,014	150,920	0.000	299,718	(8,345)	(1,362)	(6,983)	-	India	65.00
4	Kirloskar Brothers International B.V.	30-Aug-07	1-Jan-16 to 31-Dec-16	EURO	71.48	438,344	938,334	1,435,993	59,315	1,039,702	8,750	(64,656)	0.000	(64,656)	-	The Netherlands	100.00
5	SPP Pumps Limited	15-Feb-10	1-Jan-16 to 31-Dec-16	GBP	83.46	162,747	1,155,539	3,186,651	1,868,363	31,939	3,385,633	(120,785)	(21,132)	(99,653)	-	U K	100.00
6	Kirloskar Brothers (Thailand) Limited	01-Jan-11	1-Jan-16 to 31-Dec-16	Baht	1.89	47,250	(12,526)	555,189	520,466	1,890	703,992	19,904	4,682	15,222	-	Thailand	100.00
7	SPP Pumps (MENA) L.L.C.	13-Sep-11	1-Jan-16 to 31-Dec-16	EGP	3.72	1,116	(187,225)	47,382	233,493	0.000	19,643	(32,007)	0.114	(32,122)	-	Egypt	100.00
8	Kirloskar Pompen B.V	10-Apr-08	1-Jan-16 to 31-Dec-16	EURO	71.48	71,480	(128,897)	558,841	616,057	0.000	360,506	(27,970)	(1,723)	(29,693)	-	The Netherlands	100.00
9	Micawber 784 (Proprietary Limited)	29-Oct-09	1-Jan-16 to 31-Dec-16	RAND	4.96	92,934	(62,852)	122,589	92,507	0.000	15,475	2,217	1,701	0,516	-	South Africa	100.00
10	Kirloskar Brothers International Pty Limited	03-Dec-13	1-Jan-16 to 31-Dec-16	RAND	4.96	0,001	(3,979)	265,588	269,566	0.001	279,773	0,949	0,296	0,653	-	South Africa	100.00
11	SPP France S A S	11-Jun-13	1-Jan-16 to 31-Dec-16	EURO	71.48	35,955	(63,818)	62,283	90,146	0.000	124,254	(21,063)	0.000	(21,063)	-	France	100.00
12	SPP Pumps Inc.	17-Jul-15	1-Jan-16 to 31-Dec-16	USD	67.84	262,768	64,979	847,363	519,616	217,896	1,562,558	(0,455)	(7,790)	7,335	-	U S A	100.00
13	SPP Pumps South Africa Proprietary Limited	24-Oct-14	1-Jan-16 to 31-Dec-16	RAND	4.96	0,833	(43,788)	197,215	240,170	0.000	195,580	(35,225)	(0,501)	(34,724)	-	South Africa	100.00
14	Braybar Pumps Limited	13-Oct-14	1-Jan-16 to 31-Dec-16	RAND	4.96	0.000	29,322	213,320	183,997	0.000	175,996	(4,290)	2,276	(6,567)	-	South Africa	100.00
15	Rodelita Pumps International B. V.	14-Jul-15	1-Jan-16 to 31-Dec-16	EURO	71.48	1,287	(145,204)	205,737	349,653	0.000	139,379	(128,330)	(26,160)	(102,170)	-	The Netherlands	100.00
16	Rotaserve B. V.	04-Jan-16	1-Jan-16 to 31-Dec-16	EURO	71.48	0.000	(1,440)	0,527	1,967	0.000	0,234	(1,802)	(0,362)	(1,440)	-	The Netherlands	100.00
17	SPP Pumps Real Estate L.L.C.	17-Jul-15	1-Jan-16 to 31-Dec-16	USD	67.84	0.000	96,905	373,600	276,695	0.000	0.000	5,837	0.000	5,837	-	U S A	100.00
18	SyncoFlo, Inc.	28-Feb-14	1-Jan-16 to 31-Dec-16	USD	67.84	7,607	113,385	442,148	321,157	0.000	1,156,587	12,924	7,266	5,658	-	U S A	100.00
19	SPP Pumps (Asia) Limited	27-May-16	1-Jan-16 to 31-Dec-16	BAHT	1.89	1,890	2,093	49,396	45,413	0.049	47,827	2,363	0,269	2,093	-	Thailand	100.00
20	SPP Pumps (Singapore) Limited	29-Jun-16	1-Jan-16 to 31-Dec-16	SGD	46.91	0.049	(0,302)	26,545	26,799	0.000	8,650	(0,306)	0.000	(0,306)	-	Singapore	100.00

Details of Rotaserve Limited and Kirloskar Brothers International Zambia Limited 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 Associates/Joint Ventures	Kirloskar Ebara Pumps Limited (₹ in Million)
1. Latest audited Balance Sheet Date	31st March 2017
2. Shares of Associate/Joint Ventures held by the Company on the year end	
No.	2,25,000
Amount of Investment in Associates/Joint Venture	2.75
Extend of Holding %	45%
3. Date of acquisition of shares	27th January 1988
4. Description of how there is significant influence	It is Jointly Controlled entity
5. Reason why the associate/joint venture is not consolidated	consolidated to the extent of 45%
6. Networth attributable to Shareholding as per latest audited Balance Sheet	456.028
7. Profit / Loss for the year	
(i) Considered in Consolidation	53.293
(ii) Not Considered in Consolidation	65.136

Details of associate KBL Synerge LLP are not provided as yet to commence operations.



## CONSOLIDATED FINANCIAL STATEMENTS

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

#### Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS 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 associate a Limited Liability Partnership (LLP) and jointly controlled entity, comprising of the Consolidated Balance Sheet as at 31<sup>st</sup> March 2017, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

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

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and changes in equity of the of the Group including its associate and jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with the Companies (Account) Rules, 2014 and amendments thereof.

The respective Board of Directors of the companies included in the Group, associate 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, associate and jointly controlled 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 consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS 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 Ind AS 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 Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of



---

the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence obtained by us 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 Ind AS financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the state of affairs (financial position) of the Group, associate and its jointly controlled entity as at 31<sup>st</sup> March, 2017, and its consolidated loss (financial performance including other comprehensive income), its consolidated cash flows and the consolidated changes in equity 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. The financial statements of the subsidiaries reflect total assets of ₹ 5,973.680 Mln as at 31<sup>st</sup> March 2017, total revenues of ₹ 7,858.589 Mln and net cash flows amounting to ₹ (16.085) Mln for the year ended on that date, and share of profit from the jointly controlled entity of ₹ 53.293 Mln as considered in the consolidated Ind AS financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these eighteen subsidiary companies and one 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 Ind AS financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements / 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 Ind AS financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act, read with the Companies (Account) Rules, 2014 and amendments thereof.



- (e) On the basis of the written representations received from the directors of the Holding Company as on 31<sup>st</sup> March, 2017 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 are disqualified as on 31<sup>st</sup> March, 2017 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, associate, its jointly controlled entity and the operating effectiveness of such controls, refer to our separate Report in "Annexure I".
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group, its associate and its jointly controlled entity – refer note 24 to the consolidated Ind AS financial statements.
  - ii. The Group companies including associate and jointly controlled entity have made provision in the consolidated Ind AS financial statements, as required under the applicable law or Indian accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - refer note 32 to the consolidated Ind AS financial statements.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary companies, associate and jointly controlled company incorporated in India.
  - iv. The Holding Company has provided the disclosure regarding Specified Bank Notes (SBN) in Note 37 to its consolidated Ind AS financial statements as per notification no. G.S.R. 308(E), dated 30<sup>th</sup> March 2017 issued by the Ministry of Corporate Affairs and these are in accordance with the books of account maintained by the Group Companies.

For M/s P. G. Bhagwat

Chartered Accountants

Firm's Registration No.: 101118W

**Abhijeet Bhagwat**

Partner

Membership No.:136835

Pune : 17<sup>th</sup> May, 2017

---

## ANNEXURE I To the Independent Auditors' Report

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

### 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 Ind AS financial statements of the Company as of and for the year ended 31<sup>st</sup> March 2017, we have audited the internal financial controls over financial reporting of **Kirloskar Brothers Limited** (hereinafter referred to as "the Holding Company"), its three subsidiary companies and jointly controlled entity; 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 three subsidiary companies and jointly controlled entity, 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 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") 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 consolidated 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 report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Holding Company's internal financial controls system over financial reporting.



### Meaning of Internal Financial Controls Over Financial Reporting

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

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

### Opinion

In our opinion, the Holding Company, its three subsidiaries and jointly controlled entity, companies incorporated in India, have, in all material respects has an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> March 2017, based on the internal control over financial reporting criteria established by the Group 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.

### 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 insofar as it relates to the 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.

For M/s P. G. Bhagwat

Chartered Accountants

Firm's Registration No.: 101118W

Abhijeet Bhagwat

Partner

Membership No.: 136835

Pune : 17<sup>th</sup> May, 2017

# CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

(Amounts in Million ₹)

Particulars	Note	31 March 2017	31 March 2016	1 April 2015
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, Plant and Equipment	3 a	4,430.258	4,648.246	4,744.040
Capital work-in-progress		39.384	63.610	116.809
Investment Property	3 b	25.512	25.618	25.724
Goodwill	3 a	176.866	176.453	178.016
Other Intangible assets	3 a	170.776	180.402	78.120
<b>Financial Assets</b>				
Investments	4	456.038	402.539	526.139
Trade receivables	5 a	115.997	27.866	44.376
Loans	5 b	218.856	325.196	285.783
Others	5 c	18.128	11.495	106.104
Deferred tax assets (net)	6	325.100	239.369	195.253
Other non-current assets	7	2,707.039	3,000.527	2,325.545
<b>Total non-current assets</b>		<b>8,683.954</b>	<b>9,101.321</b>	<b>8,625.909</b>
<b>Current assets</b>				
Inventories	8	4,306.612	3,620.429	3,219.047
<b>Financial Assets</b>				
Investments		-	-	-
Trade receivables	5 a	5,315.771	5,681.091	7,147.876
Cash and cash equivalents	9	674.109	602.625	603.639
Bank balance other than above		56.512	6.689	9.579
Loans	5 b	921.954	917.348	959.418
Others	5 c	29.905	11.915	23.834
Current Tax Assets (net)		89.386	111.354	-
Other current assets	7	4,614.176	4,537.798	4,865.962
<b>Total current assets</b>		<b>16,008.425</b>	<b>15,489.249</b>	<b>16,829.355</b>
<b>TOTAL ASSETS</b>		<b>24,692.379</b>	<b>24,590.570</b>	<b>25,455.264</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity share capital	10	158.818	158.818	158.776
Other equity	11	8,821.923	9,065.075	9,445.722
<b>Equity attributable to owner's of parent</b>		<b>8,980.741</b>	<b>9,223.893</b>	<b>9,604.498</b>
Non controlling interest		29.002	21.863	70.878
<b>Total equity</b>		<b>9,009.743</b>	<b>9,245.756</b>	<b>9,675.376</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
<b>Financial Liabilities</b>				
Borrowings	12	501.874	454.157	506.806
Trade payables	13 a	312.281	409.107	319.434
Provisions	14	212.979	208.735	177.211
Deferred tax liabilities (net)	6	90.952	86.455	103.936
Other non-current liabilities	15	765.059	1,141.231	890.115
<b>Total non-current liabilities</b>		<b>1,883.145</b>	<b>2,299.685</b>	<b>1,997.502</b>
<b>Current liabilities</b>				
<b>Financial liabilities</b>				
Borrowings	12	3,050.279	3,035.504	2,962.952
Trade payables	13 a	5,497.436	5,391.468	6,213.055
Other financial liabilities	13 b	1,900.860	1,535.561	1,358.156
Other current liabilities	15	2,868.710	2,618.357	2,808.759
Provisions	14	482.206	464.239	424.279
Current tax liabilities (net)		-	-	15.185
<b>Total current liabilities</b>		<b>13,799.491</b>	<b>13,045.129</b>	<b>13,782.386</b>
<b>Total liabilities</b>		<b>15,682.636</b>	<b>15,344.814</b>	<b>15,779.888</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24,692.379</b>	<b>24,590.570</b>	<b>25,455.264</b>

Corporate information

1

Summary of significant accounting policies

2

See accompanying notes to financial statements

3-49

The notes referred to above form an integral part of the financial statements

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 17, 2017

**SANDEEP PHADNIS**  
Company Secretary

**C. M. MATE**  
CFO & Vice President (Finance)  
Pune : May 17, 2017


**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31 MARCH 2017**

(Amounts in Million ₹)

Particulars	Notes	2016-17	2015-16
Revenue from Operations	16	26,568.171	26,419.174
Other Income	17	306.249	273.375
<b>Total Income</b>		<b>26,874.420</b>	<b>26,692.549</b>
<b>Expenses</b>			
Cost of materials consumed	18	11,751.069	12,520.162
Purchases of Stock-in-Trade		1,537.167	1,288.833
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	18	(355.093)	(423.400)
Employee benefits expense	19	4,686.030	4,304.580
Finance costs	20	445.295	507.602
Depreciation and amortization expense	21	649.429	661.715
Other expenses	22	7,996.394	7,983.896
<b>Total expenses</b>		<b>26,710.291</b>	<b>26,843.388</b>
Profit / (loss) before exceptional items and tax		164.129	(150.839)
Exceptional items		-	-
<b>Profit / (loss) before tax</b>		<b>164.129</b>	<b>(150.839)</b>
<b>Tax expenses</b>			
Current tax	6	152.652	92.940
Deferred tax	6	(67.600)	(130.795)
Short provision of earlier years		96.664	0.158
<b>Profit/(Loss) for the period from continuing operations</b>		<b>181.716</b>	<b>(37.697)</b>
<b>Share of Profit/(loss) of joint venture company</b>		<b>(17.587)</b>	<b>(113.142)</b>
<b>Profit/(loss) for the year</b>		<b>53.293</b>	<b>(119.187)</b>
Profit/(loss) from discontinued operations		35.706	(232.329)
Tax expenses of discontinued operations		-	-
<b>Profit/(loss) from discontinued operations (after tax)</b>		<b>-</b>	<b>-</b>
<b>Profit/(loss) for the period</b>		<b>35.706</b>	<b>(232.329)</b>
<b>Attributable to</b>			
Non-controlling interest		(2.555)	8.850
Equity holder's of parent		38.261	(241.179)
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to profit or loss</b>	23		
Remeasurement of employee benefits		(18.635)	22.010
Income tax relating to items that will not be reclassified to profit or loss		7.078	(7.616)
Share of other comprehensive income of associates and joint venture accounted for using equity method		(0.370)	(1.808)
<b>Items that will be reclassified to profit or loss</b>	23		
Foreign Currency Translation balance		(135.721)	(38.972)
Foreign exchange loss for subsidiary company		(124.078)	-
<b>Other comprehensive income</b>		<b>(271.726)</b>	<b>(26.386)</b>
<b>Total Comprehensive Income for the period</b>		<b>(236.020)</b>	<b>(258.715)</b>
<b>(Comprising Profit/(Loss) and Other Comprehensive Income for the period)</b>			
<b>Attributable to</b>			
Non-controlling interest		(2.535)	8.779
Equity holder's of parent		(233.485)	(267.494)
<b>Earnings per equity share (for continuing operations)</b>			
Basic	28	0.48	(3.04)
Diluted	28	0.48	(3.04)
<b>Earnings per equity share (for discontinued operations)</b>			
Basic		-	-
Diluted		-	-
<b>Earnings per equity share (for discontinued and continuing operations)</b>			
Basic	28	0.48	(3.04)
Diluted	28	0.48	(3.04)

Corporate information

1

Summary of significant accounting policies

2

See accompanying notes to financial statements

3-49

The notes referred to above form an integral part of the financial statements

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 17, 2017

**SANDEEP PHADNIS**  
Company Secretary

**C. M. MATE**  
CFO & Vice President (Finance)  
Pune : May 17, 2017

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2017

(Amounts in Million ₹)

Particulars	2016-17	2015-16
<b>Cashflows from Operating Activities</b>		
Net Profit before taxation and extraordinary items	164.129	(150.839)
Adjustments for :-		
Depreciation / Amortization	649.429	661.715
Diminution in value of Asset held for disposal	0.001	1.183
(Profit) / Loss on sale / discarded of Fixed Assets (Net)	(2.253)	(0.675)
(Profit) / Loss on sale of investment	-	(0.658)
Employees Stock Option - Compensation debited to Profit and loss Account (Net)	-	0.191
Advances, deposits and claims written off	52.062	39.687
Provision for Doubtful Debts/Advances	340.231	141.189
Bad debts, advances and claims written off	34.653	143.057
Liquidated damages	148.467	25.459
Deferred Income	(2.759)	(3.324)
Interest Income	(117.537)	(43.388)
Dividend Income	-	(1.156)
Interest Expenses	346.670	400.459
Unrealised exchange ( gain)/ Loss - Others	18.256	(40.261)
<b>Operating Profit Before Working capital changes</b>	<b>1,631.349</b>	<b>1,172.639</b>
Adjustments for :-		
(Increase)/ decrease in inventories	(842.607)	(439.891)
(Increase)/ decrease in trade receivables	(795.192)	(232.741)
(Increase)/ decrease in financial assets	(14.305)	0.660
(Increase)/ decrease in non-financial assets	63.540	(262.625)
Increase/ (decrease) in trade and other payables	571.818	970.092
Increase/ (decrease) in financial liabilities	379.551	(27.565)
Increase/ (decrease) in Non financial liabilities	(67.436)	(70.820)
Increase/ (decrease) in provisions	20.957	79.894
<b>Cash Generated from Operations</b>	<b>947.675</b>	<b>1,189.643</b>
Income Tax (Paid ) / Refunded	52.086	(221.910)
<b>Net Cash from Operating Activities</b>	<b>999.761</b>	<b>967.733</b>
<b>Cashflows from Investing Activities</b>		
Purchase of Fixed Assets	(444.947)	(651.982)
Sale of Fixed Assets	5.909	19.739
Purchase of Investment	(0.356)	-
Sale of Investment	-	21.309
Interest Received	107.504	38.533
Dividend Received	-	114.948
Advance / Loans to Subsidiaries	(2.282)	0.155
<b>Net Cash from Investment Activities</b>	<b>(334.172)</b>	<b>(457.298)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from borrowing	2,417.801	1,013.071
Repayment of borrowings	(2,647.096)	(821.575)
Interest Paid	(343.880)	(401.098)
Dividend Paid	(6.250)	(252.662)
Tax on Dividend	-	(37.995)
Proceeds from issuance of share capital (ESOP)	-	0.042
<b>Net Cash used in Financing Activities</b>	<b>(579.425)</b>	<b>(500.217)</b>
Unrealised Exchange Gain / (Loss) in cash and cash equivalents	(14.680)	(11.232)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>86.164</b>	<b>10.218</b>
Cash & Cash Equivalents at beginning of period	602.625	603.639
Cash & Cash Equivalents at end of period (refer note 9)	674.109	602.625

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 17, 2017

SANDEEP PHADNIS  
Company Secretary

C. M. MATE  
CFO & Vice President (Finance)  
Pune : May 17, 2017




**Statement of Changes in Equity for the period ended 31 March 2017**

(Amounts in Million ₹)

**A. Equity Share Capital**

Balance as on 1 April 2015	Changes in equity share capital during the year	Balance as on 31 March 2016
158.776	0.042	158.818

Balance as on 31 March 2016	Changes in equity share capital during the year	Balance as on 31 March 2017
158.818	-	158.818

**B. Other Equity**

	Reserves and Surplus							Total Reserve and Surplus	Minority Interest	Total
	Capital Reserve	Capital redemption reserve	Securities Premium Reserve	Shares options outstanding account	General reserve	Foreign Currency Translation Reserve	Retained Earnings			
Restated balance at 1 April 2015	5.237	9.237	411.284	3.130	6,329.984	273.351	2,413.499	9,445.722	70.878	9,516.600
Total Comprehensive Income for the year	-	-	-	-	-	(38.972)	(228.524)	(267.496)	8.779	(258.717)
Transfer to/from retained earnings	-	-	-	-	-	-	-	-	-	-
Changes in non-controlling interest	-	-	-	-	-	-	(41.998)	(41.998)	(57.795)	(99.793)
Dividend and tax on that	-	-	-	-	-	-	(71.343)	(71.343)	-	(71.343)
Employee stock options issued during the year	-	-	3.321	(3.130)	-	-	-	0.191	-	0.191
Balance as on 31 March 2016	5.237	9.237	414.605	-	6,329.984	234.379	2,071.633	9,065.075	21.863	9,086.938
Total Comprehensive Income for the year	-	-	-	-	-	(135.721)	(97.766)	(233.487)	(2.535)	(236.022)
Changes in non-controlling interest	-	-	0.095	-	0.480	-	(10.240)	(9.665)	9.674	0.009
Balance as on 31 March 2017	5.237	9.237	414.700	-	6,330.464	98.658	1,963.627	8,821.923	29.002	8,850.925



---

## CONSOLIDATED NOTES TO ACCOUNTS

### Significant accounting policies

Notes to the consolidated financial statements for the year ended 31 March 2017 (All amounts are in Indian rupees rounded to the nearest millions, unless otherwise stated)

#### 1. Corporate information

Kirloskar Brothers Limited ("KBL") is a public limited Company domiciled in India and incorporated under the provisions of the Indian Companies Act. KBL, its Subsidiaries and Joint Ventures ("Group") are engaged in providing global fluid management solutions. The core products of the Group are Engineered Pumps, Industrial Pumps, Agriculture and Domestic Pumps, Valves, and Hydro turbines.

#### 2. Significant accounting policies

##### 2.1 Basis of preparation

The consolidated financial statements of the group have been prepared in accordance with Indian Accounting Standards (Ind-AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of the Companies Act, 2013 ("the Act") and other relevant provisions of the Act.

For all periods up to and including the year ended 31 March 2016, the group prepared its financial statements in accordance with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) notified under Section 133 of the Act and other relevant provisions of the Act.

These are the group's first financial statements prepared in accordance with Ind AS and Ind AS 101 First-time Adoption of Indian Accounting Standards (Ind AS 101) has been applied. An explanation of how the transition from previous GAAP to Ind AS has affected the reported balance sheet, profit or loss and cash flows of the Group is provided in note 48.

The financial statements were authorised for issue by the Board of Directors on May 17, 2017.

##### 2.2 Basis of consolidation and equity accounting

###### i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements relate to Kirloskar Brothers Limited (KBL) and 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:



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

Name of the Company	Country of Incorporation	Proportion of Ownership Interest of KBL	Reporting Date
Karad Projects and Motors Limited	India	100.00%	31 March 2017
The Kolhapur Steel Limited	India	99.78%	31 March 2017
Kirloskar Corrocoat Private Limited	India	65.00%	31 March 2017
Kirloskar Brothers International B. V.	The Netherlands	100%	31 December 2016
SPP Pumps Limited	United Kingdom	100%	31 December 2016
Kirloskar Brothers(Thailand) Limited	Thailand	100%	31 December 2016
SPP Pumps (MENA) L.L.C.	Egypt	100%	31 December 2016
Kirloskar Pompen B.V	The Netherlands	100%	31 December 2016
Micawber 784 Proprietary Limited	South Africa	100%	31 December 2016
Kirloskar Brothers International PTY Ltd.	South Africa	100%	31 December 2016
SPP France S A S	France	100%	31 December 2016
SPP Pumps Inc.	USA	100%	31 December 2016
SPP Pumps South Africa Proprietary Limited	South Africa	100%	31 December 2016
Braybar Pumps Limited	South Africa	100%	31 December 2016
Rodelta Pumps International B.V.	The Netherlands	100%	31 December 2016
Rotaserve B.V.	The Netherlands	100%	31 December 2016
SPP Pumps Real Estate LLC	USA	100%	31 December 2016
SyncroFlo Inc.	USA	100%	31 December 2016
SPP Pumps (Asia) Limited	Thailand	100%	31 December 2016
SPP Pumps (Singapore) Limited	Singapore	100%	31 December 2016
Rotaserve Limited	United Kingdom	100%	31 December 2016
Kirloskar Brothers International Zambia Limited	Zambia	100%	31 December 2016

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.

#### iii) Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### iv) Loss on control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit and loss account.

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

#### v) Equity accounted investees

A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in Associate Company has been accounted under the equity method as per Ind AS 28 'Investments in Associates and Joint Ventures', whereby the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the Company's share of net assets of the Joint Venture.

The excess of cost to the Company of its investment in the Joint Venture entity is set off against the adjusted carrying amount of the investment. Distributions received from the Joint Venture reduce the carrying amount of the investment.

The consolidated statement of profit and loss reflects the Company's share of the results of the operations of the Joint Venture Company.

Unrealised profits and losses resulting from transactions between the Joint Venture and the Company are eliminated to the extent of Company's interest in the associate.

#### vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 2.3 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items, which are measured on an alternative basis on each reporting date.

Items	Measurement basis
Derivative financial instruments at fair value through profit or loss	Fair value
Non-derivative financial instruments at fair value through profit or loss	Fair value
Share based payment transactions	Fair value
Defined benefit plan – plan assets	Fair value

### 2.4 Functional and presentation currency

These financial statements are presented in Indian Rupees (INR), which is the Group's functional currency. All financial information is presented in INR rounded to the nearest Millions, except share and per share data, unless otherwise stated.

### 2.5 Use of judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS 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. The estimates are based on management's best knowledge



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

of current events and actions, however, due to uncertainty about these assumptions and estimates, actual results may differ from the estimates.

This note provides an overview of the areas that involved a higher degree of judgement or complexity and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

### Critical estimates and judgements

The areas involving critical estimates or judgements are:

1. Estimation of defined benefit obligation – The cost of the defined benefit gratuity and pension plan, and the present value of the gratuity/pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates.
2. Estimation of leave encashment provision - The cost of the leave encashment and the present value of the leave encashment obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates.
3. Impairment of goodwill – The group estimates the value in use of a cash generating unit (CGU) based on the future cash flows after considering the current economic conditions and trends, estimated future operating results and growth rate. The estimated cash flows are developed using internal forecasts. The discount rate used for the CGU's represent the weighted average cost of capital based on historical market returns of comparable companies.
4. Impairment of receivables - The impairment provisions for financial receivables disclosed are based on assumptions about risk of default and expected loss rates.
5. Decommissioning liability – Initial estimate of dismantling and restoration liability requires significant judgement about cost inflation index and other factors as discussed in note
6. Estimation of provision for warranty claims – key assumptions about likelihood and magnitude of an outflow of resources.

### 2.6 Inventories

Inventories are valued at the lower of cost and net realizable value. The cost is calculated on moving weighted average method.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: cost includes cost of purchase excluding taxes subsequently recoverable from tax authorities and other costs incurred in bringing the inventories to their present location and condition.

---

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

- Finished goods and work in progress: cost includes cost of direct materials, labor and a systematic allocation of fixed and variable production overhead that are incurred in converting raw material into finished goods based on the normal operating capacity. Excise duty is considered as cost at the end of reporting period.
- Traded goods: Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.
- Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### 2.7 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks, cash on hand and highly liquid short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

#### 2.8 Property, plant and equipment

##### Measurement

Freehold land is carried at historical cost. All other items of property, plant and equipment are measured at cost of acquisition or construction less accumulated depreciation and accumulated impairment loss, if any.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use; any discounts and rebates are deducted in arriving at the purchase price.

Borrowing costs directly attributable to the construction or acquisition of a qualifying asset up to completion or acquisition are capitalised as part of the cost. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criterias for a provision are met.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment under construction are disclosed as capital work-in-progress.

Advances paid towards the acquisition of property, plant and equipment outstanding at each reporting date are disclosed under "Other non-current assets".

##### Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit and loss as incurred.

**CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)****Significant accounting policies : (contd.)****Disposal**

An item of property, plant and equipment is derecognized upon disposal or when no future benefits are expected from its use or disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/expenses in the statement of profit and loss.

**Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit and loss generally on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment and in some cases based on the technical evaluation made by the management.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

**2.9 Investment properties**

Investment property is a property, being land or building or part of it, that is held to earn rental income or for capital appreciation or both but not held for sale in ordinary course of business, use in manufacturing or rendering services or for administrative purposes.

Upon initial recognition, investment property is measured at cost. The cost of investment property includes its purchase price and directly attributable expenditure, if any. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Investment property in the form of land is not depreciated.

Investment properties are derecognised either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement profit and loss in the period of derecognition.

**2.10 Goodwill and intangible assets****Recognition and measurement**

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less impairment losses. Goodwill is allocated to the CGUs for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the business combination in which goodwill arose.

Other intangible assets are recognised when the asset is identifiable, is within the control of the Group, it is

---

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

probable that the future economic benefits that are attributable to the asset will flow to the Group and cost of the asset can be reliably measured.

Intangible assets acquired by the Group that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

#### Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

#### Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in statement of profit and loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

#### Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation expense is recognised in the statement of profit and loss.

During the period of development, the asset is tested for impairment annually.

### 2.11 Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences in relation to the foreign currency borrowings to the extent those are regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised in the cost of that asset. Qualifying assets are those assets which necessarily takes a substantial period of time to get ready for its intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.



**CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)****Significant accounting policies : (contd.)****2.12 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable. Amounts included in revenue are inclusive of excise duty and net of returns, trade allowances, rebates, and value added taxes.

In case of multiple deliverable arrangements where two or more revenue generating activities or deliverables are provided under a single contract, each deliverable that is considered to be a separate component is accounted for separately. Revenue recognition criteria are applied for each separately identifiable component of transaction in order to reflect the substance of the transaction and revenue is recognised separately for each component as and when the recognition criteria for the component is fulfilled.

**Sale of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

**Customer loyalty programs**

Within its product segment, the Group operates loyalty points programs, which allows customers to accumulate points and utilize in subsequent year. The fair value of the consideration received or receivable in respect of initial sale is allocated between the loyalty points issued and pumps sold. The amount allocated to loyalty points is deferred and is recognised as revenue when the loyalty points are redeemed and the Group has fulfilled its obligation towards loyalty points or when time period to redeem its loyalty points are expired.

**Rendering of services**

Revenue from services is recognised when services are rendered.

**Construction Contracts**

Contract revenue includes initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

Contract revenues and contract costs arising from fixed price contract are recognized in accordance with the percentage completion method (POC). The stage of completion is measured with reference to cost incurred to date as a percentage of total estimated cost of each contract. Until such time (25% of Project Cost) where the outcome of the contract cannot be ascertained reliably, the company recognizes revenue equal to actual cost.

Full provision is made for any loss estimated on a contract in the year in which it is first foreseen.

Where the Group is involved in providing operation and maintenance services under a single construction contract, then the consideration is allocated on a relative fair value basis between various components of a contract.



---

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

#### 2.13 Other income

Interest is recognized on a time proportion basis determined by the amount outstanding and the rate applicable using the effective interest rate (EIR) method. Dividend income and export benefits in the form of Duty Draw Back claims are recognised in the statement of profit and loss on the date that the Group's right to receive payment is established

#### 2.14 Foreign currencies transactions

##### i) Transactions and balances

Transactions in foreign currency are recorded at exchange rates prevailing at the date of transactions. Exchange differences arising on foreign exchange transactions settled during the year are recognised in the statement of profit and loss of the year.

Monetary assets and liabilities denominated in foreign currencies which are outstanding, as at the reporting period are translated at the closing exchange rates and the resultant exchange differences are recognised in the statement of profit and loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

##### ii) Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of that balance sheet
- Income and expenses are translated at average exchange rates, and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

#### 2.15 Employee benefits

##### 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.

##### Post-employment benefits

##### Defined contribution plans

The Group's superannuation scheme, state governed provident fund scheme related to Kirloskar Brothers Limited's Dewas, Kainiyur, Sanand factories and employee state insurance scheme are defined contribution plans. The Group has no further payment obligations once the contributions have been paid.

**CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)****Significant accounting policies : (contd.)**

The contributions are recognised as employee benefit expenses when they are due.

**Defined Benefit Plans**

The employees' gratuity fund schemes and provident fund scheme managed by a trust and pension scheme are the Group'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.

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.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurements are not reclassified to the statement of profit and loss in subsequent periods.

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 recognise the obligation on net basis.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of profit and loss. Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises gains/ losses on settlement of a defined plan when the settlement occurs.

The Group pays contribution to a recognized provident fund trust in respect of above mentioned PF schemes.

**Other long term employee benefit**

The liabilities for earned leave that are not expected to be settled wholly within twelve months after the end of the reporting period in which the employee render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating the terms of the related obligation. Re-measurements as a result of experience adjustments and change in actuarial assumptions are recognised in the statement of profit and loss.

**2.16 Income taxes**

Income tax expense comprises current and deferred tax. It is recognised in the statement of profit and loss except to the extent that it relates to a business combination or items recognised directly in equity or in OCI.

---

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

#### Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date in the country where the Group operates and generates taxable income. Current tax assets and liabilities are offset only if certain criteria are met.

#### Deferred tax

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

Deferred tax 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.

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

### 2.17 Share-based payments

Share based compensation benefits are provided to the employees (including senior executives) of the Group under the Group's Employee Stock Option Scheme, whereby employees render services as consideration for equity instruments (equity-settled transactions).

#### Equity-settled transactions

The fair value of the options granted to employees is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

That cost is recognised, together with a corresponding increase in share-based payment (SBP) reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of profit and loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

**CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)****Significant accounting policies : (contd.)**

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

**2.18 Provisions**

A Provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost in the statement of profit and loss.

**Warranty provisions**

Provisions for warranty is recognised when the underlying products and services are sold to the customer based on historical warranty data and at its best estimate using expected value method. The initial estimate of warranty-related costs is revised annually.

**Provision for decommissioning and site restoration**

The Group has a legal obligation for decommissioning of windmills and restoring the site back to its original condition. Decommissioning and restoration costs are measured initially at its best estimate using expected value method. The present value of initial estimates is provided as a liability and corresponding amount is capitalised as a part of the windmill. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Contingent liability is disclosed when Group has:

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

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

---

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

#### 2.19 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered prior to 1 April 2015, the Group has determined whether the arrangement contains lease based on facts and circumstances existing on the date of transition.

- **Group as a lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of profit and loss.

- **Group as lessor**

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income from operating lease is recognised on a straight-line basis over the term of the relevant lease unless the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases or another systematic basis is available. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases are classified as finance leases when substantially all of the risks and rewards of ownership transfer from the Group to the lessee. Amounts due from lessees under finance leases are recorded as receivables at the Group's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

#### 2.20 Impairment of non-financial assets

The Group 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 Group estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's or CGU's fair value



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

less costs of disposal 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.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the statement of profit and loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 2.21 Fair value measurement

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

---

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 2.22 Financial instruments

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

##### Financial assets

##### Initial recognition and measurement

All financial assets are recognised initially at fair value. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### Subsequent measurement

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

- 1) Debt instruments at amortised cost
- 2) Debt instruments at fair value through other comprehensive income (FVTOCI)
- 3) Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- 4) Equity instruments measured at fair value through other comprehensive income (FVTOCI)

##### Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

##### Impairment of financial asset

Group applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a. Financial assets that are debt instruments and are measured at amortised cost e.g. loans, debt securities, deposits, trade receivables and bank balance
- b. Financial assets that are debt instruments and are measured as at FVTOCI
- c. Lease receivables
- d. Trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18
- e. Loan commitments which are not measured as at FVTPL



**CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)****Significant accounting policies : (contd.)**

- f. Financial guarantee contracts which are not measured as at FVTPL

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

- a. Trade receivables or contract revenue receivables; and  
b. All lease receivables resulting from transactions within the scope of Ind AS 17

The application of simplified approach does not require the group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

**Financial liabilities****Initial recognition and measurement**

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

**Financial guarantee contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of loss allowance determined and the amount recognised less cumulative amortisation.

**Derecognition**

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

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.



---

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Significant accounting policies : (contd.)

#### Derivative financial instruments

##### Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

#### 2.23 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to equity holders of the Group by the weighted average number of equity shares outstanding during the Financial Year, adjusted for bonus elements in equity shares issued during the year and excluding treasury shares.

Diluted EPS adjusts the figures used in the determination of basic EPS to consider:

- The after-income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- The weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares (if any).

#### 2.24 Segment reporting

Operating segments are reporting in a manner consistent with the internal reporting to the Chief Operating Decision Maker (CODM).

The Board of Directors of the group assesses the financial performance and position of the group and makes strategic decisions. The Board of Directors, which are identified as a CODM, consists of Chief Executive Officer, Chief Financial Officer and all other Executive Directors.

#### 2.25 Recent accounting pronouncement

##### Standards issued but not yet effective

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of cash flows' and Ind AS 102, 'Share-based payment.' These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of cash flows' and IFRS 2, 'Share-based payment', respectively. The amendments are applicable to the Group from 1 April 2017.

##### Amendment to Ind AS 7:

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities, to meet the disclosure requirement.

**CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)****Significant accounting policies : (contd.)**

The Group is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

**Amendment to Ind AS 102:**

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards. Market-based performance conditions and non-vesting conditions are reflected in the 'fair values', but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement.

Since Group has not entered into share based payment arrangement, amendments to Ind AS 102 are not applicable to Group.

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

Note 3 a: Property, Plant and Equipment

	Tangible Assets										Intangible Assets		Goodwill
	Land Free hold	Land Lease hold	Buildings	Plants & Equipments	Furniture & Fixtures	Office equipments	Vehicles	Other tangible assets **	Total	Computer Softwares	Other intangible assets***	Total	
<b>Gross Block [refer note 48(1)]</b>													
As at 1 April 2015	610.940	83.131	2,466.270	5,052.433	530.408	13.123	94.373	1.736	8,852.414	196.855	94.168	291.023	178.016
Additions	6.000	-	18.294	511.480	14.049	14.645	6.029	-	570.497	45.242	103.194	148.436	-
Acquired through business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	0.091	-	2.344	106.082	9.544	0.896	10.152	-	129.109	0.947	15.911	16.858	-
Revaluation / Impairments	-	-	-	(1.183)	-	-	-	-	(1.183)	-	-	-	-
Exchange difference	(68.135)	-	47.551	(54.621)	42.127	-	(5.638)	-	(38.716)	(0.873)	(5.443)	(6.316)	(1.563)
As at 31 March 2016	548.714	83.131	2,529.771	5,402.027	577.040	26.872	84.612	1.736	9,253.903	240.277	176.008	416.285	176.453
Additions	16.134	-	26.204	378.337	20.551	2.220	28.827	-	472.273	37.910	9.684	47.594	-
Disposals	-	-	-	53.194	0.010	-	4.458	0.012	57.674	31.484	-	31.484	-
Acquired through business combinations *	-	-	-	25.876	0.026	-	-	-	25.902	0.471	-	0.471	-
Exchange difference	41.587	-	(90.745)	(141.205)	(12.387)	-	1.218	-	(201.532)	1.216	0.909	2.125	0.413
As at 31 March 2017	606.435	83.131	2,465.230	5,611.841	585.220	29.092	110.199	1.724	9,492.872	248.390	186.601	434.991	176.866
<b>Depreciation/ Amortisation</b>													
As at 1 April 2015	-	1.607	427.989	3,268.970	347.848	9.764	50.608	1.588	4,108.374	175.601	37.302	212.903	-
Charge for the year	-	1.087	38.439	558.587	15.274	2.795	13.457	0.013	629.652	14.652	17.305	31.957	-
Depreciation on disposal	-	-	0.132	101.122	7.147	0.828	8.103	-	117.332	0.810	1.888	2.698	-
Exchange difference	-	-	1.458	(76.103)	63.425	(3.817)	-	-	(15.037)	(0.614)	(5.665)	(6.279)	-
As at 31 March 2016	-	2.694	467.754	3,650.332	419.400	7.914	55.962	1.601	4,605.657	188.829	47.054	235.883	-
Charge for the year	-	1.087	66.775	488.417	27.355	3.776	10.395	0.013	597.818	25.130	26.375	51.505	-
Depreciation on disposal	-	-	-	52.441	0.009	-	3.026	0.010	55.486	31.484	-	31.484	-
Acquired through business combinations *	-	-	-	25.876	0.026	-	-	-	25.902	0.471	-	0.471	-
Exchange difference	-	-	(17.892)	(108.182)	14.410	-	0.387	-	(111.277)	0.870	7.912	8.782	-
As at 31 March 2017	-	3.781	516.637	4,004.002	461.182	11.690	63.718	1.604	5,062.614	182.874	81.341	264.215	-
<b>Net block</b>													
As at 1 April 2015	610.940	81.524	2,038.281	1,783.463	182.560	3.359	43.765	0.148	4,744.040	21.254	56.866	78.120	178.016
As at 31 March 2016	548.714	80.437	2,062.017	1,751.695	157.640	18.958	28.650	0.135	4,648.246	51.448	128.954	180.402	176.453
As at 31 March 2017	606.435	79.350	1,948.593	1,607.839	124.038	17.402	46.481	0.120	4,430.258	65.516	105.260	170.776	176.866

\* During the year Kiroskar Systech Limited (100% subsidiary of Kiroskar Brothers Limited 'KBL') was merged with KBL. The merger is accounted as per guidance under Appendix C of Ind AS 103 (pooling of interest method) and the corresponding comparative periods are restated to give the effect of merger.

\*\* Other tangible assets includes railway sidings

\*\*\* Other intangible assets includes sales tax deferral rights, trade marks, patents and licenses.



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Note 3 b: Investment Property

Particulars	Investment property
<b>Gross Block [refer note 48(1)]</b>	
As at 1 April 2015	25.724
Additions	-
Disposals	-
Foreign exchange difference	-
<b>As at 31 March 2016</b>	<b>25.724</b>
Additions	-
Disposals	-
Foreign exchange difference	-
<b>As at 31 March 2017</b>	<b>25.724</b>
<b>Depreciation and Impairment</b>	
As at 1 April 2015	-
Charge for the year	0.106
Depreciation on disposals	-
<b>As at 31 March 2016</b>	<b>0.106</b>
Charge for the year	0.106
Depreciation on disposals	-
Foreign exchange difference	-
<b>As at 31 March 2017</b>	<b>0.212</b>
<b>Net block</b>	
1 April 2015	25.724
31 March 2016	25.618
31 March 2017	25.512

### Information regarding income and expenditure of investment property

Particulars	31 March 2017	31 March 2016
Rental Income derived from investment property	0.22	0.45
Less: Direct operating expenses	-	-
<b>Profit arising from investment properties before depreciation and indirect expenses</b>	<b>0.22</b>	<b>0.45</b>
Less - Depreciation	0.11	0.11
<b>Profit arising from investment properties after depreciation and indirect expenses</b>	<b>0.11</b>	<b>0.34</b>

The Group obtains independent valuations for its investments properties at periodical intervals. The best evidence of fair value is current prices in active market for similar properties. Where such information is not available, the group consider information from variety of sources including,

1. Current prices in active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.
2. Discounted cash-flow projection based on reliable estimates of future cash-flows.
3. Capitalised income projections based upon a property's estimated net market income and capitalisation rate derived from an analysis of market evidence.

The main inputs used are the rental growth rates, expected vacancy rates, terminal yields and discount rates based on comparable transactions and industry data. All resulting fair value estimates for investment properties are included in level 3

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

Fair Value Table

Particulars	Investment property
Opening balance as at 1 April 2015	64.346
Fair value difference	(11.571)
Purchases	101.670
Closing Balance as at 1 April 2016	154.445
Fair value difference	33.236
Purchases/transfer from Property Plant Equipment	-
Closing balance as at 31 March 2017	187.681

Note 4 : Financial Asset - Non-current Investments

	Particulars	Figures as at 31 March 2017	Figures as at 31 March 2016	Figures as at 31 March 2015
I	Long term investments - at cost			
	(a) Investment in Equity instruments	456.033	402.539	526.139
	(b) Capital contribution in partnership firm	0.005	-	-
	<b>Total</b>	<b>456.038</b>	<b>402.539</b>	<b>526.139</b>

Particulars	Figures as at 31 March 2017	Figures as at 31 March 2016	Figures as at 31 March 2015
Aggregate amount of quoted investments	-	-	-
Aggregate amount of unquoted investments	456.038	402.539	526.139

Sr No	Particulars	Face Value	Partly Paid / Fully paid	Extent of holding(%)			No. of Shares / Units			Amounts in Million ₹		
				31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015	31 March 2017	31 March 2016	1 April 2015
1	Investments at fair value through Other comprehensive income											
	Kirloskar Proprietary Limited	INR 100	Fully Paid	-	-	-	512	512	512	0.005	0.005	0.005
2	Investment accounted using equity method											
	Kirloskar Ebara Pumps Limited	INR 10	Fully Paid	45%	45%	45%	2,25,000	2,25,000	2,25,000	456.028	402.534	524.884
	KBL Synerge LLP*	N A	N A	50%	N A	N A	N A	-	-	0.005	-	-
	<b>Total Investments accounted using equity method</b>									<b>456.033</b>	<b>402.534</b>	<b>524.884</b>
3	Investments at fair value through profit and loss account **									-	-	1.250
	<b>Total</b>									<b>456.038</b>	<b>402.539</b>	<b>526.139</b>

\* During the year KBL Synerge LLP a limited liability partnership was formed between Kirloskar Brothers Ltd, Mrs. Sneha Phatak and Synerge Overseas Pte. Ltd. This LLP has been created for a short term project. Following are the details of total capital and share of each partner in it.

Name of Partner	Capital Contributed (Amounts in ₹)	Share in Partnership (%)
Kirloskar Brothers Limited	5,000	50
Synerge Overseas Pte. Ltd	2,600	26
Mrs. Sneha Phatak	2,400	24
<b>Total</b>	<b>10,000</b>	<b>100</b>



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

**Investments at fair value through profit and loss account	31 March 2017	31 March 2016	1 April 2015
<b>Quoted equity shares (fully paid)</b>			
1) Nil (31 March 2016 : Nil, 31 March 2015: 425) Equity Shares of Kirloskar Pneumatic Co. Ltd.	-	-	0.232
2) Nil (31 March 2016 : Nil, 31 March 2015: 300) Equity Shares of Alfred Herbert (India) Ltd.	-	-	0.105
3) Nil (31 March 2016 : Nil, 31 March 2015: 7,286) Equity Shares of Kirloskar Electric Co. Ltd.	-	-	0.216
4) Nil (31 March 2016 : Nil, 31 March 2015: 45,000) Equity Shares of Kirloskar Investment & Finance Ltd.	-	-	-
5) Nil (31 March 2016 : Nil, 31 March 2015: 10,000) Equity Shares of Kirloskar Ferrous Industries Ltd.	-	-	0.528
6) Nil (31 March 2016 : Nil, 31 March 2015: 200) Equity Shares of Risa International Ltd. (Erstwhile Govindji Trikamdas Exports Ltd.)	-	-	0.169
<b>Total</b>	-	-	1.250

## Note 5 : Financial Asset

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>a) Trade receivable</b>			
Unsecured, considered good	5,431.768	5,708.957	7,192.252
Doubtful	656.347	518.626	416.275
	6,088.115	6,227.583	7,608.527
Less: Provision for doubtful receivables	656.347	518.626	416.275
	5,431.768	5,708.957	7,192.252
Non current	115.997	27.866	44.376
Current	5,315.771	5,681.091	7,147.876
<b>b) Loans</b>			
Security deposits			
Unsecured, considered good	1,140.810	1,242.544	1,245.201
Doubtful	73.862	48.281	23.606
	1,214.672	1,290.825	1,268.807
Less: Provision for doubtful receivables	73.862	48.281	23.606
	1,140.810	1,242.544	1,245.201
Non current	218.856	325.196	285.783
Current	921.954	917.348	959.418
<b>c) Other financial assets</b>			
<b>(i) Claims receivable</b>			
Unsecured, considered good	46.200	21.273	105.484
Doubtful	3.845	216.688	192.586
	50.045	237.961	298.070
Less: Provision for doubtful receivables	3.845	216.688	192.586
	46.200	21.273	105.484
Non current	17.778	11.145	86.055
Current	28.422	10.128	19.429
<b>(ii) Interest accrued</b>			
Non current	0.226	0.419	4.341
Current	-	-	-
<b>(iii) Other advances</b>			
Non current	0.226	0.419	4.341
Current	1.607	1.718	20.113
Non current	0.350	0.350	20.049
Current	1.257	1.368	0.064
<b>Total other financial assets</b>	48.033	23.410	129.938
Non current	18.128	11.495	106.104
Current	29.905	11.915	23.834

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### Note 6 : Deferred tax

(1) The major components of income tax expense for the years ended 31 March 2017 and 31 March 2016 are:

(a) Profit or loss

Particulars	For the year 2016-17	For the year 2015-16
<b>Current income tax:</b>		
Current income tax charge	152.652	92.940
Adjustments in respect of current income tax of previous year	96.664	0.158
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(67.600)	(130.795)
<b>Income tax expense reported in the statement of profit or loss</b>	<b>181.716</b>	<b>(37.697)</b>

(b) Other Comprehensive Income (OCI)

Current tax related to items recognised in OCI during in the year:

Particulars	For the year 2016-17	For the year 2015-16
Net loss / (gain) on remeasurements	7.078	(7.616)
<b>Income tax charged to OCI</b>	<b>7.078</b>	<b>(7.616)</b>

(2) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for 31 March 2016 and 31 March 2017:

Particulars	For the year 2016-17	For the year 2015-16
Accounting profit before tax	164.129	(150.839)
At India's statutory income tax rate of 34.608% (a)	56.802	(52.202)
<b>Adjustments</b>		
<b>Add: Exempt income</b>		
Dividend	-	114.917
<b>Subtotal (b)</b>	<b>-</b>	<b>114.917</b>
<b>Add: Accelerated deduction</b>		
Research and development expenses	162.967	104.820
80 IA	40.726	10.000
Allowance of TDS on payment basis	38.642	-
<b>Subtotal (c)</b>	<b>242.335</b>	<b>114.820</b>
<b>Less : Non deductible expenses</b>		
Expenses disallowed u/s 14A	-	0.500
Penalties and fines	-	0.073
Provision for Advances	68.700	1.584
Provision for Deposits	24.777	11.030
Advance written off	213.049	0.360
Wealth Tax debited to P&L	-	2.421
Interest on Tax Deducted at Source	1.837	0.680
Fixed Assets Capitalised	22.755	1.367
Donation	50.452	95.845
<b>Subtotal (d)</b>	<b>381.570</b>	<b>113.860</b>
<b>Sub total (e) = (b+c-d)</b>	<b>(139.235)</b>	<b>115.877</b>



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## Note 6 : Deferred tax (contd.)

Particulars	For the year 2016-17	For the year 2015-16
Tax impact of above adjustments	40.591	53.891
MAT credit assets (not recorded) / Utilised	(140.552)	(11.560)
Rate difference on opening DTA/ DTL	-	-
Rate difference due to different tax rate	56.683	(8.604)
Losses on which DTA is not created	64.196	(25.849)
Other items	7.185	14.432
Prior year underprovision	96.811	(7.805)
<b>Total (f)</b>	<b>124.914</b>	<b>14.505</b>
<b>Tax expenses at effective rate (a+f)</b>	<b>181.716</b>	<b>(37.697)</b>
<b>Tax expenses recored in books</b>	<b>181.716</b>	<b>(37.697)</b>

## (3) (a) Movement in deferred tax in Balance Sheet

Deferred tax relates to the following: Deferred tax liabilities (DTL) / Deferred tax assets (DTA)	Balance Sheet		
	For the year 2016-17	For the year 2015-16	For the year 2014-15
Property, plant and equipment (Depreciation)	144.360	235.485	170.026
Employee benefits - compensated absences	(98.806)	(90.318)	(80.062)
Employee benefits - Pension to employees	(11.455)	(19.750)	(20.467)
Provision for doubtful debts and advances	(214.096)	(240.986)	(196.940)
MAT credit	(59.829)	-	-
<b>Other Deferred Tax (Asset) / Liability (Net)</b>	<b>5.677</b>	<b>(37.345)</b>	<b>36.126</b>

## (b) Movement in deferred tax in statement of profit and loss

Particulars	Statement of profit and loss	
	2016-17	2015-16
Property, plant and equipment (Depreciation)	(91.125)	65.459
Employee benefits - compensated absences	(8.488)	(10.256)
Employee benefits - Pension to employees	8.295	0.717
Provision for doubtful debts and advances	26.891	(44.046)
MAT credit	(59.829)	-
Other Deferred Tax Asset (Net)	43.023	(73.471)
Exchange difference	13.633	(69.198)
<b>Deferred tax expense/(income)</b>	<b>(67.600)</b>	<b>(130.795)</b>

## (c) Reflected in Balance Sheet as

	31 March 2017	31 March 2016	1 April 2015
Deferred tax asset	325.100	239.369	195.253
Deferred tax liability	90.952	86.455	103.936



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### Note 7 : Other non-financial assets

Particulars	31 March 2017	31 March 2016	1 April 2015
1) Capital advances			
Unsecured, considered good	20.691	36.302	21.856
Non-current	20.691	36.302	21.856
Current	-	-	-
2) Other loans and advances			
(i) Advances to supplier and others			
Unsecured, considered good	829.175	442.630	277.950
Doubtful	197.836	2.763	51.474
	1,027.011	445.393	329.424
Less: Provision for doubtful advances	197.836	2.763	51.474
	829.175	442.630	277.950
Non-current	236.199	252.393	144.409
Current	592.976	190.237	133.541
(ii) Prepaid expenses			
Unsecured, considered good	195.733	254.196	256.631
Non-current	8.868	48.631	62.702
Current	186.865	205.565	193.929
(iii) Gross amount due from customers (Refer note 26 )			
Unsecured, considered good	274.491	372.499	475.227
Non-current	161.747	172.738	231.532
Current	112.744	199.761	243.695
(iv) Retention			
Unsecured, considered good [relating to construction contracts Rs. 2,902.310 Mln (2016: Rs. 3,343.994 Mln, 2015: 3,334.785)]	3,611.382	3,665.493	3,726.477
Non-current	1,191.689	1,151.443	642.219
Current	2,419.693	2,514.050	3,084.258
(v) Advance income tax (net of provision)			
Unsecured, considered good	1,087.845	1,337.320	1,222.827
Non-current	1,087.845	1,337.320	1,222.827
Current	-	-	-
(vi) Claims receivable			
Unsecured, considered good	1,301.898	1,429.885	1,210.539
Non-current	-	1.700	-
Current	1,301.898	1,428.185	1,210.539
Total non-financial assets	7,321.215	7,538.325	7,191.507
Total non-current non-financial assets	2,707.039	3,000.527	2,325.545
Total current non-financial assets	4,614.176	4,537.798	4,865.962



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## Note 8 : Inventories

Particulars	31 March 2017	31 March 2016	1 April 2015
Raw Materials *	1,339.236	1,041.340	1,062.192
Work-in-progress	1,604.801	1,408.427	1,027.964
Finished goods	981.049	813.157	826.651
Stock-in-trade **	230.931	240.104	183.673
Stores and spares	150.595	117.401	118.567
(Mode of valuation refer note 2.6 )	4,306.612	3,620.429	3,219.047

\* Include goods in transit - Rs.18.762 Mln (2016 : Rs. 45.845 Mln, 2015 Rs. 44.741 Mln)

\*\* Include goods in transit - Rs 10.410 Mln, (2016 Rs. 9.240 Mln 2015 Rs. 1.840 Mln)

## Amounts recognised in profit or loss

Write-down of inventories to net realisable value amounted to Rs. 41.776 Mln (31 March 2016: Rs 106.355 Mln, 31 March 2015: Rs 7.785 Mln). These were recognised as an expenses during the year and included in 'material consumption'.

## Note 9 : Cash and cash equivalents

Particulars	31 March 2017	31 March 2016	1 April 2015
1) Balances with bank	641.081	563.236	555.353
2) Earmarked balances with bank			
Unpaid dividend accounts	31.505	37.755	44.156
3) Cash on hand	1.523	1.634	4.130
	674.109	602.625	603.639

## Note 10 : Share Capital

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>Authorised</b>			
250,000,000 ( 250,000,000 ) equity shares of Rs.2/- each (Rs.2/- each)	500.000	500.000	500.000
<b>Issued, subscribed &amp; fully paid up</b>			
79,408,926 (79,408,926) equity shares of Rs.2/- each (Rs.2/- each)	158.818	158.818	158.776
	158.818	158.818	158.776

## a) Terms / rights attached to equity shares

The company has only one class of equity shares, having par value of Rs. 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 31 March 2017 the Board of Directors have proposed dividend of Rs. 1/- (2016: Nil, 2015: Rs. 0.50) per share subject to shareholders' approval.

The Board of Directors have declared interim dividend of Rs. Nil (2016: Rs. 0.50, 2015: Rs. Nil) per share.

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹, except number of shares)

### b) Reconciliation of share capital

Particulars	31 March 2017		31 March 2016		1 April 2015	
	Number	Amount	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	79,408,926	158.818	79,388,176	158.776	79,358,451	158.717
Shares Issued during the year under ESOS	-	-	20,750	0.042	29,725	0.059
Shares outstanding at the end of the year	79,408,926	158.818	79,408,926	158.818	79,388,176	158.776

### c) Details of shareholder holding more than 5% shares

Particulars	31 March 2017		31 March 2016		1 April 2015	
	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Industries Limited	18,988,038	23.91%	18,988,038	23.91%	18,988,038	23.92%
Mr. Sanjay Chandrakant Kirloskar *	17,529,133	22.07%	17,436,733	21.96%	15,863,335	19.98%
Mrs. Pratima Sanjay Kirloskar	13,760,488	17.33%	13,760,488	17.33%	13,754,056	17.33%

\* includes 1,717,015 (1,624,615), 2% (2%) shares held in the capacity of a trustee.

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

Particulars	31 March 2017		31 March 2016		1 April 2015	
	Number	Amount	Number	Amount	Number	Amount
Shares reserved for ESOS scheme	5,161,840	10.324	5,161,840	10.324	5,182,590	10.365

### Note 11 : Other equity

Particulars	31 March 2017	31 March 2016	1 April 2015
1) Capital reserve	5.237	5.237	5.237
2) Capital redemption reserve	9.237	9.237	9.237
3) Securities premium reserve			
Opening balance	414.605	411.284	406.726
Add: Securities premium credited on shares issue	-	3.321	4.557
Less: Changes in non-controlling interest	(0.095)	-	(0.001)
Closing balance	414.700	414.605	411.284
4) Shares options outstanding account			
Opening balance	-	3.130	4.110
Less: written back in the current year	-	3.130	0.980
Closing balance	-	-	3.130
5) General reserves			
Opening balance	6,329.984	6,329.984	6,319.706
Add: Transfer from retained earnings	-	-	14.054
Less: Change in non-controlling interest	(0.480)	-	3.776
Closing balance	6,330.464	6,329.984	6,329.984
6) Foreign Currency Translation Reserve			
Opening balance	234.379	273.351	386.562
Add: Current year transfer	(135.721)	(38.972)	(113.211)
Closing balance	98.658	234.379	273.351



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## Note 11 : Other equity (contd.)

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>7) Retained Earnings</b>			
Opening balance	2,071.634	2,413.499	2,228.061
Less: As per Schedule II note 7 (b) of Companies Act 2013 (refer note 41)	-	-	46.429
Add: Net profit for the year	38.259	(241.181)	299.335
Add: Other comprehensive income for the year	(136.026)	12.656	-
Balance available for appropriation	1,973.867	2,184.974	2,480.967
Less: Appropriations :			
Corporate social responsibility	-	-	45.886
Interim dividend including tax	-	71.343	-
Transfer to general reserve	-	-	14.054
Change in non-controlling interest	10.240	41.998	7.529
Sub total	10.240	113.341	67.468
Closing balance	1,963.627	2,071.633	2,413.499
	8,821.923	9,065.075	9,445.722

## Note 12 : Financial Liabilities - Borrowings

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>Borrowings</b>			
<b>Secured</b>			
<b>1) Term loan from bank</b>	458.392	377.154	423.483
Less - Current maturities of term loan from bank	5.845	5.013	-
Nature of security : The loans are secured by hypothecation of all assets of the respective company.	452.547	372.141	423.483
<b>Unsecured</b>			
<b>1) Other borrowings</b>			
(i) Long term maturities of finance lease obligation	61.041	178.395	124.023
(ii) Deferral payment liabilities under sales tax deferral scheme	17.260	25.078	30.216
Less - Current maturities of other borrowings	28.974	121.457	70.916
	49.327	82.016	83.323
<b>2) Rupee short term loans and advances from banks</b>			
(i) Citi Bank NA	-	-	300.000
Terms of loans: Loan carries interest @ 10% per annum.			
(ii) Credit Agricole Corporate & Investment Bank	-	-	350.000
Terms of loans: Loan carries interest @ 9.15% per annum.			
(iii) Bank of India	900.000	-	-
Terms of loans: Loan carries interest @ 8.20% per annum.			
(iv) HDFC Bank Ltd.	200.000	450.000	-
Terms of loans: Loan carries interest @ 9.30% per annum.			
	1,100.000	450.000	650.000
<b>3) Commercial paper</b>			
HDFC Bank Ltd.	500.000	-	-
Terms of loans: Loan carries interest @ 6.80% per annum.			

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### Note 12 : Financial Liabilities - Borrowings (contd.)

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>4) Other loans and advances</b>	-	-	123.576
<b>Secured</b>			
<b>1) Loans repayable on demand from bank</b>			
(i) Cash / export credit facilities	739.451	1,625.768	876.376
(ii) Working capital demand loans	710.828	609.736	613.000
	1,450.279	2,235.504	1,489.376
<b>2) Rupee short term loans and advances from banks</b>			
(i) HDFC Bank Ltd.	-	-	350.000
Terms of loans: Loan carries interest @ 10.1% per annum.			
(ii) Credit Agricole Corporate & Investment Bank	-	350.000	350.000
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.	-	350.000	700.000
<b>Total borrowings</b>	3,552.153	3,489.661	3,469.758
<b>Total non-current borrowings</b>	501.874	454.157	506.806
<b>Total current borrowings</b>	3,050.279	3,035.504	2,962.952

#### Deferral liability Payment under sales tax deferral scheme

Unsecured interest free sales tax deferral loan is measured at amortised cost using effective rate of interest. The loan is repayable in 9 yearly instalments starting from April 2013 till March 2022.

### Note 13 : Financial liabilities

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>a) Trade payable</b>			
Total outstanding dues of micro enterprises & small enterprises (refer note 36)	657.983	292.771	2.862
Total outstanding dues of creditors other than micro enterprises & small enterprises	5,151.734	5,507.804	6,529.627
	5,809.717	5,800.575	6,532.489
<b>Non-current trade payable</b>	312.281	409.107	319.434
<b>Current trade payable</b>	5,497.436	5,391.468	6,213.055
<b>b) Other financial liabilities</b>			
(i) Current maturities of long term loan (refer note 12 )	5.845	5.013	-
(ii) Current maturities of other borrowings (refer note 12 )	28.974	121.457	70.916
(iii) Forward contract liability	84.647	53.000	21.739
(iv) Investor Education & Protection fund (will be credited as and when due).			
Unpaid dividends	31.505	37.755	44.156
(v) Others			
Trade deposits	52.760	56.699	101.501
Salary & Reimbursements	477.600	330.057	343.634
Payables on account of purchases of fixed assets	79.023	30.366	41.109
Provision for expenses	1,129.285	900.821	726.539
Interest payable	11.221	0.393	8.562
	1,900.860	1,535.561	1,358.156



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## Note 13 : Financial liabilities (contd.)

Particulars	31 March 2017	31 March 2016	1 April 2015
Non-current	-	-	-
Current	1,900.860	1,535.561	1,358.1565
<b>Total financial liabilities</b>	<b>7,710.577</b>	<b>7,336.136</b>	<b>7,890.645</b>
Non-current	312.281	409.107	319.434
Current	7,398.296	6,927.029	7,571.211

## Terms and conditions of the above financial liabilities:

- 1) Trade payables are non-interest bearing and are normally settled on 60-day terms
- 2) Other payables are non-interest bearing and have an average term of six months
- 3) For explanations on the Group's credit risk management processes (refer note 34)

## Note 14 : Provisions

Particulars	31 March 2017	31 March 2016	1 April 2015
<b>1) Provision for employee benefits</b>			
Compensated absences (refer note 32)	262.926	263.502	237.981
Pension scheme (refer note 29)	22.406	24.529	25.235
Gratuity (refer note 29)	76.754	73.444	78.651
Other benefit	2.134	2.976	2.884
	<b>364.220</b>	<b>364.451</b>	<b>344.751</b>
Non-current	179.986	185.694	166.183
Current	184.234	178.757	178.568
<b>2) Other provision (refer note 32)</b>			
Provision for product warranty	268.262	272.855	226.494
Provision for loss on long term contracts	56.707	30.127	25.124
Provision for decommissioning and restoration costs	5.996	5.541	5.121
	<b>330.965</b>	<b>308.523</b>	<b>256.739</b>
Non-current	32.993	23.041	11.028
Current	297.972	285.482	245.711
<b>Total Provisions</b>	<b>695.185</b>	<b>672.974</b>	<b>601.488</b>
Non-current	212.979	208.735	177.211
Current	482.206	464.239	424.279

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### Note 15 : Other non financial liabilities

Particulars	31 March 2017	31 March 2016	1 April 2015
1) Gross amount due to customers for project related contract work (refer note 26)	1,767.026	1,890.367	1,969.414
Non-current	467.660	699.948	255.502
Current	1,299.366	1,190.419	1,713.912
2) Advance from customer	1,494.487	1,461.371	1,379.994
Non-current	202.946	347.270	537.826
Current	1,291.541	1,114.101	842.168
3) Contribution to PF and superannuation	28.179	40.672	33.806
Non-current	-	-	-
Current	28.179	40.672	33.806
4) Statutory dues	114.835	198.442	155.184
Non-current	-	-	-
Current	114.835	198.442	155.184
5) Deferred revenue	136.783	78.616	70.341
Non-current	1.994	3.893	6.652
Current	134.789	74.723	63.689
6) Provision for income tax (net of advance tax)	92.459	90.120	90.135
Non-current	92.459	90.120	90.135
Current	-	-	-
Total non financial liabilities	3,633.769	3,759.588	3,698.874
Total Non-Current non-financial liabilities	765.059	1,141.231	890.115
Total Current non-financial liabilities	2,868.710	2,618.357	2,808.759

### Note 16 : Revenue from operations

Particulars	2016-17	2015-16
(a) Sale of products (including excise duty)	25,767.560	25,348.927
(b) Sale of services	246.376	489.042
	26,013.936	25,837.969
(c) Other operating revenues (majorly includes scrap sales)	554.235	581.205
	26,568.171	26,419.174

### Note 17 : Other Income

Particulars	2016-17	2015-16
(a) Interest Income		
From customers and others	31.935	43.388
On income tax and sales tax refund	85.602	-
(b) Release of deferred income	2.759	3.324
(c) Dividend income from long term investments		
From subsidiary companies	-	-
From others	-	1.156
(d) Profit on sale of long term investment	-	0.658
(e) Foreign exchange difference (net)	-	11.731
(f) Other non-operating income	185.953	213.118
	306.249	273.375



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## Note 18 : Cost of material consumed

Particulars	2016-17	2015-16
Raw material consumed	11,751.069	12,520.162
Changes in inventories of finished goods, work-in-progress and stock-in-trade		
Opening Stock		
Finished goods	813.157	826.651
Work-in- progress	1,408.427	1,027.964
Stock in trade	240.104	183.673
	2,461.688	2,038.288
Closing Stock		
Finished goods	981.049	813.157
Work-in- progress	1,604.801	1,408.427
Stock in trade	230.931	240.104
	2,816.781	2,461.688
Net	(355.093)	(423.400)

## Note 19 : Employee benefits expense

Particulars	2016-17	2015-16
Salaries, wages and bonus	4,187.948	3,750.394
Defined contribution plans	200.964	179.864
Defined benefit plans	81.154	192.474
Welfare expenses	215.964	181.657
ESOP expenses	-	0.191
	4,686.030	4,304.580

## Note 20: Finance cost

	2016-17	2015-16
Interest expense	346.670	400.459
Other borrowing costs ( includes bank guarantee commission, LC charges, loan processing charges)	98.625	107.143
	445.295	507.602

## Note 21: Depreciation and amortisation

Particulars	2016-17	2015-16
Depreciation on property, plant and equipment	597.818	629.652
Amortisation of intangible assets	51.505	31.957
Depreciation on investment property	0.106	0.106
	649.429	661.715



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### Note 22: Other expenses

Particulars	2016-17	2015-16
Stores and spares consumed	941.090	863.744
Processing charges	561.961	552.962
Power & fuel	416.678	406.463
Repairs and maintenance		
Plant and machinery	192.145	202.133
Buildings	47.017	38.220
Other	109.539	193.759
Rent	206.182	341.851
Rates and taxes	150.121	144.389
Travel and conveyance	505.914	518.962
Communication expenses	110.375	110.731
Insurance	180.164	183.738
Director's sitting fees	5.265	5.103
Non executive directors commission	6.000	2.200
Royalties and fees	48.206	43.405
Freight and forwarding charges	631.708	586.880
Brokerage and commission	215.076	299.565
Advertisements and publicity	221.931	296.405
Provision for product warranty	199.683	181.172
Loss on sale/disposal of fixed assets	0.716	5.368
Provision for doubtful debts, advances and claims	340.231	141.189
Bad debts written off (Net of reversal of provision for bad debts Rs. 109.820 Mln)	34.653	143.057
Advances, deposits and claims written off (Net of reversal of provision for doubtful claims Rs. 212.840 Mln)	52.062	39.687
Auditor's remuneration (refer note 27 )	32.589	30.521
Professional, consultancy and legal expenses	477.629	633.063
Security services	64.304	59.271
Computer services	209.179	150.190
Stationery & Printing	47.131	46.182
Training course expenses	19.149	31.589
Outside labour charges	206.866	229.885
Foreign exchange difference (net) (refer note 43)	130.293	-
Corporate social responsibility expenses (refer note 46)	8.776	1.822
Liquidated damages	148.467	36.430
Excise duty	1,305.237	1,237.234
Other miscellaneous expenses	170.057	226.726
	<b>7,996.394</b>	<b>7,983.896</b>

### Note 23: Other Comprehensive Income

Particulars	2016-17	2015-16
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurements gains and losses on post employments benefits	(18.635)	22.010
Tax on remeasurements gains and losses	7.078	(7.616)
Share of other comprehensive income of associates and joint venture accounted for using equity method	(0.370)	(1.808)
<b>Items that will be reclassified to profit or loss</b>		
Foreign exchange loss ( Refer Note 41)	(124.078)	-
Foreign currency translation reserve	(135.721)	(38.972)
	<b>(271.726)</b>	<b>(26.386)</b>



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## Note 24: Contingent liabilities

Particulars	31 March 2017	31 March 2016	1 April 2015
(a) Claims against the company not acknowledged as debt			
Claims are in the nature of legal notices received from vendors, customers and contested by the Company	467.669	475.878	411.754
(b) Other money for which the company is contingently liable			
i) Central Excise and Service tax (Matter Subjudice)	939.072	1,034.694	1,034.644
ii) Sales Tax (Matter Subjudice)	203.197	197.334	263.756
iii) Income Tax (Matter Subjudice)	567.682	749.748	740.452
iv) Labour Matters (Matter Subjudice)	43.666	55.186	48.933
v) Other Legal Cases ( Matter Subjudice )*	363.587	261.447	267.301

\* Includes: in respect of Karad Projects and Motors Ltd, Rs. 98.782 Mln of Bank Guarantees for which Honourable 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 management.

## Note 25: Commitments

Particulars	31 March 2017	31 March 2016	1 April 2015
i) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	110.121	64.320	55.009
ii) Letters of credit outstanding	710.264	577.248	852.998
iii) Export obligation under EPCG License obtained from DGFT. Export obligation fulfilled upto 31 March, 2017 is Rs. 74.348 Mln (upto previous year 44.246 Mln)	11.982	42.084	77.495

## Note 26: Construction contracts

Particulars	31 March 2017	31 March 2016	1 April 2015
a) Contract Revenue recognised as revenue for the year	1,647.709	1,529.701	2,376.876
b) Advances received	285.419	241.904	303.032
c) Amount of retentions	2,902.310	3,343.994	3,334.785
d) Gross amount due from customer			
Contract costs incurred	19,848.955	16,393.162	22,299.832
Recognised Profits less recognised Losses	3,212.303	2,110.739	2,190.538
Less: Progress Billing	22,786.767	18,131.401	24,015.143
Net	274.491	372.500	475.227
e) Gross amount due to customer			
Contract costs incurred	28,909.691	31,895.424	32,966.387
Recognised Profits less recognised Losses	4,626.535	6,838.300	7,345.703
Less: Progress Billing	35,303.253	40,624.091	42,281.504
Net	(1,767.027)	(1,890.367)	(1,969.414)

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### Note 27: Remuneration to Auditors

Particulars	2016-17	2015-16
<b>Statutory Auditors :</b>		
a) Audit Fees	28.579	22.490
b) Tax Audit Fees	1.557	1.695
c) VAT Audit Fees	0.375	0.375
d) Limited Review	0.750	0.750
e) Certification services	0.423	0.758
d) Other services	0.783	4.291
e) Expenses reimbursed	0.122	0.162
<b>Sub total</b>	<b>32.589</b>	<b>30.521</b>

### Note 28: Earning per Share ( Basic and diluted )

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
a) Profit / (Loss) for the year before tax	164.129	(150.839)
Less : Attributable Tax thereto	(181.716)	37.697
Add : Share of Profit / (Loss) of joint venture company	53.293	(119.187)
Profit after Tax	35.706	(232.329)
b) Weighted average number of equity shares used as denominator	794,08,926	794,08,926
c) Basic earning per share of nominal value of Rs 2/- each	0.48	(3.04)

### Note 29: Employee Benefits:

#### i. Defined Contribution Plans:

Amount of Rs. 200.964 Mln (Rs. 179.864 Mln) is recognised as an expense and included in "Employees benefits expense" (Note-19) in the Consolidated statement of Profit and Loss Statement.

#### ii. Defined Benefit Plans:

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

Particulars	As at 31 March 2017		As at 31 March 2016	
	Gratuity Plan (Funded)	Provident Fund (Funded)	Gratuity Plan (Funded)	Provident Fund (Funded)
A. Amount to be recognised in Balance Sheet				
Present Value of Defined Benefit Obligation	433.522	31.369	398.944	14.064
Less: Fair Value of Plan Assets	392.204	52.395	360.108	44.525
Amount to be recognised as liability or (asset)	41.318	(21.026)	38.836	(30.461)
B. Amounts reflected in the Balance Sheet				
Liabilities	41.318	-	38.836	-
Assets	-	-	-	-
Net Liability/(Assets)	41.318	-	38.836	-



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

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

Particulars	2016-17		2015-16	
	Gratuity Plan (Funded)	Provident Fund (Funded)	Gratuity Plan (Funded)	Provident Fund (Funded)
1 Current Service Cost	29.895	2.029	28.840	0.967
2 Acquisition (gain)/ loss	-	-	-	-
3 Past Service Cost	-	-	-	-
4 Net Interest (income)/expenses	1.522	(2.376)	1.211	0.222
5 Actuarial (gain)/ loss	-	-	-	-
6 Curtailment (gain)/ loss	-	-	-	-
7 Settlement (gain)/loss	-	-	-	-
8 Others	-	-	(0.325)	-
Net periodic benefit cost recognised in the statement of profit & loss - (Employee benefit expenses - Note 19)	31.417	(0.347)	29.726	1.189

## c) The amounts recognised in the statement of other comprehensive income (OCI) : Funded Plan

Particulars	2016-17		2015-16	
	Gratuity Plan (Funded)	Provident Fund (Funded)	Gratuity Plan (Funded)	Provident Fund (Funded)
1 Opening amount recognised in OCI outside profit and loss account	-	-	-	-
2 Remeasurements for the year - Obligation (gain)/loss	10.399	14.178	18.134	0.113
3 Remeasurement for the year - Plan assets (gain) / loss	0.175	(4.397)	(6.650)	(34.612)
Closing balances (remeasurement (gain)/loss recognised OCI)	10.574	9.781	11.485	(34.498)

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

Particulars	2016-17		2015-16	
	Gratuity Plan (Funded)	Provident Fund (Funded)	Gratuity Plan (Funded)	Provident Fund (Funded)
1 Balance of the present value of Defined benefit Obligation at the beginning period	397.577	14.064	355.364	12.044
2 Acquisition adjustment	-	-	-	-
3 Transfer in/ (out)	-	-	-	-
4 Interest expenses	29.670	1.097	26.551	0.939
5 Past Service Cost	-	-	-	-
6 Current Service Cost	29.895	2.029	28.840	0.967
7 Curtailment Cost / (credit)	-	-	-	-
8 Settlement Cost/ (credit)	-	-	-	-
9 Benefits paid	(34.018)	-	(29.945)	-
10 Remeasurements on obligation - (gain) / loss	10.399	14.178	18.134	0.113
Present value of obligation as at the end of the period	433.523	31.368	398.944	14.063

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

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

Particulars	Gratuity Plan (Funded) As at 31 March 2017	Provident Fund (Funded) As at 31 March 2017	Gratuity Plan (Funded) As at 31 March 2016	Provident Fund (Funded) As at 31 March 2016
1 Fair value of the plan assets as at beginning of the period	357.909	44.525	313.230	9.196
2 Acquisition adjustment	-	-	-	-
3 Transfer in/(out)	-	-	-	-
4 Interest income	28.148	3.473	25.156	0.717
5 Contributions	40.341	-	44.834	-
6 Benefits paid	(34.018)	-	(29.945)	-
7 Amount paid on settlement	-	-	-	-
8 Return on plan assets, excluding amount recognized in Interest Income - gain / (loss)	(0.175)	4.397	6.834	34.612
9 Fair value of plan assets as at the end of the period	392.204	52.395	360.108	44.525

- f) Net interest (Income) /expenses: Funded Plan

Particulars	Gratuity Plan (Funded) As at 31 March 2017	Provident Fund (Funded) As at 31 March 2017	Gratuity Plan (Funded) As at 31 March 2016	Provident Fund (Funded) As at 31 March 2016
1 Interest ( Income) / Expense – Obligation	29.670	3.473	26.551	0.939
2 Interest (Income) / Expense – Plan assets	(28.148)	(1.097)	(25.156)	(0.717)
3 Net Interest (Income) / Expense for the year	1.522	2.376	1.395	0.222

- g) The broad categories of plan assets as a percentage of total plan assets as at 31 March 2017 of Employee's Gratuity Scheme are as under:

Particulars	Percentage As at 31 March 2017
1 Central Government Securities	31.42%
2 State Government Securities	10.65%
3 Other Approved Securities ( Government Guraranted Securities)	1.34%
4 Bondsand Debentures etc.	42.85%
5 Fixed Deposits	8.29%
6 Equity Shares	5.23%
7 Money Market Instrument	0.22%
Grand Total	100%

- h) The amounts pertaining to defined benefit plans are as follows: Funded Plan

Particulars	As at 31 March 2017		As at 31 March 2016	
	Gratuity Plan (Funded)	Provident Fund (Funded)	Gratuity Plan (Funded)	Provident Fund (Funded)
Defined Benefit Obligation	433.522	31.369	398.944	14.064
Plan Assets	392.204	52.395	360.108	44.525
Surplus/(Deficit)	(41.318)	21.027	(38.836)	30.461


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

(Amounts in Million ₹)

**i) The amounts recognised in Balance Sheet are as follows: Non Funded Plan**

Particulars	As at 31 March 2017 Gratuity Plan (Non Funded)	As at 31 March 2017 Pension Scheme (Non Funded)	As at 31 March 2016 Gratuity Plan (Non Funded)	As at 31 March 2016 Pension Scheme (Non Funded)
A. Amount to be recognised in Balance Sheet				
Present Value of Defined Benefit Obligation	35.435	22.406	33.987	24.529
Less: Fair Value of Plan Assets	-	-	-	-
Amount to be recognised as liability or (asset)	35.435	22.406	33.987	24.529
B. Amounts reflected in the Balance Sheet				
Liabilities	35.435	22.406	33.987	24.529
Assets	-	-	-	-
Net Liability/(Assets)	35.435	22.406	33.987	24.529

**j) The amounts recognised in the Profit and Loss Statement are as follows: Non Funded Plan**

Particulars	2016-17 Gratuity Plan (Non Funded)	2016-17 Pension Scheme (Non Funded)	2015-16 Gratuity Plan (Non Funded)	2015-16 Pension Scheme (Non Funded)
1 Current Service Cost	2.205	-	2.319	-
2 Acquisition (gain)/ loss	-	-	-	-
3 Past Service Cost	-	-	-	-
3 Net Interest (income)/expenses	2.558	1.791	2.497	1.845
5 Actuarial losses/(gains)	-	-	-	0.622
6 Curtailment (gain)/ loss	-	-	-	-
7 Settlement (gain)/loss	-	-	-	-
8 Others	-	-	-	-
Net periodic benefit cost recognised in the statement of profit & loss- (Employee benefit expenses - Note 19)	4.763	1.791	4.816	2.467

**k) The amounts recognised in the Statement of Other Comprehensive Income (OCI) : Non Funded Plan**

Particulars	2016-17 Gratuity Plan (Non Funded)	2016-17 Pension Scheme (Non Funded)	2015-16 Gratuity Plan (Non Funded)	2015-16 Pension Scheme (Non Funded)
1 Opening amount recognised in OCI outside profit and loss account	-	-	-	-
2 Remeasurements for the year - Obligation (gain)/loss	(0.933)	(0.787)	(0.160)	8.377
3 Remeasurement for the year - Plan assets (gain) / loss	-	-	-	0.134
4 Total Remeasurements Cost / (Credit) for the year recognised in OCI	(0.933)	(0.787)	(0.160)	8.511
5 Less: Accumulated balances transferred to retained earnings	-	-	-	-
Closing balances (remeasurement (gain) / loss recognised OCI)	(0.933)	(0.787)	(0.160)	0.085

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

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

Particulars	As at 31 March 2017 Gratuity Plan (Non Funded)	As at 31 March 2017 Pension Scheme (Non Funded)	As at 31 March 2016 Gratuity Plan (Non Funded)	As at 31 March 2016 Pension Scheme (Non Funded)
1 Opening balance of the present value of Defined benefit Obligation	33.987	24.529	34.699	25.235
2 Acquisition adjustment	-	-	-	-
3 Transfer in/ (out)	-	-	-	-
4 Interest expenses	2.558	1.791	2.497	1.845
5 Past Service Cost	-	-	-	-
6 Current Service Cost	2.205	-	2.319	-
7 Curtailment Cost / (credit)	-	-	-	-
8 Settlement Cost/ (credit)	-	-	-	-
9 Benefits paid	(2.382)	(3.128)	(5.368)	(3.173)
10 Remeasurements on obligation-(gain) / loss	(0.933)	(0.787)	(0.160)	0.622
Present value of obligation as at the end of the period	35.435	22.405	33.987	24.529

- m) Net interest (Income) /expenses Non Funded Plan

Particulars	As at 31 March 2017 Gratuity Plan (Non Funded)	As at 31 March 2017 Pension (Non Funded)	As at 31 March 2016 Gratuity Plan (Non Funded)	As at 31 March 2016 Pension (Non Funded)
1 Interest ( Income) / Expense – Obligation	2.558	1.791	2.497	1.845
2 Interest (Income) / Expense – Plan assets	-	-	-	-
3 Net Interest (Income) / Expense for the year	2.558	1.791	2.497	1.845

- n) The amounts pertaining to defined benefit plans are as follows: Non Funded Plan

Particulars	As at 31 March 2017 Gratuity Plan (Non Funded)	As at 31 March 2017 Pension Scheme (Non Funded)	As at 31 March 2016 Gratuity Plan (Non Funded)	As at 31 March 2016 Pension Scheme (Non Funded)
Defined Benefit Obligation	35.435	22.406	33.987	24.529
Plan Assets	-	-	-	-
Surplus/(Deficit)	35.435	22.406	33.987	24.529

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

The net interest approach effectively assumes an expected rate of return on plan assets equal to the beginning of the year Discount Rate. Expected return of 6.80% has been used for the valuation purpose.

- o) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages)

- Discount rate as at 31 March 2017 - 6.80%
- Expected return on plan assets as at 31 March 2017 - 7.8%
- Salary growth rate : For Gratuity Scheme - 9.50%
- Attrition rate: For gratuity scheme the attrition rate is taken at 7.00%
- 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.



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## p) General descriptions of defined plans:

## 1 Gratuity Plan:

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

q) The group expects to fund Rs 37.800 Miln (Rs. 39.404 Miln) towards its gratuity plan in the year 2017-18.

## r) Sensitivity analysis

Sensitivity analysis indicates the influence of a reasonable change in certain significant assumptions on the outcome of the Present value of obligation (PVO). Sensitivity analysis is done by varying (increasing/ decreasing) one parameter at a time and studying its impact

Change in assumption	Effect on Gratuity obligation	
	As at 31 March 2017	As at 31 March 2016
<b>1 Discount rate</b>		
Increase by 1.00% to 7.80%	439.646	405.048
Decrease by 1.00% to 5.80%	502.363	461.676
<b>2 Salary increase rate</b>		
Increase by 1.00% to 10.50%	497.070	456.772
Decrease by 1.00% to 8.50%	443.599	408.780
<b>3 Withdrawal rate</b>		
Increase by 1.00% to 8.00%	464.593	428.315
Decrease by 1.00% to 6.00%	473.820	435.178

Change in assumption	Effect on Provident Fund obligation	
	As at 31 March 2017	As at 31 March 2016
<b>1 Discount rate</b>		
Increase by 0.50% to 7.30%	31.250	0.908
Decrease by 0.50% to 6.30%	31.596	27.959
<b>2 Interest rate</b>		
Increase by 0.50% to 9.15%	45.406	27.222
Decrease by 0.50% to 8.15%	17.331	0.906



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Note 30 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 Corrocoat Private Limited	Subsidiary Company
4	Kirloskar Brothers International B.V.	Subsidiary Company
5	SPP Pumps Limited	Subsidiary of Kirloskar Brothers International B.V.
6	Kirloskar Brothers(Thailand) Limited	Subsidiary of Kirloskar Brothers International B.V.
7	SPP Pumps (MENA) L.L.C.	Subsidiary of Kirloskar Brothers International B.V.
8	Kirloskar Pompen B.V.	Subsidiary of Kirloskar Brothers International B.V.
9	Micawber 784 Proprietary Limited	Subsidiary of Kirloskar Brothers International B.V.
10	Kirloskar Brothers International PTY Ltd.	Subsidiary of Kirloskar Brothers International B.V.
11	SPP France S A S	Subsidiary of SPP Pumps Limited
12	SPP Pumps Inc.	Subsidiary of SPP Pumps Limited
13	SPP Pumps South Africa Proprietary Limited	Subsidiary of Kirloskar Brothers International PTY Ltd.
14	Braybar Pumps Limited	Subsidiary of Kirloskar Brothers International PTY Ltd.
15	Rodelta Pumps International B.V.	Subsidiary of Kirloskar Pompen B.V.
16	Rotaserve B.V.	Subsidiary of Kirloskar Pompen B.V.
17	SPP Pumps Real Estate LLC	Subsidiary of SPP Pumps Inc.
18	SyncroFlo Inc.	Subsidiary of SPP Pumps Inc.
19	SPP Pumps (Asia) Ltd.	Subsidiary of Kiroskar Brothers (Thailand) Ltd.
20	SPP Pumps (Singapore) Ltd.	Subsidiary of SPP Pumps (Thailand) Ltd.
21	Rotaserve Limited	Subsidiary of Kirloskar Brothers International B.V. (from 27.09.2016)
22	Kirloskar Brothers International Zambia Ltd.	Subsidiary of Kirloskar Brothers International PTY Ltd. (From 30.11.2016)



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## (B) Disclosure of related parties transactions

Sr. No.	Nature of transaction/relationship/major parties	2016-17		2015-16	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
1	Purchase of goods & services	50.387		114.818	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		40.777		97.292
	Substantial Interest				
	Corrocoat Limited, UK		9.610		17.526
2	Sale of goods/contract revenue & services	85.324		65.963	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		85.324		65.910
3	Rendering Services	67.827		66.374	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		67.827		66.374
4	Receiving Services	14.432		4.913	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		6.374		0.581
	Substantial Interest				
	Corrocoat Limited, UK		1.131		0.575
	Relatives of Key Management Personnel (KMP)				
	Mrs. Pratima Kirloskar		2.347		2.331
	Mr. Alok Kirloskar		-		0.375
	Entities controlled or jointly controlled by KMP or relatives of KMP:				
	Sanjay Kirloskar HUF		3.680		1.050
5	Reimbursement of expenses	1.422		26.760	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		-		26.145
	Substantial Interest				
	Corrocoat Limited, UK		0.577		0.616
	Key Management Personnel				
	Sanjay Kirloskar		0.765		-
6	Dividend paid	-		43.821	
	Substantial Interest				
	Corrocoat Limited, UK		-		13.125
	Key Management Personnel				
	Mr. Sanjay Kirloskar		-		16.650
	Relatives of Key Management Personnel				
	Mrs. Pratima Kirloskar		-		13.760

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

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

Sr. No.	Nature of transaction/relationship/major parties	2016-17		2015-16	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
7	<b>Remuneration Paid</b>	58.008		55.720	
	<b>Key Management Personnel</b>				
	<b>Short Term Employee Benefit</b>				
	Mr. Sanjay Kirloskar		42.057		13.255
	Mr. J. R. Sapre		-		24.792
	Mr. Ravindra Samant		-		3.784
	<b>Commission on profits</b>				
	Mr. Shrikrishna Inamdar		1.000		0.447
	Mr. Padmakar Jawadekar		1.000		0.447
	Ms. Lalita Gupte		1.000		0.550
	Mr. Pratap Shirke		1.000		0.344
	Mr. Alok Kirloskar		1.000		0.172
	Mr. Kishor Chaukar		1.000		0.241
	<b>Sitting Fees</b>				
	Mr. Shrikrishna Inamdar		0.900		0.975
	Mr. Padmakar Jawadekar		0.900		0.975
	Ms. Lalita Gupte		1.275		1.275
	Mr. Pratap Shirke		0.600		0.750
	Mr. Alok Kirloskar		0.473		0.375
	Mr. Kishor Chaukar		0.750		0.525
	Mr. Achyut Gokhale		0.075		0.008
	Mr. K. Taranath		0.088		0.030
	Mr. Sanjay Wadnerkar		0.023		-
	Mr. Clive Harper		0.023		-
	Mr. J. R. Sapre		0.008		-
	Mr. P. R. Ulangwar		0.008		-
	<b>Post Employment Benefit</b>		-		-
	Mr. Sanjay Kirloskar		4.831		4.688
	<b>Relatives of Key Management Personnel</b>				
	Ms. Preeti Sapre		-		0.100
	Ms. Rama Kirloskar		-		1.989
8	<b>Deposit Paid</b>	0.500		0.100	
	<b>Joint Venture</b>				
	Kirloskar Ebara Pumps Limited		0.500		0.100
9	<b>Deposit Refunded</b>	0.500		100.100	
	<b>Joint Venture</b>				
	Kirloskar Ebara Pumps Limited		0.500		100.100


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

(Amounts in Million ₹)

**(B) Disclosure of related parties transactions (contd.)**

Sr. No.	Nature of transaction/relationship/major parties	2016-17		2015-16	
		Amount	Amount for Major parties *	Amount	Amount for Major parties *
10	Contribution paid to post Employment benefit	80.228		75.306	
	Providend Fund Trust		32.327		28.701
	Superannuation Trust		17.842		20.286
	Gratuity Trust		30.059		26.319
11	Reimbursement received	1.413		15.184	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		1.413		15.184
12	Advance given	1.500		-	
	Associate				
	KBL Synerge LLP		1.500		-
13	Interest Paid	-		6.441	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		-		6.441
14	Investment made	0.005		-	
	Associate				
	KBL Synerge LLP		0.005		-

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

Sr. No.	Nature of transaction/relationship/major parties	2016-17		2015-16	
		Amount	Amount for Major parties	Amount	Amount for Major parties
1	Accounts receivable				
	Joint Venture	49.601		20.042	
	Kirloskar Ebara Pumps Limited		49.601		20.042
2	Amount Due	54.635		5.774	
	Substantial Interest				
	Corrocoat Limited, UK		3.599		0.767
	Joint Venture				
	Kirloskar Ebara Pumps Limited		15.036		1.156
	Key Management Personnel				
	Mr. Sanjay Kirloskar		30.000		1.558
	Mr. J. R. Sapre		-		0.092
	Mr. Shrikrishna Inamdar		1.000		0.447
	Mr. Padmakar Jawadekar		1.000		0.447
	Ms. Lalita Gupte		1.000		0.550
	Mr. Pratap Shirke		1.000		0.344
	Mr. Alok Kirloskar		1.000		0.172
	Mr. Kishor Chaukar		1.000		0.241
3	Advance given	1.500		-	
	Associate				
	KBL Synerge LLP		1.500		-

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

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

1) Joint Venture	Kirloskar Ebara Pumps Limited	
2) Significant influence	Corrocoat Limited, UK	
3) Associates of joint venture	Ebara Pumps Malaysia SDN BHD. Ebara Corporation, Japan Elliott Company, USA	
4) Associate	KBL Synerge LLP	
5) Key Management Personnel	Mr. Sanjay Kirloskar Mr. Shrikrishna Inamdar Mr. Padmakar Jawadekar Ms. Lalita Gupte Mr. Pratap Shirke Mr. Alok Kirloskar Mr. Kishor Chaukar Mr. Achyut Gokhale Mr. K.Taranath Mr. Clive Harper	
6) Relatives of Key Management Personnel	Mrs. Pratima Kirloskar Mr. Alok Kirloskar Mrs. Suman Kirloskar Ms. Rama Kirloskar	Wife of Mr. Sanjay Kirloskar Son of Mr. Sanjay Kirloskar Mother of Mr. Sanjay Kirloskar Daughter of Mr. Sanjay Kirloskar
7) Enterprises over which key managerial personnel or their relatives exercise significant influence	Prakar Investments Private Limited	
8) Post Employee Benefit Plans	Kirloskar Brothers Limited, Employees Provident Fund For Engineering Factory Kirloskar Brothers Limited, Staff Members Provident Fund Kirloskar Brothers Limited, Kirloskarvadi Employee Gratuity Fund Kirloskar Brothers, Executive Staff Superannuation fund	

Note 31: 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

Joint Venture has been consolidated as per Equity Method.



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## b) Financial Interest in Jointly controlled entities

Sr. No	Name of the Joint Venture	Summarised financial information		
			31 March 2017	31 March 2016
1	Kirloskar Ebara Pumps Limited	Assets	1,760.711	1,620.154
		Liabilities	747.315	724.366
			2016-17	2015-16
		Income	1,817.875	1,674.843
		Expenses (including tax expenses)	1,699.446	1,939.703
		Other comprehensive income	(0.821)	(4.019)

c) Contingent liabilities, if any, incurred in relation to interest in Joint Ventures : Rs. 13.283 Mln (Rs. 14.490 Mln)

d) Capital commitments, if any, in relation to interest in Joint Ventures : Rs 15.460 Mln (Rs.49.721 Mln)

## 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- ( KDWSP ) 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

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### Note 32 : Details of provisions and movements in each class of provisions

Particulars	Compensated Absences	Product Warranty	Provision for decommissioning and restoration cost	Provision for Loss on Long Term Contracts
Carrying amount as at 1 April 2015	237.981	226.494	5.120	25.124
Add: Provision during the year 2015-16	53.377	181.082	-	11.883
Add: Unwinding of discounts	-	0.511	0.421	-
Less: Amount utilised during the year 2015-16	(27.856)	(183.003)	-	(6.880)
Less: Amount reversed during the year 2015-16	-	(1.976)	-	-
Exchange difference	-	49.747	-	-
Carrying amount as at 31 March 2016	263.502	272.855	5.541	30.127
Add: Provision during the year 2016-17	23.085	220.165	-	32.689
Add: Unwinding of discounts	-	6.557	0.454	-
Less: Amount utilised during the year 2016-17	(23.661)	(197.633)	-	(6.109)
Less: Amount reversed during the year 2016-17	-	(21.962)	-	-
Exchange difference	-	(11.720)	-	-
Carrying amount as at 31 March 2017	262.926	268.262	5.995	56.707

### Note 33: Financial instruments: Fair values

As per assessments made by the management fair values of all financial instruments carried at amortised costs (except as specified below) are not materially different from their carrying amounts since they are either short term nature or the interest rates applicable are equal to the current market rate of interest.

The Company has not performed a fair valuation of its investment in unquoted ordinary shares which are classified as FVOCI (refer Note 4), as the Company believes that impact of change on account of fair value is insignificant.

Sr. No.	Particulars	Carrying value		
		31 March 2017	31 March 2016	1 April 2015
	<b>Financial Asset</b>			
a)	<b>Levelled at Level 1</b>			
	Carried at fair value through profit and loss (FVTPL)	-	-	1.250
b)	<b>Levelled at Level 2</b>			
	Carried at amortised cost			
	Trade receivable	5,431.768	5,708.956	7,192.252
	Security deposits	1,140.810	1,242.544	1,245.201
	Other financial assets	48.033	23.410	129.940
	Cash and cash equivalent and other bank balances	730.621	609.316	613.222
c)	<b>Levelled at Level 3</b>			
	Investments in unquoted equity shares (FVTOCI)	0.005	0.005	0.005
	<b>Financial liabilities</b>			
a)	<b>Levelled at Level 2</b>			
	Carried at amortised cost			
	Borrowings	3,552.153	3,489.661	3,469.757
	Trade payable	5,809.717	5,800.575	6,532.489
	Other current financial liabilities	1,900.860	1,535.561	1,358.156



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

### Note 34 : Financial risk management policy and objectives

Group's principal financial liabilities, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance group's operations and to provide guarantees to support its operations. Group's principal financial assets include advances to subsidiaries, trade and other receivables, security deposits and cash and cash equivalents, that derive directly from its operations.

In order to minimise any adverse effects on the financial performance of the group, it has taken various measures. This note explains the source of risk which the entity is exposed to and how the entity manages the risk and impact of the same in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost.	Aging analysis, External credit rating (wherever available)	Diversification of bank deposits, credit limits and letters of credit
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk- Foreign Currency Risk	Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Sensitivity Analysis	Management follows established risk management policies, including use of derivatives like foreign exchange forward contracts, where the economic conditions match the group's policy.
Market risk- Interest rate risk	Long-term borrowings at variable rates	Sensitivity Analysis	Balanced loan portfolio of fixed and variable rate of interest loan

The group's risk management is carried out by management, under policies approved by the board of directors. Group's treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, and investment of excess liquidity.

#### (A) Credit Risk

Credit risk in case of the Group arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including outstanding receivables.

#### Credit risk management

Credit risk arises from the possibility that counter party may not be able to settle their obligations as agreed. To manage this, the group periodically assesses the reliability of customers, taking into account the financial condition, current economic trends, and analysis of historical bad debts and ageing of accounts receivable. Individual risk limits are set accordingly.

The group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward looking information such as:

- Actual or expected significant adverse changes in business,
- Actual or expected significant changes in the operating results of the counterparty,
- Financial or economic conditions that are expected to cause a significant change to counterparty's ability to meet its obligations,



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

- (iv) Significant increases in credit risk on other financial instruments of the same counterparty,
- (v) Significant changes in the value of collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

The group provides for expected credit loss in case of trade receivables, claims receivable and security deposits when there is no reasonable expectation of recovery, such as a debtor declaring bankruptcy or failing to engage in a repayment plan with the group. The group categorises a receivable for provision for doubtful debts/write off when a debtor fails to make contractual payments greater than 1 year past due. The amount of provision depends on certain parameters set by the group in its provisioning policy. Where loans or receivables have been written off, the group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

### Provision for expected credit loss

Financial assets for which loss allowance is measured using Lifetime Expected Credit Losses (ECL)

Exposure to Risk	31 March 2017	31 March 2016	31 March 2015
Security Deposits	1,214.672	1,290.825	1,268.807
Less : Expected Loss	73.862	48.281	23.606
	1,140.810	1,242.544	1,245.201
Claims Receivable	50.045	237.961	298.071
Less : Expected Loss	3.845	216.688	192.586
	46.200	21.273	105.484
Other financial assets	1.833	2.137	24.454
Less : Expected Loss	-	-	-
	1.833	2.137	24.454
<b>Trade Receivables</b>			
Neither past due nor impaired	1,656.664	1,615.284	2,793.703
Past due but not impaired			
Less than 180 days	2,308.670	1,939.379	2,287.805
181 - 365 days	226.231	1,596.454	1,587.363
More than 365 days	1,240.203	557.840	523.381
<b>Total</b>	<b>5,431.768</b>	<b>5,708.957</b>	<b>7,192.252</b>

Reconciliation of loss provision	Trade receivables	Others
Loss allowance as at 1 April 2015	416.275	216.192
Changes in loss allowance	102.351	48.777
Loss allowance as at 31 April 2016	518.626	264.969
Changes in loss allowance	137.721	(187.262)
<b>Loss allowance as at 31 April 2017</b>	<b>656.347</b>	<b>77.707</b>

### (B) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying businesses, group maintains flexibility in funding by maintaining availability under committed credit lines.



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

Management monitors rolling forecasts of the group's liquidity position (comprising the undrawn borrowing facilities below) and cash and cash equivalents on the basis of expected cash flows. This is carried out in accordance with practice and limits set by the group. In addition, the group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Exposure to Risk	31 March 2017	31 March 2016	31 March 2015
<b>Interest bearing borrowings</b>			
On demand	1,450.279	2,234.487	1512.955
Less than 180 days	1,609.301	806.895	1464.751
181 - 365 days	-	-	-
More than 365 days	492.573	448.279	492.052
<b>Total</b>	<b>3,552.153</b>	<b>3,489.661</b>	<b>3469.758</b>
<b>Other liabilities</b>			
On demand	310.239	314.901	346.124
Less than 180 days	1,171.296	1,110.183	942.239
181 - 365 days	403.382	89.884	37.253
More than 365 days	15.943	20.593	32.540
<b>Total</b>	<b>1,900.860</b>	<b>1,535.561</b>	<b>1,358.156</b>
<b>Trade &amp; other payables</b>			
On demand	2,234.400	1,796.020	1949.098
Less than 180 days	1,879.960	2,360.965	3376.761
181 - 365 days	336.645	364.757	144.543
More than 365 days	1,358.713	1,278.833	1062.087
<b>Total</b>	<b>5,809.718</b>	<b>5,800.575</b>	<b>6,532.489</b>

The Company has access to following undrawn facilities at the end of the reporting period  
(Interest rates 6.8% - 10.1%)

	31 March 2017	31 March 2016	1 April 2015
Expiring within one year	3,626.742	2,989.350	3,156.986
Expiring beyond one year	-	-	-

**Foreign currency risk**

The group is exposed to foreign exchange risk mainly through its sales to overseas customers and purchases from overseas suppliers in various foreign currencies.

The group evaluates exchange rate exposure arising from foreign currency transactions and the group follows established risk management policies, including use of derivatives like foreign exchange forward contracts to hedge exposure to foreign currency risk, where the economic conditions match the group's policy.

Financial Assets	Currency	Amount in Foreign Currency			Amount in INR		
		31 March 2017	31 March 2016	31 March 2015	31 March 2017	31 March 2016	31 March 2015
Trade Receivables	EGP	0.005	0.002	0.664	0.018	0.014	5.435
	EUR	9.158	6.804	1.133	634.417	506.373	76.083
	GBP	1.148	0.415	0.122	92.873	39.591	11.230
	USD	26.256	25.740	5.571	1,702.582	1,705.242	348.135
	AED	3.029	1.504	-	56.135	27.170	-
	ZAR	1.878	0.791	-	9.292	3.354	-

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

Financial Assets	Currency	Amount in Foreign Currency			Amount in INR		
		31 March 2017	31 March 2016	31 March 2015	31 March 2017	31 March 2016	31 March 2015
Bank Accounts	EGP	0.160	0.005	1.757	0.566	0.039	14.418
	AED	0.202	-	-	3.748	-	-
	EUR	7.698	6.326	-	533.294	470.782	0.023
	GBP	0.386	0.301	0.058	31.228	28.663	5.331
	USD	18.638	20.196	0.976	1,208.553	1,337.967	61.115
	VND	66.064	162.146	0.721	0.188	0.481	0.002
	CNY	0.041	0.024	-	0.404	0.250	-
Other Deposits	EGP	1.150	1.150	1.692	4.080	8.581	13.879
	USD	0.025	-	-	1.621	-	-
Amount Due from Employees	EGP	0.082	0.082	0.082	0.290	0.609	0.669
	EUR	0.005	0.009	0.003	0.340	0.656	0.212
	GBP	0.001	0.015	0.003	0.119	1.417	0.250
	USD	0.070	0.072	0.016	4.542	4.756	1.016

Financial Liabilities	Currency	Amount in Foreign Currency			Amount in INR		
		31 March 2017	31 March 2016	31 March 2015	31 March 2017	31 March 2016	31 March 2015
Trade Payables	EGP	4.629	4.413	4.435	16.513	32.929	36.345
	EUR	4.210	6.876	0.859	291.745	512.156	57.685
	GBP	1.224	0.641	0.667	99.117	61.082	61.605
	USD	21.403	14.912	6.873	1,388.065	988.042	429.599
	JPY	0.026	0.026	0.026	0.015	0.015	0.013
	VND	10,324.145	189.989	189.989	29.418	0.564	0.552
	AED	1.294	0.285	-	23.983	5.146	-
	CHF	-	0.071	0.024	-	4.777	1.571
	SGD	0.027	-	-	1.287	-	-
Amount Due to Employees	EGP	1,10,972	1,10,972	1,10,972	3,95,870	8,28,051	9,09,416

### c) Foreign currency risk (continued)

Currency wise net exposure (assets - liabilities)

Particulars	Amount in Foreign Currency			Amount in INR		
	31 March 2017	31 March 2016	31 March 2015	31 March 2017	31 March 2016	31 March 2015
EGP	(3.343)	(3.285)	(0.352)	(11.955)	(24.514)	(2.853)
AED	1.937	1.219	-	35.900	22.024	-
EUR	12.651	6.264	0.278	876.305	465.654	18.632
GBP	0.310	0.090	(0.485)	25.103	8.590	(44.794)
USD	23.586	31.097	(0.310)	1,529.234	2,059.922	(19.333)
JPY	(0.026)	(0.026)	(0.026)	(0.015)	(0.015)	(0.013)
VND	(10,258.081)	(27.843)	(189.268)	(29.230)	(0.084)	(0.550)
CHF	-	(0.071)	(0.024)	-	(4.777)	(1.571)
ZAR	1.878	0.791	-	9.292	3.354	-
CNY	0.041	0.024	-	0.404	0.250	-
SGD	(0.027)	-	-	(1.287)	-	-



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## Sensitivity Analysis

Currency	Amount in INR		Sensitivity %	Impact on profit (strengthen)		Impact on profit (weakening)	
	2017	2016		2017	2016	2017	2016
EGP	(11.955)	(24.514)	0.29%	0.034	0.070	(0.034)	(0.070)
EUR	876.305	465.654	2.55%	(22.364)	(11.884)	22.364	11.884
GBP	25.103	8.590	5.01%	(1.257)	(0.430)	1.257	0.430
USD	1,529.234	2,059.922	7.56%	(115.566)	(155.671)	115.566	155.671
JPY	(0.015)	(0.015)	1.22%	-	-	-	-
VND	(29.230)	(0.084)	6.48%	1.894	0.005	(1.894)	(0.005)
CHF	-	(4.777)	6.29%	-	0.301	-	(0.301)
AED	35.900	22.024	7.72%	(2.259)	(1.386)	2.259	1.386
ZAR	9.292	3.354	8.08%	(0.585)	(0.211)	0.585	0.211
CNY	0.404	0.250	7.72%	(0.025)	(0.016)	0.025	0.016
SGD	(1.287)	-	6.14%	(0.081)	-	0.081	-
Total	2,433.751	2,530.404		(140.209)	(169.222)	140.209	169.222

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

## Note 34 (b) Impairment of financial assets: Expected credit loss

## Provision for expected credit loss

Internal rating	Category	Description of category	Basis of recording expected credit loss		
			Investments	Loans and deposits	Trade receivables
A	High quality asset, negligible credit risk	Assets where the counter party has strong capacity to meet obligations and where risk is negligible or nil.	12- months expected credit losses	12 months expected credit losses	Life- time expected credit losses - simplified approach
B	Standard asset, moderate credit risk	Assets where there is moderate risk of default and where there has been low frequency of defaults in past			
C	Low quality asset, High credit risk	Assets where there is high probability of default. In general, assets where contractual payments are more than year past due are categorised as low quality asset. Also includes where credit risk of counter party has increased significantly through payments may not be more than a year past due.	Life- time expected credit losses	Life- time expected credit losses	
D	Doubtful asset-credit impaired	Assets are written off, when there is no reasonable expectations of recovery. Where loans and receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.	Asset is written off		

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

As at 31 March 2017

### 1) Expected credit loss for loans, security deposits and investments

Particulars		Asset group	Internal rating	Gross carrying amount	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 months expected credit losses	Financial assets for which credit risk has not increased significantly from inception	Security Deposit	A	27.283	-	-	27.283
		Security Deposit	B	1,187.388	-	73.862	1,113.527
		Claims receivable	A	46.200	-	-	46.200
		Claims receivable	D	3.845	-	3.845	-
		Interest accrued	A	0.226	-	-	0.226
		Other financial asset	A	1.607	-	-	1.607
Loss allowance measured at life time expected credit losses	Financial assets for which credit risk has increased significantly and not credit impaired	Nil					
	Financial assets for which credit risk has increased significantly and credit impaired	Nil					

### 2) Expected credit loss for trade receivables under simplified approach

Particulars	Not due	Past due but not impaired			Total
		Below 180 days	180-365 days	above 365 days	
Gross carrying amount	1,656.664	2,308.670	226.231	1,896.550	6,088.115
Expected loss rate	0%	0%	0%	35%	
Expected credit losses (Loss allowance provision)	-	-	-	656.347	656.347
Carrying amount of trade receivable (Net of impairment)	1,656.664	2,308.670	226.231	1,240.203	5,431.768



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

As at 31 March 2016

## 1) Expected credit loss for loans, security deposits and investments

Particulars		Asset group	Internal rating	Gross carrying amount	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 months expected credit losses	Financial assets for which credit risk has not increased significantly from inception	Security Deposit	A	22.424	0%	-	22.424
		Security Deposit	B	1,268.401	4%	48.281	1,220.120
		Claims receivable	A	21.273	0%	-	21.273
		Claims receivable	D	216.688	95%	216.688	-
		Interest accrued	A	0.419	0%	-	0.419
		Other financial asset	A	1.718	0%	-	1.718
Loss allowance measured at life time expected credit losses	Financial assets for which credit risk has increased significantly and not credit impaired	Nil					
	Financial assets for which credit risk has increased significantly and credit impaired	Nil					

## 2) Expected credit loss for trade receivables under simplified approach

Particulars	Not due	Past due but not impaired			Total
		Below 180 days	180-365 days	above 365 days	
Gross carrying amount	1,615.284	1,939.379	1,596.454	1,076.466	6,227.583
Expected loss rate	0%	0%	0%	48%	
Expected credit losses (Loss allowance provision)	-	-	-	518.626	518.626
Carrying amount of trade receivable (Net of impairment)	1,615.284	1,939.379	1,596.454	557.840	5,708.957

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

As at 1 April 2015

### 1) Expected credit loss for loans, security deposits and investments

Particulars		Asset group	Internal rating	Gross carrying amount	Expected probability of default	Expected credit losses	Carrying amount net of impairment provision
Loss allowance measured at 12 months expected credit losses	Financial assets for which credit risk has not increased significantly from inception	Security Deposit	A	21.137	0%	-	21.137
		Security Deposit	B	1,247.669	2%	23.606	1,224.063
		Claims receivable	A	105.485	0%	-	105.485
		Claims receivable	D	192.586	83%	192.586	-
		Interest accrued	A	4.341	0%	-	4.341
		Other financial asset	A	20.113	0%	-	20.113
Loss allowance measured at life time expected credit losses	Financial assets for which credit risk has increased significantly and not credit impaired	Nil		-			
	Financial assets for which credit risk has increased significantly and credit impaired	Nil					

### 2) Expected credit loss for trade receivables under simplified approach

Particulars	Not due	Past due but not impaired			Total
		Below 180 days	180-365 days	above 365 days	
Gross carrying amount	2,793.703	2,287.805	1,587.363	939.656	7,608.527
Expected loss rate	0%	0%	0%	44%	
Expected credit losses (Loss allowance provision)	-	-	-	416.275	416.275
Carrying amount of trade receivable (Net of impairment)	2,793.703	2,287.805	1,587.363	523.381	7,192.252

### Reconciliation of loss provision

	Trade receivables	Others
Loss allowance as at 1 April 2015	416.275	216.192
Changes in loss allowance	102.351	48.777
Loss allowance as at 31 April 2016	518.626	264.969
Changes in loss allowance	137.721	(187.262)
Loss allowance as at 31 April 2017	656.347	77.707



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## Note 35 Capital management

## a) Risk Management

The group's objectives when managing capital are to

- safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the group monitors capital on the basis of the following gearing ratio: Net debt (total borrowings net of cash and cash equivalents) divided by Total 'equity' (as shown in the balance sheet, including non-controlling interests)

The company's strategy is to maintain a gearing ratio within 30%. The gearing ratios were as follows:

	31 March 2017	31 March 2016
Loans and borrowings	3,586.972	3,616.131
Less: Cash and cash equivalents and other bank balances	730.621	609.314
Net debt	2,856.351	3,006.817
Equity	9,009.743	9,245.756
Capital and net debt	11,866.094	12,252.573
Gearing ratio	24.072%	24.540%

## b) Dividend

	31 March 2017	31 March 2016
(i) Equity Shares		
Final dividend for the year ended March 31, 2016 is Nil (March 31, 2015 - INR 0.50) per fully paid share	Nil	39.694
Interim dividend for the year ended March 31, 2016 of INR 0.50 per fully paid share (March 31, 2015 - Nil) per fully paid share		Nil
(ii) Dividends not recognised at the end of the reporting period	79.409	Nil

Since year end the directors have recommended the payment of a final dividend of INR 1 per fully paid equity share (31 March 2017- Nil). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

**Note 36** 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 respective company.

Particulars	2016-17	2015-16
Principal amount due and remaining unpaid	657.984	292.771
Interest due on above and unpaid interest	1.933	0.935
Interest paid	-	-
Payment made beyond appointment day	-	-
Interest due and payable for the period of delay	-	-
Interest accrued and remaining unpaid	0.998	0.798
Amount of further interest remaining due and payable in succeeding years	-	-



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### Note 37 Details of specified bank notes

Following is the disclosure of "Specified Bank Notes" (SBN) as required by the notification dated 30 March, 2017, issued by the Ministry of Company Affairs.

Particulars	SBN's	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	0.942	0.280	1.222
<b>Add:</b> Permitted receipts	0.001	2.630	2.631
<b>Less:</b> Permitted payments	-	1.835	1.835
<b>Less:</b> Amount deposited in Banks	0.943	0.120	1.063
<b>Closing cash in hand as on 30 December 2016</b>	<b>-</b>	<b>0.955</b>	<b>0.955</b>

### Note 38 Investment in subsidiaries

During the year 2016-17, SPP Pumps (Asia) Limited was incorporated a wholly owned subsidiary of Kirloskar Brothers Thialand Ltd, (KBTL) with a registered capital of 1 Mln Baht (10000 ordinary shares of Baht 100 each).

During the year 2016-17, Kirloskar Brothers International Zambia Limited was incorporated a wholly owned subsidiary of Kirloskar Brothers International (PTY) Ltd. with registered capital of 10,000 ZMK (10,000 shares of ZMK 1 each called up and fully paid up).

### Note 39 Merger of subsidiary

During the year Kirloskar Systech Ltd. (100% subsidiary of Kirloskar Brothers Ltd (KBL)) was merged with KBL. The merger is accounted as per guidance under Appendix C of IND AS 103 (Pooling of Interest Method) and corresponding comparative periods are restated to give the effect of merger

### Note 40 Sale of subsidiary undertaking

On 27 September 2016, SPP Pumps Limited sold its 100% interest in the ordinary share capital Certified Engines Limited to its immediate holding Company Kirloskar Brothers International BV for consideration of GBP 1 and the name is changed to Rotaserve Limited. Its carrying value recognised was Nil.

### Note 41 Foreign Exchange loss

SPP Pumps (MENA) LLC has routed foreign exchange loss amounting to Rs. 119.443 Mln on account of restatement of the loan is routed through other comprehensive income as permitted by Egyptian GAAP.

Further, the Board of Directors of Kirloskar Brothers International B.V. (KBIBV) in its meeting held on 7th November 2016 resolved that SPP Pumps (MENA) LLC, its wholly owned subsidiary is not in a financial position to repay the loans amounting to Rs. 173.752 Mln given to it and the loans will be converted in to equity. The formalities of transfer should be completed before the end of next financial year.

Considering the fact that KBIBV is not intending to settle the amount given to SPP Pumps (MENA) LLC in the foreseeable future and as per guidance provided in Ind AS 21, the foreign exchange loss amounting to Rs. 119.443 Mlns on account of restatement of the loan is routed through other comprehensive income.

### Note 42 Restatement of Kirloskar Brothers International PTY

Revenue amounting to Rs. 8.149 Mlns was recognised by KBIPY before the goods were delivered to the customer in 2014. The goods were not subsequently delivered or collected by the customer as the customer failed to pay for the goods in advance. The correction of errors has resulted in adjustment as follows.

Balance sheet	31 March 2016	1 April 2015
Decrease in trade and other receivables	(9.290)	(9.346)
Decrease in retained earnings	(3.282)	(3.302)
Decrease in trade and other payables	(1.141)	(1.148)
Increase in deferred tax asset	1.276	1.284
Increase in inventory	3.590	3.612



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

**Note 43 Fair value of derivative financial instrument**

Foreign exchange loss for the current financial year includes fair value loss on forward exchange contracts in SPP Pumps Limited amounting to Rs. 111.510 Mlns

**Note 44 Impairment of Goodwill**

Impairment testing for cash-generating units containing goodwill.

For the purpose of impairment testing, goodwill is allocated to the Group's operating segments which represent the lowest level within the Group at which the goodwill is monitored for the internal management purposes. The aggregate amount of goodwill allocated to each operating segment is as below:

	KPML	TKSL	KBIBV Consol	
<b>31 March 2017</b>				
Project				
Product	60.969	61.953	53.374	
Total	60.969	61.953	53.374	
<b>31 March 2016</b>				
Project				
Product	60.969	61.953	52.960	
Total	60.969	61.953	52.960	
<b>1 April 2015</b>				
Project	453.372	-	-	
Product	60.969	61.953	55.094	
Total	514.341	61.953	55.094	
<b>Impairment of goodwill</b>	<b>KPML</b>	<b>TKSL</b>	<b>KBIBV Consol</b>	<b>Total</b>
As at 1 April 2015	514.340	61.953	55.094	631.388
Impairment of goodwill	(453.372)	-	-	(453.372)
<b>As at 1 April 2015</b>	<b>60.968</b>	<b>61.953</b>	<b>55.094</b>	<b>178.016</b>
Foreign exchange gain/(loss)	-	-	(2.133)	(2.133)
<b>As at 31 March 2016</b>	<b>60.968</b>	<b>61.953</b>	<b>52.961</b>	<b>175.882</b>
Foreign exchange (gain)/loss	-	-	0.413	0.413
<b>As at 31 March 2017</b>	<b>60.968</b>	<b>61.953</b>	<b>53.374</b>	<b>176.295</b>

On the date of transition to Ind AS, goodwill arising on consolidation of subsidiaries is tested for impairment loss by the Group. Also, the group tests goodwill arising on consolidation for impairment loss on an annual basis.

**KPML - Product and KBIBV**

The recoverable amount of cash generating unit KPML - Product and KBIBV is determined based on value-in-use which requires use of judgement and assumptions. The calculations use cash flow projections based on financial budget approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecast included in industry reports specific to the industry in which each CGU operates. The growth rate has been determined based on management's estimate considering the revenue growth based on the past experience and the projection of sales volume and the sales price over next five years. The discount rate is a post tax measure estimated based on the historical industry weighted average cost of capital with a market interest rate of 8%

**KPML - Project**

Group is considering to close down its operations in project business in near future and intend to complete the projects in hand. As the Group does not have future projections to calculate value in use for the CGU, recoverable value is based on fair value less costs of disposal.

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

Carrying value of the CGU is carrying value of its tangible assets plus value of allocated goodwill. Fair value less costs of disposal of CGU is approximately equal to carrying value of its tangible assets.

Thus, carrying value of CGU to be written down to its recoverable amount. Resulting impairment loss will entirely to be written off a to goodwill.

### TKSL

Calculation of recoverable value for the CGU, TKSL is based on higher of fair value less costs of disposal or value in use. TKSL is incurring losses for past few years and thus value in use is lower than its carrying value. However, based on the fair value report of the tangible asset mainly land, obtained from a valuer is higher than the carrying amount of its CGU including goodwill. Hence, goodwill for the CGU, TKSL is not impaired.

### Note 45 The Kolhapur Steels Limited

The Kolhapur Steels Ltd. (TKSL), subsidiary of the Company had turned Sick Industrial Company due to negative net worth on basis of financials for the year ending 31st March 2014. Kirloskar Brothers Limited had infused funds by way preference shares in 2014-15 and 2015-16 amounting to Rs 250 Mln. These were converted into equity shares in the current financial year.

As a result of planned revival activity initiated under "Project Parivartan- Foundry Upgradation" and effective control over internal & external rejections etc. TKSL's net worth has turned positive during the Financial Year 2016-17. Hence TKSL 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 TKSL has communicated to Hon'ble BIFR vide letter dtd. 30th December, 2015 for disposal of the case registered under Sick Industrial Companies (Special Provisions) Act, 1985.

TKSL has received Order from Hon'ble BIFR dated 08/08/2016 confirming that the Company does not remain Sick Industrial Company in term of clause (o), sub section (1) of section 3 of Sick Industrial Companies (Special Provisions) Act, 1985.

### Note 46 Corporate social responsibility expenditures

(a) Amount required to be spent by the Group during the current year is Rs. 8.610 Mln

(b) Amount spent by the Group during the current year is Rs. 8.776 Mln

The Group as per its policy on Corporate Social Responsibility(CSR) and recommendation and approval of the CSR committee has contributed as

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
Towards education through implementing agency Vikas charitable trust and	6.38	0.911
Towards health care through Health Care through its implementing agency Radhabai Memorial Trust	0.200	0.911
Towards Health Care & Education through Grampanchayat Kundal	1.466	-
Towards Health Care & Education through Grampanchayat Ramanandnagar respectively	0.730	-
Total	8.776	1.822


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

(Amounts in Million ₹)

**Note 47**

Segment Information in respect of KBL and its Subsidiaries				
(A) Primary Segments - Business Segments	Projects	Products	Eliminations	Total
a) Segment Revenue				
Sales to External Customers	<b>4,818.700</b> (3,842.400)	<b>21,195.236</b> (21,995.569)	-	<b>26,013.936</b> (25,837.969)
Inter Segment Revenue	-	-	-	-
Total Segment Revenue	<b>4,818.700</b>	<b>21,195.236</b>	-	<b>26,013.936</b>
	(3,842.400)	(21,995.569)	-	(25,837.969)
b) Segment Result	<b>148.754</b> (274.675)	<b>1,473.256</b> (1,748.854)	-	<b>1,622.010</b> (1,474.179 )
Less :				
I) Finance Costs				<b>445.295</b> (507.602)
II) Unallocable Corporate expenditure (net of other income)				<b>1,101.274</b> (1,268.247)
Add :				
I) Income from Investments				<b>88.688</b> (150.831)
Total Profit Before Tax				<b>164.129</b> (150.839)
Less : Provision for Tax				<b>249.316</b> (93.098)
Less : DeferredTax				<b>(67.600)</b> (130.795)
ADD: Share of Profit/(loss) of joint venture company				<b>53.293</b> (119.187)
Net Profit				<b>35.706</b> (232.329)
c) Segment Assets	<b>8,491.264</b> (8,844.676)	<b>12,871.745</b> (12,348.179)	-	<b>21,363.009</b> (21,192.855)
Unallocable Corporate Assets				<b>3,329.370</b> (3,397.715)
Total				<b>24,692.379</b> (24,590.570)
d) Segment Liabilities	<b>5,386.670</b> (5,801.456)	<b>7,705.114</b> (6,431.503)	-	<b>13,091.784</b> (12,232.959)
Unallocable Corporate Liabilities				<b>2,590.852</b> (3,111.855)
Total				<b>15,682.636</b> (15,344.814)

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

e) Cost Incurred during the period to acquire Segment Fixed Assets	89.655	430.212
	(62.072)	(656.861)
f) Depreciation / Amortisation/Impairment	100.631	548.798
	(98.370)	(563.345)
g) Non Cash Expenses other than Depreciation / Amortisation	229.560	197.387
	(141.600)	(1,823.341)

B) Secondary Segment -	Within India	Outside India	Total
a) Segment RevenueGeographic Segment by location of customer	17,335.365	8,678.571	26,013.936
	(16,734.549)	(9,103.420)	(25,837.969)
b) Carrying Amount of Segment Assets by location of assets	18,331.476	6,360.903	24,692.379
	(18,533.910)	(6,056.660)	(24,590.570)
c) Cost Incurred during the period to acquire Segment Fixed Assets	447.343	72.524	519.867
	(367.576)	(351.357)	(718.933)

### Note 48: First Time Adoption of Ind AS

#### Explanation of transition to Ind AS

These are Group's first financial statements prepared in accordance with Indian Accounting Standards (Ind AS) as notified under Companies' (Indian Accounting Standards) Rules, 2015. In preparing the financial statements for the year ended 31 March 2016 and Balance Sheet as at 1 April 2015 (Date of transition), the group has adjusted amounts reported previously in financial statements prepared in accordance with Indian Generally Accepted Accounting Principles (Indian GAAP). This note explains the principal adjustments made by the Group in restating its Indian GAAP financial statements, including the Balance Sheet as at 1 April 2015 and the financial statements for the year ended 31 March 2016.

#### Exemptions and exceptions availed

Set out below are the applicable Ind AS 101 optional and mandatory exceptions applied in the transition from Indian GAAP to Ind AS

#### Ind AS optional exemptions

##### 1. Property, plant and equipment, intangible assets and investment properties

As per Ind AS 101, a first-time adopter may elect to use carrying values of all its property, plant and equipment which are measured in accordance with Indian GAAP (after making necessary adjustments in relation to decommissioning liabilities) as deemed cost under Ind AS as on the date of transition. This exemption can also be availed for intangible assets and investment property.

Accordingly, the Group has elected to measure all of its property, plant and equipment, intangible assets and investment property at their Indian GAAP carrying value, after making adjustments for the decommissioning liability, under Ind AS as on the date of transition.



## 2. Business Combination

As per Ind AS 101, a first-time adopter may elect not to restate business combinations that occurred prior to the date of transition. If the entity restates the any business combination that occurred prior to the date of transition, then it restates all later business combinations and also apply Ind AS 110 - Consolidated financial statements from that date.

The Group elected to avail the exemption of not restating the business combinations and consequently not applying 'Ind AS 103 - Business combinations' to the past business acquisitions which occurred prior to the date of transition.

## 3. Arrangement containing lease

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease at the inception of the contract arrangement. Ind AS 101 provides an optional exemption to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS.

The Group has elected to avail this exemption for such contracts / arrangements.

## Ind AS mandatory exceptions

### 1. Estimates

An entity's estimates in accordance with Ind AS at the date of transition to the Ind AS shall be consistent with estimates made for the same date in accordance with Indian GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Where application of Ind AS requires an entity to make certain estimates which were not required under Indian GAAP, those estimates should be made to reflect conditions that existed at the date of transition for preparing opening balance sheet or at the end of comparative period for restating the comparative information as per Ind AS.

The Group's Ind AS estimates as at 1 April 2015 are consistent with the estimates under Indian GAAP. The key estimates which Group considered in preparing consolidated financial statements that were not required by Indian GAAP are listed as below:

- Impairment of financial assets based on expected credit loss model
- Determination of discounted value for financial instruments carried at amortised cost
- Present value of decommissioning liability

### 2. Derecognition of financial assets and liabilities

Ind AS 101, requires first time adopter to apply the derecognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements of Ind AS 109, retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities de-recognised as a result of past transaction was obtained at the time of initially accounting of transactions.

The group has elected to apply the de-recognition provisions of Ind AS 109 prospectively from date of transition to Ind AS.

### 3. Classification and measurement of financial asset

Ind AS 101 requires, an entity to assess classification of financial assets on the basis of the facts and circumstances that exists as on the date of transition. Standard also permits the measurement of financial assets, which are classified under amortised cost category, based on the facts and circumstances existing at the date of transition if retrospective application is impracticable.

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

The Group has assessed the calcification of financial assets based on the facts and circumstances existing at the date of transition. However, measurement of the financial assets which are classified under amortised cost category has done retrospectively.

### Explanation of transition to Ind AS

Reconciliations set out below explains how the transition from Indian GAAP to Ind AS has affected the Group's financial position and financial performance:

- reconciliation of equity as at 1 April 2015;
- reconciliation of equity as at 31 March 2016; and
- reconciliation of total comprehensive income for the year ended 31 March 2016

In the reconciliations mentioned above, certain reclassifications have been made from Indian GAAP financial information to align with the Ind AS presentation.

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from Indian GAAP to Ind AS

Reconciliation of Equity							
	Note No	As at 1 April 2015			As at 31 March 2016		
		Indian GAAP	Ind AS Adjustments	Ind AS	Indian GAAP	Ind AS Adjustments	Ind AS
<b>ASSETS</b>							
<b>Non-current assets</b>							
(a) Property, Plant and Equipment	g,i,l,r	4,986.000	(241.960)	4,744.040	4,872.850	(224.604)	4,648.246
(b) Capital work-in-progress	r	120.790	(3.981)	116.809	70.410	(6.800)	63.610
(c) Investment Property	l	-	25.724	25.724	-	25.618	25.618
(d) Goodwill	o,r	631.310	(453.294)	178.016	563.060	(386.607)	176.453
(e) Other Intangible assets	d,s,r	92.270	(14.150)	78.120	211.140	(30.738)	180.402
<b>(f) Financial Assets</b>							
(i) Investments	m,r	0.350	525.789	526.139	-	402.539	402.539
(ii) Trade receivables	n,r	44.800	(0.424)	44.376	38.100	(10.234)	27.866
(iii) Loans	m,r	288.180	(2.397)	285.783	327.570	(2.374)	325.196
(iv) Others - claims receivable		106.110	(0.006)	106.104	11.500	(0.005)	11.495
(g) Deferred tax assets (net)	t,r	266.890	(71.637)	195.253	293.560	(54.191)	239.369
(h) Other non-current assets	i,s,r	2,295.880	29.665	2,325.545	2,972.550	27.977	3,000.527
<b>Total non-current assets</b>		<b>8,832.580</b>	<b>(206.671)</b>	<b>8,625.909</b>	<b>9,360.740</b>	<b>(259.419)</b>	<b>9,101.321</b>
<b>Current assets</b>							
(a) Inventories	s,r	3,387.020	(167.973)	3,219.047	3,702.540	(82.111)	3,620.429
<b>(b) Financial Assets</b>							
(i) Investments		-	-	-	-	-	-
(ii) Trade receivables	c,n,s,r	7,290.830	(142.954)	7,147.876	5,889.280	(208.189)	5,681.091
(iii) Cash and cash equivalents	r	627.840	(24.201)	603.639	606.770	(4.145)	602.625
(iv) Bank balance other than (iii) above		9.580	(0.001)	9.579	6.689	-	6.689
(v) Loans	r	961.010	(1.592)	959.418	917.930	(0.582)	917.348
(vi) Others -Interest accrued		23.840	(0.006)	23.834	11.915	-	11.915
(c) Current Tax Assets (net)	r	22.710	(22.710)	-	155.110	(43.756)	111.354
(d) Other current assets	c,i,s,r	4,920.280	(54.318)	4,865.962	4,620.150	(82.352)	4,537.798
<b>Total current assets</b>		<b>17,243.110</b>	<b>(413.755)</b>	<b>16,829.355</b>	<b>15,910.384</b>	<b>(421.135)</b>	<b>15,489.249</b>
<b>TOTAL ASSETS</b>		<b>26,075.690</b>	<b>(620.426)</b>	<b>25,455.264</b>	<b>25,271.124</b>	<b>(680.554)</b>	<b>24,590.570</b>


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

(Amounts in Million ₹)

Reconciliation of Equity							
	Note No.	As at 1 April 2015			As at 31 March 2016		
		Indian GAAP	Ind AS Adjustments	Ind AS	Indian GAAP	Ind AS Adjustments	Ind AS
<b>EQUITY AND LIABILITIES</b>							
<b>Equity</b>							
(a) Equity share capital		158.776	-	158.776	158.818	-	158.818
(b) Other equity	c to u	9,957.564	(511.842)	9,445.722	9,521.042	(455.967)	9,065.075
		<b>10,116.340</b>	<b>(511.842)</b>	<b>9,604.498</b>	<b>9,679.860</b>	<b>(455.967)</b>	<b>9,223.893</b>
Non controlling interest	p	36.470	34.408	70.878	31.480	(9.617)	21.863
<b>Total equity</b>		<b>10,152.810</b>	<b>(477.434)</b>	<b>9,675.376</b>	<b>9,711.340</b>	<b>(465.584)</b>	<b>9,245.756</b>
<b>LIABILITIES</b>							
<b>Non-current liabilities</b>							
(a) Financial Liabilities							
(i) Borrowings	d,r	470.310	36.496	506.806	458.990	(4.833)	454.157
(ii) Trade payables	r,s	320.660	(1.226)	319.434	410.260	(1.153)	409.107
(iii) Other financial liabilities	n,r	1.280	(1.280)	-	0.790	(0.790)	-
(b) Provisions	g,h,r	180.700	(3.489)	177.211	213.050	(4.315)	208.735
(c) Deferred tax liabilities (net)		103.940	(0.004)	103.936	86.460	(0.005)	86.455
(d) Other non-current liabilities	d,e	883.460	6.655	890.115	1,137.340	3.891	1,141.231
<b>Total non-current liabilities</b>		<b>1,960.350</b>	<b>37.152</b>	<b>1,997.502</b>	<b>2,306.890</b>	<b>(7.205)</b>	<b>2,299.685</b>
<b>Current liabilities</b>							
(a) Financial liabilities							
(i) Borrowings	d,r	3,008.860	(45.908)	2,962.952	3,058.010	(22.506)	3,035.504
(ii) Trade payables	s,r	6,253.960	(40.905)	6,213.055	5,566.650	(175.182)	5,391.468
(iii) Other financial liabilities	b,d,q,r	1,411.970	(53.814)	1,358.156	1,623.364	(87.803)	1,535.561
(b) Other current liabilities	b,c,d,e,r	2,765.110	43.649	2,808.759	2,531.490	86.867	2,618.357
(c) Provisions	c,j,r	522.630	(98.351)	424.279	473.380	(9.141)	464.239
(d) Current tax liabilities (net)	r	-	15.185	15.185	-	-	-
<b>Total current liabilities</b>		<b>13,962.530</b>	<b>(180.144)</b>	<b>13,782.386</b>	<b>13,252.894</b>	<b>(207.765)</b>	<b>13,045.129</b>
<b>Total liabilities</b>		<b>15,922.880</b>	<b>(142.992)</b>	<b>15,779.888</b>	<b>15,559.784</b>	<b>(214.970)</b>	<b>15,344.814</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>26,075.690</b>	<b>(620.426)</b>	<b>25,455.264</b>	<b>25,271.124</b>	<b>(680.554)</b>	<b>24,590.570</b>

Reconciliation of statement profit and loss and other comprehensive income				
	Note No.	Indian GAAP	Transition to Ind AS	IND AS
Revenue from Operations	a,b,c,r	25,986.223	432.951	26,419.174
Other Income	d,f,h,k,r	271.112	2.263	273.375
<b>Total Income</b>		<b>26,257.335</b>	<b>435.214</b>	<b>26,692.549</b>
<b>Expenses</b>				
Cost of materials consumed	r	12,919.660	(399.498)	12,520.162
Purchases of Stock-in-Trade	r	1,245.052	43.781	1,288.833
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	r	(354.814)	(68.586)	(423.400)
Employee benefits expense	e,f,r	4,400.380	(95.800)	4,304.580
Finance costs	d,f,g,h,r	495.995	11.607	507.602
Depreciation and amortization expense	d,g,i,o,r,s	770.574	(108.859)	661.715
Other expenses	a,b,c,h,i,m,r,s	7,117.395	866.501	7,983.896
<b>Total Expenses</b>		<b>26,594.242</b>	<b>249.146</b>	<b>26,843.388</b>



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

Reconciliation of statement profit and loss and other comprehensive income				
	Note No.	Indian GAAP	Transition to Ind AS	IND AS
Profit/(loss) before exceptional items and tax		(336.907)	186.067	(150.839)
Exceptional Items		-	-	-
<b>Profit / (loss) before tax</b>		<b>(336.907)</b>	<b>186.067</b>	<b>(150.839)</b>
<b>Tax expenses</b>				
Current tax	f,r,s	95.014	(2.073)	92.940
Deferred tax	r,t	(110.479)	(20.316)	(130.795)
Short provision of earlier years		0.158	-	0.158
		(15.307)	(22.389)	(37.697)
<b>Profit/(Loss) for the period from continuing operations</b>		<b>(321.600)</b>	<b>208.456</b>	<b>(113.142)</b>
Share of Profit/(loss) of joint venture company		-	(119.187)	(119.187)
<b>Profit/(loss) for the year</b>		<b>(321.600)</b>	<b>89.269</b>	<b>(232.329)</b>
Profit/(loss) from discontinued operations		-	-	-
Tax expenses of discontinued operations		-	-	-
Profit/(loss) from discontinued operations (after tax)		-	-	-
<b>Profit/(loss) for the period</b>		<b>(321.600)</b>	<b>89.269</b>	<b>(232.329)</b>
<b>Attributable to</b>				
Non-controlling interest	p	10.801	(1.951)	8.850
Equity holder's of parent		(332.401)	91.222	(241.179)
<b>Other Comprehensive Income</b>				
<b>Items that will not be reclassified to profit /(loss)</b>				
Remeasurement of employee benefits	e	-	22.010	22.010
Income tax relating to items that will not be reclassified to profit or loss	e	-	(7.616)	(7.616)
Share of other comprehensive income of associates and joint venture accounted for using equity method	r	-	(1.808)	(1.808)
<b>Items that will be reclassified to profit /(loss)</b>				
Foreign Currency Translation balance	u	-	(38.972)	(38.972)
Foreign exchange loss for subsidiary company		-	-	-
Income tax relating to items that will be reclassified to profit /(loss)		-	-	-
<b>Other comprehensive income</b>		<b>-</b>	<b>(26.386)</b>	<b>(26.386)</b>
<b>Total Comprehensive Income for the period (Comprising Profit /(Loss) and Other Comprehensive Income for the period)</b>		<b>(321.600)</b>	<b>62.883</b>	<b>(258.715)</b>
<b>Attributable to</b>				
Non-controlling interest	p	10.801	(2.021)	8.779
Equity holder's of parent		(332.401)	64.905	(267.496)



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## a) Excise duty

Under Indian GAAP, excise duty is reduced from gross revenues to report revenues net of excise duty.

Under Ind AS, revenue includes gross inflows of economic benefits received by a Company for its own account. Excise duty collected, which is a duty on manufacture and a primary obligation of the manufacturer is considered as revenue with the corresponding payments to Government as expenditure. This adjustment does not have any impact on statement of Profit and Loss.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Revenue from Operations	
Add: Excise duty	1,237.101
Other expenses - excise duty	
Add: Excise duty on sales	1,237.101

## b) Variable consideration

Under Indian GAAP, cash discounts and certain customer incentives such as award credits are reported separately as an expenditure in statement of Profit and Loss.

Under Ind AS, revenue is measured at the fair value of consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity. Customer incentives such as award credits and other loyalty programs are considered as separately identifiable component of the sale transaction in which they are granted (initial sale). The fair value of the consideration received or receivable of initial sale shall be allocated between the award credits and the other components of the sale. Allocation of initial sale value to be made with reference to the fair values of the components of sale. Such allocated fair value of award credit is deferred to be recognised subsequently as revenue when the award credits/ points are utilised or lapsed.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Revenue from Operations	
Add / (Less): Cash discount	(178.532)
Add / (Less): Customer loyalty program	(11.600)
Other expenses:	
(Less): Cash discount	(178.532)
Add / (Less): Customer loyalty program - Additional provision	(11.600)

The impact on equity arising from this change is summarised as follows:

Balance sheet	As at 1 April 2015	As at 31 March 2016
Other current liabilities		
Add/ (Less): Deferred income	60.365	71.965
Other current financial liabilities		
Add/ (Less): Provision for bonanza scheme	(60.365)	(71.965)

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

c) **Project Revenue - Multiple element arrangements**

Under Indian GAAP, there is no specific guidance on multiple elements transactions.

Under Ind AS, it is necessary to apply the revenue recognition criteria for each separately identifiable component of a single transaction in order to reflect the substance of the transaction. Revenue is recognised separately for each component as and when the recognition criteria for the component is fulfilled. Further under Ind AS, contract revenue is measured at the fair value of the consideration received or receivable. The amount of revenue and estimates should be revised as and when events occur and uncertainties are resolved. Thus, contract revenue is affected by a variety of uncertainties that depend on the outcome of future events. Accordingly, the amount of estimated contract revenue is decreased as a result of penalties arising from delays.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
<b>Revenue from Operations</b>	
Add / (Less): Project revenue	(7.338)
<b>Other expenses</b>	
Add / (Less): Unforeseeable loss and liquidated damages	(10.334)

The impact on equity arising from this change is summarised as follows:

Balance sheet	As at 1 April 2015	As at 31 March 2016
<b>Other current assets</b>		
Add/(Less): Gross amount due from customer	(7.005)	(4.444)
Add/(Less): Trade receivable	44.720	55.691
<b>Other current liabilities</b>		
Gross amount due to customer	46.443	56.342
<b>Current provisions</b>		
Provision for unrecognised losses	0.172	0.809
<b>Impact on retained earnings on transition date</b>	<b>(8.900)</b>	

d) **Sales tax deferral liability**

Under Indian GAAP, a sales tax deferral liability, which is acquired from the third party for a consideration, is recorded as borrowings at transaction price. Amount paid for acquiring such sales tax deferral entitlement is recognised in statement of Profit and Loss in the year of acquisition.

Under Ind AS, acquired sales tax deferral liability is recorded as a financial liability. Such liability is measured at amortised cost using effective interest rate method. Amount paid for acquiring the sales tax deferral entitlement is treated as intangible asset and is amortised over the period of the benefit received.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
<b>Depreciation and amortisation</b>	
Add: amortisation of intangible asset	2.805
<b>Finance cost:</b>	
Add: fair valuation of deferral liability	3.324
<b>Other income</b>	
Add: amortisation of deferred income	3.324



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

The impact on equity arising from this change is summarised as follows:

Balance sheet	As at 1 April 2015	As at 31 March 2016
<b>Non current liabilities</b>		
Add/ (Less): Borrowings	(6.652)	(3.893)
Add/ Less: Other non current liabilities	6.652	3.893
<b>Other current liabilities</b>		
Add/ (Less): Other current financial liabilities	(3.324)	(2.759)
Less: Other current liabilities	3.324	2.759
<b>Other intangible asset</b>		
Add/ (Less): Deferral rights	8.418	5.613
<b>Impact on retained earnings on transition date</b>	<b>8.418</b>	<b>-</b>

## e) Employee Stock Option Plan (ESOP)

Under Indian GAAP, a company uses intrinsic value approach to measure the cost of share based payments. Under this approach, if the exercise price for employee stock option is not less than the market price of the underlying shares on the date of the grant, no compensation cost is recorded.

Under Ind AS, costs of share based payments are recorded based on the fair value of employee stock option. Under this approach, the instrument would have a value even if the exercise price is equal to the market price of the underlying shares on the date of grant.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
<b>Employee benefit expenses</b>	
Less: excess of fair value over intrinsic value	(0.020)

The impact on equity arising from this change is summarised as follows:

Balance sheet	As at 1 April 2015	As at 31 March 2016
<b>Other reserves</b>		
Employee stock options reserve	(0.604)	(0.319)
Share premium	-	(0.305)
<b>Impact on retained earnings on transition date</b>	<b>0.604</b>	<b>-</b>

## f) Employee benefit expenses - actuarial gains and losses and return on plan assets

Under Indian GAAP, actuarial gains and losses and return on plan assets on post-employment defined benefit plans are recognised immediately in statement of Profit and Loss.

Under Ind AS, Remeasurements which comprise of actuarial gains and losses, return on plan assets and changes in the effect of asset ceiling, if any, with respect to post-employment defined benefit plans are recognised immediately in other comprehensive income (OCI). Further, remeasurements recognised in OCI are never reclassified to statement of Profit and Loss.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
<b>Employee benefit expenses</b>	
Add / (loss): Actuarial gain / loss	22.010
<b>Tax expenses</b>	
Add / (Less): Income tax impact of above	(7.616)
<b>Other comprehensive income</b>	<b>Year ended 31 March 2016</b>
<b>Items that will not be classified to profit/loss</b>	
Add / (loss): Actuarial gain / loss	22.130
Add / (Less): Income tax impact of above	(7.616)

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### Employee benefit expenses - net interest income / expenses

Under Indian GAAP, net finance cost / income on post-employment defined benefit plans (gratuity) is recognised in statement of Profit and Loss under 'employee benefit expense'.

Under Ind AS, Company has opted to record net finance cost / income under 'finance cost / income'.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Finance cost	
Add / (Less): net interest on net defined benefit obligation	6.400
Other income	0.439
Employee benefit expenses	
Add / (Less): net interest on net defined benefit obligation	(5.837)

### g) Provision for decommissioning, restoration and similar liabilities

Under Indian GAAP, at the initial recognition of an asset, provision for decommissioning, restoration and similar liabilities is not recorded.

Under Ind AS, the cost of dismantling or removing the item or restoration of the site is included as part of initial cost of the property, plant and equipment. Accordingly, a liability equivalent to the present value of such costs is recognised, with equivalent amount capitalised as an additional cost of the component. Depreciation on asset and imputed interest on the provision is subsequently recognised in statement of Profit and Loss.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Depreciation and amortization expense	
Add: additional depreciation	0.116
Finance cost	
Add: present value of restoration liability	0.421

The impact on equity arising from this change is summarised as follows:

Balance sheet	As at 1 April 2015	As at 31 March 2016
Property, plant and equipment -		
Add/ (Less): Windmills	1.714	1.598
Non current provisions		
Add: Provision for decommissioning	5.120	5.541
Impact on retained earnings on transition date	(3.406)	-

### h) Warranty provision

Under Indian GAAP, provision for warranty is recorded at transaction price.

Under Ind AS, warranty provision is discounted to its present value where the effect of time value of money is material. The imputed interest on the provision is subsequently recognised in statement of Profit and Loss.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Finance cost	
Add: present value of warranty provision	0.510
Other expenses	
(Less): present value of warranty provision	(1.718)
Other Income	
Add: reversal of excess warranty provision	0.225



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

The impact on equity arising from this change is summarised as follows:

Balance sheet	As at 1 April 2015	As at 31 March 2016
Non- current provisions		
(Less): Provision for warranty	(0.580)	(1.845)
Impact on retained earnings on transition date	0.580	-

i) **Reclassification of lease**

Under Indian GAAP, there is no specific guidance for contracts that involve leases of land.

Under Ind AS, leases of land is recognised as operating or finance lease as per definition and classification criteria. Where the land lease is for several decades, generally it qualifies as a finance lease even though the right of ownership of the land may not transfer at the end of the lease term. Land leases for relatively shorter periods are treated as operating leases. In such cases lease rentals paid in advance are recorded as prepaid lease rentals as part of other current / non-current assets.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Depreciation and amortization expense	
(Less): reversal of amortisation of leasehold land premium	(1.478)
Other expenses	
Add: rent expenses	1.418

The impact on equity arising from this change is summarised as follows:

Balance sheet	As at 1 April 2015	As at 31 March 2016
Property, plant and equipment		
(Less): Leasehold land - accumulated depreciation	(42.868)	(41.390)
Other non current asset		
Add/ (Less): Prepaid lease rentals	39.690	38.272
Other non current financial asset	0.911	0.911
Other current asset		
Add/ (Less): Prepaid lease rentals	1.417	1.417
Impact on retained earnings on transition date	(0.850)	-

j) **Proposed dividend**

Under Indian GAAP, dividend proposed after the date of the financial statements but prior to the approval of financial statements is considered as an adjusting event, and a provision for dividend is recognised in the financial statements of the period to which the dividend relates.

Under Ind AS, dividend declaration is considered as a non-adjusting event and provision for dividend is recognised only in the period when the dividend is approved by the shareholders in annual general meeting.

The impact on equity arising from this change is summarised as follows:

Balance sheet	As at 1 April 2015
Current provision	
(Less): Provision for dividend and tax on that	(40.932)
Retained earnings	40.932

k) **Retention money**

Under Indian GAAP retention money is recorded at transaction value.

Under Ind AS retention money, which are receivable without any specific condition is treated as financial asset and recorded at fair value at inception and subsequently at amortised cost.

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Other income	
Add: Unwinding of retention deposits	0.422

The impact on equity arising from this change is summarised as follows:

Balance Sheet	As at 1 April 2015
Trade receivable	
(Less): discounting of retention money	(0.422)
Impact on retained earnings on transition date	(0.422)

### l) Investment property

Under Indian GAAP, there is limited guidance on investment property.

Under Ind AS, investment property comprises of land or building held for earning rentals or for capital appreciation or both. Where a property is held for a currently undetermined future use, it is regarded as held for capital appreciation. Investment property is required to be measured at cost and is subsequently depreciated based on its useful life. Fair value of the investment property is to be disclosed at every reporting period end.

Balance Sheet	As at 1 April 2015	As at 31 March 2016
Property, plant and equipment	(25.723)	(25.617)
Accumulated depreciation	-	(0.106)
Investment property	25.723	25.617
Accumulated depreciation	-	(0.106)

### Asset held for sale reclassified to Property, plant and equipment

Under Indian GAAP, there is no specific guidance for non-current asset held for sale.

Under Ind AS, specific conditions mentioned in Ind AS 105 needs to be fulfilled to consider an asset to be non-current asset held for sale. The asset did not meet the criteria and accordingly reclassified to property, plant and equipment.

Balance Sheet	As at 1 April 2015	As at 31 March 2016
Property, plant and equipment	5.843	5.843
Property, plant and equipment - impairment loss	(2.843)	(3.843)
Other current assets	(3.000)	(2.000)

### m) Non-current investment - Fair value through Profit and Loss account

Under Indian GAAP investment in equity instruments is classified as long term investments carried at cost less provision for other than temporary decline in value of such investments.

Under Ind AS equity instruments are measured at fair value through Profit and Loss account.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Other expense	0.248
Other income	
less : reversal of gain on sale of investment as per Indian GAAP	(0.652)

The impact on equity arising from this change is summarised as follows:

Balance Sheet	As at 1 April 2015
Non-current investments	
Add : Fair value gain	0.906
Impact on retained earnings on transition date	0.906



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

## n) Reclassification adjustments

Following reclassification adjustments, are equity neutral.

Retention money receivable is classified as current trade receivables, as expected to receive within year from reporting date.

The impact on equity arising from this change is summarised as follows:

Balance Sheet	As at 1 April 2015	As at 31 March 2016
<b>Current financial assets</b>		
Trade receivable	-	10.230
<b>Non-current financial assets</b>		
Trade receivable	-	(10.230)

Dealers deposits accepted, being repayable on demand are classified as current financial liability.

Balance Sheet	As at 1 April 2015	As at 31 March 2016
<b>Non-current financial liabilities</b>		
Dealer deposit	(0.517)	(0.792)
<b>Current financial liabilities</b>		
Dealer deposit	0.517	0.792

## o) Goodwill

Under Indian GAAP, Company used to amortised goodwill over period of 10 years. Under Ind AS, goodwill being intangible asset with indefinite life is tested for impairment.

Accordingly, goodwill amortised in the year ended 31 March 2016, is reversed. KBL has provided for impairment loss on goodwill as on date of transition to Ind AS i.e. 1 April 2015. Refer note 44.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Depreciation and amortisation	(70.020)
Other income	
less : reversal of amortisation of goodwill as per Indian GAAP	(70.020)

The impact on equity arising from this change is summarised as follows:

Balance Sheet	As at 1 April 2015	As at 31 March 2016
Goodwill	(453.372)	(383.353)
Impact on retained earnings on transition date	(453.372)	-

## p) Non-controlling interest

Under Indian GAAP, losses applicable to non-controlling interest in excess of equity attributable to them are adjusted against the equity of parent.

Under Ind AS, total comprehensive income is attributable the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Further share of non-controlling interest in Ind AS adjustments recorded is considered.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Non-controlling interest in net profit	(1.951)
Non-controlling interest in other comprehensive income	(0.071)

The impact on equity arising from this change is summarised as follows:

Balance Sheet	As at 1 April 2015	As at 31 March 2016
Non-controlling interest	34.408	(9.617)
Retained earnings	7.592	9.617
<b>Short term provision</b>		
Provision for dividend	(42.000)	-



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### q) Forward contracts

Under Indian GAAP, the premium or the discount on foreign exchange forward derivative contracts related to underlying receivables and payables are amortised over the period of the contracts. In case of foreign exchange forward derivative contracts entered into at highly probable future transactions or firm commitments, mark to market losses (gains are ignored), if any, are recognised in the statement of Profit and Loss at the reporting date. Under Ind AS, all the foreign exchange forward derivative contracts are recorded at fair value with the subsequent changes in fair value recognised in the statement of Profit and Loss.

Balance Sheet	As at 1 April 2015
Forward liability	21.739
Deferred tax asset	4.348
Retained earnings	(17.391)

### r) Joint venture

Under Indian GAAP, proportionate consolidation approached is used for accounting of joint venture in consolidated financials.

Under Ind AS, joint venture is accounted using equity method accounting.

The impact arising from this change is summarised as follows:

Balance Sheet	As at 1 April 2015	As at 31 March 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, Plant and Equipment	(178.083)	(161.198)
Capital work-in-progress	(3.981)	(6.801)
Goodwill	0.074	0.074
Other Intangible assets	(22.563)	(22.187)
Investments	524.883	402.540
Loans	(3.308)	(2.375)
Deferred tax assets (net)	14.151	9.052
Other non-current assets	(10.872)	(11.412)
<b>Total non-current assets</b>	<b>320.301</b>	<b>207.693</b>
<b>Current assets</b>		
(a) Inventories	(171.818)	(85.722)
(b) Financial assets		
(i) Trade receivables	(177.717)	(264.763)
(ii) Cash and cash equivalents	(24.201)	(4.148)
(iii) Loans	(1.592)	(0.586)
(c) Current Tax Assets (net)	(37.893)	(43.754)
(d) Other current assets	(46.019)	(76.542)
<b>Total current assets</b>	<b>(459.236)</b>	<b>(475.515)</b>
<b>TOTAL ASSETS</b>	<b>(138.935)</b>	<b>(267.822)</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
(a) Equity share capital	-	-
(b) Other equity	1.192	(0.830)
<b>Equity attributable to equity holders of the parent</b>	<b>1.192</b>	<b>(0.830)</b>
<b>Total equity</b>		



## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

Balance Sheet	As at 1 April 2015	As at 31 March 2016
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
(a) Financial liabilities		
(i) Borrowings	43.146	(0.934)
(iii) Other financial liabilities	(0.762)	-
(b) Provisions	(8.025)	(8.014)
(c) Deferred tax liabilities (net)		
<b>Total non-current liabilities</b>	<b>34.359</b>	<b>(8.949)</b>
<b>Current liabilities</b>		
(a) Financial liabilities		
(i) Borrowings	(45.904)	(22.508)
(ii) Trade payables	(40.901)	(175.181)
(iii) Other financial liabilities	(12.368)	(13.877)
(b) Other current liabilities	(59.719)	(36.525)
(c) Provisions	(15.595)	(9.953)
<b>Total current liabilities</b>	<b>(174.486)</b>	<b>(258.043)</b>
<b>Total liabilities</b>	<b>(140.127)</b>	<b>(274.662)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>(138.935)</b>	<b>(267.822)</b>

Statement of Profit and Loss	For the year ended 31 March 2016
Revenue from Operations	(606.679)
Other Income	(1.494)
<b>Total Income</b>	<b>(608.173)</b>
<b>Expenses</b>	
Cost of materials consumed	(399.498)
Purchases of Stock-in-Trade	43.781
Changes in inventories of finished goods, Stock-in -Trade and work-in-progress	(68.586)
Employee benefits expense	(111.952)
Finance costs	0.952
Depreciation and amortization expense	(38.218)
Other expenses	(168.469)
<b>Total Expenses</b>	<b>(741.990)</b>
<b>Profit / (loss) before tax</b>	<b>133.817</b>
(1) Current tax	5.585
(2) Deferred tax	6.111
(3) Short provision of earlier years	-
<b>Profit (Loss) for the period from continuing operations</b>	<b>122.121</b>
Share of Profit/(loss) of joint venture company	(119.187)
<b>Profit/(loss) for the year</b>	<b>2.933</b>

## CONSOLIDATED NOTES TO ACCOUNTS: (CONTD.)

(Amounts in Million ₹)

### s) Foreign subsidiaries - other adjustments

Revenue amounting to INR. 8.149 Millions was incorrectly recognised by Kirloskar Brothers International (pty) Ltd. before the goods were delivered to the customer in 2014. The goods were not subsequently delivered or collected by the customer as the customer failed to pay for the goods in advance. Further the subsidiary Kirloskar Pompen B.V has also restated financials for year ended 31 March 2016. The correction of errors has resulted in adjustment as follows.

The impact on profitability arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
<b>Depreciation and amortisation</b>	
Less: amortisation of intangible asset	(2.064)
<b>Other expenses</b>	
Less: amortisation of intangible asset	(1.613)
<b>Tax expenses</b>	
Less: Current tax	(0.042)

The impact on equity arising from this change is summarised as follows:

Balance Sheet	As at 1 April 2015	As at 31 March 2016
Trade receivable	(9.955)	(9.346)
Trade payable	(1.223)	(1.148)
Other current assets	(1.708)	(0.787)
Inventory	3.847	3.612
Goodwill	-	(3.329)
Other intangible assets	-	(14.161)
Other non-current asset	-	0.216
<b>Impact on retained earnings on transition date</b>	<b>(3.008)</b>	<b>-</b>

### t) Deferred tax

Under Indian GAAP, the deferred tax is recognised using the Income Statement / Balance Sheet approach i.e. reflecting the tax effects of timing differences between accounting income and taxable income for the period.

Under Ind AS, the Company has recognised deferred taxes using the balance sheet approach i.e. reflecting the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Also, deferred taxes is recognised on account of the above mentioned changes explained in notes (a) to (k)

The impact arising from this change is summarised as follows:

Statement of Profit and Loss	Year ended 31 March 2016
Add/ (Less): Deferred tax	(26.427)

The impact on equity arising from this change is summarised as follows:

Balance Sheet	As at 1 April 2015	As at 31 March 2016
Deferred tax asset	(90.136)	(63.240)
Deferred tax liability	0.739	0.096
<b>Retained earnings</b>	<b>4.918</b>	<b>5.288</b>

### u) Foreign currency translation reserve

Under Indian GAAP, foreign currency translation difference is transferred to reserve directly.

Under Ind AS, foreign currency translation difference is routed through other comprehensive income.

Statement of Profit and Loss	Year ended 31 March 2016
Items that will be reclassified to Profit or Loss	(38.972)


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

(Amounts in Million ₹)

Additional information regarding subsidiaries as per revised Schedule III of The Companies Act, 2013

Name of the Entity	Net Assets		Share in Profits or Loss	
	As % of consolidated net assets	Amount Rs	As % of consolidated Profit & Loss	Amount Rs
<b>Parent</b>				
Kirloskar Brothers Limited (including effect of consolidation elimination and adjustment effects)	92.06%	8,294.611	922.98%	329.561
<b>Subsidiaries</b>				
<b>Indian</b>				
1. Karad Projects and Motors Limited	(4.61%)	(415.149)	355.21%	126.832
2. The Kolhapur Steels Limited	(3.48%)	(313.519)	(117.64%)	(42.006)
3. Kirloskar Corrocoat Private Limited	(0.32%)	(28.977)	(11.63%)	(4.154)
<b>Foreign</b>				
1. Kirloskar Brothers International B V (Consolidated)	11.11%	1,001.309	(1138.96%)	(406.676)
<b>Minority Interests in all Subsidiaries /Associates</b>				
Indian	0.20%	18.187	(7.16%)	(2.555)
Foreign	0.00%	-	0.00%	-
<b>Joint Ventures</b>				
<b>Indian</b>				
Kirloskar Ebara Pumps Limited	5.03%	453.281	97.19%	34.704
<b>TOTAL</b>	<b>100%</b>	<b>9,009.743</b>	<b>100%</b>	<b>35.706</b>

---

## NOTE



Kirloskar Vertical Turbine pumps installed at Sauni Yojana Project, Botad, Gujarat

Showcased biggest split-case pump (UPH) at IFAT Munich, Germany



Lowest Life-Cycle Cost Pumps

Submersible Pumps

Energy-efficient pumps - Kirloskar Lowest Life-Cycle Cost & Submersible pumps

KBL's intelligent pumping solution for remote condition monitoring of the pump





Enriching Lives

## KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

Established 1888

Registered Office: Udyog Bhavan, Tilak Road,  
Pune-411002. Tel: +91(20)24440770,

Global Headquarters: "Yamuna", Survey No. 98/(3.7),  
Baner, Pune 411045. Tel: +91(20)27214444,  
Email: [marketing@kbl.co.in](mailto:marketing@kbl.co.in), Website: [www.kirloskarpumps.com](http://www.kirloskarpumps.com),  
CIN No.: L29113PN1920PLC000670

### OUR COMPANIES

				
United Kingdom	U.S.A.	South Africa	India	The Netherlands