Enriching Lives

KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

SEC/ F:18

July 30, 2018

(BSE Scrip Code – 500241)
BSE Limited
Corporate Relationship Department,
2nd Floor, New Trading Ring,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai-400001

(NSE Symbol - KIRLOSBROS)
National Stock Exchange of India Ltd.,
5th Floor, Exchange Plaza,
Bandra (East)
Mumbai – 400 051

Dear Sir,

Sub. : Annual Report for the year ended March 31, 2018.

Pursuant to Regulation 34 (1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose copy of the Annual Report for the year ended on March 31, 2018, approved and adopted at the Annual General Meeting of the Company held on July 27, 2018.

This is for your information and record.

Thanking you,

Yours faithfully,
For **KIRLOSKAR BROTHERS LIMITED**

Sandeep Phadnis
Company Secretary
Encl: As above

KIRLOSKAR BROTHERS LIMITED ★ PUNE

Registered Office : Udyog Bhavan, Tilak Road, Pune - 411 002, India Tel.: +91 20 2444 0770, Fax: +91 20 2444 0156
Corporate Office : "YAMUNA" Survey No. 98 / 3 to 7, Baner, Pune - 411 045, India Tel : +91 20 2721 4444 / 6721 4444 Fax: +91 20 6721 1060
Email : marketing@kbl.co.in Website: www.kirloskarpumps.com
CIN No.: L29113PN1920PLC000670

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KIRLOSKAR BROTHERS LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2017-18

Enriching Lives

INSPIRING TRUST. LEADING INNOVATION.

Celebrating 130 Years of Establishment. 1888-2018

Being an inspiration is all about leading by example. For us, at Kirloskar Brothers Limited, inspiring trust along with leadership and innovation is the key driving factor.

KBL is a passionate organisation that is constantly evolving itself with an aim to ensure the best benefits to its customers and stake holders. We derive inspiration from our own success stories over the years that have impacted lives in a positive way. Our products are designed with an aim to help ease lives of the people.

With our effective leadership philosophy and roots, we have been the market leaders in the pumping industry since more than 90 years. We always strive towards bringing improvements with all our endeavours, be it our internal processes, new product developments or end-to-end project execution capabilities.

KBL, regarded among the pioneers of industrial revolution in India, has been able to successfully continue with its rich legacy of engineering excellence for over 130 years, which makes it one of the most trusted and reliable brand names in the global pumping industry. As a trusted and most preferred fluid management solution provider that accounts for the highest market share, we are confident and look forward to a future of immense possibilities.

As we embark on yet another successful journey in 2018-19, which marks the beginning of our 130^{th} year of establishment, we are confident of scaling new horizons and pinnacles with a renewed spirit and vigour.

INSPIRING TRUST. LEADING INNOVATION.

Celebrating 130 Years of Establishment. 1888-2018

Your company is inspiring trust and leading the path of innovation by:

Launch of KOSi open-well submersible pump for domestic and agricultural use

Launch of 22 models of Vertical Inline pumps designed in accordance with the Hydraulic Institute Standards (HIS) for our U.S. customers

Development of the axially split elbow pump for various water handling applications, which makes KBL one among the few global manufacturers and suppliers of this type of pump

Execution of two critical solar pumping projects, one at Nagarjuna Sagar in Telangana and the other being the KARMA project in Orissa

Implementation of S4 HANA, a new ERP system introduced to improve the overall operational efficiency across all the plants and facilities of the company

Commissioning of Pettiseema project, Asia's largest lift irrigation project, in Telanagana

Installation of six Kirloskar Concrete Volute Pumps (CVPs) as part of the Bang Sue drainage project in Bangkok, Thailand, for flood control

BOARD OF DIRECTORS	Sanjay C. Kirloskar	Chairman and Managing Director
	Shrikrishna N. Inamdar	
	Padmakar S. Jawadekar	
	Lalita D. Gupte	
	Pratap B. Shirke	
	Alok S. Kirloskar	
	Kishor A. Chaukar	
	Rakesh R. Mohan	(Additional Director w.e.f. July 28, 2018)
	Rama S. Kirloskar	(Additional Director w.e.f. July 28, 2018)

Chief Financial Officer — Chittaranjan M. Mate

Company Secretary — Sandeep Phadnis

Auditors — M/s. Sharp and Tannan Associates - Chartered Accountants, Mumbai

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
Email: secretarial@kbl.co.in
Website: www.kirloskarpumps.com
Group Website: www.kirloskar.com

Corporate Office
"Yamuna", Survey No. 98 (3-7), Baner,
Pune – 411 045, Maharashtra (India)
Phone (020) 67214444 Fax: (020) 67211136
Email: secretarial@kbl.co.in
Website: www.kirloskarpumps.com
Group Website: www.kirloskar.com

Works
Kirloskarvadi, Dewas, Shirwal, Kondhapuri, Coimbatore (Kaniyur), Ahmedabad (Sanand)

Information for Shareholders

Annual General Meeting :

Day & Date : Friday, July 27, 2018

Time : 11.00 a. m.

Venue : "Yamuna", Survey No.98 (3-7) Baner, Pune – 411 045

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DECADE AT A GLANCE

(Amounts in Million ₹)

Particulars	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net Sales	18,309	20,178	19,469	17,819	18,724	17,598	16,257	16,387	17,355	19,135
Other Income	359	479	129	463	70	55	113	208	182	189
Material Cost	13,927	14,987	13,431	12,661	13,204	11,696	10,471	9,898	9,975	11,333
Other Expenses	3,249	3,341	4,386	4,441	4,107	4,504	4,934	5,833	6,318	6,461
Interest	303	336	453	537	443	409	413	382	315	253
Depreciation	207	266	300	303	320	346	497	408	397	352
Profit before tax	982	1,729	1,027	340	719	698	55	74	533	923
Income tax provision	312	554	414	28	285	221	(30)	(33)	203	267
Net Profit after tax	670	1,175	615	312	434	477	85	107	330	656
Share Capital	212	159	159	159	159	159	159	159	159	159
Reserves	6,879	6,975	7,276	7,378	7,627	7,842	7,804	7,903	8,221	8,796
Net Worth	7,091	7,134	7,434	7,536	7,786	8,001	7,963	8,062	8,380	8,955
Imports	2,084	5,073	2,026	729	473	671	524	403	382	504
Exports	2,291	1,694	1,827	1,153	1,544	1,184	1,280	1,245	1,667	1,266
Basic Earnings per Share (Rs.) (Face Value of Rs. 2/-)	6.34	14.81	7.73	3.93	5.47	6.00	1.07	1.36	4.16	8.26
Dividend %	100%	275%	175%	100%	100%	125%	25%	25%	50%	*125%
Book Value per Share (Rs.)	67.05	89.92	93.70	94.99	98.11	100.82	100.30	101.53	105.53	112.78
Debt Equity Ratio	0.03	0.06	0.12	0.06	0.01	0.01	0.00	0.00	0.00	0.05

Notes :

Figures of Financial Year 2015-16 onwards 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 125%.

BOARD'S REPORT TO THE MEMBERS

Your Directors present the 98th Annual Report and the Audited financial statements of the Company for the year ended on March 31, 2018 together with the reports of the Auditors and Board, thereon.

FINANCIAL RESULTS

The financial results of the Company for the year 2017-18 as compared with the previous Financial Year are as under:

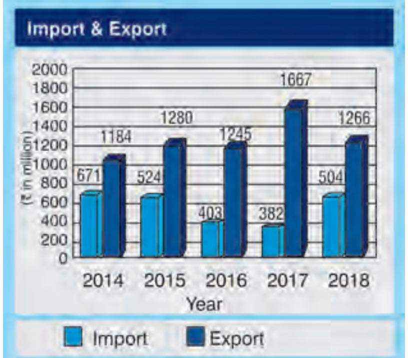
	Year ended March 31, 2018 (Amt. in Million ₹)	Year ended March 31, 2017 (Amt. in Million ₹)
Revenue from Operations	19,345.63	18,230.39
Other income	188.65	182.38
Total	19,534.28	18,412.77
Profit before tax	923.32	532.89
Tax expense	267.46	202.92
Profit for the period	655.86	329.97
Other Comprehensive Income	9.47	(11.45)
Surplus in Profit & Loss Account brought forward from previous year	2,015.13	1,696.61
Available surplus	2,590.00	2,015.13

DIVIDEND

The Board of Directors have recommended Dividend of 125%, ₹ 2.50 per equity share for the year 2017-18 (₹ 1/- per equity share for 2016-17).

OPERATIONS OF THE COMPANY

The revenue from the operations for the year under review is ₹ 19,345.63 million, which is more than 6.12% compared to the previous year.



The Company is focusing on the Oil & Gas market as we see upgradation of existing refinery plants to BS IV has taken up speed. As a result, we have received prestigious orders from Oil India Ltd. for FM/UL pumps and second order from BPCL Mumbai for LLC pumpset.

As the Goods and Service Tax (GST) roll out took place on July 1, 2017, the transition to the new tax regime had its expected initial impact on business and with majority of small customers like the Dealers and Retailers from Small Pump Business, the service centres and the customers from Building & Construction and Industry initially struggled to align their business processes with the new discipline. Dealers and Retailers took long to settle with the GST regulatory requirements. Business with contractors and Public Sector undertakings were also impacted.

During the year, the Company has commissioned largest bottom suction pump as a replacement to existing 80 (Eighty) years old make pump & motor at Kolkata Municipal Corporation.

The prestigious project of ERP Optimization and migration to the SAP S4 HANA platform, along with the required changes in 7 (Seven) major allied systems was driven by the core team along with the consultants and delivered on the agreed timelines. The Company went live on the new platform on October 9, 2017. With this, Kirloskar Brothers Limited (KBL) the first engineering equipment Company in India to go-live on the SAP HANA 1610 platform.

During the year, on international front, our representatives attended ATOMEXPO' 2017, business forum for global nuclear industry held recently at Moscow, Russia.

As a strategy to focus on the process segment, Industry Sector team has put up complete focus on networking with Global Process consultants for seeking approvals for chemical and process applications.

Irrigation sector successfully commissioned the Company's largest suspension length (30.3 Meters) vertical turbine pump at HNSS Pump Station in Andhra Pradesh.

In Small Pump Business, the sales team continued its focus on the market reach campaign through Retailer / Plumber / Mechanic meets, Industrial customer visits and seminars. There is significant growth in such focused marketing efforts as compared to previous year.

Our Company's Sanand plant completed 5 (Five) years on June 17, 2017.

During the year, Kondhapuri plant was awarded Certificate of Excellence for the "Runner Up Performance in Energy Conservation" under Small Manufacturing Unit Category for year 2015-16. AECOM India's visit was successful and resulted in approval of the entire range of Company's valves for all their projects. A product conformity audit by Bureau Veritas was successfully completed for small and medium Butterfly valves at Kondhapuri. Kondhapuri plant completed development of larger size valves such as 2400 mm BFV, 1400 and 1800 mm turbine inlet valves, 1800 mm MDNRV etc. during the year.

Kondhapuri plant participated and got shortlisted in the 12th State Level Awards for Excellence in Energy Conservation and Management under SME category for Financial Year 2016-17 held on February 8, 2018 at MEDA (Maharashtra Energy Development Agency – Pune).

The Kirloskarvadi plant continued its growth and registered new highs on almost all parameters. Kirloskarvadi crossed INR 5,000 million dispatch till December 2017, the highest in last 5 (Five) years.

As a part of the drive of National Polio Eradication Programme, a Pulse Polio Campaign was organized for children under the age group of 5 (Five) years on January 28, 2018 at Kirloskarvadi.

The Company along with other reputed organizations having innovative and progressive HR practices in the area of Employee Benefits and Health, was invited to take part in the panel discussion on the subject. The Company was highly appreciated by industry forum leaders and it also emphasized Company's commitment to its employees' overall health & wellbeing.

KBL received the prestigious 'Golden Peacock HR Excellence Award' for the year 2017 in Industrial Manufacturing sector from former Chief Justice of India, Mr. M. N. Venkatachaliah at the 12th International CSR Conference on February 9, 2018 in Bengaluru.

KBL received the prestigious India Design Mark award for its Romak Pump, AT Pump, i-CM Pump, i-NS Pump and HYPN System.

Recommendation was received from Bureau Veritas for inclusion of Corporate Secretarial function for the first time in the scope of ISO 9001:2015 certification on the basis of recent surveillance audit. This was a voluntary initiative by Corporate Secretarial function to get itself certified for its few identified processes under ISO Certification.

The Company's R&D - Engineered Pumps (CRED) team participated & presented paper in 44th National Conference on 'Fluid Mechanics and Fluid Power-2017' held at Amrita University, Kollam, Kerala from December

14 to 16, 2017. The conference provided a platform for researchers, academicians, industrialist from around the globe to explore the vast potential of research and advancements in the field of Fluid Mechanics and Fluid Power.

During the year, KBL was associated as co-sponsor for Pune team, 'Puneri Paltan' in this year's Pro Kabaddi League. The Company was also co-sponsors for one of the eight teams participating in the Maharashtra Kusti Premier League (MKPL), an intra-state wrestling tournament organized by the Ahmednagar District Wrestling Association. This was a strategic decision taken in pursuit of nurturing local wrestling talent and providing them an ideal platform to compete with the world's best. More importantly, Company's association with a traditional sport like wrestling, which enjoys immense popularity among the masses, could help us expand Company's brand visibility and reach across the rural sector, i.e. the target audience for its Agriculture and Domestic pumps.

There were no material changes and commitments which affect the financial position of the Company that has occurred between the end of the Financial Year of the Company to which the financial statements relate 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, 4 (Four) 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 had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year and of the profit of the Company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors, had laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively;

(f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

4. INDEPENDENT DIRECTORS' DECLARATION

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

5. DISCLOSURE REQUIRED UNDER SECTION 134(3)(e)

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

The Nomination and Remuneration Committee recommends remuneration of the Directors, subject to the overall limits set under the Act, as outlined in the Remuneration Policy as 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** is available on the website of the Company at http://www.kirloskarpumps.com/investors-investor-information-policies.aspx.

6. REPORT OF AUDITORS

During the Financial Year under review there are no qualifications, reservations 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 VIII.

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

Mr. Shyamprasad Limaye, Practicing Company Secretary, (CP No. 572) has been appointed as Secretarial Auditor of the Company as per Section 204 of the Act for the Financial Year 2017-18. Mr. Shyamprasad Limaye has been re-appointed as Secretarial Auditor for the Financial Year 2018-19.

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 2018-19. Their remuneration is subject to approval by the Members.

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

The details of loans, guarantees or investments under Section 186 of the Act, are available under Note No. 5 and 35 (D) 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 2017-18 with the related parties were in the ordinary course of business and at arm's length basis except few transactions which are disclosed in Form No. AOC 2 as Annexure VII. 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 35 of the Standalone Financial Statements of the Company for details of Related Party transactions.

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 and outgo 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 Company has in place an 'Enterprise Risk Management Policy'. The Risk Management Committee identifies the top risks and prioritises those risks. The progress and review status of those identified risks are presented to the Audit and Finance Committee 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 developed 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 on March 31, 2018 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 November 11, 2017 primarily to discuss the matters mentioned under Schedule IV of the Act. All Independent Directors of the Company attended the same.

13. PERFORMANCE AND FINANCIAL POSITION OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

Following are the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the Company during the period under report.

i. Karad Projects and Motors Limited

The revenue for the year under review is ₹ 3,270.10 million which is 8.95% more as compared to the previous year. Revenue constitutes 10.40% of gross consolidated revenue.

ii. The Kolhapur Steel Limited

The revenue for the year under review is ₹ 448.06 million which is 39.44% more as compared to the previous year. Revenue constitutes 1.42% of gross consolidated revenue.

iii. Kirloskar Corrocoat Private Limited

The revenue for the year under review is ₹ 343.30 million which is 19.97% more as compared to the previous year. Revenue constitutes 1.09% of gross consolidated revenue.

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

The revenue for the year under review is ₹ 8,468.16 million which is 7.76% more as compared to the previous year. Revenue constitutes 26.92% of gross consolidated revenue.

v. Kirloskar Ebara Pumps Limited (Joint Venture)

The revenue for the year under review is ₹ 1,663.10 million which is 2.45% more as compared to the previous year.Revenue constitutes 5.66% of gross consolidated revenue.

The financial position of the subsidiaries, associate 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 the report;

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

(iii) Details of Directors or Key Managerial Personnel who were appointed or have resigned during the year ;

- Dr. Rakesh Mohan (DIN 02790744) – Additional Director, was appointed by the Board with effect from July 28, 2017. The Board recommends his appointment as an Independent Director at the ensuing Annual General Meeting.
- Ms. Rama S. Kirloskar (DIN 07474724) – Additional Director, was appointed by the Board with effect from July 28, 2017. The Board recommends her appointment as a Non-Executive Director at the ensuing Annual General Meeting.
- Mr. Alok Kirloskar (DIN 05324745) – Non – Executive Director of the Company is liable to retire by rotation and being eligible offers himself for re-appointment.

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

During the year ‘Kirloskar Brothers International Zambia Limited’ which was a subsidiary company of Kirloskar Brothers International (Pty) Limited, was wound up on December 20, 2017. Kirloskar Brothers International (Pty) Limited acquired the shares in Rotaserve Mozambique and entered into joint venture with Viwe Mlenzana to form SPP Neziv Pumps Solutions.

(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 the Act 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. DISCLOSURE AS PER SECRETARIAL STANDARD:

The Board confirms the compliance with the applicable Secretarial Standards (SS-1) for the year under review.

16. CASH FLOW

Cash flow statement for the year ended on March 31, 2018 is attached to the Balance Sheet.

SAFETY, HEALTH AND ENVIRONMENT

Safety and Health

- All 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 compliance, OHSAS 18001, ISO 14001 requirements.
- Apart from compliance external or internal audits, all the manufacturing units are internally audited by cross-plant Safety team for verification of EHS compliances and standard industrial safe practices.
- New initiative has been introduced to implement BBS system at manufacturing plant level phase wise. As a part of first phase, BBS check list portal is introduced and staff employees are checking the safety compliance and report in the system. Implementation of phase II is under consideration for some plants.
- Almost 800 incidents have been logged in the system last year in Incident tracking system against 500 incidents logged previous year, that is 60% more compared to last year. It indicates there is increase in safety awareness. 357 tasks have been implemented and 329 task are under implementation. Its helping to reduce unsafe acts and conditions at the workplace.
- Measuring Plant safety performance system is introduced, considering leading indicators and lagging indicators. Plant heads have been requested to add one slide on plant safety performance in Plant MIS.
- Safety Assessment from third party is initiated for manufacturing plants and subsidiaries.
- System Monthly safety checking by project site personnel, which is also declaration of safety compliance from the project site for Company’s employee is initiated. Monthly MIS from live projects is sent from project In-charges to corporate safety is established.

Environment and Energy

Use of green strategies and optimal use of resources in manufacturing to ensure minimal environmental impact, is ingrained in our culture. All our manufacturing plants follow the principles of conservation. The Company has upgraded Environment Management System to latest version (ISO 14001: 2015) at Kirloskarvadi, Dewas, Sanand, Kaniyur and certified under matrix certification. The Company’s Corporate Environment, Health & Safety policy, details our approach towards the management of energy, water, preservation of natural resources and environment.

The Company makes conscious and serious attempts to conserve fossil fuels, by increasing our share of renewable energy. A dedicated ENCON team, helps us manage energy at manufacturing facilities. The Company monitors our direct and indirect energy consumption which is reported in the Company’s annual sustainability report. Every year, Group Level Energy Conservation (ENCON) competition amongst manufacturing plants to encourage them to implement energy conservation projects.

KBL has initiated many actions to reduce energy consumption and conserve energy which includes installation of Roof Top Solar Plants at Dewas and Sanand manufacturing facilities, installation of LED/ Induction lamps, installing Solar water heating system for process application.

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 allotment was 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) Rules, 2013, we report as follows for the year ended on March 31, 2018:

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	16
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 11, 2018

Annexure I

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.03.2018

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

i)	CIN	L29113PN1920PLC000670
ii)	Registration Date	January 15, 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	M/s. Link Intime India Private Limited, Block No. 202, 2nd Floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune 411 001, Ph. No. 020-26160084

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, Shiroli (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)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
4	Kirloskar Brothers International B.V. Strawinskylaan 937 1077 XX 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 B.V.	100	2(87)
6	Rodelta Pumps International B.V. Enschedesestraat 234, 7552 CM Hengelo, The 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 Limited 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 Limited	100	2(87)
10	SPP Pumps Inc. 6716 Best Friend Road, Norcross, GA, USA 30071	Foreign Company	Subsidiary of SPP Pumps Limited	100	2(87)
11	SPP Pumps Real Estate LLC 6716 Best Friend Road, Norcross, GA, USA 30071	Foreign Company	Subsidiary of SPP Pumps Inc.	100	2(87)
12	Syncroflo Inc. 2905 Pacific Drive, Norcross, GA, USA 30071	Foreign Company	Subsidiary of SPP Pumps Inc.	100	2(87)
13	Rotaserve Limited The Poynt, 45 Wollaton Street, Nottingham, Nottinghamshire, NG15FW, 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) Limited	100	2(87)

Sl. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of Shares Held	Applicable Section
17	SPP Pumps (Singapore) Pte.Limited 20 Maxwell Road, # 09-17, Maxwell House, Singapore (069113)	Foreign Company	Subsidiary of SPP Pumps (Asia) Co. Limited	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) Limited	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) Limited	100	2(87)
22	Rotaserve Mozambique Cnr Horn and Brine Str, Chloorkop, Kempton Park, Gauteng, 1620,South Africa	Foreign Company	Subsidiary of Kirloskar Brothers International (Pty) Limited	99.9	2(87)
23	SPP Neviz Pumps Solutions Pty Ltd. Crn Horn and Brine, Chloorkop Ext. 1, Kempton Park, Gauteng 1619	Foreign Company	Associate of Kirloskar Brothers International (Pty) Ltd	49	2(6)
24	Kirloskar Ebara Pumps Limited Pride Kumar Senate Building, Senapati Bapat Road, Pune – 411016	U29120MH1988PLC045865	Associate	45	2(6)
25	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	
A. Promoters									
(1) Indian									
a) Individual/HUF	32,634,387	0	32,634,387	41.10	32,701,387	0	32,701,387	41.18	0.08
b) Central Govt	0	0	0	0	0	0	0	0	0
c) State Govt (s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	19,329,956	0	19,329,956	24.34	19,329,956	0	19,329,956	24.34	0
e) Banks / FI	0	0	0	0	0	0	0	0	0
f) Any Other….	0	0	0	0	0	0	0	0	0
Sub-total (A) (1):-	**51,964,343**	**0**	**51,964,343**	**65.44**	**52,031,343**	**0**	**52,031,343**	**65.52**	**0.08**
(2) Foreign									
a) NRIs – Individuals	0	0	0	0	0	0	0	0	0
b) Other – Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks / FI	0	0	0	0	0	0	0	0	0
e) Any Other….	0	0	0	0	0	0	0	0	0
Sub-total (A) (2):-	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total shareholding of Promoter (A) = (A) (1) + (A) (2)	**51,964,343**	**0**	**51,964,343**	**65.44**	**52,031,343**	**0**	**52,031,343**	**65.52**	**0.08**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	3,707,643	0	3,707,643	4.67	4,117,967	0	4,117,967	5.19	0.52
b) Banks / FI	12,429	85,811	98,240	0.12	7,335	85,228	92,563	0.12	-0.01
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	3,358,285	2,250	3,360,535	4.23	3,023,610	0	3,023,610	3.81	-0.42
g) FIIs	97,635	0	97,635	0.12	0	0	0	0	-0.12
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)									
Foreign Portfolio Investor	1,139,933	0	1,139,933	1.44	1,848,830	0	1,848,830	2.33	0.89
Investor Education and Protection Fund	0	0	0	0	1,421,365	0	1,421,365	1.79	1.79
Sub-total (B)(1):-	**8,315,925**	**88,061**	**8,403,986**	**10.58**	**10,419,107**	**85,228**	**10,504,335**	**13.23**	**2.65**
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	3,068,494	11,972	3,080,466	3.88	3,260,494	10,275	3,270,769	4.12	0.24
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital uptoRs. 1 lakh	7,973,797	3,994,800	11,968,597	15.07	7,730,479	2,465,888	10,196,367	12.84	-2.23
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	2,300,089	318,171	2,618,260	3.30	2,321,357	159,468	2,480,825	3.12	-0.18
c) Others (specify)									
- NRI	685,367	54,518	739,885	0.93	284,656	47,249	331,905	0.42	-0.51
- Clearing members	112,979	0	112,979	0.14	62,853	0	62,853	0.08	-0.06
HUF	508,823	0	508,823	0.64	508,637	0	508,637	0.64	0
Foreign nationals	4,792	0	4,792	0.01	4,792	0	4,792	0.01	0
Trusts	0	6,795	6,795	0.01	17,100	0	17,100	0.02	0.01
Sub-total (B)(2):-	**14,654,341**	**4,386,256**	**19,040,597**	**23.98**	**14,190,368**	**2,682,880**	**16,873,248**	**21.25**	**-2.73**
Total Public Shareholding(B)=(B)(1)+(B)(2)	**22,970,266**	**4,474,317**	**27,444,583**	**34.56**	**24,609,475**	**2,768,108**	**27,377,583**	**34.48**	**-0.08**
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**74,934,609**	**4,474,317**	**79,408,926**	**100**	**76,640,818**	**2,768,108**	**79,408,926**	**100**	**0**

Note: % figures are rounded off to two decimals

(ii) Shareholding of Promoters

Sl No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% Change in share-holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	Sanjay C. Kirloskar#	17,529,133	22.07	0	17,596,133	22.16	0	0.08
2	Rahul Chandrakant Kirloskar ##	404,501	0.51	0	404,501	0.51	0	0
3	Late Gautam Achyut Kulkarni	441,705	0.56	0	0	0	0	-0.56
4	Vikram Shreekant Kirloskar ###	70,236	0.09	0	70,236	0.09	0	0
5	Atul Chandrakant Kirloskar ####	398,888	0.50	0	398,888	0.50	0	0
6	Suman Chandrakant Kirloskar #####	9,168	0.01	0	9,168	0.01	0	0
7	Mrinalini Shreekant Kirloskar	13,781	0.02	0	13,781	0.02	0	0
8	Pratima Sanjay Kirloskar	13,760,488	17.33	0	13,760,488	17.33	0	0
9	Alpana Rahul Kirloskar	100	0	0	100	0	0	0
10	Jyotsna Gautam Kulkarni	100	0	0	441,805	0.56	0	0.56
11	Arti Atul Kirloskar	100	0	0	100	0	0	0
12	Alok Kirloskar	6,187	0.01	0	6,187	0.01	0	0
13	Kirloskar Industries Limited	18,988,038	23.91	0	18,988,038	23.91	0	0
14	Prakar Investments Private Limited	269,671	0.34	0	269,671	0.34	0	0
15	Achyut and Neeta Holdings and Finance Private Limited	72,247	0.09	0	72,247	0.09	0	0
	Total	**51,964,343**	**65.44**	**0**	**52,031,343**	**65.52**	**0**	**0.08**

Note: Shares held by Late Mr. Gautam Achyut Kulkarni were transferred to Ms. Jyotsna Gautam Kulkarni by way of transmission on 20.12.2017.

Out of these, Sanjay C. Kirloskar holds 15,857,118 (15,812,118) equity shares in the individual capacity, 1,736,000 (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.

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

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

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

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

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

	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	51,964,343	65.44	51,964,343	65.44
Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc.):				
June 21, 2017	20,000	0.02	51,984,343	65.46
September 15, 2017	22,000	0.03	52,006,343	65.49
November 28, 2017	25,000	0.03	52,031,343	65.52
At the end of the year			52,031,343	65.52

(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	Reliance Capital Trustee Co. Limited	3,048,201	3.84	3,413,739	4.3
2	ICICI Prudential Life Insurance Company Limited	1,957,630	2.47	1,957,630	2.47
3	The New India Assurance Company Limited	1,513,002	1.91	1,173,212	1.48
4	General Insurance Corporation of India	1,406,725	1.77	1,406,725	1.77
5	Warburg Value Fund	1,000,000	1.26	1,000,000	1.26
6	The Oriental Insurance Company Limited	409,240	0.52	409,240	0.52
7	Kotak Emerging Equity Scheme	458,066	0.58	0*	0
8	Dhanesh S Shah	343,003	0.43	343,003	0.43
9	Kiran Navinchndra Asher	300,000	0.38	0*	0
10	Arun Nahar	284,000	0.36	284,000	0.36
11	Investor Education and Protection Fund Authority, Ministry of Corporate Affairs	0*	0	1,421,365	1.79
12	IDFC Infrastructure Fund	0*	0	488,682	0.61

*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
	For each of the Directors and KMP				
1	Sanjay C. Kirloskar#				
	At the beginning of the year	17,529,133	22.07		
	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):				
	June 21, 2017	20,000	0.02	17,549,133	22.10
	September 15, 2017	22,000	0.03	17,571,133	22.13
	November 28, 2017	25,000	0.03	17,596,133	22.16
	At the end of the year			17,596,133	22.16
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		
	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		
	At the end of the year			6,000	0.01
4	Lalita D. Gupte				
	At the beginning of the year	0	0	0	0
	Increase/decrease during the year	0	0		
	At the end of the year			0	0
5	Pratap B. Shirke				
	At the beginning of the year	20,000	0.02	20,000	0.02
	Increase/decrease during the year	0	0		
	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		
	At the end of the year			6,187	0.01
7	Kishor A. Chaukar				
	At the beginning of the year	0	0	0	0
	Increase/decrease during the year	0	0		
	At the end of the year			0	0
8	Dr. Rakesh R. Mohan				
	At the beginning of the year	-	-	0	0
	Increase/decrease during the year	-	-		
	At the end of the year			0	0
9	Rama S. Kirloskar				
	At the beginning of the year	-	-	0	0
	Increase/decrease during the year	-	-		
	At the end of the year			0	0
10	Chittaranjan M. Mate				
	At the beginning of the year	0	0	0	0
	Increase/decrease during the year	0	0		
	At the end of the year			0	0
11	Sandeep Phadnis				
	At the beginning of the year	0	0	0	0
	Increase/decrease during the year	0	0		
	At the end of the year			0	0

\# Out of these, Sanjay C. Kirloskar holds 15,857,118 (15,812,118) equity shares in the individual capacity, 1,736,000 (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.

V. INDEBTEDNESS

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

(Amount in Million ₹)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the Financial Year				
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)	277.63	1,617.26	-	1,894.89
Change in Indebtedness during the Financial Year				
Addition	1,361.94	-	-	1,361.94
Reduction	-	1,606.56	-	1,606.56
Net Change	1,361.94	-1,606.56	-	-244.62
Indebtedness at the end of the Financial Year				
i) Principal Amount	1,639.57	10.70	-	1,650.27
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**1,639.57**	**10.70**	**-**	**1,650.27**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

(Amount in Million ₹)

Sl. No.	Particulars	Sanjay C. Kirloskar-Managing Director	Total
	Remuneration to Managing Director, Whole-time Director(s) and/or Manager:		
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	3.61	3.61
	(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	47.50	47.50
	- others, specify		
5	Others, please specify		
	Total (A)	60.11	60.11
	Ceiling as per the Act (5% of the Net Profit as on 31st March, 2018 is considered since there is no Executive Director other than Managing Director.)		61.02

B. Remuneration to other directors

(Amount in Million ₹)

Independent Directors							
Name of the Directors	**Shrikrishna N. Inamdar**	**Pratap B. Shirke**	**Padmakar S. Jawadekar**	**Lalita D. Gupte**	**Kishor A. Chaukar**	**Dr. Rakesh R. Mohan**	**Total**
Fee for attending board / committee meetings	0.82	0.60	0.82	1.05	0.53	0.08	3.90
Commission	1.50	1.50	1.50	1.50	1.50	0.30	7.80
Others, please specify: Professional fees	1.00	-	-	-	-	-	1.00
Total (1)	3.32	2.10	2.32	2.55	2.03	0.38	12.70

Other Non- Executive Director			
Name of the Director	**Alok S. Kirloskar**	**Rama S. Kirloskar**	**Total (1+2)**
Fee for attending board / committee meetings	0.30	0.15	0.45
Commission	1.50	0.40	1.90
Others, please specify	-	-	-
Total (2)	1.80	0.55	2.35

Total Managerial Remuneration	**68.61**
Overall ceiling as per the Act	**73.23**

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

(Amount in Million ₹)

Sl. No.	Particulars	Name of Key Managerial Personnel		
		C. M. Mate (Chief Financial Officer)	Sandeep Phadnis (Company Secretary)	Total
1	Gross salary			
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	5.55	3.54	9.09
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.09	0.01	0.10
	(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)	**5.64**	**3.55**	**9.19**

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**	Nil				
	Penalty					
	Punishment					
	Compounding					
B.	**DIRECTORS**					
	Penalty					
	Punishment					
	Compounding					
C.	**OTHER OFFICERS IN DEFAULT**					
	Penalty					
	Punishment					
	Compounding					

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 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 beguilty, 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 True Demand Controller at Induction Furnace
- Installation of Day light pipe (Sun tube)
- Installation of Transparent Bricks at foundry office
- Installation of Solar Street Lights
- Installation of LED Light for Shop floors (manufacturing & foundry)
- Installation of induction lamps at various manufacturing shops
- Installation of Solar Water heating system at CED plant at Dewas
- Replacement of 2000 CFM centrifugal compressor with energy efficient equivalent capacity Screw compressor
- Technological up gradation of old Machines by using energy efficient motors and program modifications.
- Cycle time reduction on machines by using advance tools and alternate methods.
- Use of Tumbling Barrel Machine to reduce power consumption in foundry furnaces

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

- Increase in contribution of renewable energy up to 54% through power purchase (3 MW – Wind + Solar Power) at Dewas Plant
- Installation of 13 kW Solar Park for R & D Lab at Dewas
- Installation of Bio Gas plant for canteen usage
- Installed Roof Top Solar Plant with 994.5kWp capacity at Dewas Plant and 149.5kWp capacity at Sanand Plant

(iii) Capital investment on energy conservation equipment

- Installation of 13 kW Solar Park for R & D Lab (4.0 million)
- Installation of Solar Street Lights (2.2 million)
- Installation of Day light pipe (Sun tube) – (5.0 million)
- Installation of Bio Gas plant (0.95 million)
- Roof Top Solar power plant at Dewas & Sanand (48.0 million +7.4 million)
- Energy Efficient Air Conditioners at Foundry office (0.5 million)
- Solar Water heating system at CED plant (0.5 million)
- Replacement of metal halide lamp with LED lamps (0.65 million)
- Installation of 2000 CFM Screw compressor (5.0 million)
- Up gradation of old Machines (2.5 million)
- Modification & restarting of tumbling barrel machine (3.0 million)
- Installation of LED and Induction Lamps (0.85 million)

(B) Technology absorption:

(i) Efforts made towards technology absorption

- Development of Large VT pumps for irrigation
- Development of air cooled pumps for thermic fluid application
- Development of pumps for sewage applications
- Open well sub pumps (KOSi), Sparkle mini pump
- Ultra-series mini pumps 0.5 to 1 hp (6 models)
- High flow submersible series (HF)
- Development of 1800mm Multi Door NRV, PN10, 2100mm Butterfly Valve, PN61600mm HOPDV (Fab), PN20
- Development of 8” to 10” Gate Valves, CL300, 2” to 12” Globe Valves, CL300
- 8”,10” 12” Triple Offset BFV, CL300
- Development of 1800, 2300 mm BFV (MIV) Fab., PN16, 1100mm BFV (MIV), Fab. PN28
- Development of 2100mm BFV (MIV), Fab. PN30, 1400mm BFV (MIV), Fab. PN40
- Development of 100, 150 & 200mm BFV AWWA C504 CL150 (Ebonite lined)
- Development of 6” CL150 Trunnion Mounted soft seated Ball Valve
- Development of 1200mm DPCV CL125 (Rubber Seated), 2600mm BFV (D2Ni), CL75
- Learning and developing skills in 3D modelling & Skeleton Modelling for Fabricated Components - using Creo
- Adoption of FEA and CFD techniques for product, system verification, improvement & optimization

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

- Capability enhancement to meet customer requirements
- Enhancement of Product range
- Fulfill 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 three years reckoned from the beginning of the Financial Year) - NA

(a) The details of technology imported;

(b) The year of import;

(c) Whether the technology been fully absorbed;

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

(iv) Expenditure incurred on Research and Development	(Amount in Million ₹)
Revenue expenditure	194.13
Capital Expenditure	8.94
Total	**203.07**

(C) Foreign Exchange earnings and outgo	(Amount in Million ₹)
Foreign Exchange earned in terms of actual inflows during the year	1,265.77
Foreign Exchange outgo during the year in terms of actual outflows	747.45

Annexure IV

ANNUAL REPORT FOR CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITES FOR THE FINANCIAL YEAR 2017-18

(Amount 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. For educational activities the implementing agency is Vikas Charitable Trust.
	The web-link to the CSR Policy.	http://www.kirloskarpumps.com/pdf/investor-information/policies/CSR%20policy%20-%20Ammended%20upto%20May%202017.pdf
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	₹ 351.72
4	Prescribed CSR Expenditure (2% of amount as in item 3 above)	₹ 7.03
5	Details of CSR spent during the Financial Year:	
	Total amount to be spent for the year:	₹ 7.40
	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**	**Amount outlay (Budget) project or program wise**	**Amount spent on the projects or programs**		**Cumulative expenditure upto to the reporting period**	**Amount spent**
					Sub - Heads			**Direct or through Implementing agency**
			1. Local Area or Other 2. Specify the state and district where projects or programs were undertaken		**1. Direct expenditure on projects or program**	**2. Overheads**		
1	Robotics Training	Education	Kirloskarvadi, Maharashtra	0.05	0.05	-	0.05	Vikas Charitable Trust
2	Study Skills Session for 10th STD Students	Education	Venue- Kirloskarvadi, Dudhondi, Andhali,Brahmanandnagar, Mohitanche Wadgaon & Kadegaon School	0.02	0.01	-	0.01	Vikas Charitable Trust
3	Adarshawat-ShalaPuraskar	Education	Kirloskarvadi	0.30	0.21	-	0.21	Vikas Charitable Trust
4	Renovation of Bal Vikas Mandir	Education	Kirloskarvadi Maharashtra	0.60	0.37	-	0.37	Vikas Charitable Trust
5	SLK Sports Academy	Education (Sports Education)	Kirloskarvadi Maharashtra	0.08	0.08	-	0.08	Vikas Charitable Trust

6	E Classroom (TATA Interactive System)	Education	Kirloskarvadi	0.36	0.36	-	0.36	Vikas Charitable Trust
7	WASH Pune	Health	Pune, Maharashtra	0.01	0.01	-	0.01	Direct
8	Paid to Sangeetacharya DV Kanebua Pratisthan	Cultural Education (Conserving Culture and Heritage through Indian Classical Music)	Kirloskarvadi, Maharashtra	0.20	0.20	-	0.20	Vikas Charitable Trust
9	Samskruti Trust	Education	Chennai, Tamil Nadu	5.00	5.00	-	5.00	Implementing Partner-Samskriti Trust
10	Medical Checkup Camp	Health	Kaniyur, Tamil Nadu	0.01	0.01	-	0.01	Kaniyur Plant
11	Infrastructure (Civil Work)	Rural Development	Dewas, Madhya Pradesh	0.05	0.05	-	0.05	Dewas Plant
12	Blanket distribution in nearby society	Health	Dewas, Madhya Pradesh	0.01	0.01	-	0.01	Dewas Plant
13	Skill building for rural youths	Education (Vocational Training)	Sanad, Gujarat	0.01	0.01	-	0.01	Sanand Plant
14	Stationery kit distribution	Education	Sanand, Gujarat	0.01	0.01	-	0.01	Sanand Plant
15	Skill building activities	Education	Kirloskarvadi, Maharashtra	1.02	1.02	-	1.02	Vikas Charitable Trust
				7.73	**7.40**	**-**	**7.40**	

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 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 and Managing Director

Lalita D. Gupte
Chairperson CSR Committee

Date: May 11, 2018

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 – 76:1 *Non-Executive Directors – 2:1 Ms. Rama S. Kirloskar–0.5:1 Dr. Rakesh Mohan – 0.4:1
(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 – 27% **Non-Executive Directors – 50% Chief Financial Officer –17% Company Secretary – 15 %
(iii)	the percentage increase in the median remuneration of employees in the Financial Year	-
(iv)	the number of permanent employees on the rolls of the Company	Staff –1543 Workmen –1019
(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	Average percentile increase - 8.20%. Refer abovementioned point no.(ii) for comparison with the percentile increase in the managerial remuneration
(vi)	affirmation that the remuneration is as per the remuneration policy of the Company	Yes

*Except Ms. Rama S. Kirloskar and Dr. Rakesh Mohan.

** Ms. Rama S. Kirloskar and Dr. Rakesh Mohan were appointed during the Financial Year 2017-18.

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 ₹ in Mln)	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 or manager
1	Sanjay C. Kirloskar	Managing Director	42.62	Contractual	Bachelor of Science (M.E), Illinois Inst. of Tech. USA	02.05.1983	61	Kirloskar Cummins Limited, Pune	22.16 (#17,596,133)	Yes	Mr. Alok-Kirloskar; Ms. Rama Kirloskar
2	Anurag Vohra	Sr. VP and Head - India Business	11.38	Regular	B. Tech - Mech., PG Dip Mgt.	30/11/2015	48	Volvo Eicher Commercial Vehicles Ltd	Nil	No	NA
3	Ravi Bhushan Sinha	VP and Head - CHRMC	7.07	Regular	PG Dip. in HR; LLB, B.A.	24/04/2013	47	Praj Industries Limited	Nil	No	NA
4	Shreepad Prakash Khare	VP and Head - CQA	6.88	Regular	B. Tech - Mech.	12/08/2014	47	KSB Pumps Limited	Nil	No	NA
5	Amit Shukla	AVP and Head - CIC	5.81	Regular	B. Com, ICWA, PGD - Finance	08/08/2016	45	RSPL Ltd	Nil	No	NA
6	Chittaranjan Madhukar Mate	CFO and Head - CFA	5.78	Regular	C.A., B.Com	03/06/2015	62	Kirloskar Ebara Pumps Limited	Nil	No	NA
7	Ravindra Sharanappa Birajdar	VP and Head - CRED	5.63	Regular	M.Tech, B.E. - Mech.	06/09/1988	54	NA	0.0% (1500)	No	NA

8	Shirish Suryakant More	VP and Head Procurement	5.59	Regular	B. Tech - Mech., MMS	01/08/1992	56	Indian Navy	Nil	No	NA
9	Nirmal Chandra Tiwari	VP and Head - Small Pump Operations	5.41	Regular	B.E. - Mech.	02/09/1986	56	NA	Nil	No	NA
10	Ragunathan Kannan	VP and Head - ESD	5.35	Regular	Diploma in Electrical Engg., DBM, MMS	11/01/1993	57	Larson & Toubro Ltd	0.0% (750)	No	NA

Out of these, Sanjay C. Kirloskar holds 15,857,118 (15,812,118) equity shares in the individual capacity,1,736,000 (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, 2018.

Annexure VII

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

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

1. **Details of contracts or arrangements or transactions not at arm's length basis:**

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board	Amount paid as advances, if any	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188
*Karad Projects and Motors Limited (KPML) – Wholly Owned Subsidiary company	Service Facility Management Agreement	2017-18	1. Execution of Service Facility Management Agreement for the year 2017-18 for providing certain services to KPML; 2. Total consideration ₹ 67,15,349/- p.a.	To allow KPML, to utilize certain services from the Company e.g. common facilities at Udyog Bhavan, Shuttle Services, Guest House Facilities and other services, etc., at the estimated cost which was derived considering the total cost to be incurred by the Company and on a sharing basis.	November 11, 2017	Nil	NA

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board	Amount paid as advances, if any	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188
Kirloskar Corrocoat Private Limited (KCPL) – Subsidiary company	Service Facility Management Agreement	2017-18	1. Execution of Service Facility Management Agreement for the year 2017-18 for providing certain services to KCPL; 2. Total consideration ₹ 1,20,35,532/- p.a.	To allow KCPL,to utilize certain services from the Company e.g. Udyog Bhavan and areas offices, support services like human resource, finance, audit, legal, secretarial etc., at the estimated cost which was derived considering the total cost to be incurred by the Company and on a sharing basis.	November 11, 2017	Nil	NA
*Kirloskar Ebara Pumps Limited (KEPL) – Associate company	Service Facility Management Agreement	2017-18	1. Execution of Service Facility Management Agreement for the year 2017-18 for providing certain services to KEPL; 2. Total consideration ₹ 96,00,000/- p.a.	To allow KEPL, to utilize certain services from the Company e.g. common facilities at Udyog Bhavan, Shuttle Services, Guest House Facilities and other services, etc., at the estimated cost which was derived considering the total cost to be incurred by the Company and on a sharing basis.	November 11, 2017	Nil	NA

Name(s) of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts / arrangements/ transactions	Salient terms of the contracts or arrangements or transactions including the value, if any	Justification for entering into such contracts or arrangements or transactions	Date(s) of approval by the Board	Amount paid as advances, if any	Date on which the special resolution was passed in general meeting as required under first proviso to Section 188
*Kirloskar Ebara Pumps Limited (KEPL) – Associate company	Leave and License Agreement	April 1, 2017 to March 31, 2020	1. Execution of Leave and License Agreement for letting out Company's property at Yamuna office; 2. Total area of about 8,565 square feet at an agreed rent of ₹ 8,65,500/- p.m. for an initial period of 36 months; The above estimated rent derived considering the market conditions and other consideration like area locality etc.	To execute a Leave and License (Lease) Agreement with KEPL for allowing the use of Company's premises located at Yamuna, Ground Floor, admeasuring about 500 square feet; on First Floor admeasuring about 7,565 square feet and on Third Floor admeasuring about 500 square feet (Cabin) at Survey No. 98(3-7), Baner, Pune- 411045; on Leave and License (Lease) basis.	November 11, 2017	Nil	NA

* The transactions are not in the ordinary course of business but at arm's length basis.

2. Details of material contracts or arrangement or transactions at arm's length basis;

Please refer Note No. C-35 of the Standalone Financial Statements of the Company.

Annexure VIII

Form No. MR-3

SECRETARIAL AUDIT REPORT

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

For the financial year ended 31st March, 2018.

To,
The Members of,
Kirloskar Brothers Limited
(CIN: L29113PN1920PLC000670)
Udyog Bhavan, Tilak Road,
Pune- 411002

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, registers, documents, 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 31st March, 2018 complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place.

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

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

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(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

(i) 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 change in the composition of the Board of Directors during the year under review and the same is in compliance with the statutory requirements.

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.

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 and standards.

Shyamprasad D. Limaye
FCS No. 1587
C.P No. 572

Pune : 11th May, 2018

MANAGEMENT DISCUSSION & ANALYSIS 2017-18

1. OUTLOOK

1.1 World's Economic Outlook

The global economy strengthened in 2017. As per the figures released by IMF in its latest world economic outlook released in April 2018, global output swelled by 3.8% in 2017.

A recent global survey released by McKinsey & Company in March 2018 has revealed that majority of the people in Latin America and emerging economies like India and China are optimistic about the current state of economy in their respective countries and expect growth momentum to gain traction over the next six months. Overall, the strengthening of the global economy has had a positive impact on the sentiments of people around the world. However, at the same time, many people in North America and Asia Pacific have also raised concerns over the expected trade decline between their home country and the Rest of the World (RoW).

Crude oil prices increased in 2017 due to factors like the decision to limit oil production as per OPEC+ agreement, geopolitical tension in the Middle East, the US weather events and improvement in the global growth outlook. This is likely to put pressure on countries that are dependent on imports of crude oil.

1.2 Indian Economic Outlook

Short-term hitches caused due to strong monetary policy measures had adverse effect on the growth pace of the GDP in 2017. India's GDP growth rate, as per IMF economic outlook released in April 2018, was estimated to be 6.7% in

2017 (as compared to 7.1% in 2016). These measures are likely to be beneficial in the long-term. As a result, India's

2018 GDP growth is likely to improve and reach 7.4% in 2018.

In this fiscal year, the Indian economic outlook received a major impetus as India jumped 30 spots in the World Bank's "Ease of Doing Business" Report over its 2017 ranking and is currently ranked 100th among the 190 countries listed in the 2018 edition of the report. Moody's upgraded India's sovereign bond rating after 14 years to Baa2 in view of the country's improved stable economic outlook.

Amongst the BRIC nations, the inflation rate recorded in India was the highest. The Consumer Price Index (CPI) inflation rate for 2017, as per IMF economic outlook released in April 2018, stands at 4.7% (as compared to 3.6% in 2016).

2. INDUSTRY STRUCTURE AND DEVELOPMENTS

2.1 World's Pump Market Outlook

EIF estimates that the global total pump market would be approximately valued at USD 53 billion by the end of 2018. Out of this the centrifugal pumps segment is expected to account for approximately 2/3rd of the overall consumer demand. Thus, the centrifugal pumps segment is expected to be valued at USD 33 billion.

The global centrifugal pumps market is expected to expand at a CAGR of 4.7% until 2027. Thus, this market is expected to be valued atapprox. USD 50 billion by 2027.

Submersible pumps continue to be a major product-type by sales revenue. The revenue share of this segment is expected to increase to 31% by 2027. This segment is expected to expand at a CAGR of 5.5% for the next 10 years. It is expected to be closely followed by the multi-stage and single-stage pump segments, which are estimated to expand at a CAGR of 5,2% and 3.9%, respectively, during the period 2017-2027.

2.2 Indian Pump Market Outlook

Currently, the Indian centrifugal pump market is estimated to be valued at INR 112,900 million. The domestic centrifugal pump market is expected to expand at a CAGR (Compound Annual Growth Rate) of 10%+ in 2018.

The FY2018-19 budget promises investments in irrigation projects and aquaculture projects and has encouraged the state governments to purchase extra solar power generated by farmers using solar-powered pumps. This is likely to lead to an increase in demand for small-sized standard centrifugal pumps like submersible and monoblock pumps.

Higher thrust on infrastructural development is expected to lead to increase in consumer demand for capital goods comprising pumps and systems required for municipal water supply and waste water treatment.

Government's thrust on use of renewable and nuclear source of energy is positive news for the manufacturers of highly engineered pumps required in nuclear and renewable power projects.

3. STRATEGY

3.1 Company Strategy and Policy

To be more competitive in terms of serving its customers and stakeholders, KBL plans to intensify its IT capabilities. In the previous fiscal year, as a part of its on-going endeavour, KBL introduced an automated CAPEX system to smoothen its capital expenditure approval process. This is likely to help in cost optimisation in the long-run. Furthermore, with the introduction of new business development apps, KBL expects to save a significant number of man-hours and increase the effectiveness of its sales processes.

This year, KBL also plans to increase its product range and upgrade effectiveness of its existing offerings. As a stepping stone in this direction, KBL recently introduced its KOSi pump series, primarily aimed at expanding its submersible product range.

Taking into consideration the recent developments in government policies, KBL sees a long-term business potential in the Indian nuclear industry. Over the years, KBL has made a mark for itself in the nuclear industry as one of the preferred global suppliers of a wide range of pumps used for various critical applications in power plants.

With its decades of experience and expertise, KBL is in a position to supply primary coolant pumps and other associated critical systems as part of the prestigious government initiative for building 10 indigenous pressurised heavy water reactors for boosting nuclear power generation in the country. In addition, N&NPT certification from The American Society of Mechanical Engineers (ASME) demonstrates our capabilities in the manufacture and supply of class 1,2 & 3 fabrications and pump components for nuclear applications,

KBL supports Government's and private organisations' increasing focus on infrastructure development and upgradation projects. Furthermore, the anticipated boom in the hotel industry is expected to pave the way for the construction of new properties, thereby leading to increase in demand for water management systems.

Demand for KBL pumps from sectors like steel industry, crude iron production, oil and gas, and chemical industry is expected to grow. The growth potential is likely to trigger plant expansion and upgradation of existing set-up from the respective industry players.

3.2 International Business Strategy

The business potential in the water and irrigation industries is rising due to increasing environmental concerns and its immediate impact on food sufficiency as well as availability of potable water for human as well as livestock consumption. Keeping this trend in mind, KBL is taking proactive efforts to further strengthen its position as a preferred provider of fluid management products and solutions in countries of Africa, South East Asia and Latin America.

The company's presence in key global markets through its subsidiaries in USA, UK, the Netherlands, South Africa and Thailand and sales offices has helped catapult its position as a trusted and reliable service provider while bidding for prestigious projects across the globe, KBL's continued emphasis on promoting and positioning its value-added products has led to the rise in sales of its products.

3.3 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. There was a reduction witnessed in some of the risk levels during the fiscal period, indicating that the mitigation actions were yielding results as perceived by senior leaders.

4. SBU / FUNCTION PERFORMANCE

4.1 Building & Construction

As compared to the previous year, KBL witnessed significant growth in terms of sales revenue as well as business booking. Growth was due to KBL's pre-defined strategy to promote valued added systems and services.

Our FM/UL service cell is currently executing Annual Maintenance Contracts (AMC) for more than 50 FM/UL systems. No other company offers such specialised premium services in India. KBL's consistent efforts in Bangladesh for last 3 years have yielded good results. During the period, the company's share in Bangladesh's FM/UL pump market strengthened. This is significant considering that the Bangladesh's market has been predominantly governed by the European and Middle-East brands.

In fiscal year 2017-18, KBL became the first company worldwide to introduce an online selection software for Multi-Stage Multi-Outlet (MSMO) pumps. During the year, the company introduced a new product FLD, a skid-mounted fire sprinkler pumping system for small and medium shops/offices/villas/bungalows. The product registered good response across the international market, especially Bangladesh.

Specialised Fire Sprinkler Set

4.2 Water Resource Management

2017-18 proved to be a successful fiscal year for KBL's water resource management department. This fiscal year, the product business witnessed appreciable jump in terms of product booking orders and sales revenue.

During the period, there was a significant rise in demand for KBL products like Auto-Prime, and LLC™, clearly reflecting the customers' trust in Kirloskar Brothers Limited. This department was also successful in winning various prestigious orders, including a 350+ pumps contract from Telengana Water-Grid and an order for auto-prime pumps for flood and disaster management from the Srinagar Municipal Corporation.

LLC Pumps installed at Delhi Jal Board

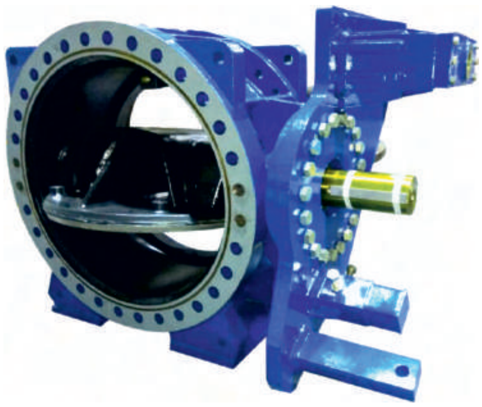
4.3 Irrigation

End-users and the contractors in this segment focus mainly on the initial capital cost and ignore the products' life cycle costs. Though KBL strives to be more cost-competitive, it also retains its product philosophy that focuses on high quality. A classic example of this philosophy at work is the supply of Vertical Turbine (VT) pump sets for the Pattiseema lift irrigation scheme. It was observed that the KBL pump sets consumed, on average, 197 kW lesser power than similar pump sets of a competitor. This higher efficiency of our pumps-sets is likely to help the client with annual savings up to INR 50.94 million. This estimated cost saving alone can help achieve a breakeven period of 4.5 years.

Vertical Turbine pumps installed at Pattiseema project

4.4 Valves

Fiscal 2017-18 has been an important year for the valves business. This business of KBL appreciably grew in terms of sales revenue over the last year. In fiscal year 2017-18, the valves business expanded its customer base with addition of more than 35 new customers. In the last financial year, the valves business set a new record by engineering and supplying high-end valves such as HOPD MIV (1400mm, 1800mm & 2100mm) and multi-door non-return valve (1800mm).



New 1100mm Butterfly Valve

4.5 Marine & Defence

KBL is proud to be associated with the Indian Navy for the development of water mist-based firefighting system as an alternative to the traditional halon-based firefighting system. This is an indigenous project undertaken by Ministry of Defence (MoD) under the "Make in India" initiative. The KBL's marine & defence business witnessed a large growth in order bookings, of which most were from new customers. This signifies increase in customer base leading to increase in future sales potential.

4.6 Power

As on March 2018, the thermal power sector in India continues to face major challenges, namely

(I) fuel security concerns (ii) restrained financial health of the state discoms (iii) under-procurement of power by states and (iv) strained financing environment. Power project implementers are facing serious difficulties, resulting in significantly lowgrowth of the thermal power segment.

The Power sector has also witnessed a major transformation in terms of demand growth, energy mix and market operations. Radical changes in the energy mix are projected with increased focus on renewable energy (especially solar, wind and nuclear). This involves the operational and environmental issues related to coal/thermal power plants.

We have realigned ourselves to these changing scenarios. The company's resources are now primarily focussed on the emerging requirements of nuclear & renewable power projects. Breakthrough development orders (for boiler feed pump and primary coolant pump) have been received from the Nuclear sector in the current financial year, which are likely to result in repeat business for the company as the Government of India has sanctioned funds for setting up 10 nos. of 700 MWe indigenous nuclear power plants.

Primary Coolant Pump Model handed over to NPCIL, Mumbai

4.7 Oil & Gas

Sales of this sector grew significantly over the last year. This was in spite of the fact that, in 2017-18, no greenfield projects were taken up for execution while the brownfield projects showed dismal execution. The BS VI projects in the refinery segment yielded good orders for the department. In the coming year, the petrochemical segment is expected to create considerable investment opportunities for the department for the firefighting and cooling water pumps.

4.7 Industry

The Industry sector, which typically deals in thrust segments like steel, sugar, coal and chemical processes, recorded high sales growth over the last year. In the process market, the sector achieved 14 key approvals from global EPC consultant/customers.

Kirloskar Process Pump - GK(P)

4.9 Small Pump Business (SPB)

The 2017-18 Fiscal Budget was largely focussed on solving agricultural concerns. This budget promises to raise the Minimum Selling Price (MSP) offered to farmers for crops, along with heavy investment in the agricultural sector. It also includes allocation of more money for rural areas, including irrigation projects and aquaculture projects, and directs state governments to purchase extra solar power generated by farmers using solar-powered pumps. Movement in the secondary market is still a concern due to complications intheGSTprocessing issues.

Kirloskar New Openwell Submersible Pump - KOSi

4.10 Engineered Service Division (ESD)

ESD has adopted the strategy of ‘staying connected with esteemed customers by way of value added services.’

4.11 Customer Service & Spares (CSS)

This fiscal year, CSS added 463 new customers. The CSS department has been undertaking special initiatives to improve customer relationship by means of conducting segment-specific technical seminars. CSS has also gained leverage for expanding the company’s spares & service business portfolio in neighbouring countries like Nepal, Bangladesh, Bhutan, Sri Lanka, and Myanmar.

During the period, our service engineers successfully commissioned pumps in some of the most extreme environments, including a 2000 ft. underground coal mine as well as 14,500 ft. above the earth’s surface in the Himalayas. The successful execution of these critical pumping projects speaks volumes of the commitment and high-class service capabilities of the company’s experienced service team.

4.12 Dewas Plant

During the fiscal period, the Dewas plant continued to focus on improving productivity and capacity utilisation through better production planning and supply chain management. As a result of these efforts, the plant was able to achieve significant growth in production over the last year.

Kirloskar Sparkle Pump

Apart from the various initiatives undertaken for productivity improvement, the plant initiated implementation of Total Productive Maintenance (TPM). Presently, installation of 1 MW rooftop solar panel and light pipes is in progress, which is expected to result in overall reduction in energy consumption in the plant.

In FY 2017-18, Dewas plant also received CM GreenCo 'Gold1 certification for its environmental performance.

4.13 Sanand Plant

In financial year 17-18, the plant achieved its highest ever production. Continuous improvement in quality standards and development of new products to fill the product gaps has garnered a favourable response from all quarters for the plant. Installation of a rooftop solar panel is in progress, which is expected to result in reduction of energy consumption in the plant. Efforts are in progress to enhance the production capacity further.

4.14 Kaniyur Plant

KBL's all-women plant increased its production capacity to 75,000 per month. The plant achieved the highest production during the year. New series were launched to capture higher market share.

Five teams participated in regional level Quality Circle Forum of India (QCFI) competition and bagged the Gold level award. Besides, the plant was adjudged as the unanimous winner of the Sustainability Award and bagged the Runners-up Award in HR Excellence conducted by manufacturing today.

Gold Award by QCFI

4.15 Kondhapuri Plant

Kondhapuri plant has been focusing on increasing its in-house contribution. Capability enhancement and utilisation for value added products has helped in sales contribution. Kondhapuri plant won the 2nd prize at the 12th State Level Awards for Excellence in Energy Conservation and Management by Maharashtra Energy Development Agency (MEDA) under SMEsectorfor FY2016-17.

One of the major developments during the period was the upgradation of the plant system from SA-8000: 2008 to SA 8000:2014.

4.16 Kirloskarvadi Plant

During FY 2017-18, Kirloskarvadi plant successfully set new benchmarks for itself.

Besides, it successfully executed various prestigious orders related to the large pumps business. As a result, the export value resulting from the production increased significantly over the last year. The plant also undertook various initiatives to conserve energy and ensure its optimum use, These efforts of the Kirloskarvadi plant were recognised by Maharashtra Energy Development Agency (MEDA) by conferring the facility with the 12th State Level Award for Excellence in Energy Conservation and Management.

4.17 Global Marketing

With a focus on increasing its brand equity and product awareness, KBL undertook many initiatives in the form of both Above the Line (ATL) and Below the Line (BTL) marketing activities.

While sponsoring and participating in the Pro-Kabaddi league helped brand "KBL' to gain instant reach across its target segment, especially rural segment, focusing on key market segment to promote value added products like process pumps, HYPN system, firefighting pumps, auto prime pumps and lowest life cycle cost pumps resulted into good number of enquiries forthese products.

Continued focus on digital and social media marketing helped the company to reach a larger customer base, resulting into increased engagement, brand and product awareness.

KBL pump range on display at Kisan Mela, Pune

4.18 Information Systems

For KBL, FY 2017-18 has been a fiscal year filled with lots of IT based reforms. These reforms were successfully carried out to standardise and simplify our robust IT processes across various geographies as a further step towards facilitating a more convenient and improved customer experience.

During the period, KBL introduced S/4 HANA, a unified ERP platform, which acts as single system for reporting financial and sales developments, tracking developments on customer order, planning action on real-time and live date, and finally improving analysis and forecasting capabilities of the company. In addition, Distributed Denial of Service (DDoS) attack monitoring system was also implemented to daily track various alerts and help the company to take a corrective action essential to mitigate risks.

4.19 Human Resource

The Institute of Directors, a business organisation for company directors, senior business leaders and entrepreneurs recognised KBL's efforts in fostering best HR practices by honouring the company with its Golden Peacock HR Excellence award for the year 2017 in the industrial manufacturing sector. To foster talent and leadership, KBL invested its efforts in evaluating senior roles across various entities and restructuring them in a well-defined global band. Moving forward, KBL plans to introduce a better performance and learning management system. This would help the company to transform its employee-base into a more competitive workforce in terms of serving customer needs.

Golden Peacock HR Excellence Award for the year 2017

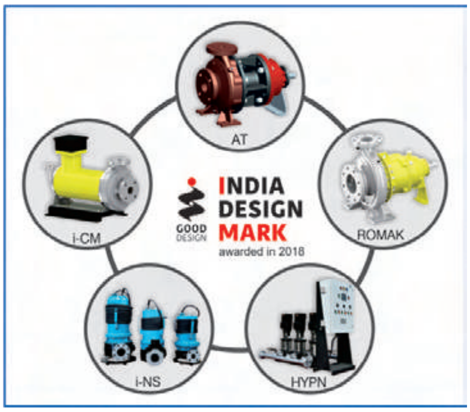
4.20 Research Engineering and Development

With the mission to keep KBL at the technological forefront in fluid management business, the company's Research and Engineering Development wing was vigorously engaged in various innovation and product upgradation related activities in fiscal year 2017-18.

We undertook a series of initiatives to develop extension for KBL's existing products like lowest life cycle-cost split case pump and canned motor pump. For irrigation applications, the R&D wing also developed a bi-directional pump for customers looking for a pumping solution with a very high discharge and a low head.

We also developed pumping solutions to meet highly customised requirements by upgrading the design patterns of KBL's existing product line, including metallic volute pumps, vertical turbine pumps, multi-door non-return valves and turbine inlet valve.

India Design Council (IDC), an autonomous body of Government of India, affirmed KBL's position as the pump industry's design and innovation leader by awarding its prestigious India Design Mark (IDM) to five products of KBL. This is the largest number of awards given to any engineering company in one year.



Indian Design Mark for Product Excellence

5 INTERNAL SYSTEMS

5.1 Internal Control Systems

The company follows an Internal Audit Charter specifying the mission, scope of work, responsibilities 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.

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 and an in-house audit team.

Internal audit reports are initially presented to the Executive Committee of the company consisting of Chairman and Managing Director, CFO and other senior executives of the company. Significant audit observations, along with responses and corrective actions planned and follow-up actions, thereon are reported to the Audit committee. The Audit committee reviews adequacy and effectiveness of the company's internal control environment and monitors the effectiveness of the implementation of audit recommendations. The corporate internal audit department monitors the implementation status of the internal audit recommendation through the company's dedicated web-based tool (issue tracking system). The Corporate Internal Audit department conducts automated continuous monitoring checks for repetitive issues across all plants.

The company continues to benchmark its audit process as well as that of its subsidiary companies.

5.2 Integrated Approach to Sustainability

KBL's strategic focus is on creating sustainable value for stakeholders whilst ensuring responsible business practices. The company aims to become the leader in the business segments that it operates in. Its strategic objective is to build a sustainable organisation that remains relevant to its customers and also ensures profitable growth for its shareholders.

KBL's strategy for addressing the challenges faced on the path of achieving a profitable growth is viewed through the lens of sustainability. Thus, the efficient use of available resources is an essential part of the strategy. Most of KBL's major manufacturing plants are now ISO 50001 Energy Management System certified and the company is now planning to further increase the use of renewable energy across all its locations.

Innovation is critical to the process of integrating sustainability into the company's business operations. KBL has an in-house programme that encourages employees across functions to experiment with their ideas. The company's new generation products are designed with smart features that foster use of lesser materials, lower energy requirement and better efficiency.

KBL reports its sustainabmty performance in its annual Integrated Sustainability Report, which is based on the Global Reporting Initiative (GRI) (G4) guidelines. The company has extended the scope of its reporting frame work to its subsidiaries and joint venture companies. This year, the report will cover the performance of the five KBL plants, corporate office, three subsidiaries and one joint venture company in India.

5.2.1 Economic

KBL's manufacturing capabilities, association with technological institutions, academia and qualified employees would be primarily responsible for contributing towards this goal of becoming one of the most admired engineering companies. Some of the company's key strengths include adoption of technologically advanced foundry processes and presence of best-in-class pump testing facilities in the form of a dedicated engineering research centre.

KBL utilises its capabilities and decades of experience for undertaking and executing concept-to-commissioning fluid management projects, thus justifying its position as a leading provider of pumping solutions for various sectors.

5.2.2 Environment

As a responsible corporate citizen, KBL has adopted sound environment management practices for operating its plants. The company has drawn adequate environment management plans to minimise the impact of the emitted air, noise, polluted water and solid waste generated across its plants. KBL has implemented the EHS management systems across all its units.

The company undertook a series of environmentally-conscious initiatives during 2017-18. Use of green strategies and optimal use of resources in manufacturing to ensure minimal environment impact is an integral part of the organisation's ideology. All the manufacturing units and project sites of KBL follow the principles of conservation. In addition, the company extends these values to all its stakeholders, including its employees, partners and suppliers, among others. Its sustainable initiatives cover a product's entire life cycle, right from design-to-end of its service life. KBL's Corporate Environment, Health & Safety policy details its approach towards energy and water management and the preservation of natural resources and environment.

5.2.3 Labour Practices and Human Rights

KBL is committed to the philosophy of conducting business in an ethical manner, bestowing utmost respect to human values, individual dignity and professional conduct. Besides, the company is committed to the United Nations Global Compact principles, the Universal Declaration of Human Rights (UDHR) and the applicable International Labor Organisation's (ILO's) core conventions on labour standards. KBL duly complies with the requirements of the Social Accountability standard and, accordingly, has upgraded its system to the latest version (SA 800:2014) during this year.

The company's talented and compassionate employees are the backbone of its operations. To ensure that their personal growth is in line with the company's growth, KBL nurtures individual learning and development initiatives. All the employees serving at managerial positions in the company ensure that the human rights policies are duly implemented.

5.2.4 Quality Assurance

The company's focus is on bringing continued improvements in its products and processes to consistently satisfy the needs of its customers. Quality planning is the key to the success of KBL's initiatives, which starts with clear documentation and adherence to relevant processes and systems on a regular basis. The company has defined quality gates in its processes to ensure that each activity is done as per the set procedure and the desired output.

Over the years, KBL has been investing on improving its test setup according to the latest requirements and customer expectations. This will enable the company to qualify its products as per the updated thresholds and with minimal manual intervention.

Training and development is important in ensuring that the employees are in sync with the latest trends in the outside environment as well as to upgrade their knowledge and skills, which will enable them to further.

REPORT ON CORPORATE GOVERNANCE

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

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

2. Board of Directors :

As on March 31, 2018, there were nine directors on the Board, comprising of a Managing Director and eight (88.88%) Non-Executive Directors of whom six (75.00%) were Independent Directors including two woman Directors.

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

During the year under review, 4 (four) Board meetings were held on the following dates:

May 17, 2017, July 27, 2017, November 11, 2017 and January 24, 2018.

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, 2018 have been made by the Directors. None of the Directors except Mr. Sanjay C. Kirloskar,Mr. Alok Kirloskar, son of Mr. Sanjay C. Kirloskar and Ms. Rama Kirloskar daughter 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:

(a) 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 Companies Act, 2013 are excluded;

(b) for the purpose of determination of limit, chairpersonship and membership of only Audit & Finance and 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)	4	Present	4	0/2
Mr. Shrikrishna N. Inamdar	INED	4	Present	5	1/2
Mr. Padmakar S. Jawadekar	INED	4	Present	0	0/0
Mrs. Lalita D. Gupte	INED	4	Present	5	5/1
Mr. Pratap B. Shirke	INED	4	Present	13	0/0
Mr. Alok S. Kirloskar	NED (P)	4	Present	16	0/0
Mr. Kishor A. Chaukar	INED	4	Present	0	0/0
Ms. Rama S. Kirloskar	NED (P)	2	NA	3	0/0
Dr. Rakesh R. Mohan	INED	1	NA	1	1/0

@ 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 November 11, 2017. 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, 2018:

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
Mr. Kishor A. Chaukar	0	0
Mrs. Lalita D. Gupte	0	0
Ms. Rama S. Kirloskar	0	0
Dr. Rakesh Mohan	0	0

The details of familiarisation programme imparted to the Directors is available at :
http://www.kirloskarpumps.com/pdf/Familarisation.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(s) 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 utilized 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 the internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow up thereon;
- Reviewing the findings of any internal investigations by the internal auditor into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;

- To review the functioning of the Whistle Blower mechanism;
- Approval for appointment of CFO (i.e. the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- Carrying out any other function as is mentioned in the terms of reference of the Committee by the Board and to carry out investigation in relation to items specified above.
- To review the following information:
  1) management discussion and analysis of financial condition and results of operations;
  2) statement of significant related party transactions (as defined by the audit committee), submitted by management;
  3) management letters / letters of internal control weaknesses issued by the statutory auditors;
  4) internal audit reports relating to internal control weaknesses;
  5) The appointment, removal and terms of remuneration of the Chief Internal Auditor shall be subject to review by the audit committee.
  6) statement of deviations:
     (a) Quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s).
     (b) Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice.

B)

- Power to investigate any activity within its terms of reference;
- Power to seek information from any employee;
- Power to obtain outside legal or 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 2016-17.

During the year, 4 (four) Audit and Finance Committee meetings were held on, May 17, 2017, July 27, 2017, November 11, 2017 and January 24, 2018.

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	4	Mrs. Lalita D. Gupte	4
Mr. Padmakar S. Jawadekar	4	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 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 2016-17.

During the year, 3 (three) Nomination and Remuneration Committee meetings were held on April 4, 2017, May 17, 2017 and July 27, 2017.

Attendance at the meeting:

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

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 positions in the Company for attaining continual growth in business. The revisions in the remunerations of the KMP and Senior Managerial 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. The shareholders at the 97th Annual General Meeting had approved the said fees;
- 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 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 paid to Directors for the year 2017–18 are as follows:

(Amount in Million ₹)

Name of Director	Sitting Fees	Commission/ Bonus on Profits	Salary	Contribution to Statutory Funds	Perquisites	Others	Total
Executive Directors							
Sanjay Kirloskar	-	47.50	9.00	3.75	2.41	-	62.66
Non Executive Directors							
S. N. Inamdar	0.82	1.50	-	-	-	1.00	3.32
P. S. Jawadekar	0.82	1.50	-	-	-	-	2.32
Lalita D. Gupte	1.05	1.50	-	-	-	-	2.55
Pratap B. Shirke	0.60	1.50	-	-	-	-	2.10
Alok S. Kirloskar	0.30	1.50	-	-	-	-	1.80
Kishor A. Chaukar	0.53	1.50	-	-	-	-	2.03
Dr. Rakesh Mohan	0.08	0.30	-	-	-	-	0.38
Rama Kirloskar	0.15	0.40	-	-	-	-	0.55

The Board of Directors of the Company shall decide the remuneration of Directors on the basis of the 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.

Director's Service Contract Details:

Executive Director	Service Contract and Period	Severance Fees
Mr. Sanjay C. Kirloskar	Agreement dt.16.11.15	**
	Period: 19.11.15 to18.11.20	

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

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

Mr. Alok S. Kirloskar

Mr. Alok S. Kirloskar (DIN: 05324745), age 34, is a Non-Executive Director on the Board of Kirloskar Brothers Limited. He has done his Bachelor of Science in Business Administration with concentration in Finance from Carnegie Mellon University, Pittsburgh, PA, USA. He had the honor to be on the Dean's list for his academic excellence throughout the course.

Mr. Alok S. Kirloskar is associated with the Company from September, 2007. He was first entrusted with responsibilities of international marketing business and acquainted himself with the functioning of various departments / sectors. Later, he was head of the Industry sector of the Company, before he became a director.

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

Mr. Alok S. Kirloskar, is presently Managing Director of SPP Pumps Limited, UK, a subsidiary of the Company and on the Boards of Kirloskar Brothers International B.V., Kirloskar Brothers International Pty. Limited, SPP Pumps Inc, Micawber 784 (Proprietary) Limited, Braybar Pumps (Proprietary) Limited, Syncroflo Inc., SPP Pumps MENA LLC, SPP Pumps Real Estate LLC, Rodelta Pumps International B.V., Rotaserve B.V., SPP Pumps (South Africa Pty.) Limited, SPP Pumps (Asia) Company Limited. He is also Chairman of Kirloskar Corrocoat Private Limited Kirloskar Pompen B.V. and Kirloskar Brothers (Thailand) Limited.

Mr. Alok S. Kirloskar is a member of the Board of the Company since July 18, 2012.

Mr. Alok S. Kirloskar will be entitled for sitting fees as may be decided by the Board from time to time and commission if any, as may be approved by the Board.

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

Dr. Rakesh Mohan

Dr. Rakesh Mohan (DIN 02790744), age 70, is an Additional Director on the Board of the Company with effect from July 28, 2017. He is one of the senior-most economic policy makers in India and an expert on central banking, monetary policy, infrastructure and urban affairs. He is the former Deputy Governor of the Reserve Bank of India. In addition to serving in various posts for the Indian government, including representing India in a variety of international forums such as Basel and G20, he has worked for the World Bank and headed prestigious research institutes. Dr. Rakesh Mohan has written extensively on urban economics, urban development and Indian economic policy reforms.

Dr. Rakesh Mohan received BA in Economics from Yale University. He is also a Bachelor of Science in Electrical Engineering from Imperial College of Science and Technology, University of London. He secured his Master's Degree and Doctorate in Economics from Princeton University, New Jersey, United States.

He is presently a Senior Fellow, Jackson Institute for Global Affairs, Yale University and Distinguished Fellow Brookings India. He is also an Independent Non-Executive Director of Mahindra United World College of India and Nestle India Limited.

Considering his rich experience and the recommendation of the Nomination and Remuneration Committee, the Board considers his appointment as an Independent Director on the Board of the Company which would be beneficial for the Company.

He is not a member of any Committee of the Board. He has attended one Board meeting held during the year 2017-18.

Dr. Rakesh Mohan is holding Nil shares of the Company.

Dr. Rakesh Mohan will be entitled for sitting fees as may be decided by the Board from time to time and commission if any, as may be approved by the Board.

He is not related to any other director of the Company.

The Company has received a notice from a shareholder proposing his candidature to the office of the director.

Ms. Rama S. Kirloskar

Ms. Rama S. Kirloskar (DIN 07474724), age 28, is an Additional Director on the Board of the Company with effect from July 28, 2017.

She currently serves as Managing Director of Kirloskar Ebara Pumps Limited (KEPL), a joint venture between Ebara Corporation, Japan and Kirloskar Brothers Limited. Previously, she was General Manager and Head of the Product Portfolio Management at Kirloskar Brothers Limited, where she was responsible for driving the Go-to-market strategy, product value management and restructuring for the mass production business; material grade rationalization and streamlining of the foundry business and product rationalization for the made-to-order business.

She holds a double major in Mathematics and Biology from Bryn Mawr College, USA. After graduation, she went on to work at Polaris Partners, a multi-stage venture capital firm that principally invests in technology, healthcare and consumer products, headquartered at Boston, MA, USA. Subsequently, she worked at the Koch Institute at Massachusetts Institute of Technology (MIT), USA. Her research led her and the team to begin working with Visterra Inc., an MIT biotechnology start-up company that currently uses its proprietary platform to design therapeutics for infectious diseases.

She is one of the authors of a publication in the journal Cell (Robinson et al.,2015, Cell 162,1–12, doi:10.1016/j.cell.2015.06.057),in the paper titled “Structure-Guided Design of an Anti-Dengue Antibody Directed to a Non-Immunodominant Epitope”.

She is also a member of the Board of Karad Projects and Motors Limited and Prakar Investments Private Limited.

She is not a member of any Committee of the Board. She has attended two Board meetings held during the year 2017-18.

Ms. Rama S. Kirloskar is holding Nil shares of the Company.

Ms. Rama S. Kirloskar will be entitled to sitting fees as may be decided by the Board from time to time and commission if any, as may be approved by the Board.

She is not related to any other director of the Company except Mr. Sanjay S. Kirloskar and Mr. Alok S. Kirloskar.

The Company has received a notice from a shareholder proposing her candidature to the office of the director and the Nomination and Remuneration Committee has recommended her appointment as a Director of the Company.

6. Stakeholders Relationship Committee :

The Stakeholders Relationship Committee is in compliance with the requirements under Regulation 20 of the SEBI Listing Regulations, 2015 read with section 178 of the Act.

The terms of reference of the Committee are as follows:

- Specifically looks into the mechanism of redressal of grievances of shareholders.
- 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 fulfillment 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.

The Committee comprises of Mr. Kishor A. Chaukar - Chairman, Mrs. Lalita D. Gupte and Mr. Sanjay C. Kirloskar.

Mr. Kishor A. Chaukar, a Non-Executive Independent Director. Mr. Kishor A. Chaukar was present at the AGM of the Company held for the year 2016-17.

During the year, two Stakeholders' Relationship Committee meetings were held on May 17, 2017 and January 24, 2018.

Attendance at the meeting:

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

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 Phadnis, Company Secretary,

Associate Vice President and Head –Secretarial

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

No. of Shareholders' complaints received:

There was one complaint received during the year which was pending as on March 31, 2018.

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 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' which is available in the FAQs to Shareholders on the website of the Company.

7. General Meetings :

Details of last three Annual General Meetings held :

i) 95th 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.	

ii) 96th Annual General Meeting	July 21, 2016: 11.00 A. M. Yamuna, Survey No.98(3-7), Baner, Pune - 411 045
Special Resolution passed: Approval of 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).	

iii) 97th Annual General Meeting	July 27, 2017: 11.00 A. M. Yamuna, Survey No.98(3-7), Baner, Pune - 411 045
No Special Resolution was passed at this meeting.	

8. Means of Communication :

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

9. General Shareholders information :

98th Annual General Meeting

Day & Date	:	Friday, July 27, 2018
Time	:	11.00 A.M.
Venue	:	"Yamuna" Survey No.98 (3-7) Baner, Pune – 411 045
Financial Year	:	1st April to 31st March
Record Date for dividend	:	July 13, 2018
Dividend payment date	:	August 2, 2018
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
Address of stock exchanges	:	

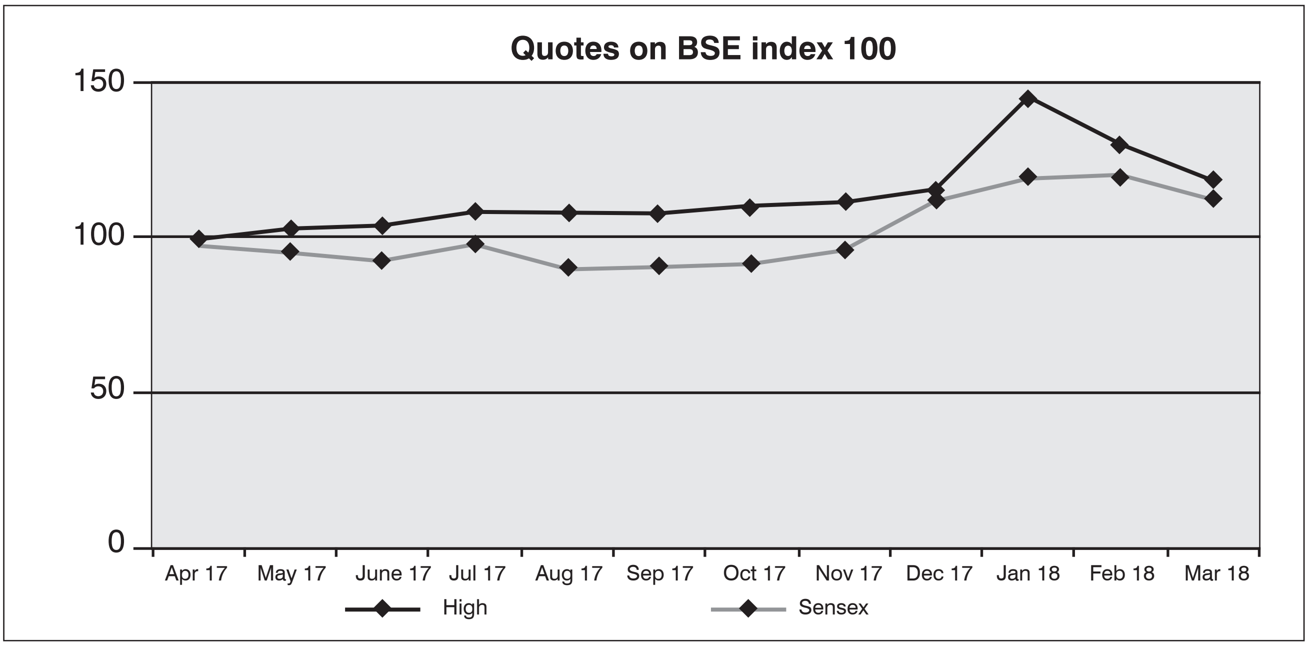
BSE Limited	National Stock Exchange of India Limited
Phiroze Jeejeebhoy Towers,	Exchange Plaza, Plot No. C/1,G Block
Dalal Street, Mumbai – 400 001	Bandra-Kurla Complex, Bandra (East) Mumbai – 400 051
Tel. No. (022) 2272 1233/34	Tel. No. (022) 2659 8100/8114
Fax No. (022) 2272 1919	Fax No. (022) 2659 8120

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

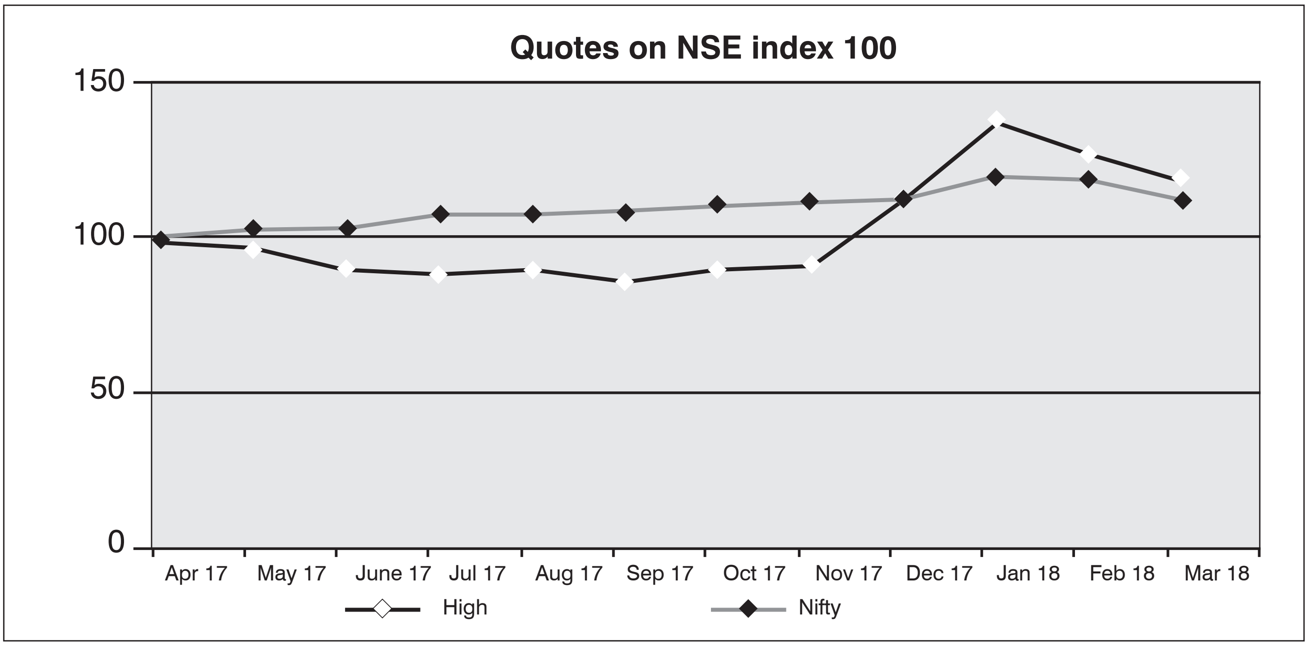
Market Price data:

Month	Quotations on BSE		Quotations on NSE	
	High (₹)	Low (₹)	High (₹)	Low (₹)
Apr-17	139.10	115.40	139.40	115.00
May-17	140.70	122.00	140.80	121.50
Jun-17	134.90	116.25	134.80	116.95
Jul-17	159.50	124.00	159.80	124.00
Aug-17	169.90	142.70	169.95	143.00
Sep-17	180.90	150.10	181.50	151.50
Oct-17	198.00	163.50	198.00	163.00
Nov-17	192.65	141.00	192.50	138.35
Dec-17	174.70	156.40	174.70	157.55
Jan-18	232.00	165.00	231.75	164.00
Feb-18	248.95	210.95	249.45	210.90
Mar-18	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 M/s. 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:-

M/s. Link Intime India Private Limited

(Unit: Kirloskar Brothers Limited),

Block No. 202, 2nd 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

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, 96.51% share capital is held in dematerialised form with National Securities Depository Limited and Central Depository Services (India) Limited as on March 31, 2018.

The Company has established connectivity with both the Depositories through its R & T Agent, M/s. 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, 2018:

Nominal value of shares (In ₹)		Number of holders	% to total holders	Total face value (In ₹)	% to total face value
From	To				
1	5000	15192	93.58	9,543,266	6.01
5001	10000	541	3.33	3,812,296	2.40
10001	20000	286	1.76	4,011,206	2.52
20001	30000	68	0.42	1,680,122	1.06
30001	40000	41	0.25	1,463,552	0.92
40001	50000	22	0.15	1,005,664	0.63
50001	100000	33	0.20	2,424,378	1.53
100001	Above	51	0.31	1,34,877,368	84.93
TOTAL		**16234**	**100.00**	**158,817,852**	**100.00**

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

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

Foreign Exchange risk

During the year 2017-18, 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. 40 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) 240041,240025,240047
5	Kaniyur Village S.F.No. 324/1, Moperipalayam Road Thattampudur, Kaniyur Village Karumathampatti – PO, Coimbatore – 641659 Tamil Nadu Tel No. (0421) 2904699	6	Sanand Sr. No. 254/1, Ahmedabad-Viramgam Highway, Village Chharodi, Tal. Sanand, Dist. Ahmedabad – 382170 Tel No. (02717) 273310

Investor contacts:

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

Depositories for equity shares :	
National Securities Depository Limited Trade World – A Wing, 4th & 5th Floor, Kamala Mills Compound, Lower Parel, Mumbai – 400 013 Tel. No. (022) 2499 4200 Fax No. (022) 2497 6351	Central Depository Services (India) Ltd. Marathon Futurex, A-Wing, 25th floor, NM Joshi Marg, Lower Parel, Mumbai 400013 Tel. No. (022) 2305-8640

10. Disclosures :

i. There are no materially significant transactions made by the Company with its promoters, directors or the management, their subsidiaries or relatives etc. any related parties which have potential conflict with the interests of the Company at large.

ii. There are no non-compliance by the Company, no penalties and strictures imposed on the Company by Stock Exchange(s) or SEBI or any statutory authority on any matter related to capital markets, during the last three years.

iii. a. Whistle Blower Policy :

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

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

b. Policy for prevention of sexual harassment at work:

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

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

In terms of Section 22 of the above mentioned Act, read with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Rules, 2013, during the year ended on March 31, 2018, 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 conduced in the year:16
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 are 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 the 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:

   Familiarisation programme of Independent Directors :
   http://www.kirloskarpumps.com/pdf/Familarisation.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 November 11, 2017 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 and Managing Director

Pune : May 9, 2018

Practicing Company Secretary's Certificate on Corporate Governance

**[pursuant to Clause E of Schedule V
to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)
Regulations, 2015]**

To,
The members of
KIRLOSKAR BROTHERS LIMITED

I have examined the compliance of Corporate Governance by Kirloskar Brothers Limited ('the Company'), for the year ended 31st March, 2018, as stipulated in Regulations 17, 18, 19, 20, 22, 23, 24, 25, 26, 27 and clauses (b) to (i) of sub regulation (2) of regulation 46 and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (collectively referred to as SEBI Listing Regulations, 2015).

The compliance of Corporate Governance is the responsibility of the Company's Management. The Examination of compliance was carried out and was limited to the methods, processes, procedures and implementation thereof, adopted by the company for ensuring the compliance of Corporate Governance. It is neither an audit nor an expression of opinion of the financial statements of the Company.

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

I 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.

Shyamprasad D. Limaye
F.C.S 1587 C.P 572
Practicing Company Secretary

Pune: 11th May, 2018

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 in to one folio in the name of “Unclaimed Suspense Account”, in Demat mode.

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

Details of unclaimed shares:-

Sr. No.	Particulars	No. of shareholders	No. of Shares
(i)	Aggregate number of shareholders and the outstanding shares considered to be transferred to the Unclaimed Suspense Account at the beginning (01.04.17 to 31.03.18) of the year 2017 – 18.	2,505	1,283,060
(ii)	Number of shareholders who approached the Company for transfer of shares from shares considered to be transferred to the Unclaimed Suspense Account during (01.04.17 to 31.03.18) the year 2017 – 18.	13	30,117
(iii)	Number of shareholders to whom shares were transferred from shares considered to be transferred to the Unclaimed Suspense Account during (01.04.17 to 31.03.18) the year 2017 – 18.	13	30,117
(iv)	Aggregate number of shareholders and the outstanding shares considered to be transferred to the Unclaimed Suspense Account at the end of the (01.04.17 to 31.03.18) the year 2017 – 18.	2,492	12,52,943

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

INDEPENDENT AUDITOR'S REPORT

To the members of KIRLOSKAR BROTHERS LIMITED

Report on the Standalone Indian Accounting Standards (Ind AS) 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 31st March 2018, 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, cashflows 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 (Indian Accounting Standards) Rules, 2015 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 and the Order issued under section 143(11) of the Act. 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 31st March 2018, and its profit (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other matters

The financial statements of the company for the year ended 31st March 2017, were audited by another auditor whose report dated 17th May 2017 expressed an unmodified opinion on those statements.

Our opinion is not modified in respect of this matter.

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, 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 (Indian Accounting Standards) Rules, 2015 and amendments thereof.
   (e) On the basis of the written representations received from the directors as on 31st March 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2018 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 28 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 loses on long term contracts. Refer note 38 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.

For **Sharp & Tannan Associates,**
Chartered Accountants
Firm's Registration No.: 109983W

Tirtharaj Khot
Partner
Membership No.: 037457

Pune : 11th May 2018

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 have been physically verified by the management at regular intervals based on the phased programme of verification which in our opinion is reasonable. No material discrepancies were identified during such physical verification conducted by the Company during the year.

(c) According to the information and explanation provided to us and records examined by us, all title deeds of immovable properties are held in the name of the Company.

(ii) Physical verification of inventory has been conducted by the management at reasonable intervals. 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 and an associate in earlier years 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	12.214	13.210
KBL Synerge LLP – associate (including interest)	1.504	1.639	1.639

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) and advance given to KBL Synerge LLP, both were without any specific terms for charge of interest and repayment. Considering the above-mentioned facts and materiality of the amounts, in our opinion the terms and conditions of loans / advances are not prejudicial to the Company's interest.

b) According to the information and explanations provided to us, there is no schedule of repayment of principal and payment of interest stipulated for the above-mentioned loan / advances. Accordingly, reporting on para 3(iii) (b) and 3(iii) (c) are not applicable.

(iv) According to information and explanation provided to us, for the transaction covered under the section 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 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. Accordingly, reporting on para 3(v) is not applicable.

(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, Goods and Service Tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities. According to the information and explanation provided to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31st March 2018, for a period of more than six months from the date they became payable.

(b) Details of dues of Income tax, Sales tax including valve added tax, Service tax duty of Customs, duty of excise, which have not been deposited as on 31st March 2018 on account of dispute are as follow:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which Amount Relates	Amount Involved (In Millions Rs.)	Amount Unpaid (In Millions Rs.)
Central Sales Tax Act, 1956	CST (Including interest, Penalty etc., if any)	High Court	1993-94	0.41	0.31
		Commissioner	2007-08, 2012-13	3.58	2.27
		Commercial Tax Officer	2008-09, 2009-10, 2010-11	1.31	1.31
		Deputy Commissioner	2010-11, 2011-12, 2012-13	2.15	0.34
		MP Commercial Tax Appellate Board	2011-12	12.33	1.7
		Appeal Authority	2012-13	0.59	0.59
		Additional Commissioner of Commercial Tax (Appeals)	2012-13, 2013-14, 2014-15, 2015-16	79.17	70.99
Local Sales Tax of Various States	VAT (Including interest, Penalty etc., if any)	Appellate Dy. Commissioner-CT	2008-09, 2009-10	7.25	7.25
		Commissioner-CT/High Court of TS & AP	2008-09, 2009-10, 2011-12	115.96	115.96
		Appeal Authority	2008-09, 2011-12, 2012-13	9.47	9.47

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which Amount Relates	Amount Involved (In Millions Rs.)	Amount Unpaid (In Millions Rs.)
Local Sales Tax of Various States	VAT (Including interest, Penalty etc., if any)	Commissioner (Appeals)	2012-13	144.63	121.54
		MP Commercial Tax Appellate Board	2011-12	3.24	0.88
		Additional Commissioner of Commercial Tax (Appeals)	2012-13, 2013-14, 2014-15, 2015-16	14.66	12.4
		Deputy Commissioner (Appeals)	1992-93	4.79	4.79
		Commercial Tax Officer	2000-01	0.05	0.03
		Sales Tax Appellate Tribunal	2003-04,2004-05,2005-06	22.21	11.1
		High Court	1989- 90, 1991-92, 1994-95,1995-96	5.28	3.03
Bihar Entry Tax Act	Tax Including interest, Penalty etc., if any	Commissioner	2012-13	0.03	0.03
Chapter V of Finance Act, 1994		Commissioner (Appeals)	2004-05 to 2007-08	95.73	95.73
		Commissioner	2006-07 to 2011-12	898.66	898.66
		CESTAT	2008-09 to 2012-13	7.52	7.52
Central Excise Act, 1944		Deputy Commissioner	1990-91	0.14	0.14
		CESTAT	2003-04, 2005-06 to 2009-10	2.72	2.72
The Income Tax Act, 1961	Income Tax** (Including interest, Penalty etc., if any)	High Court	2001-02	34.28	20.56
		CIT (Appeals)	2008-09, 2009-10	906.57	98.86

(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 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. Accordingly, reporting on para 3(xii) is not applicable.

(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 **Sharp & Tannan Associates,**
Chartered Accountants
Firm's Registration No.: 109983W

Tirtharaj Khot
Partner
Membership No.: 037457

Pune : 11th May 2018

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 31st March 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 judgment, 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 authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the 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 31st March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Sharp & Tannan Associates,**
Chartered Accountants
Firm's Registration No.: 109983W

Tirtharaj Khot
Partner
Membership No.: 037457

Pune : 11th May 2018

BALANCE SHEET AS AT 31 MARCH 2018

(Amounts in Million ₹)

Particulars	Notes	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property, plant and equipment	3	**2,754.622**	2,851.601
Capital work-in-progress		**117.654**	32.625
Investment property	4	**5.020**	5.020
Other intangible assets	3	**53.750**	60.813
Financial assets			
Investments	5	**2,731.128**	2,387.958
Trade receivables	6	**159.255**	115.982
Loans	7	**131.748**	168.610
Others	8	**61.542**	42.518
Deferred tax assets (net)	19	**230.400**	191.697
Other non-current assets	9	**1,353.979**	2,560.807
Total non-current assets		**7,599.098**	8,417.631
Current assets			
Inventories	10	**3,126.530**	2,595.112
Financial assets			
Trade receivables	6	**3,817.850**	3,399.728
Cash and cash equivalents	11 A	**582.763**	223.753
Other bank balances	11 B	**24.619**	30.913
Loans	7	**975.737**	933.927
Others	8	**20.306**	28.455
Other current assets	9	**4,494.099**	3,815.048
Total current assets		**13,041.904**	11,026.936
TOTAL ASSETS		**20,641.002**	19,444.567
EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	**158.818**	158.818
Other equity	13	**8,796.185**	8,221.316
Total equity		**8,955.003**	8,380.134
LIABILITIES			
Non-current liabilities			
Financial liabilities			
Borrowings	14	**358.469**	8.587
Trade payables	15	**185.826**	313.109
Other financial liabilities	16	**30.052**	30.625
Provisions	17	**179.316**	163.862
Deferred tax liabilities (net)			
Other non-current liabilities	18	**322.922**	672.601
Total non-current liabilities		**1,076.585**	1,188.784
Current liabilities			
Financial liabilities			
Borrowings	14	**1,168.980**	1,877.632
Trade payables			
- Micro, small and medium enterprises	15	**654.408**	648.965
- Others	15	**3,765.555**	3,489.906
Other financial liabilities	16	**826.116**	816.159
Other current liabilities	18	**3,810.573**	2,671.613
Provisions	17	**383.782**	371.374
Current tax liabilities (net)			
Total current liabilities		**10,609.414**	9,875.649
Total liabilities		**11,685.999**	11,064.433
TOTAL EQUITY AND LIABILITIES		**20,641.002**	19,444.567

Corporate information	1
Summary of significant accounting policies	2
See accompanying notes to financial statements	3-47

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 **SHARP & TANNAN ASSOCIATES**
Chartered Accountants
(ICAI Firm Regn. No. 109983W)

SANJAY KIRLOSKAR
Chairman and Managing Director
DIN: 00007885

S. N. INAMDAR
Director
DIN: 00025180

TIRTHARAJ KHOT
Partner
Membership No: (F) - 037457

SANDEEP PHADNIS
Company Secretary

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

Pune : May 11, 2018

Pune : May 11, 2018

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

(Amounts in Million ₹)

Particulars	Notes	Year ended 31 March 2018	Year ended 31 March 2017
Revenue from operations	20	**19,345.627**	18,230.387
Other income	21	**188.650**	182.381
Total income		**19,534.277**	18,412.768
Expenses			
Cost of materials consumed	22	**8,819.320**	7,100.656
Purchases of stock-in-trade		**2,845.094**	3,248.883
Changes in inventories of finished goods, stock-in -trade and work-in-progress	22	**(331.414)**	(374.886)
Employee benefits expense	23	**2,273.119**	2,165.563
Finance costs	24	**252.788**	315.090
Depreciation and amortization expense	25	**351.827**	396.688
Other expenses	26	**4,400.221**	5,027.885
Total expenses		**18,610.955**	17,879.879
Profit before exceptional items and tax		**923.322**	532.889
Exceptional items		**-**	-
Profit before tax		**923.322**	532.889
Tax expenses	19		
(1) Current tax		**365.990**	168.063
(2) Deferred tax		**(98.532)**	(61.808)
(3) Short provision of earlier years		**-**	96.664
Total Tax expenses		**267.458**	202.919
Profit after tax for the year		**655.864**	329.970
Other comprehensive income	27		
Items that will not be reclassified to profit or loss		**14.477**	(17.505)
Income tax relating to items that will not be reclassified to profit or loss		**(5.010)**	6.058
Items that will be reclassified to profit or loss		**-**	-
Income tax relating to items that will be reclassified to profit or loss		**-**	-
Other comprehensive income		**9.467**	(11.447)
Total Comprehensive Income for the year (Comprising Profit and Other Comprehensive Income for the year)		**665.331**	318.523
Earnings per equity share	32		
(1) Basic		**8.26**	4.16
(2) Diluted		**8.26**	4.16

Corporate information	1
Summary of significant accounting policies	2
See accompanying notes to financial statements	3-47

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

As per our report of even date attached

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CFO & Vice President (Finance)

Pune : May 11, 2018

Pune : May 11, 2018

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

(Amounts in Million ₹)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Cash flows from Operating Activities		
Net Profit before taxation and extraordinary items	**923.322**	532.889
Adjustments for :-		
Depreciation / Amortization	**351.827**	396.688
(Profit) /Loss on sale of fixed assets	**7.205**	(2.604)
Bad debts written off	**1.205**	25.568
Advances, deposits and claims written off	**4.273**	52.062
Liquidated damages	**60.649**	148.467
Provision for loss on long term contracts	**(2.857)**	26.581
Provision slow-non moving inventory	**50.489**	19.879
Provision for doubtful debts, advances and claims	**215.940**	281.211
Interest income	**(39.917)**	(115.937)
Deferred income		(2.759)
Dividend income	**(26.239)**	-
Interest expenses	**180.020**	258.860
Unrealized exchange (gain)/ loss - Others	**(33.526)**	(2.893)
Profit on sale of mutual funds	**(12.777)**	
Operating Profit Before Working capital changes	**1,679.614**	1,618.012
Adjustments for :-		
(Increase)/ decrease in inventories	**(581.907)**	(552.773)
(Increase)/ decrease in trade receivables	**(708.490)**	(349.691)
(Increase)/ decrease in financial assets	**(8.261)**	87.202
(Increase)/ decrease in non-financial assets	**322.227**	15.991
Increase/ (decrease) in trade payable	**149.218**	148.613
Increase/ (decrease) in financial liabilities	**(100.357)**	248.219
Increase/ (decrease) in non-financial liabilities	**789.281**	(117.172)
Increase/ (decrease) in provisions	**46.009**	34.273
Cash Generated from Operations	**1,587.334**	1,132.674
Income Tax (Paid) / Refunded	**(105.610)**	47.814
Net Cash from Operating Activities	**1,481.724**	1,180.488
Cash flows from Investing Activities		
Purchase of fixed assets	**(341.529)**	(324.701)
Sale of fixed assets	**1.505**	2.776
Investment in subsidiary company	**(343.170)**	(0.005)
Purchase of mutual funds	**(4,130.347)**	-
Sale of mutual funds	**4,143.124**	-
Interest received	**39.917**	115.937
Dividend received	**26.239**	-
Repayment of loans from subsidiaries	**1.487**	(2.282)
Net Cash from Investment Activities	**(602.774)**	(208.275)
Cash Flows from Financing Activities		
Proceeds from borrowing	**1,668.980**	1,900.000
Repayment of borrowings	**(1,913.608)**	(2,547.357)
Interest paid	**(177.305)**	(258.860)
Dividend and tax on dividend paid	**(97.579)**	(6.250)
Net Cash used in Financing Activities	**(519.512)**	(912.467)
Unrealized Exchange Gain / (Loss) in cash and cash equivalents	**(0.428)**	(0.440)
Net Increase in Cash and Cash Equivalents	**359.438**	59.746
Cash & Cash Equivalents at beginning of year	**223.753**	164.447
Cash & Cash Equivalents at end of year (refer note 11A)	**582.763**	223.753

Notes :-

1. Previous year's figures are regrouped wherever necessary to make them comparable with the Current Year.
2. Cash flow is prepared using the indirect method.
3. There are no reconciliation items in relation to financing activities for which disclosure is required as per Ind AS 7.
4. Refer note 43 for cash outflow on account of corporate social responsibility expenditure.

As per our report of even date attached

For and on behalf of the Board of Directors

For **SHARP & TANNAN ASSOCIATES**
Chartered Accountants
(ICAI Firm Regn. No. 109983W)

SANJAY KIRLOSKAR
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Membership No: (F) - 037457

SANDEEP PHADNIS
Company Secretary

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

Pune : May 11, 2018

Pune : May 11, 2018

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

A. Equity Share Capital

(Amounts in Million ₹)

Balance as at 1 April 2016	Changes in equity share capital during the year	Balance as at 31 March 2017
158.818	-	158.818

Balance as at 31 March 2017	Changes in equity share capital during the year	**Balance as at 31 March 2018**
158.818	-	**158.818**

B. Other Equity

	Reserves and Surplus					**Total**
	Capital Reserve	**Capital Redemption Reserve**	**Securities Premium Reserve**	**General Reserve**	**Retained Earnings**	
Balance as at 1 April 2016	0.172	4.000	414.604	5,787.407	1,696.610	**7,902.793**
Profit for the year					329.970	**329.970**
Other comprehensive income					(11.447)	**(11.447)**
Dividends and tax on that						**-**
Transfer to/from retained earnings						**-**
Balance as at 31 March 2017	0.172	4.000	414.604	5,787.407	2,015.133	**8,221.316**
Profit for the year					655.864	**655.864**
Other comprehensive income					9.467	**9.467**
Dividends and tax on that					(90.462)	**(90.462)**
Transfer to retained earnings						**-**
Balance as at 31 March 2018	**0.172**	**4.000**	**414.604**	**5,787.407**	**2,590.002**	**8,796.185**

As per our report of even date attached

For **SHARP & TANNAN ASSOCIATES**
Chartered Accountants
(ICAI Firm Regn. No. 109983W)

For and on behalf of the Board of Directors

SANJAY KIRLOSKAR
Chairman and Managing Director
DIN: 00007885

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SANDEEP PHADNIS
Company Secretary

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

Pune : May 11, 2018

Pune : May 11, 2018

NOTES TO ACCOUNTS :

Significant accounting policies

Notes to the financial statements for the year ended 31st March 2018

(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.

The financial statements have been prepared on accrual and going concern basis.

The financial statements were authorized for issue by the Board of Directors on 11th May 2018.

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 Current or non-current classification

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013.

Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities for product business. In case of project business, operating cycle is dependent on life of specific project/ contract/ service, hence current non-current bifurcation relating to project is based on expected completion date of project which generally exceeds 12 months.

2.4 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 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, 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

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

liabilities at the end of each reporting period. The estimates are based on management's best knowledge 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. (Refer note – 34)
- 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. (Refer note 38)
- Impairment of receivables – The impairment provisions for financial receivables disclosed are based on assumptions about risk of default and expected loss rates. (Refer note 40)
- Decommissioning liability – Initial estimate of dismantling and restoration liability requires significant judgement about cost inflation index and other factors. (Refer note 38)
- Provision for warranty claims – Provision is recognised based on the key assumptions about likelihood and magnitude of an outflow of resources. (Refer note 38)
- Estimation of provision for loss on long term contract – The provision is recognised when the estimated cost exceeds the estimated revenue for constructions contracts as per Ind AS 11. (Refer note 38)

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 conditions 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.
- **Traded goods:** Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

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

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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 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 property, plant and equipment, and are recognised 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.

The residual values, useful lives and method of depreciation of property, plant and equipment is reviewed at each financial year end and adjusted prospectively, if appropriate. Depreciation on additions to/deductions from, owned assets is calculated pro rata to the period of use. Further, extra shift depreciation is provided wherever applicable. Depreciation charge for impaired assets if any is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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 case of patterns as 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

Life of assets considered as per schedule II -

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.

2.9 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 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. The estimated useful life and residual values are reviewed at each financial year end and the effect of any change in the estimates of useful life / residual value is accounted on prospective basis. Investment property in the form of land is not depreciated.

Investment properties are derecognised either when they have been disposed of 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 Intangible assets

Recognition and measurement

Intangible assets are recognised when the asset is identifiable, is within the control of the Company and 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.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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. The method of amortisation and useful life is reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis.

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 the 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.

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.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

2.12 Revenue recognition

Revenue is recognised, when all of the following conditions are met.

- Transfer of significant risk and rewards of ownership to buyer
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the good sold.
- The revenue can be reliably measured
- It is probable that the economic benefits will flow to the Company
- The costs incurred or to be incurred can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable. Amounts included in revenue are net of returns, trade allowances, rebates, goods and service tax, 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.

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.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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.

For contracts where progress billing exceeds the aggregate of contract costs incurred to-date and recognised profits (or recognised losses, as the case may be), the surplus is shown as the amount due to customers.

For contracts where the aggregate of contract costs incurred to date and recognised profits (or recognised losses as the case may be) exceed progress billing the deficit is shown as the amount due from customer.

Amounts received before the related work is performed are disclosed in the Balance Sheet as a liability towards advance received. Amounts billed for work performed but yet to be paid by the customer are disclosed in the Balance Sheet as trade receivables.

The amount of retention money held by the customers is disclosed as part of other current assets and is reclassified as trade receivables when it becomes due for payment.

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 are recognised in the statement of profit and loss on the date that the Company's right to receive payment is established.

2.14 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.

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

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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

Compensated absences liabilities means, 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.

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 and such offsetting is legally enforceable.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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 utilized. Unrecognized 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 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:

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.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

2.18 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

A provision 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 liabilities

Contingent liability is disclosed when,

- The 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
- 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.

2.19 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.

- **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.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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 on a straight-line basis over the period of the lease, unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

- **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 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 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.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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 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
- 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 categorization (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.

2.22 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 Company commits to purchase or sell the asset.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

Subsequent measurement

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Financial assets are subsequently measured at amortised cost if,

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- Financial assets that are debt instruments and are measured as at FVTOCI
- Lease receivables
- 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
- Loan commitments which are not measured as at FVTPL
- Financial guarantee contracts which are not measured as at FVTPL

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

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

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

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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 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.

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.

2.23 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.

NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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).

2.24 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 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.

2.25 Recent accounting pronouncement

Standards issued but not yet effective

Ind AS 115 -

Ind AS 115 is effective for annual periods beginning on or after 1 April 2018. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry (with limited exceptions). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligation; changes in contract asset and contract liability balances between periods and key judgments and estimates. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is currently evaluating the requirements of Ind AS 115 and its impact on the financial statements.

NOTES TO ACCOUNTS : (CONTD.)

Note 3: Property, Plant and Equipment and Intangible Assets

(Amounts in Million ₹)

	Tangible Assets									Intangible Assets		
	Land Free Hold	Land Lease Hold	Buildings	Plant & Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Railway Siding	Total	Computer Software	Sales Tax Deferral Rights	Total
Gross Block												
As at 1 April 2016	420.084	75.157	1,606.440	3,847.800	129.785	17.954	53.323	1.528	6,152.071	203.046	31.730	234.776
Additions	-	-	23.453	264.378	3.340	1.449	23.202	-	315.822	37.603	-	37.603
Acquired through business combinations *	-	-	-	25.876	0.026	-	-	-	25.902	0.471	-	0.471
Disposals	-	-	-	47.713	-	-	-	-	47.713	31.484	-	31.484
As at 31 March 2017	420.084	75.157	1,629.893	4,038.589	133.099	19.403	76.525	1.528	6,394.278	208.694	31.730	240.424
Additions	-	-	0.798	223.878	4.436	2.292	-	-	231.404	25.091	-	25.091
Disposals	-	-	3.275	47.012	0.026	-	-	-	50.313	-	-	-
As at 31 March 2018	**420.084**	**75.157**	**1,627.416**	**4,215.455**	**137.509**	**21.695**	**76.525**	**1.528**	**6,575.369**	**233.785**	**31.730**	**265.515**
Depreciation/ Amortisation												
As at 1 April 2016	-	1.506	292.615	2,824.900	81.630	4.238	34.358	1.508	3,240.755	164.125	26.117	190.242
Charge for the year	-	1.003	38.266	315.564	11.335	3.268	5.925	0.003	375.364	18.996	2.328	21.324
Acquired through business combinations *	-	-	-	25.876	0.026	-	-	-	25.902	0.471	-	0.471
Depreciation on disposal	-	-	-	47.540	-	-	-	-	47.540	31.484	-	31.484
As at 31 March 2017	-	2.509	330.881	3,067.048	92.939	7.506	40.283	1.511	3,542.677	151.166	28.445	179.611
Charge for the year	-	1.003	38.814	258.690	10.798	3.559	6.806	0.003	319.673	30.552	1.602	32.154
Depreciation on disposal	-	-	0.323	41.254	0.026	-	-	-	41.603	-	-	-
As at 31 March 2018	**-**	**3.512**	**369.372**	**3,284.484**	**103.711**	**11.065**	**47.089**	**1.514**	**3,820.747**	**181.718**	**30.047**	**211.765**
Net block												
As at 1 April 2016	420.084	73.651	1,313.825	1,022.900	48.155	13.716	18.965	0.020	2,911.316	38.921	5.613	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	57.528	3.285	60.813
As at 31 March 2018	**420.084**	**71.645**	**1,258.044**	**930.971**	**33.798**	**10.630**	**29.436**	**0.014**	**2,754.622**	**52.067**	**1.683**	**53.750**

Notes:
1) Plants and machines acquired out of proceeds of term loan, are pledged as security against the loan.
2) No additional provision made for impairment loss during the year.
3) Refer note no 29 for estimated amount of contract remaining to be executed on capital account.

NOTES TO ACCOUNTS : (CONTD.)

Note 4 : Investment property (Amounts in Million ₹)

Particulars	Land
Gross Block	
As at 1 April 2016	5.020
Additions	-
Disposals	-
As at 31 March 2017	5.020
Additions	-
Disposals	-
As at 31 March 2018	**5.020**
Depreciation and Impairment	
As at 1 April 2016	-
Charge for the year	-
Depreciation on disposals	-
As at 31 March 2017	-
Charge for the year	-
Depreciation on disposals	
As at 31 March 2018	-
Net block	
As at 1 April 2016	5.020
As at 31 March 2017	5.020
As at 31 March 2018	**5.020**

Fair Value Table

Particulars	Land
Opening balance as at 1 April 2016	48.337
Fair value difference	10.166
Purchases / transfer from property, plant and equipment.	-
Closing balance as at 31 March 2017	58.503
Fair value difference	-
Purchases/transfer from property, plant and equipment	-
Closing balance as at 31 March 2018	**58.503**

The Company obtains independent valuations for its investments properties. The valuation model considers current prices in active market, discounted cash-flow projections based on reliable estimates of future cash-flows.

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.

NOTES TO ACCOUNTS : (CONTD.)

Note 5 : Financial assets: Investments

(Amounts in Million ₹)

	Particulars	31 March 2018	31 March 2017
I	**Long term investments - at cost**		
	Trade Investments		
	(a) Investment in Equity instruments	**2,731.123**	2,387.953
	(b) Capital contribution in partnership firm	**0.005**	0.005
	Total	**2,731.128**	2,387.958

	Particulars	31 March 2018	31 March 2017
	Aggregate amount of quoted investments		-
	Aggregate amount of unquoted investments	**2,731.128**	2,387.958

Sr No	Particulars	Face Value	Partly Paid / Fully paid	Extent of holding (%)		No. of Shares / Units		Amount in Million ₹	
				31 March 2018	31 March 2017	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Non-current investments									
(1)	**Investments at fair value through Other comprehensive income**								
	Kirloskar Proprietary Limited *	INR 100	Fully Paid	**-**	-	**2**	2	**-**	-
(2)	**Investment in equity shares (unquoted) accounted at cost**								
a	**Investment in Joint venture**								
1	Kirloskar Ebara Pumps Limited	INR 10	Fully Paid	**45%**	45%	**225,000**	225,000	**2.747**	2.747
b	**Investment in Subsidiaries**								
1	The Kolhapur Steel Limited	INR 1	Fully Paid	**99%**	99%	**266,314,315**	266,314,315	**343.876**	343.876
2	Kirloskar Corrocoat Private Limited	INR 10	Fully Paid	**65%**	65%	**3,250,000**	3,250,000	**94.000**	94.000
3	Kirloskar Brothers International B.V.	Euro 100	Fully Paid	**100%**	100%	**59,724**	59,724	**799.849**	456.679
4	Kirloskar Brothers International B.V.	Euro 100	Partly Paid	**100%**	100%	**2,000**	2,000	**10.008**	10.008
5	Karad Projects and Motors Limited	INR 10	Fully Paid	**100%**	100%	**13,952,450**	13,952,450	**1,480.643**	1,480.643
	Investment in Partnership Firm								
1	KBL Synerge LLP**	N A	N A	**50%**	50%	**N A**	N A	**0.005**	0.005
	Total investment in equity shares of subsidiaries, joint venture and associates							**2,731.128**	2,387.958

* The investment in unquoted equity shares is Rs.200/- and therefore not seen in the above table.
All subsidiary, joint venture and associate companies are incorporated and have place of buisness as India except, the Kirloskar Brothers International B.V. is incorporated and has place of business as Netherland.

** KBL Synerge LLP a limited liability partnership was formed in year 2017 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 and profit (%)
Kirloskar Brothers Limited	5,000	50
Synerge Overseas Pte. Ltd	2,600	26
Mrs. Sneha Phatak	2,400	24
Total	**10,000**	**100**

NOTES TO ACCOUNTS : (CONTD.)

Note 6 : Financial assets: Trade receivables

(Amounts in Million ₹)

Particulars	31 March 2018	31 March 2017
Non-current		
Unsecured, considered good	**159.255**	115.982
Doubtful	**737.205**	514.202
	896.460	630.184
Less: Provision for doubtful receivables	**737.205**	514.202
	159.255	115.982
Current		
Unsecured, considered good		
From related parties	**823.495**	533.917
Others	**2,994.355**	2,865.811
	3,817.850	3,399.728
Total trade receivables	**3,977.105**	3,515.710

Note 7 : Financial assets: Loans

Particulars	31 March 2018	31 March 2017
Non-current		
(a) **Security deposits**		
Unsecured, considered good	**131.748**	168.610
Doubtful	**66.530**	73.862
	198.278	242.472
Less: Provision for doubtful deposits	**66.530**	73.862
	131.748	168.610
Current		
(a) **Security deposits**		
Unsecured, considered good	**961.884**	918.587
(b) **Advances to related parties**		
Unsecured, considered good	**13.853**	15.340
	975.737	933.927
Total loans	**1,107.485**	1,102.537

Note 8 : Financial assets: Others

Particulars	31 March 2018	31 March 2017
Non-current		
(a) **Claims receivable**		
Unsecured, considered good		
Other miscellaneous claim	**30.550**	17.688
Doubtful	**3.845**	3.845
	34.395	21.533
Less: Provision for doubtful claims	**3.845**	3.845
	30.550	17.688
(b) **Fixed deposits with the original maturity of more than 12 months**	**30.992**	24.830
	61.542	42.518
Current		
(a) **Claims receivable**		
Unsecured, considered good	**20.273**	28.422
(b) **Interest accrued**	**0.033**	0.033
	20.306	28.455
Total other financial assets	**81.848**	70.973

NOTES TO ACCOUNTS : (CONTD.)

Note 9 : Other assets (Amounts in Million ₹)

Particulars		31 March 2018	31 March 2017
Non-current			
(a)	**Capital advances**	**9.123**	19.282
(b)	**Advances to supplier and others**		
	Unsecured, considered good	**57.200**	212.810
	Doubtful	**68.687**	197.837
		125.887	410.647
	Less: Provision for doubtful advances	**68.687**	197.837
		57.200	212.810
(c)	**Prepaid expenses**	**3.511**	7.250
(d)	**Gross amount due from customer**	**35.934**	161.747
(e)	**Retention**	**485.742**	1,191.689
(f)	**Advance income tax (net of provision)**	**762.469**	968.029
		1,353.979	2,560.807
Current			
(a)	**Advances to supplier and others**		
	Unsecured, considered good		
	Advances to related parties	**51.430**	34.007
	Others	**291.141**	120.613
		342.571	154.620
(b)	**Prepaid expenses**	**159.255**	112.412
(c)	**Gross amount due from customer**	**263.347**	111.591
(d)	**Retention**	**2,462.540**	2,223.043
(e)	**Balances with government authorities**	**1,266.386**	1,213.382
		4,494.099	3,815.048
Total other assets		**5,848.078**	6,375.855

Note 10 : Inventories

Particulars		31 March 2018	31 March 2017
(a)	Raw Materials *	**785.283**	568.457
(b)	Work-in-progress	**1,023.630**	925.033
(c)	Finished goods	**1,006.220**	777.897
(d)	Stock-in-trade **	**235.425**	230.931
(e)	Stores and spares	**75.972**	92.794
	(Mode of valuation refer note 2.6)		
		3,126.530	2,595.112

* Include goods in transit - ₹ 34.19 MN (2017 : ₹ 2.580 MN)

** Include goods in transit - Nil (2017: ₹ 10.410 MN)

Amounts recognised in profit or loss statement

Write-down of inventories to net realizable value/ any loss due to it's obsolete nature (net of reversal) amounted to ₹ 51.904 MN (31 March 2017: ₹ 19.879 MN) These were recognised as an expenses during the year.

NOTES TO ACCOUNTS : (CONTD.)

Note 11 A : Cash and cash equivalents

(Amounts in Million ₹)

Particulars		31 March 2018	31 March 2017
(a)	**Balances with bank**		
	In current account	**226.010**	15.008
	In EEFC accounts	**30.024**	202.436
	Fixed deposits with less than 3 months	**325.650**	5.332
(b)	**Cash on hand**	**1.079**	0.977
		582.763	223.753

Note 11 B : Other bank balances

Particulars		31 March 2018	31 March 2017
(a)	**Earmarked balances with bank**		
	Unpaid dividend accounts	**23.796**	30.913
(b)	**Margin money**	**0.823**	-
		24.619	30.913

Note 12: Equity share capital

Particulars	31 March 2018	31 March 2017
Authorised		
250,000,000 (250,000,000) equity shares of Rs.2/- each (Rs.2/-) each	**500.000**	500.000
Issued, subscribed & fully paid up		
79,408,926 (79,408,926) equity shares of Rs.2/- each (Rs.2/-) each	**158.818**	158.818
	158.818	158.818

(a) Terms/rights attached to equity shares

The Company has only one class of equity shares, having par value of ₹ 2/- per share. Each holder of equity share is entitled to one vote per share and has a right to receive dividend as recommended by the board of directors subject to the necessary approval from the shareholders. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

For the year ended 31 March 2018 the board of directors have proposed dividend of ₹ 2.50 (2017: ₹ 1/-) per share subject to shareholders' approval.

The board of directors have declared interim dividend of Rs. Nil (2017: Nil) per share.

(b) Reconciliation of share capital

Particulars	31 March 2018		31 March 2017	
	Number	Amount (Million ₹)	Number	Amount (Million ₹)
Shares outstanding at the beginning of the year	**79,408,926**	**158.818**	79,408,926	158.818
Shares Issued during the year under ESOS	**-**	**-**	-	-
Shares outstanding at the end of the year	**79,408,926**	**158.818**	79,408,926	158.818

NOTES TO ACCOUNTS : (CONTD.)

(c) Details of shareholder holding more than 5% shares (Amounts in Million ₹)

Particulars	31 March 2018		31 March 2017	
	No. of Shares	% of Holding	No. of Shares	% of Holding
Kirloskar Industries Limited	**18,988,038**	**23.91%**	18,988,038	23.91%
Mr. Sanjay Chandrakant Kirloskar *	**17,596,133**	**22.16%**	17,529,133	22.07%
Mrs. Pratima Sanjay Kirloskar	**13,760,488**	**17.33%**	13,760,488	17.33%

* includes 1,739,015 (1,717015), 2% (2%) shares held in the capacity of a trustee.

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

Particulars	31 March 2018		31 March 2017	
	Number	Amount (Million ₹)	Number	Amount (Million ₹)
Shares reserved for ESOS scheme	**5,161,840**	**10.324**	5,161,840	10.324

For the period of five years immediately preceding the date as at which the balance sheet is prepared, no shares are

i. allotted as fully paid up pursuant to contracts without payment being received in cash

ii. allotted as fully paid shares by way of bonus shares

iii. bought back.

Note 13: Other equity

Particulars		31 March 2018	31 March 2017
(a)	**Capital reserve**	**0.172**	0.172
(b)	**Capital redemption reserve**	**4.000**	4.000
(c)	**Securities premium reserve**	**414.604**	414.604
(d)	**General reserves**	**5,787.407**	5,787.407
(e)	**Retained Earning**		
	Opening balance	**2,015.133**	1,696.610
	Add: Total comprehensive income for the year	**665.331**	318.523
	Balance available for appropriation	**2,680.464**	2,015.133
	Less: Appropriations :		
	Final dividend paid including tax	**90.462**	-
	Sub total	**90.462**	-
	Closing balance	**2,590.002**	2,015.133
		8,796.185	8,221.316

NOTES TO ACCOUNTS : (CONTD.)

Capital Reserve:

The Company had recognised profit or loss on purchase, sale, issue or forfeiture/ cancellation of own equity instrument to capital reserve.

Capital Redemption Reserve:

The Company had recognised capital redemption reserve on redemption of preference shares from its retained earnings as per then applicable provisions of Companies Act, 1956.

Securities Premium Reserve:

The amount received in excess of face value of the equity shares is recognised in Securities Premium Reserve. In case of equity-settled share based payment transactions, the difference between fair value on grant date and nominal value of share is accounted as securities premium reserve.

General Reserve:

The Company has transferred a portion of the net profit of the Company before declaring dividend to general reserve pursuant to the earlier provisions of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013.

Retained Earnings:

Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

NOTES TO ACCOUNTS : (CONTD.)

Note 14 : Financial Liabilities: Borrowings (Amounts in Million ₹)

Particulars	31 March 2018	31 March 2017
Non-current		
Secured		
(a) **Term loan from ICICI bank**	**470.588**	-
(Terms of loan: Term loan is repayable in 17 quarterly installments starting from 31 March 2018. The loan carries interest as MCLR+ 3 months spread. The loan is secured against fixed asset purchased out of this borrowing.)		
Less- Current maturities of non-current borrowings disclosed under the head 'Other current financial liabilities (refer note 16)	**117.647**	-
	352.941	-
Unsecured		
(a) **Deferral payment liabilities under sales tax deferral scheme**	**10.697**	17.260
(Terms of loans: Rs. 52.883 MN to be repaid in 9 yearly installments starting from April 2013.)		
Less- Current maturities of non-current borrowings disclosed under the head 'Other current financial liabilities (refer note 16)	**5.169**	8.673
	5.528	8.587
	358.469	8.587
Current		
Secured		
(a) **Loans repayable on demand from bank**		
(i) **Cash / export credit facilities**	**118.980**	27.632
(ii) **Working capital demand loans**	**1,050.000**	250.000
(Terms of loans: Loan carries interest @ 7.85% to 8.05% per annum and secured against the inventory and receivables)		
	1,168.980	277.632
Unsecured		
(a) **Rupee short term loans and advances from banks**		
(i) **Bank of India**		
(Terms of loans: Loan carries interest @ 8% to 8.10% per annum.)	**-**	900.000
(ii) **HDFC Bank Ltd.**	**-**	200.000
(Terms of loans: Loan carries interest @ 8.20% per annum.)		
(b) **Commercial paper**		
HDFC Bank Ltd.		
(Terms of loans: Loan carries interest @ 6.50% per annum.)	**-**	500.000
	-	1,600.000
Total current borrowings	**1,168.980**	1,877.632
Total borrowings	**1,527.449**	1,886.219

NOTES TO ACCOUNTS : (CONTD.)

Note 15 : Financial liabilities: Trade payables (Amounts in Million ₹)

Particulars	31 March 2018	31 March 2017
Non-current		
(a) Total outstanding dues of creditors other than micro enterprises & small enterprises	**185.826**	313.109
	185.826	313.109
Current		
(a) Total outstanding dues of micro enterprises & small enterprises (refer note 42)	**654.408**	648.965
(b) Total outstanding dues of creditors other than micro enterprises & small enterprises	**3,765.555**	3,489.906
	4,419.963	4,138.871
Total trade payable	**4,605.789**	4,451.980

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 60-day terms

Note 16: Other financial liabilities

Particulars	31 March 2018	31 March 2017
Non-current		
(a) **Financial guarantee contracts**	**30.052**	30.625
	30.052	30.625
Current		
(a) **Current maturities of long term loan (refer note 14)**	**122.816**	8.673
(b) **Investor Education & Protection fund (will be credited as and when due).**		
Unpaid dividends	**23.796**	30.913
(c) **Others**		
Trade deposits	**65.267**	51.756
Interest accrued	**2.715**	-
Salary and reimbursements	**332.489**	332.449
Payables on account of purchases of fixed assets	**79.987**	79.023
Provision for expenses	**192.567**	304.923
Financial guarantee contracts	**6.479**	8.422
	679.504	776.573
	826.116	816.159
Total other financial liabilities	**856.168**	846.784

Terms and conditions of the above financial liabilities:

1) Other payables are non-interest bearing and have an average term of six months
2) For explanations on the Group's credit risk management processes, refer note 40.

NOTES TO ACCOUNTS : (CONTD.)

Note 17: Provisions

(Amounts in Million ₹)

Particulars	31 March 2018	31 March 2017
Non-current		
Provision for employee benefits		
(a) Compensated absences (refer note 38)	**124.071**	108.718
(b) Pension scheme (refer note 34)	**21.258**	22.406
	145.329	131.124
Other provision (refer note 38)		
(a) Provision for product warranty	**27.500**	26.743
(b) Provision for decommissioning and restoration costs	**6.487**	5.995
	33.987	32.738
	179.316	163.862
Current		
Provision for employee benefits		
(a) Compensated absences (refer note 38)	**131.436**	120.774
(b) Gratuity (refer note 34)	**23.077**	37.795
	154.513	158.569
Other provision (refer note 38)		
(a) Provision for product warranty	**175.419**	156.098
(b) Provision for loss on long term contracts	**53.850**	56.707
	229.269	212.805
	383.782	371.374
Total provisions	**563.098**	535.236

Note 18: Other liabilities

Particulars	31 March 2018	31 March 2017
Non-current		
(a) **Gross amount due to customers**	**148.046**	467.660
(b) **Advance from customer**	**174.059**	202.946
(c) **Deferred revenue**	**0.817**	1.995
	322.922	672.601
Current		
(a) **Gross amount due to customers**	**1,539.290**	1,299.366
(b) **Advance from customer**	**2,008.660**	1,133.067
(c) **Contribution to PF and superannuation**	**17.284**	15.031
(d) **Statutory dues**	**42.045**	89.360
(e) **Deferred revenue**	**203.294**	134.789
	3,810.573	2,671.613
Total other non-financial liabilities	**4,133.495**	3,344.214

NOTES TO ACCOUNTS : (CONTD.)

Note 19 : Income tax

(1) The major components of income tax expense for the year ended 31 March 2018 and 31 March 2017 are:

(a) Statement of profit and loss (Amounts in Million ₹)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Current income tax:		
Current income tax charge	**365.990**	168.063
Adjustments in respect of current income tax of previous year	**-**	96.664
Deferred tax:		
Relating to origination and reversal of temporary differences	**(98.532)**	(61.808)
Income tax expense reported in the statement of profit or loss	**267.458**	202.919

(b) Statement of other comprehensive income (OCI)

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

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Income tax charged to OCI	**5.010**	(6.058)

(2) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended 31 March 2018 and 31 March 2017:

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Accounting profit before tax	**923.322**	532.889
At India's statutory income tax rate of 34.608% (a)	**319.543**	184.422
Adjustments		
Add: Exempt income		
Dividend	**26.239**	-
Subtotal (b)	**26.239**	-
Add: Accelerated deduction		
Research and development expenses	**78.487**	162.967
80 IA	**32.537**	40.726
Allowance of TDS on payment basis	**-**	38.642
Subtotal (c)	**111.024**	242.335
Less : Non deductible expenses		
Provision for advances	**-**	68.700
Provision for deposits	**-**	24.777
Advance written off	**(2.790)**	213.049
Interest on tax deducted at source	**-**	1.837
Fixed assets capitalized	**-**	21.292
Donation	**2.077**	4.954
Subtotal (d)	**(0.713)**	334.609
Sub total (e) = (b+c-d)	**137.976**	(92.274)
Tax impact of above adjustments	**47.751**	(31.934)
MAT credit assets (not recorded) / utilized	**-**	116.637
Other items	**4.334**	(6.535)
Short provision for earlier years	**-**	(96.665)
Total (f)	**52.085**	(18.497)
Tax expenses at effective rate (a-f)	**267.458**	202.919
Tax expenses recorded in books	**267.458**	202.919

NOTES TO ACCOUNTS : (CONTD.)

(3) Movement in deferred tax

(a) Balance sheet

(Amounts in Million ₹)

Deferred tax relates to the following: DTL/ (DTA)	31 March 2018	31 March 2017
Property, plant and equipment (Depreciation)	**119.544**	131.621
Employee benefits	**(95.785)**	(87.179)
Provision for doubtful debts and advances	**(256.470)**	(179.291)
Others	**2.311**	2.981
	(230.400)	(131.868)
MAT credit availed (net of credit utlised during the year)	**-**	(59.829)
Net deferred tax liabilities/(assets)	**(230.400)**	(191.697)

Reflected in balance sheet as	31 March 2018	31 March 2017
Deferred tax asset	**352.255**	326.299
Deferred tax liability	**121.855**	134.602
Net deferred tax asset	**230.400**	191.697

(b) Statement of profit and loss

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Property, plant and equipment (Depreciation)	**(12.077)**	0.841
Employee benefits	**(8.606)**	2.921
Provision for doubtful debts and advances	**(77.179)**	47.159
Others	**(0.670)**	3.911
Deferred tax expenses /(Income recognsied in profit and loss)	**(98.532)**	54.832
MAT credit creation	**-**	(116.640)
Deferred tax expense/(income)	**(98.532)**	(61.808)

(4) Movement in Current tax

(a) Balance sheet

Reflected in Balance Sheet as	31 March 2018	31 March 2017
Non- current advance tax	**(762.469)**	(968.029)
	(762.469)	(968.029)

NOTES TO ACCOUNTS : (CONTD.)

(b) Statement of profit and loss and other comprehensive income (Amounts in Million ₹)

Movement in current tax	**Year ended 31 March 2018**	Year ended 31 March 2017
Current tax (asset)/ liability as at beginning of year	**(968.029)**	(1,217.700)
Add: Additional provision during the year - Statement of Profit and loss account	**365.990**	264.727
Add: Additional provision during the year - Other comprehensive income	**5.010**	(6.058)
Less: Current tax paid during the year (Net of refund received for previous year and adjustement for TDS receivable for previous years)	**(105.611)**	47.820
Less utilisation MAT credit	**(59.829)**	(56.818)
Non Current tax (asset)/ liability as at end of year	**(762.469)**	(968.029)

(c) Tax on dividend

Board has recommanded dividend @125% per share i.e ₹ 2.5 per share. The tax payable on dividend declared is ₹ 32.609 MN.

Note 20: Revenue from operations

Particulars		**Year ended 31 March 2018**	Year ended 31 March 2017
(a)	**Sale of products** (including excise duty) (Refer note 30 for the construction contract revenue)	**18,821.020**	17,814.756
(b)	**Sale of services**	**359.523**	246.376
		19,180.543	18,061.132
(c)	**Other operating revenues** (majorly includes scrap sales and exports benefits)	**165.084**	169.255
		19,345.627	18,230.387

Note 21: Other income

Particulars		**Year ended 31 March 2018**	Year ended 31 March 2017
(a)	**Interest Income**		
	From customers and others	**39.917**	30.338
	On income tax and sales tax refund	**49.340**	85.600
(b)	**Release of deferred income**	**1.899**	2.759
(c)	**Profit on sale of mutual fund investment**	**12.777**	-
(d)	**Dividend income from subsidiary companies**	**26.239**	-
(e)	**Foreign exchange difference (net)**	**2.285**	-
(f)	**Other non-operating income**	**56.193**	63.684
		188.650	182.381

NOTES TO ACCOUNTS : (CONTD.)

Note 22: Cost of materials consumed, changes in inventories of finished goods, stock-in-trade and work-in-progress

(Amounts in Million ₹)

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	**Raw material consumed (Including packing material)**	**8,819.320**	7,100.656
(b)	**Changes in inventories of finished goods, work-in-progress and stock-in-trade**		
	Opening Stock		
	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
	Closing Stock		
	Finished goods	**1,006.220**	777.897
	Work-in- progress	**1,023.630**	925.033
	Stock in trade	**235.425**	230.931
		2,265.275	1,933.861
		(331.414)	(374.886)

Note 23: Employee benefits expense

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	**Salaries, wages and bonus**	**1,979.570**	1,903.903
(b)	**Defined contribution plans**		
	Contribution to provident fund, super annuation fund and E.S.I	**44.661**	43.405
(c)	**Defined benefit plans**		
	Gratuity, Provident fund and Pension	**96.809**	76.856
(d)	**Welfare expenses**	**152.079**	141.399
		2,273.119	2,165.563

Note 24: Finance costs

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	**Interest expense** (at effective interest rate/ market rate of interest)	**180.020**	258.860
(b)	**Other borrowing costs** (includes bank guarantee commission, LC charges, loan processing charges)	**72.768**	56.230
		252.788	315.090

NOTES TO ACCOUNTS : (CONTD.)

Note 25: Depreciation and amortization expense (Amounts in Million ₹)

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	Depreciation on property, plant and equipment	**319.673**	375.364
(b)	Amortization of intangible assets	**32.154**	21.324
		351.827	396.688

Note 26: Other expenses

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Other Manufacturing Expenses		
Stores and spares consumed	**633.053**	699.440
Processing charges	**318.848**	213.661
Power & fuel	**261.133**	255.808
Repairs and maintenance		
Plant and machinery	**113.821**	135.262
Buildings	**28.380**	28.007
Other	**51.890**	47.782
Excise duty	**220.641**	876.229
Other expenses		
Rent	**70.769**	77.450
Rates and taxes	**82.083**	97.225
Travel and conveyance	**270.649**	248.249
Communication expenses	**68.219**	61.255
Insurance	**86.776**	78.666
Directors' sitting fees	**4.350**	4.875
Royalties and fees	**47.101**	44.326
Freight and forwarding charges	**482.871**	410.674
Brokerage and commission	**52.644**	87.107
Advertisements and publicity	**214.398**	150.109
Provision for product warranty	**187.398**	198.055
Loss on sale/disposal of fixed assets	**8.710**	0.145
Provision for doubtful debts, advances and claims	**215.939**	281.211
Bad debts written off	**1.205**	25.568
Advances, deposits and claims written off	**4.273**	52.061
Auditor's remuneration (refer note 31)	**6.253**	5.327
Professional, consultancy and legal expenses	**318.688**	292.228
Security services	**52.778**	50.843
Computer services	**189.782**	153.586
Non-executive directors remuneration	**9.700**	6.000
Stationery & Printing	**11.402**	9.880
Training course expenses	**4.040**	3.704
Outside labour charges	**183.116**	146.154
Foreign exchange difference (net)	**-**	8.776
Corporate social responsibility expenses (refer note 43)	**7.500**	7.318
Liquidated damages	**60.649**	148.467
Other miscellaneous expenses	**131.162**	122.437
	4,400.221	5,027.885

NOTES TO ACCOUNTS : (CONTD.)

Note 27: Other comprehensive income

(Amounts in Million ₹)

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
	Items that will not be reclassified to profit or loss		
	Remeasurements gains and losses on post employments benefits	**14.477**	(17.505)
	Tax on remeasurements gains and losses	**(5.010)**	6.058
		9.467	(11.447)

Note 28 : Contingent liabilities

Particulars		31 March 2018	31 March 2017
(a)	**Other money for which the company is contingently liable for**		
i)	Central Excise and Service tax (Matter Subjudice)	**1,020.462**	936.080
ii)	Sales Tax (Matter Subjudice)	**444.677**	200.557
iii)	Income Tax (Matter Subjudice)	**552.044**	552.044
iv)	Labour Matters (Matter Subjudice)	**37.235**	37.095
v)	Other Legal Cases (Matter Subjudice)	**329.840**	363.587
		2,384.258	2,089.363

1. The Company does not expect any reimbursement in respect of the above contingent liabilities
2. It is not practicable to estimate the timing of cash flow if any with resepct to above matters.

Note 29 : Commitments

Particulars		31 March 2018	31 March 2017
i)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	**234.655**	97.810
ii)	Letters of credit outstanding	**598.200**	710.264

NOTES TO ACCOUNTS : (CONTD.)

Note 30 : Construction contracts

(Amounts in Million ₹)

Particulars		31 March 2018	31 March 2017
(a)	Contract Revenue recognised as revenue for the year	**1,098.948**	1,637.108
(b)	Advances received	**777.485**	285.415
(c)	Amount of retentions	**2,948.282**	3,414.733
(d)	Gross amount due from customer		
	Contract costs incurred	**15,916.594**	19,304.816
	Recognised Profits less recognised Losses	**2,914.375**	3,401.497
	Less: Progress Billing	**18,531.688**	22,432.975
	Net	**299.281**	273.338
(e)	Gross amount due to customer		
	Contract costs incurred	**25,650.537**	28,909.691
	Recognised Profits less recognised Losses	**5,691.968**	4,626.535
	Less: Progress Billing	**33,029.841**	35,303.252
	Net	**(1,687.336)**	(1,767.026)

Note 31: Remuneration to Auditors

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	Audit Fees	**3.600**	3.550
(b)	Tax Audit Fees	**0.300**	0.300
(c)	VAT Audit Fees	**0.300**	0.300
(d)	Limited Review	**1.050**	0.750
(e)	Certification services	**0.530**	0.255
(f)	Other services	**-**	0.080
(g)	Expenses reimbursed	**0.473**	0.092
	Sub total	**6.253**	5.327

Note 32 : Earning per Share (Basic and diluted)

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	Profit for the year before tax	**923.322**	532.889
	Less : Attributable Tax thereto	**267.458**	202.919
	Profit after Tax	**655.864**	329.970
(b)	Weighted average number of equity shares used as denominator	**79,408,926**	79,408,926
(c)	Basic and Diluted earning per share of nominal value of Rs 2/- each	**8.26**	4.16

NOTES TO ACCOUNTS : (CONTD.)

Note 33 A : Research and Development expenditure incurred eligible for weighted average deduction under section 35(2AB) of the Income Tax Act, 1961

(Amounts in Million ₹)

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
A	**Revenue expenditure**		
	Manufacturing expenses:		
	Raw Material , Store , Spares & Tools consumed	**18.149**	23.059
	Payments to and Provision for Employees:		
	Salaries , Wages , Bonus , Allowances etc.	**96.856**	62.131
	Other Expenses:		
	Membership Fees	**2.346**	0.703
	Computer Services	**11.336**	12.837
	Power charges	**0.989**	0.331
	Travelling & Conveyance Expenses	**4.826**	4.221
	Other Expenses	**0.642**	0.363
	Repairs & Maintenance	**2.810**	21.239
	Total	**137.954**	124.884
B	**Capital Expenditure**	**7.044**	38.083
	Total eligible research and development expenditure	**144.998**	162.967

Note 33 B : Other Research & Development expenditure

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
A	**Revenue expenditure**	**56.175**	97.042
B	**Capital Expenditure**	**1.895**	21.597
	Total	**58.070**	118.639

NOTES TO ACCOUNTS : (CONTD.)

Note 34 : Employee benefits

i. Defined Contribution Plans:

Amount of ₹ 44.661 MN. (₹ 43.405 MN) is recognised as an expense towards defined contribution plan and included in Employees benefits expense (Note-23 in the Profit and Loss Statement.)

ii. Defined Benefit Plans:

a) The amounts recognised in Balance Sheet are as follows: Funded Plan (Amounts in Million ₹)

Particulars		31 March 2018		31 March 2017	
		Gratuity Plan	Provident Fund*	Gratuity Plan	Provident Fund*
		(Funded)	(Funded)	(Funded)	(Funded)
A.	Amount to be recognised in Balance Sheet				
	Present Value of Defined Benefit Obligation	428.866	9.357	400.460	31.369
	Less: Fair Value of Plan Assets	405.789	48.514	362.665	52.395
	Amount to be recognised as liability or (asset)	23.077	(39.157)	37.795	(21.026)
B.	Amounts reflected in the Balance Sheet				
	Liabilities	23.077	-	37.795	-
	Assets	-	39.157	-	21.026
	Net Liability/(Assets)	23.077	-	37.795	-

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

Particulars		2017-18		2016-17	
		Gratuity Plan	Provident Fund*	Gratuity Plan	Provident Fund*
		(Funded)	(Funded)	(Funded)	(Funded)
1	Current Service Cost	33.935	4.525	27.802	2.029
2	Acquisition (gain)/ loss	-	-	-	-
3	Past Service Cost	-	-	-	-
4	Net Interest (income)/expenses	1.371	(1.430)	1.535	(2.376)
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 23)	35.306	3.095	29.337	(0.347)

NOTES TO ACCOUNTS : (CONTD.)

(Amounts in Million ₹)

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

	Particulars	**2017-18**		2016-17	
		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	(9.922)	(28.670)	8.377	14.178
3	Remeasurement for the year - Plan assets (Gain) / Loss	(4.834)	7.444	0.134	(4.397)
	Closing balances (remeasurement (gain)/loss recognised OCI	(14.756)	(21.226)	8.511	9.781

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 2018**		31 March 2017	
		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	**400.460**	**31.369**	368.422	14.065
2	Acquisition adjustment	**-**	**-**	-	-
3	Transfer in/ (out)	**-**	**-**	-	-
4	Interest expenses	**26.480**	**2.133**	27.503	1.097
5	Past Service Cost	**-**	**-**	-	-
6	Current Service Cost	**33.935**	**4.525**	27.802	2.029
7	Curtailment Cost / (credit)	**-**	**-**	-	-
8	Settlement Cost/ (credit)	**-**	**-**	-	-
9	Benefits paid	**(22.087)**	**-**	(31.644)	-
10	Remeasurements on obligation - (Gain) / Loss	**(9.922)**	**(28.670)**	8.377	14.178
	Present value of obligation as at the end of the period	**428.866**	**9.357**	400.460	31.369

NOTES TO ACCOUNTS : (CONTD.)

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

(Amounts in Million ₹)

Particulars		31 March 2018		31 March 2017	
		Gratuity Plan	**Provident Fund***	31 March 2017	Provident Fund*
		(Funded)	**(Funded)**	(Funded)	(Funded)
1	Fair value of the plan assets as at beginning of the period	**362.665**	**52.395**	329.018	44.525
2	Acquit ion adjustment	**-**	**-**	-	-
3	Transfer in/(out)	**-**	**-**	-	-
4	Interest income	**25.109**	**3.563**	25.968	3.473
5	Contributions	**35.268**	**-**	39.457	-
6	Benefits paid	**(22.087)**	**-**	(31.644)	-
7	Amount paid on settlement	**-**	**-**	-	-
8	Return on plan assets, excluding amount recognized in Interest Income - Gain / (Loss)	**4.834**	**(7.444)**	(0.134)	4.397
9	Fair value of plan assets as at the end of the period	**405.789**	**48.514**	362.665	52.395

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

Particulars		31 March 2018		31 March 2017	
		Gratuity Plan	**Provident Fund**	Gratuity Plan	Provident Fund*
		(Funded)	**(Funded)**	(Funded)	(Funded)
1	Interest (Income) / Expense – Obligation	**26.480**	**2.133**	27.503	(1.097)
2	Interest (Income) / Expense – Plan assets	**(25.109)**	**(3.563)**	(25.968)	3.473
3	Net Interest (Income) / Expense for the year	**1.371**	**(1.430)**	1.535	2.376

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

Particulars		**Percentage 31 March 2018**	Percentage 31 March 2017
1	Central Government Securities	31.42%	31.42%
2	State Government Securities	10.65%	10.65%
3	Other Approved Securities (Government Guaranteed Securities)	1.34%	1.34%
4	Bonds and Debentures etc.	42.85%	42.85%
5	Fixed Deposits	8.29%	8.29%
6	Equity Shares	5.23%	5.23%
7	Money Market Instrument	0.22%	0.22%
	Grand Total	**100%**	100%

NOTES TO ACCOUNTS : (CONTD.)

(Amounts in Million ₹)

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

Particulars	31 March 2018		31 March 2017	
	Gratuity Plan	Provident Fund*	Gratuity Plan	Provident Fund*
	(Funded)	(Funded)	(Funded)	(Funded)
Defined Benefit Obligation	428.866	9.357	400.460	31.369
Plan Assets	405.789	48.514	362.665	52.395
Surplus/(Deficit)	(23.077)	39.157	(37.795)	21.026

* The Company has not recognised the Provident Fund asset on conservative basis in the financials.

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

Particulars		31 March 2018	31 March 2017
		Pension Scheme	Pension Scheme
		(Non-Funded)	(Non-Funded)
A.	Amount to be recognised in Balance Sheet		
	Present Value of Defined Benefit Obligation	21.258	22.406
	Less: Fair Value of Plan Assets	-	-
	Amount to be recognised as liability or (asset)	21.258	22.406
B.	Amounts reflected in the Balance Sheet		
	Liabilities	21.258	22.406
	Assets	-	-
	Net Liability/(Assets)	21.258	22.406

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

Particulars		31 March 2018	31 March 2017
		Pension Scheme	Pension Scheme
		(Non-Funded)	(Non-Funded)
1	Current Service Cost	-	-
2	Acquisition (Gain) / Loss	-	-
3	Past Service Cost	-	-
3	Net Interest (income)/expenses	1.548	1.791
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 23)	1.548	1.791

NOTES TO ACCOUNTS : (CONTD.)

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

(Amounts in Million ₹)

Particulars		31 March 2018	31 March 2017
		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	**0.280**	(0.787)
3	Remeasurement for the year - Plan assets (Gain) / Loss	**-**	-
4	Total Remeasurements Cost / (Credit) for the year recognised in OCI	**0.280**	(0.787)
5	Less: Accumulated balances transferred to retained earnings	**-**	-
	Closing balances (remeasurement (gain)/loss recognised OCI	**0.280**	(0.787)

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		31 March 2018	31 March 2017
		Pension Scheme	Pension Scheme
		(Non-Funded)	(Non-Funded)
1	Balance of the present value of Defined benefit Obligation as at beginning of the period	**22.406**	24.529
2	Acquisition adjustment	**-**	-
3	Transfer in/ (out)	**-**	-
4	Interest expenses	**1.548**	1.791
5	Past Service Cost	**-**	-
6	Current Service Cost	**-**	-
7	Curtailment Cost / (credit)	**-**	-
8	Settlement Cost/ (credit)	**-**	-
9	Benefits paid	**(2.976)**	(3.127)
10	Remeasurements on obligation - (Gain) / Loss	**0.280**	(0.787)
	Present value of obligation as at the end of the period	**21.258**	22.406

NOTES TO ACCOUNTS : (CONTD.)

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

(Amounts in Million ₹)

Particulars		Pension (Non Funded)	
		2017-18	2016-17
1	Interest (Income) / Expense – Obligation	**1.548**	1.791
2	Interest (Income) / Expense – Plan assets	**-**	-
3	Net Interest (Income) / Expense for the year	**1.548**	1.791

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

Particulars	Pension (Non Funded)	
	2017-18	2016-17
Defined Benefit Obligation	**21.258**	22.406
Plan Assets	**-**	-
Surplus/(Deficit)	**(21.258)**	(22.406)

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 7.60% (PY 6.8%) has been used for the valuation purpose.

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

1 Discount rate as at 31-03-2018- 7.60%

2 Expected return on plan assets as at 31-03-2018 - 6.8%

3 Salary growth rate : For Gratuity Scheme - 10%

4 Attrition rate: For gratuity scheme the attrition rate is taken at 7%

5 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.

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 ₹ 23.07 Million (₹ 37.80 Million) towards its gratuity plan in the year 2017-18.

NOTES TO ACCOUNTS : (CONTD.)

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.

(Amounts in Million ₹)

Change in Assumption		Effect on Gratuity Obligation	
		31 March 2018	31 March 2017
1	**Discount rate**		
	Increase by 1% to 8.6% (PY -7.8%)	401.479	374.452
	Decrease by 1% to 6.6% (PY- 5.8%)	459.896	430.011
2	**Salary increase rate**		
	Increase by 1% to 11% (PY- 10.50%)	455.122	425.471
	Decrease by 1% to 9% (PY- 8.50%)	405.119	377.887
3	**Withdrawal rate**		
	Increase by 1% to 8.0% (PY - 8%)	425.255	396.595
	Decrease by 1% to 6.0% (PY - 6%)	432.872	404.753

Change in Assumption		Effect on Provident Fund Obligation	
		31 March 2018	31 March 2017
1	**Discount rate**		
	Increase by 0.5% to 8.10% (PY- 7.3%)	**-**	31.250
	Decrease by 0.5% to 7.10% (PY- 6.3%)	**25.369**	31.596
2	**Interest rate**		
	Increase by 0.50% to 9.05% (PY- 9.15%)	**24.748**	45.406
	Decrease by 0.50% to 8.05% (PY -8.15%)	**-**	17.331

Change in assumption		Effect on Pension obligation
		31 March 2018
1	**Discount rate**	
	Increase by 1% to 8.6% (PY -7.8%)	20.152
	Decrease by 1% to 6.6% (PY- 5.8%)	22.487

NOTES TO ACCOUNTS : (CONTD.)

Note 35 :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) (Pty.) Limited	Subsidiary of Kirloskar Brothers International PTY Limited
14	Braybar Pumps (Proprietary) 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 LLC	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 (Asia) Limited
21	Rotaserve Limited	Subsidiary of Kirloskar Brothers International B.V.
22	Kirloskar Brothers International Zambia Limited	Subsidiary of Kirloskar Brothers International PTY Limited
23	Rotaserve Mozambique	Subsidiary of Kirloskar Brothers International PTY Limited
24	SPP Neviz Pumps Solutions Pty Limited	Joint venture of Kirloskar Brothers International PTY Limited
25	KBL Synerge LLP	Associate of Kirloskar Brothers Limited
26	Kirloskar Ebara Pumps Limited	Joint venture of Kirloskar Brothers Limited

NOTES TO ACCOUNTS : (CONTD.)

Note 35 :Related Party Disclosures

(B) Disclosure of related parties transactions (Amounts in Million ₹)

Sr. No.	Nature of Transaction / Relationship / Major Parties	2017-18 Amount	2017-18 Amount for Major Parties *	2016-17 Amount	2016-17 Amount for Major Parties *
1	**Purchase of goods & services**	**3,419.686**		2,738.764	
	Subsidiary/Fellow subsidiary Companies/ Joint Venture				
	The Kolhapur Steel Limited		**367.327**		195.204
	Karad Projects and Motors Limited		**2,825.970**		2,450.214
2	**Sale of goods/contract revenue**	**945.581**		870.279	
	Subsidiary/Fellow subsidiary Companies/ Joint Venture				
	SPP Pumps Limited		**271.413**		124.310
	Kirloskar Brothers (Thailand) Limited		**207.996**		151.364
	SPP Pumps , Inc.		**190.573**		153.631
	Kirloskar Pompen B.V.		**98.157**		309.814
3	**Rendering Services**	**127.821**		53.630	
	Subsidiary/Fellow subsidiary Companies/ Joint venture				
	Kirloskar Corrocoat Private Limited		**16.581**		13.058
	Karad Projects and Motors Limited		**10.369**		12.638
	Kirloskar Ebara Pumps Limited		**34.938**		14.311
	Kirloskar Brothers (Thailand) Limited		**18.195**		2.256
	SPP Pumps Limited		**23.174**		-
4	**Receiving Services**	**72.050**		149.562	
	Subsidiary/Fellow subsidiary Companies				
	Kirloskar Brothers (Thailand) Limited		**39.147**		84.889
	Rodelta Pumps International B.V.		**15.732**		-
	Kirloskar Corrocoat Private Limited		**1.038**		29.028
	Kirloskar Pompen B.V.		**3.187**		15.370
5	**Sale of Fixed Assets**	**-**		0.022	
	Subsidiary/Fellow subsidiary Companies				
	The Kolhapur Steel Limited		**-**		0.022
6	**Purchase of fixed assets**	**0.485**		-	
	Subsidiary/Fellow subsidiary Companies/ Joint venture				
	Kirloskar Ebara Pumps Limited		**0.485**		-
7	**Investment Made**	**343.170**		250.005	
	Subsidiary/Fellow subsidiary Companies/ Associates				
	Kirloskar Brothers International B.V.		**343.170**		
	The Kolhapur Steel Limited (Equity Shares)		**-**		250.000
	KBL Synerge LLP		**-**		0.005

NOTES TO ACCOUNTS : (CONTD.)

Note 35 :Related Party Disclosures

(B) Disclosure of related parties transactions (Contd.) (Amounts in Million ₹)

Sr. No.	Nature of Transaction / Relationship / Major Parties	2017-18		2016-17	
		Amount	Amount for Major Parties *	Amount	Amount for Major Parties *
8	**Investment Refunded**	**-**		250.000	
	Subsidiary/Fellow subsidiary Companies/ Associates				
	The Kolhapur Steel Limited (Preference shares)		**-**		250.000
9	**Dividend Paid**	**32.605**		-	
	Key Management Personnel				
	Mr. Sanjay Kirloskar		**17.549**		-
	Relatives of Key Management Personnel				
	Mrs. Pratima Kirloskar		**13.760**		-
10	**Dividend Received**	**26.239**		-	
	Subsidiary/Fellow subsidiary Companies				
	Karad Projects and Motors Limited		**25.114**		-
	Kirloskar Ebara Pumps Limited		**1.125**		-
11	**Remuneration Paid**	**78.742**		55.333	
	Key Management Personnel				
	Short Term Employee Benefit				
	Mr. Sanjay Kirloskar		**60.853**		39.627
	Commission on profits				
	Mr. Shrikrishna Inamdar		**1.500**		1.000
	Mr. Padmakar Jawadekar		**1.500**		1.000
	Mrs. Lalita Gupte		**1.500**		1.000
	Mr. Pratap Shirke		**1.500**		1.000
	Mr. Alok Kirloskar		**1.500**		1.000
	Mr. Kishor Chaukar		**1.500**		1.000
	Dr. Rakesh Mohan		**0.300**		-
	Ms. Rama Kirloskar		**0.400**		-
	Sitting Fees				
	Mr. Shrikrishna Inamdar		**0.825**		0.900
	Mr. Padmakar Jawadekar		**0.825**		0.900
	Mrs. Lalita Gupte		**1.050**		1.275
	Mr. Pratap Shirke		**0.600**		0.600
	Mr. Alok Kirloskar		**0.300**		0.450
	Mr. Kishor Chaukar		**0.525**		0.750
	Dr. Rakesh Mohan		**0.075**		-
	Ms. Rama Kirloskar		**0.150**		-
	Post Employment Benefit				-
	Mr. Sanjay Kirloskar		**3.839**		4.831

NOTES TO ACCOUNTS : (CONTD.)

Note 35 :Related Party Disclosures

(B) Disclosure of related parties transactions (Contd.) (Amounts in Million ₹)

Sr. No.	Nature of Transaction / Relationship / Major Parties	2017-18 Amount	2017-18 Amount for Major Parties *	2016-17 Amount	2016-17 Amount for Major Parties *
12	**Deposit Paid**				
	Subsidiary/ Fellow Subsidiary Company / Joint Venture	**-**		1.100	
	Karad Projects and Motors Limited		**-**		0.100
	The Kolhapur Steel Limited		**-**		0.300
	Kirloskar Ebara Pumps Limited		**-**		0.500
	Kirloskar Corrocoat Private Limited		**-**		0.200
13	**Deposit Refunded**	**-**		0.900	
	Subsidiary/ Fellow Subsidiary Company/ Joint Venture				
	The Kolhapur Steel Limited		**-**		0.300
	Kirloskar Ebara Pumps Limited		**-**		0.500
	Karad Projects and Motors Limited		**-**		0.100
14	**Reimbursement Received**	**22.223**		38.969	
	Subsidiary/ Fellow Subsidiary Company/ Joint Venture				
	Karad Projects and Motors Limited		**-**		4.091
	Kirloskar Ebara Pumps Limited		**2.145**		1.413
	SPP Pumps Limited		**12.899**		14.573
	Kirloskar Brothers Pompen B.V.		**2.196**		6.953
	SPP Pumps Inc.		**2.854**		
15	**Reimbursement Paid**	**69.380**		57.938	
	Subsidiary/ Fellow Subsidiary Company/ Joint Venture				
	Kirloskar Brothers Pompen B.V.		**15.357**		5.798
	Kirloskar Brothers (Thailand) Limited		**27.230**		29.444
	SPP Pumps Limited		**16.559**		25.315
16	**Advance/ Loan Given**	**-**		1.500	
	Subsidiary/ Fellow Subsidiary Company/ Associate				
	KBL Synerge LLP		**-**		1.500
17	**Advance/Loan Returned**	**1.000**		-	
	Subsidiary/ Fellow Subsidiary Company				
	The Kolhapur Steel Limited		**1.000**		-
18	**Contribution Paid for Post Employment Benefit Plan**	**92.590**		80.228	
	Provident Fund		**35.544**		32.327
	Superannuation Trust		**21.751**		17.842
	Gratuity		**35.295**		30.059
19	**Corporate Guarantees Given**	**-**		2,407.312	
	Kirloskar Pompen B.V.		**-**		622.643
	Kirloskar Brothers (Thailand) Limited		**-**		372.859
	SPP Pumps Limited		**-**		1,149.698

* 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 35 :Related Party Disclosures

(C) Amount due to/from related parties (Amounts in Million ₹)

Sr. No.	Nature of Transaction / Relationship / Major Parties	2017-18		2016-17	
		Amount	Amount for Major Parties *	Amount	Amount for Major Parties *
1	**Accounts receivable**				
	Subsidiary/Fellow subsidiary Companies/ Associate / Joint Venture				
	SPP Pumps Limited		**219.687**		100.697
	Kirloskar Brothers (Thailand) Limited		**103.733**		44.666
	SPP Pumps (MENA) L.L.C.		**20.645**		30.314
	Braybar Pumps (Proprietary) Limited		**5.581**		7.079
	SPP Pumps (South Africa) (Pty.) Limited		**3.141**		3.145
	SPP Pumps Inc.		**207.626**		71.130
	Kirloskar Ebara Pumps Limited		**46.128**		11.000
	Syncroflo Inc.		**61.439**		9.931
	Rodelta Pumps International B.V.		**9.673**		7.506
	The Kolhapur Steel Limited		**12.214**		32.315
	KBL Synerge LLP		**1.640**		1.505
	The Kirloskar Brothers International PTY Limited		**85.381**		39.089
	Kirloskar Brothers Pompen B.V.		**60.511**		236.800
	Rotaserve B.V.		**1.038**		-
	Karad Projects and Motors Limited		**-**		0.217
	TOTAL	**838.432**		595.389	
2	**Amount Due**				
	Subsidiary/Fellow subsidiary Companies/ Associate				
	SPP Pumps Limited		**7.234**		10.030
	Kirloskar Brothers (Thailand) Limited		**35.410**		2.644
	SPP Pumps (MENA) L.L.C.		**-**		5.572
	SPP Pumps Inc.		**8.984**		0.531
	Karad Projects and Motors Limited		**680.783**		650.412
	Kirloskar Corrocoat Private Limited		**8.987**		2.412
	Rodelta Pumps International B.V.		**21.791**		-
	The Kolhapur Steel Limited		**36.246**		-
	Kirloskar Brothers Pompen B.V.		**50.705**		27.766
	Rotaserve B.V.		**0.631**		-
	TOTAL	**850.771**		699.367	
3	**Key Management Personnel**				
	Mr. Sanjay Kirloskar		**47.500**		30.000
	Mr. Shrikrishna Inamdar		**1.950**		1.000
	Mr. Padmakar Jawadekar		**1.500**		1.000
	Mrs. Lalita Gupte		**1.500**		1.000
	Mr. Pratap Shirke		**1.500**		1.000
	Mr. Alok Kirloskar		**1.500**		1.000
	Mr. Kishor Chaukar		**1.500**		1.000
	Dr. Rakesh Mohan		**0.300**		-
	Ms. Rama Kirloskar		**0.400**		-
	TOTAL	**57.650**		36.000	

NOTES TO ACCOUNTS : (CONTD.)

Note 35: Related Party Disclosures

(D) Corporate Guarantees:

Below mentioned guarantees have been provided by the Company to banks on behalf of subsidiary companies for availing financial facilities.

(Amounts in Million ₹)

Sr. No.	Particulars	31 March 2018	31 March 2017
i)	By the company to ICICI Bank Ltd. on behalf of SPP Pumps Ltd. (GBP 12,600,000)	**1,161.506**	1,020.008
ii)	By the company to ICICI Bank Ltd. on behalf of Kirloskar Pompen B.V. (EURO 7,350,000)	**593.623**	509.164
iii)	By the company to Citi Bank on behalf of SPP Pumps Ltd.(USD 2,000,000)	**130.340**	129.690
iv)	By the company to Citi Bank on behalf of Kirloskar Brothers (Thailand) Ltd. (USD 5,750,000)	**374.728**	372.859
v)	By the company to Citi Bank on behalf of Kirloskar Pompen B.V. (USD 1,750,000)	**114.048**	113.479
vi)	By the company to Citi Bank on behalf of Kirloskar Brothers International PTY. Ltd. (USD 2,500,000)	**162.925**	162.113
vii)	By the company to ICICI Bank Ltd. on behalf of The Kolhapur Steel Limited.	**50.000**	100.000

NOTES TO ACCOUNTS : (CONTD.)

Note 35 :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) LLC	
		SPP Pumps , Inc.	
		Kirloskar Pompen B.V .	
		Braybar Pumps (Proprietary) Limited	
		Kirloskar Brothers (Thailand) Limited	
		Rodelta Pumps International B.V.	
		Kirloskar Brothers International Pty. Limited	
		Syncroflo INC	
		Rotaserve B.V.	
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	
		Mrs. Lalita Gupte	
		Mr. Pratap Shirke	
		Mr. Alok Kirloskar	
		Mr. Kishor Chaukar	
		Ms. Rama Kirloskar	
		Dr. Rakesh Mohan	
5)	Relatives of Key Management Personnel	Mrs. Pratima Kirloskar	Wife of Mr. Sanjay Kirloskar
		Ms. Suman Kirloskar	Mother of Mr. Sanjay Kirloskar
6)	Post Employee Benefit Plans	Kirloskar Brothers Limited Employees Prov. Fund for Engg.Factory	
		Kirloskar Brothers Limited Staff Members Prov. Fund	
		Kirloskar Brothers Limited, Kirloskarvadi Employee Gratuity Fund	
		Kirloskar Brothers Executive Staff Superannuation Fund	

NOTES TO ACCOUNTS : (CONTD.)

Note 36 : 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 :

(Amounts in Million ₹)

Name of the Company	Balance as at		Maximum outstanding	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
To Subsidiary Companies				
The Kolhapur Steel Limited	**12.214**	13.214	**13.214**	13.214
To Associate				
KBL Synerge LLP	**1.640**	1.505	**1.640**	1.505

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 37 : Joint Venture and Jointly controlled operations

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	Summarized financial information		
			31 March 2018	31 March 2017
1	Kirloskar Ebara Pumps Limited	Assets	**1,688.681**	1,668.721
		Liabilities	**589.687**	655.324
			2017-18	2016-17
		Income	**1,680.873**	1,779.187
		Expenses(including tax expenses)	**1,603.380**	1,660.758
		Profit after tax	**77.493**	118.429
		Other comprehensive income	**11.114**	(0.821)
		Total comprehensive income	**88.607**	117.608

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

d) Capital commitments , if any , in relation to interest in Joint Ventures : ₹ 2.251 Million (₹ 15.460 Million)

NOTES TO ACCOUNTS : (CONTD.)

Note 37 : Joint Venture and Jointly controlled operations (Contd.)

e) List of Jointly controlled operations :

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

NOTES TO ACCOUNTS : (CONTD.)

Note 38 : Details of provisions and movements in each class of provisions (Amounts in Million ₹)

Particulars	Provision for Compensated Absences	Provision for Product Warranty	Provision for Decommissioning and Restoration Cost	Provision for Loss on Long Term Contracts
Carrying amount as at 1 April 2016	235.850	148.840	5.540	30.130
Add: Provision during the year 2016-17	15.330	218.400	-	32.690
Add: Unwinding of discounts	-	6.580	0.455	-
Less: Amount utilized during the year 2016-17	(21.688)	(190.979)	-	(6.113)
Less: Amount reversed during the year 2016-17	-	-	-	-
Carrying amount as at 31 March 2017	229.492	182.841	5.995	56.707
Add: Provision during the year 2017-18	**43.828**	**210.563**	**-**	**4.455**
Add: Unwinding of discounts	**-**	**7.136**	**0.492**	**-**
Less: Amount utilized during the year 2017-18	**(17.813)**	**(197.621)**	**-**	**(7.312)**
Less: Amount reversed during the year 2017-18	**-**	**-**	**-**	**-**
Carrying amount as at 31 March 2018	**255.507**	**202.919**	**6.487**	**53.850**
Non-current provision	**124.071**	**27.500**	**6.487**	**-**
Current provision	**131.436**	**175.419**	**-**	**53.850**

Compensated absences

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.

Provision for warranty

Provision for warranty is made for estimated warranty claims in respect of products sold, which are under warranty at the end of the reporting period. These claims are expected to be settled in the next 18 months. Management records the provision based on the historical warranty claims information and any recent trends that may suggest future claims could differ historical amount.

Provision for decommissioning and restoration cost

A provision has been recognised for decommissioning and restoration costs associated with windmills on lease hold land. The Company is committed to restore the site at the end of useful life of windmills.

Provision for long term contract

A provision is made for the expected loss of the projects, where the estimated cost is more than the estimated revenue. Changes in estimated cost and estimated revenue are assessed by the management at the end of reporting period based on the price variation received/ given, change in the scope of project and revision of estimates regarding date of completion, expected costs to be incurred, changes in external circumstances such as applicable tax rates etc.

NOTES TO ACCOUNTS : (CONTD.)

Note 39 : 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.

(Amounts in Million ₹)

Sr. No.	Particulars	Carrying value	
		31 March 2018	31 March 2017
	Levelled at Level 2		
	Financial Asset		
(a)	**Carried at amortised cost**		
	Trade receivable	**3,977.105**	3,515.710
	Security deposits	**1,093.632**	1,087.197
	Advances to subsidiaries and associates	**13.853**	15.340
	Other financial assets	**81.848**	70.973
	Cash and cash equivalent	**582.763**	223.753
	Other bank balances	**24.619**	30.913
	Levelled at Level 3		
	Investments in unquoted equity shares (FVOCI) *	**0.000**	0.000
	Levelled at Level 2		
	Financial Liabilities		
(a)	**Carried at amortised cost**		
	Non-current borrowings	**358.469**	8.587
	Current borrowings at fixed rate of interest	**1,168.980**	1,877.632
	Trade payable	**4,605.789**	4,451.980
	Other current financial liabilities	**819.637**	807.737
	Financial guarantee contracts	**36.531**	39.047

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

Note 40: 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 minimize 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.

NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

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
Market risk- Interest rate risk	Long term borrowings at variable rate	Sensitivity Analysis	Mixed portfolio of fixed and variable interest rate loans
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 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:

(i) Actual or expected significant adverse changes in business,

(ii) Actual or expected significant changes in the operating results of the counterparty,

(iii) Financial or economic conditions that are expected to cause a significant change to counterparty's ability to meet its obligations,

(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.

NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

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 repayment plan with the Company etc. For the security deposits and claims receivable, provision for expected loss is made considering 12 months expected credit loss. Provision for lifetime credit loss is made if there is significant increase in credit risk for such financial assets.

In respect of trade receivable, the Company uses the simplified approach for the provision for expected loss. The lifetime expected loss provision is recognised based on the provision matrix as decided by the management, based on the historical experience of recoverability. The Company categorizes a receivable for provision for doubtful debts/write off when a debtor fails to make contractual payments greater than 1 year past due in case product business and 4 years past due in case of project business. In addition to this Company also provides the expected loss based on the overdue number of days for receivables as per the provision matrix. 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 Expected Credit Losses (ECL) model as per Ind AS 109,

(Amounts in Million ₹)

Exposure to risk	**31 March 2018**	31 March 2017
Trade Receivables	**4,714.310**	4,029.912
Less : Expected Loss	**737.205**	514.202
	3,977.105	3,515.710
Security Deposits	**1,160.162**	1,161.059
Less : Expected Loss	**66.530**	73.862
	1,093.632	1,087.197
Claims Receivable	**54.668**	49.955
Less : Expected Loss	**3.845**	3.845
	50.823	46.110

Trade receivable ageing used in the provision matrix for life time expected credit loss is as -

	31 March 2018	31 March 2017
Trade Receivables		
Neither past due nor impaired	**1,383.200**	1,372.710
Past due but not impaired		
Less than 180 days	**1,078.300**	877.900
181 - 365 days	**320.400**	128.200
More than 365 days	**1,195.205**	1,136.900
Total	**3,977.105**	3,515.710

NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

Reconciliation of loss provision (Amounts in Million ₹)

	Trade Receivables	Others
Loss allowance as at 1 April 2016	437.630	264.970
Changes in loss allowance	76.572	(187.263)
Loss allowance as at 31 March 2017	514.202	77.707
Changes in loss allowance	223.003	(7.332)
Loss allowance as at 31 March 2018	**737.205**	**70.375**

(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 group. 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.

Exposure to risk	**31 March 2018**	31 March 2017
Interest bearing borrowings		
On demand	**1,168.980**	277.632
Less than 180 days	**-**	1,600.000
181 - 365 days		
More than 365 days	**358.469**	8.587
Total	**1,527.449**	1,886.219
Other liabilities		
On demand	**89.070**	82.670
Less than 180 days	**669.864**	720.600
181 - 365 days	**67.184**	12.884
More than 365 days	**30.05**	30.63
Total	**856.168**	846.784
Trade & other payables		
On demand	**2,751.079**	2,089.295
Less than 180 days	**511.485**	953.174
181 - 365 days	**52.354**	50.798
More than 365 days	**1,290.871**	1,358.713
Total	**4,605.789**	4,451.980

NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

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

(Amounts in Million ₹)

	31 March 2018	31 March 2017
Expiring within one year	**3,420.000**	3,537.781
Expiring beyond one year	**-**	-

(C) Market risk - Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to borrowings with floating interest rates. To manage the risk, Company has created balance portfolio of fixed and variable interest rate borrowings.

Change in 0.5%, in the base rates will have effect of INR 8.25 MN on the Company's profitability.

(D) 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 natural hedge between receivables and payables, 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 (MN)		Amount in INR (MN)	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
Trade Receivables	EGP	**0.017**	0.005	**0.063**	0.018
	EUR	**1.095**	1.680	**88.456**	116.366
	GBP	**0.838**	0.940	**77.256**	76.099
	USD	**12.911**	10.200	**841.427**	661.436
Bank Accounts	EGP	**0.409**	0.160	**1.506**	0.566
	EUR	**-**	0.312	**-**	21.644
	GBP	**-**	0.179	**-**	14.454
	USD	**0.471**	2.582	**30.710**	167.407
	VND	**0.281**	0.467	**0.001**	0.001
	XOF	**19.278**	-	**2.313**	-
Other Deposits	EGP	**-**	1.150	**-**	4.080
	USD	**0.025**	0.025	**1.629**	1.621
Amount Due from Employees	EGP	**0.456**	0.082	**1.680**	0.290
	EUR	**0.010**	-	**0.806**	-
	GBP	**0.001**	0.001	**0.136**	0.119
	USD	**0.195**	0.070	**12.702**	4.542

NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

Financial Liabilities	Currency	Amount in Foreign Currency (MN)		Amount in INR (MN)	
		31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
Trade Payables	EGP	**4.063**	4.629	**14.952**	16.513
	EUR	**1.320**	0.649	**106.634**	44.946
	GBP	**0.082**	0.128	**7.542**	10.373
	USD	**3.103**	2.954	**202.209**	191.606
	JPY	**0.026**	0.026	**0.016**	0.015
	VND	**10,879.152**	10,324.145	**29.477**	29.418
	XOF	**91.334**	-	**10.960**	-
Amount Due to Employees	EGP	**0.111**	0.111	**0.408**	0.396

Currency wise net exposure assets (liabilities)

Particulars	Amount in Foreign Currency (MN)		Amount in INR (MN)	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
EGP	(3.291)	**(3.343)**	(12.112)	(11.955)
EUR	(0.215)	**1.344**	(17.372)	93.064
GBP	0.758	**0.992**	69.850	80.299
USD	10.500	**9.923**	682.630	641.779
JPY	(0.026)	**(0.026)**	(0.016)	(0.015)
VND	(10,878.871)	**(10,323.678)**	(29.477)	(29.417)
XOF	(72.056)	**-**	(8.647)	-

Sensitivity Analysis

Currency	Amount in INR (MN)		*Sensitivity %
	2017-18	2016-17	
EGP	**(12.112)**	(11.955)	0.29%
EUR	**(17.372)**	93.064	2.55%
GBP	**69.850**	80.299	5.01%
USD	**682.630**	641.779	7.56%
JPY	**(0.016)**	(0.015)	1.22%
VND	**(29.477)**	(29.417)	7.11%
XOF	**(8.647)**	-	6.29%
Total	**684.856**	773.755	

NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.) (Amounts in Million ₹)

Currency	Impact on Profit (Strengthen)		Impact on profit (Weakening)	
	2017-18	2016-17	**2017-18**	2016-17
EGP	**0.035**	0.035	**(0.035)**	(0.035)
EUR	**0.443**	(2.373)	**(0.443)**	2.373
GBP	**(3.499)**	(4.023)	**3.499**	4.023
USD	**(51.607)**	(48.518)	**51.607**	48.518
VND	**2.096**	2.092	**(2.096)**	(2.092)
XOF	**0.544**	-	**(0.544)**	-
Total	**(51.988)**	(52.787)	**51.988**	52.787

(EGP- Egyptian Pound, GBP - Great Britain Pound, EUR- Euro, SEK- Swedish Krona, USD - US Dollar, VND-Vietnamese Dong, SGD- Singapore Dollar, JPY - Japanese Yen, AED-Arab emirates Dirham, XOF- CFA Franc)

* Sensitivity % are derived based on variation in the exchange rates over the period of last 5 years.

Note 41: Capital management

(a) Risk management

The Company's objectives when managing capital are to :

- safeguard it's 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, change debt mix. 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' plus net debt.

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

Particulars	31 March 2018	31 March 2017
Loans and borrowings (Including current maturities of long term debt)	**1,650.265**	1,894.892
Less: Cash and cash equivalents (Including other bank balances)	**607.382**	254.666
Net debt	**1,042.883**	1,640.226
Equity	**8,955.003**	8,380.134
Equity and net debt	**9,997.886**	10,020.360
Gearing ratio	**10.43%**	16.37%

(b) Dividend

Particulars	31 March 2018	31 March 2017
Equity Shares		
(i) Interim dividend for the year	**Nil**	Nil
(ii) Dividends not recognised at the end of the reporting year	**198.522**	79.409

Since year end the directors have recommended the payment of a final dividend of ₹ 2.50 per fully paid equity share (31 March 2017 - ₹ 1.00). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

NOTES TO ACCOUNTS : (CONTD.)

Note 42 : Disclosure in respect of Micro, small and medium enterprises

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.

(Amounts in Million ₹)

Particulars	**For the year ended 31 March 2018**	For the year ended 31 March 2017
Principal amount due and remaining unpaid	**654.408**	648.965
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	**-**	-

Note 43 : Corporate Social Responsibility expenditures

(a) Amount required to be spent by the Company during the current year is ₹ 7.034 Million (PY - ₹ 6.624 Million)

(b) Amount spent by the Company during the current year is ₹ 7.500 Million (PY - ₹ 7.318 Million)

The Company as per its policy on Corporate Social Responsibility (CSR) and recommendation and approval of the CSR committee has contributed ₹ 7.500 Million towards education through its implementing agency Vikas Charitable Trust in the current financial year. The Company has not spent any amount towards construction or acquisition of asset.

Note 44 : Investment in subsidiaries

During the year, Board has approved additional investment of ₹ 600 Million in its wholly owned subsidiary, Kirloskar Brothers International BV (KBIBV). Out of this, Company has made investment of ₹ 343 Million (Euro 4.5 Million) in December 2017.

NOTES TO ACCOUNTS : (CONTD.)

Note 45: Segment Reporting

Project report comprises of pumps and equipment supply to irrigation, water and power sectors. Product sigment comprises of pumps and equipment supplied to other sectors.

(A) Primary Segments - Business Segments (Amounts in Million ₹)

	Projects	Products	Eliminations	Total
a) **Segment Revenue**				
Sales to External Customers	**4,256.460**	**15,089.167**	**-**	**19,345.627**
	(4,641.077)	(13,589.310)	-	(18,230.387)
Inter Segment Revenue		-	-	-
		-	-	-
Total Segment Revenue	**4,256.460**	**15,089.167**	**-**	**19,345.627**
	(4,641.077)	(13,589.310)	-	(18,230.387)
b) **Segment Result**	**8.920**	**2,510.793**	**-**	**2,519.713**
	(174.861)	(1,774.394)	-	(1,949.255)
Less :				
I) Finance Costs				**252.788**
				(315.090)
II) Unallocable Corporate expenditure (net of other income)				**1,481.620**
				(1,254.980)
Add :				
I) Income from Investments				**138.017**
				(153.704)
Total Profit Before Tax				**923.322**
				(532.889)
Less : Provision for Tax				**365.990**
				264.727
Less : Deferred Tax				**(98.532)**
				(61.808)
Net Profit				**655.864**
				(329.970)
c) **Segment Assets**	**8,640.496**	**6,319.884**		**14,960.380**
	(8,693.950)	(5,705.580)		(14,399.530)
Unallocable Corporate Assets				**5,680.622**
				(5,045.037)
Total				**20,641.002**
				(19,444.567)
d) **Segment Liabilities**	**5,978.927**	**3,522.992**	**-**	**9,501.919**
	(5,386.670)	(3,264.090)		(8,650.760)
Unallocable Corporate Liabilities				**2,184.080**
				(2,413.673)
Total				**11,685.999**
				(11,064.433)
e) **Cost Incurred during the period to acquire Segment Fixed Assets**	**56.434**	**200.061**		**256.495**
	(89.975)	(263.450)		(353.425)
f) **Depreciation / Amortisation/ Impairment**	**77.410**	**274.417**		**351.827**
	(100.989)	(295.699)		(396.688)
g) **Non Cash Expenses other than Depreciation / Amortisation**	**170.706**	**50.712**		**221.418**
	(229.720)	(129.280)		(359.000)

NOTES TO ACCOUNTS : (CONTD.)

Note 45: Segment Reporting

(B) Secondary Segment - Geographic Segments (Amounts in Million ₹)

		Within India	Outside India	Total
a)	**Segment Revenue Geographic Segment by location of customer**	**18,014.627**	**1,331.000**	**19,345.627**
		(16,674.027)	(1,556.360)	(18,230.387)
b)	**Carrying Amount of Segment Assets by location of assets**	**19,103.206**	**1,537.796**	**20,641.002**
		(18,626.857)	(817.710)	(19,444.567)
c)	**Cost Incurred during the period to acquire Segment Fixed Assets**	**256.495**		**256.495**
		(353.425)		(353.425)

The Company do not have single major customer having transactions more than 10% of total revenue of the Company.

Note 46: Specified Bank Notes

Following is the disclosure of "Specified Bank Notes" (SBN) as required by the notification dated 30th March, 2017, issued by the Ministry of Company Affairs for the previous year ended 31st March 2017.

Particulars	SBN's	Other enomination notes	Total
Closing cash in hand as on 8 November 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 December 2016	**-**	**0.818**	**0.818**

Note 47: Others

Previous year's figure have been regrouped, wherever required.

For and on behalf of the Board of Directors

SANJAY KIRLOSKAR
Chairman and Managing Director
DIN: 00007885

S N INAMDAR
Director
DIN: 00025180

SANDEEP PHADNIS
Company Secretary

C M MATE
CFO & Vice President (Finance)

Pune : May 11, 2018

Form No. AOC-1

PART "A": Subsidiaries

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

(Rs in Million)

Sr. 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 and Motors Limited	09-Sep-06	1-Apr-17 to 31-March-18	INR	1.00	139.525	805.614	1,865.266	920.127	0.005	3,363.055	202.067	38.096	163.971	-	India	100.00
2	The Kolhapur Steel Limited	02-Aug-08	1-Apr-17 to 31-March-18	INR	1.00	267.000	(293.179)	267.694	293.874	0.000	456.571	3.116	0.449	2.667	-	India	99.00
3	Kirloskar Corrocoat Private Limited	12-Nov-09	1-Apr-17 to 31-March-18	INR	1.00	50.000	49.702	222.990	123.288	0.000	345.545	22.608	6.421	16.187	-	India	65.00
4	Kirloskar Brothers International B.V.	30-Aug-07	1-Jan-17 to 31-Dec-17	Euro	76.61	469.776	987.990	1,538.385	80.620	1,352.293	60.895	(362.457)	(0.104)	(362.353)	-	The Netherlands	100.00
5	SPP Pumps Limited	15-Feb-10	1-Jan-17 to 31-Dec-17	GBP	86.34	168.368	1,110.913	3,570.791	2,291.510	33.042	4,189.992	(42.757)	(10.029)	(32.728)	-	U K	100.00
6	Kirloskar Brothers(Thailand) Limited	01-Jan-11	1-Jan-17 to 31-Dec-17	Baht	1.96	124.637	(96.782)	545.496	517.640	1.958	651.729	(103.054)	(19.250)	(83.804)	-	Thailand	100.00
7	SPP Pumps (MENA) L.L.C.	13-Sep-11	1-Jan-17 to 31-Dec-17	EGP	3.59	71.781	(187.499)	27.707	143.424	0.000	16.704	(6.728)	(0.038)	(6.689)	-	Egypt	100.00
8	Kirloskar Pompen B.V.	10-Apr-08	1-Jan-17 to 31-Dec-17	Euro	76.61	76.606	288.787	873.386	507.994	0.000	437.434	6.385	(2.226)	4.160	-	The Netherlands	100.00
9	Micawber 784 (Proprietary) Limited	29-Oct-09	1-Jan-17 to 31-Dec-17	Rand	5.17	0.001	34.519	135.703	101.183	0.000	16.143	3.140	0.002	3.138	-	South Africa	100.00
10	Kirloskar Brothers International PTY Limited	03-Dec-13	1-Jan-17 to 31-Dec-17	Rand	5.17	39.418	(26.613)	365.465	352.660	0.001	251.186	(22.132)	0.330	(22.463)	-	South Africa	100.00
11	SPP France S A S	11-Jun-13	1-Jan-17 to 31-Dec-17	Euro	76.61	38.533	(83.729)	73.498	118.695	0.000	133.908	(15.335)	0.000	(15.335)	-	France	100.00
12	SPP Pumps Inc.	17-Jul-15	1-Jan-17 to 31-Dec-17	USD	63.88	247.411	65.583	979.721	666.727	236.996	1,324.695	(24.077)	(28.478)	4.401	-	U S A	100.00
13	SPP Pumps (South Africa) (Proprietary) Limited	24-Oct-14	1-Jan-17 to 31-Dec-17	Rand	5.17	0.869	(93.302)	195.775	288.208	0.000	208.708	(41.469)	6.155	(47.624)	-	South Africa	100.00
14	Braybar Pumps (Proprietory) Limited	13-Oct-14	1-Jan-17 to 31-Dec-17	Rand	5.17	0.001	7.511	135.706	128.194	0.000	136.341	(23.304)	(0.227)	(23.077)	-	South Africa	100.00
15	Rodelta Pumps International B.V.	14-Jul-15	1-Jan-17 to 31-Dec-17	Euro	76.61	1.379	113.818	425.855	310.658	0.000	377.448	(120.010)	(24.304)	(95.706)	-	The Netherlands	100.00
16	Rotaserve B.V.	04-Jan-16	1-Jan-17 to 31-Dec-17	Euro	76.61	1.915	7.478	47.974	38.581	0.000	51.046	11.278	2.258	9.020	-	The Netherlands	100.00
17	SPP Pumps Real Estate LLC		1-Jan-17 to 31-Dec-17	USD	63.88	0.000	95.070	353.912	258.842	0.000	56.898	3.829	0.000	3.829	-	U S A	100.00
18	Syncroflo, Inc.	28-Feb-14	1-Jan-17 to 31-Dec-17	USD	63.88	7.162	132.027	473.821	334.632	0.000	1,198.104	55.369	30.101	25.268	-	U S A	100.00
19	SPP Pumps (Asia) Limited	27-May-16	1-Jan-17 to 31-Dec-17	Baht	1.96	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-	Thailand	100.00
20	SPP Pumps (Singapore) Limited	29-Jun-16	1-Jan-17 to 31-Dec-17	SGD	47.44	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	-	Singapore	100.00

Details of Rotaserve Limited, Kirloskar Brothers International Zambia Limited and Rotaserve Mozambique are not provided as yet to commence operations

Form No. AOC-1

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 (Rs in Million)**
1. Latest audited Balance Sheet Date	31st March 2018
2. Shares of Associate/Joint Ventures held by the company on the year end	
No.	225,000
Amount of Investment in Associates/Joint Venture	2.75
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 extend of 45%
6. Networth attributable to Shareholding as per latest audited Balance Sheet	494.548
7. Profit / Loss for the year	
(i) Considered in Consolidation	34.872
(ii) Not Considered in Consolidation	42.621
8. Total comprehensive income for the year	
(i) Considered in Consolidation	39.873
(ii) Not Considered in Consolidation	48.734
Details of associate KBL Synergy LPP and SPP Neviz are not provided as yet to commence operations.	

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the members of KIRLOSKAR BROTHERS LIMITED

Report on the consolidated Indian Accounting Standards (Ind AS) financial statements

We have audited the accompanying consolidated Ind AS financial statements of Kirloskar Brothers Limited('the holding company') and its subsidiary companies, associate and joint venture(all together are referred to as 'the Group'), which comprise the consolidated balance sheet as at 31 March 2018, the consolidated statement of profit and loss (including consolidated 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 (herein after referred to as 'consolidated Ind AS financial statements').

Management's responsibility for the consolidated Ind AS financial statements

The holding 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 consolidated Ind AS financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance (including consolidated other comprehensive income), consolidated cash flows and consolidated changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Ind AS prescribed under section 133 of the Act read with relevant rules issued thereunder.

The respective board of directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; 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 consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the holding company, as aforesaid.

The respective board of directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 thereunder.

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act. 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 sub-paragraph 1 and 2 of the 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 and based on the consideration of reports of the other auditors on standalone / consolidated financial statements of the subsidiary companies and joint venture referred to in sub-paragraph 1 and 2 of the other matters paragraph below, 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 consolidated financial position of the Company as at 31 March 2018, and its consolidated financial performance (including consolidated other comprehensive income), its consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Other matters

1. We did not audit the Ind AS financial statements of three domestic subsidiaries included in the consolidated Ind AS financial statements of the Group, whose Ind AS financial statements reflect total assets of Rs. 2,368 Million and net assets of Rs. 1,018 Million as at 31 March 2018; as well as the total revenue of Rs. 4,165 Million and net cash inflow amounting to Rs.3 Million for the year then ended. The consolidated Ind AS financial statements also include the Group's share of profit of Rs.35 Million for the year ended 31 March 2018, as considered in the consolidated Ind AS financial statements, in respect of joint venture and associate, whose financial statements have not been audited by us.

   These Ind AS financial statements have been audited by other auditors whose audit reports have been furnished to us, and our opinion on the accompanying consolidated Ind AS financial statement, to the extent they have been derived from such Ind AS financial statements is based solely on the report of such auditors.

2. We did not audit the consolidated Ind AS financial statements of one foreign subsidiary, included in the consolidated Ind AS financial statements of the Group, whose consolidated Ind AS financial statements reflect total assets of Rs. 6,538 Million and net assets of Rs. 1,735 Million as at 31 December 2017; as well as the total revenue of Rs. 8,283 Million and net cash outflow amounting to Rs. 240 Million for the year then ended.

   These consolidated Ind AS financial statements have been audited by other auditor whose audit report has been furnished to us, and our opinion on the accompanying consolidated Ind AS financial statement, to the extent they have been derived from such consolidated Ind AS financial statements is based solely on the report of such auditor.

Consolidated Ind AS financial statements as mentioned in above paragraph contains nineteen step-down foreign subsidiaries and one joint venture. These step-down subsidiaries and joint venture are located outside India and their standalone/consolidated financial statements have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by local auditors under generally accepted auditing standards applicable in their respective countries. The holding company's management has converted the financial statements of these step-down subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. These conversion adjustments made by the holding company's management have been audited by other auditor and has issued audit report on which we have placed our reliance.

Out of the above nineteen step-down subsidiaries, three step-down subsidiaries are non-operative, and their financial information of total assets as at 31st March 2018, total revenue and net cashflow for the year ended on that date are not material. This financial information is unaudited and the same is provided by the management in whose opinion these step-down subsidiaries are not material to the group. 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 step-down subsidiaries, is based solely on such unaudited financial statements/information.

3. The Consolidated Ind AS financial statements of the Group for the year ended 31 March 2017, were audited by predecessor auditor whose report dated 17 May 2017 expressed an unmodified opinion on those statements.

   Our opinion is not qualified in respect of these other matters.

Report on other legal and regulatory requirements

As required by section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;

c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated cash flow statement and consolidated statement of changes in equity dealt with by this report are in agreement with the books of account maintained for the purpose of preparation of consolidated Ind AS financial statements;

d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act, read with Companies (Accounts) Rules, 2014 and Companies (Indian Accounting Standards) Rules, 2015 (as amended);

e) On the basis of the written representations received from the directors of the holding company as on 31 March 2018 taken on record by the Board of Directors of the holding company and the reports of the statutory auditors of its subsidiary companies and joint venture, all incorporated in India, none of the directors of the subsidiary companies and joint venture,all incorporated in India are disqualified 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 A'; and

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

   i. the consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group,its associate and joint venture; refer note 28 to the consolidated Ind AS financial statements.

   ii. the Group Companies have made provision in the consolidated Ind AS financial statements, as required under the applicable law or Indian accounting standards, for material foreseeable loses, if any, on long term contracts; refer note 38 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 and joint venture, all incorporated in India.

For **Sharp & Tannan Associates,**
Chartered Accountants
Firm's Registration No.: 109983W

Tirtharaj Khot
Partner
Membership No.: 037457

Pune: 11th May 2018

Annexure A to the Independent Auditor's Report

Referred to in paragraph (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 holding company'), its subsidiary companies and joint venture, all incorporated in India,as of 31 March 2018 in conjunction with our audit of the consolidated Ind AS financial statements of the Group as of and for the year ended on that date.

Management's responsibility for internal financial controls

The respective board of directors of the holding company and its subsidiary companies and joint venture, all incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') 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 Act.

Auditor's responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the holding company, its subsidiary companies and joint venture, all incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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 controls based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, and audit evidence obtained by the other auditors of the subsidiary companies and joint venture, all incorporated in India, in terms of their reports referred to in the other matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the holding company, its subsidiary companies and joint venture, all incorporated in India.

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 and to the best of our information and according to the explanations given to us and based on consideration of reports of other auditors referred to in other matters paragraph below, the holding company, its subsidiary companies and joint venture,all incorporated in India have, 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 March 2018, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matters

Our aforesaid report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to 3 subsidiary companies and a joint venture,all incorporated in India, is solely based on corresponding reports of the auditors of such companies incorporated in India.

Our opinion is not modified in respect of the above matters.

For **Sharp & Tannan Associates,**
Chartered Accountants
Firm's Registration No.: 109983W

Tirtharaj Khot
Partner
Membership No.: 037457

Pune: 11th May 2018

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2018

(Amounts in Million ₹)

Particulars	Notes	31 March 2018	31 March 2017
ASSETS			
Non-current assets			
Property, Plant and Equipment	3	**4,264.188**	4,430.258
Capital work-in-progress		**130.693**	39.384
Investment Property	4	**25.406**	25.512
Goodwill	3	**176.202**	176.866
Other Intangible assets	3	**142.614**	170.776
Investments accounted using equity method	5	**494.553**	456.033
Financial Assets			
Investments	5	**0.005**	0.005
Trade receivables	6	**159.255**	115.997
Loans	7	**157.658**	194.026
Others	8	**67.643**	42.958
Deferred tax assets (net)	19	**347.834**	234.149
Other non-current assets	9	**1,404.094**	2,622.789
Total non-current assets		**7,370.145**	8,508.753
Current assets			
Inventories	10	**5,202.293**	4,306.612
Financial Assets			
Trade receivables	6	**5,427.170**	5,315.771
Cash and cash equivalents	11 A	**769.974**	634.054
Other bank balances	11 B	**145.020**	96.567
Loans	7	**970.716**	921.954
Others	8	**70.248**	29.905
Current Tax Assets (net)	19	**72.434**	81.177
Other current assets	9	**5,517.810**	4,614.179
Total current assets		**18,175.665**	16,000.219
TOTAL ASSETS		**25,545.810**	24,508.972
EQUITY AND LIABILITIES			
Equity			
Equity share capital	12	**158.818**	158.818
Other equity	13	**9,266.025**	8,821.926
Equity attributable to owners of parents		**9,424.843**	8,980.744
Non-controlling interest		**34.828**	29.002
Total equity		**9,459.671**	9,009.746
LIABILITIES			
Non-current liabilities			
Financial Liabilities			
Borrowings	14	**820.617**	501.874
Trade payables	15	**185.826**	312.281
Provisions	17	**231.172**	212.979
Other non-current liabilities	18	**322.923**	672.600
Total non-current liabilities		**1,560.538**	1,699.734
Current liabilities			
Financial Liabilities			
Borrowings	14	**2,482.655**	3,050.279
Trade payables			
- Micro, small and medium enterprises	15	**671.938**	657.984
- Others	15	**5,073.454**	4,839.452
Other financial liabilities	16	**1,614.512**	1,900.861
Other current liabilities	18	**4,159.983**	2,868.710
Provisions	17	**523.059**	482.206
Total current liabilities		**14,525.601**	13,799.492
Total liabilities		**16,086.139**	15,499.226
TOTAL EQUITY AND LIABILITIES		**25,545.810**	24,508.972

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 **SHARP & TANNAN ASSOCIATES**
Chartered Accountants
(ICAI Firm Regn. No. 109983W)

SANJAY KIRLOSKAR
Chairman and Managing Director
DIN: 00007885

S. N. INAMDAR
Director
DIN: 00025180

TIRTHARAJ KHOT
Partner
Membership No: (F) - 037457

SANDEEP PHADNIS
Company Secretary

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

Pune : May 11, 2018

Pune : May 11, 2018

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

(Amounts in Million ₹)

Particulars	Notes	Year ended 31 March 2018	Year ended 31 March 2017
Revenue from operations	20	**27,754.296**	26,568.171
Other income	21	**219.073**	306.249
Total Income		**27,973.369**	26,874.420
Expenses			
Cost of materials consumed	22	**13,344.571**	11,751.069
Purchases of stock-in-trade		**1,659.155**	1,537.167
Changes in inventories of finished goods, stock-in -trade and work-in-progress	22	**(390.466)**	(355.093)
Employee benefits expense	23	**4,777.847**	4,686.030
Finance costs	24	**399.202**	445.295
Depreciation and amortization expense	25	**585.879**	649.429
Other expenses	26	**6,864.257**	7,996.394
Total expenses		**27,240.445**	26,710.291
Profit/(loss)before exceptional items and tax		**732.924**	164.129
Exceptional items		**-**	-
Profit before tax		**732.924**	164.129
Tax expenses	19		
Current tax		**439.694**	209.465
Deferred tax		**(171.657)**	(124.413)
Short provision of earlier years		**(0.100)**	96.664
Total Tax expenses		**267.937**	181.716
Profit after tax but before share in profit of joint venture company for the year		**464.987**	(17.587)
Share in profit of joint venture company		**34.872**	53.293
Profit for the year		**499.859**	35.706
Attributable to			
Non-controlling interest		**5.672**	(2.555)
Equity holder's of parent		**494.187**	38.261
Other Comprehensive Income	27		
Items that will not be reclassified to profit or loss		**20.448**	(18.635)
Income tax relating to items that will not be reclassified to profit or loss		**(6.727)**	7.078
Share in other comprehensive income of joint venture company		**5.001**	(0.370)
Items that will be reclassified to profit or loss			
Foreign currency translation balance		**27.148**	(135.720)
Foreign exchange loss of subsidiary company		**-**	(124.078)
Other Comprehensive Income		**45.870**	(271.725)
Total Comprehensive Income for the year (Comprising Profit and Other Comprehensive Income for the year)		**545.729**	(236.019)
Attributable to			
Non-controlling interest		**5.827**	(2.535)
Equity holder's of parent		**539.902**	(233.484)
Earnings per equity share	32		
Basic		**6.22**	0.48
Diluted		**6.22**	0.48

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 **SHARP & TANNAN ASSOCIATES**
Chartered Accountants
(ICAI Firm Regn. No. 109983W)

SANJAY KIRLOSKAR
Chairman and Managing Director
DIN: 00007885

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Director
DIN: 00025180

TIRTHARAJ KHOT
Partner
Membership No: (F) - 037457

SANDEEP PHADNIS
Company Secretary

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

Pune : May 11, 2018

Pune : May 11, 2018

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

(Amounts in Million ₹)

Particulars	**Year ended 31 March 2018**	Year ended 31 March 2017
Cash flows from Operating Activities		
Net Profit before taxation and extraordinary items	**732.924**	164.129
Adjustments for :-		
Depreciation / Amortization	**585.879**	649.429
(Profit)/ Loss on sale of Fixed Assets	**5.398**	(2.253)
Diminution in value of assets held for disposal	**-**	0.001
Bad debts written off	**10.274**	34.653
Advances, deposits and claims written off	**4.273**	52.062
Liquidated damages	**60.649**	148.467
Provision for loss on long term contracts	**50.490**	-
Provision for doubtful debts, advances and claims	**209.076**	340.231
Interest Income	**(45.030)**	(117.537)
Dividend Income	**(0.000)**	-
Interest Expenses	**272.186**	346.670
Excess provision written back	**(3.026)**	-
Unrealized exchange (gain)/ Loss - Others	**(189.672)**	18.256
Profit on sale of mutual funds	**(12.777)**	-
Operating Profit Before Working capital changes	**1,680.644**	1,634.108
Adjustments for :-		
(Increase)/ decrease in inventories	**(901.898)**	(842.607)
(Increase)/ decrease in trade receivables	**(1,648.251)**	(797.474)
(Increase)/ decrease in financial assets	**(77.398)**	(8.055)
(Increase)/ decrease in non-financial assets	**319.126**	63.540
Increase/ (decrease) in trade payable	**973.772**	569.059
Increase/ (decrease) in financial liabilities	**56.628**	379.551
Increase/ (decrease) in non-financial liabilities	**773.579**	(67.436)
Increase/ (decrease) in provisions	**55.845**	20.957
Cash Generated from Operations	**1,232.047**	951.643
Income Tax (Paid) / Refunded	**(136.266)**	52.086
Net Cash from Operating Activities	**1,095.781**	1,003.729
Cash flows from Investing Activities		
Purchase of Fixed Assets	**(518.836)**	(444.947)
Sale of Fixed Assets	**(1.013)**	5.909
Investment in subsidiaries and associates	**1.354**	(0.356)
Purchase of Mutual funds	**(4,130.347)**	-
Sale of Mutual funds	**4,143.122**	-
Interest Received	**53.466**	107.504
Dividend Received	**0.000**	-
Net Cash from Investment Activities	**(452.254)**	(331.890)
Cash Flows from Financing Activities		
Proceeds from borrowing	**1,992.630**	2,417.801
Repayment of borrowings	**(2,133.043)**	(2,647.096)
Interest Paid	**(278.061)**	(343.880)
Dividend and tax on dividend paid	**(102.921)**	(6.250)
Net Cash used in Financing Activities	**(521.395)**	(579.425)
Unrealized Exchange Gain / (Loss) in cash and cash equivalents	**13.788**	(14.680)
Net Increase in Cash and Cash Equivalents	**122.132**	92.414
Cash & Cash Equivalents at beginning of year	**634.054**	556.320
Cash & Cash Equivalents at end of year (refer note 9)	**769.974**	634.054

Notes :- 1. Previous year's figures are regrouped wherever necessary to make them comparable with the Current Year.
2. Cash flow is prepared using the indirect method.
3. There are no reconciliation items in relation to financing activities for which disclosure is required as per Ind AS 7.
4. Refer note 43 for cash outflow on account of corporate social responsibility.

As per our report of even date attached

For and on behalf of the Board of Directors

For **SHARP & TANNAN ASSOCIATES**
Chartered Accountants
(ICAI Firm Regn. No. 109983W)

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Company Secretary

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

Pune : May 11, 2018

Pune : May 11, 2018

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

A. Equity Share Capital

(Amounts in Million ₹)

Balance as at 1 April 2016	Changes in equity share capital during the year	Balance as at 31 March 2017
158.818	-	158.818

Balance as at 31 March 2017	Changes in equity share capital during the year	**Balance as at 31 March 2018**
158.818	-	**158.818**

B. Other Equity

	Reserves And Surplus						Total Reserves and Surplus	Non-Controlling Interest	Total
	Capital Reserve	Capital Redemption Reserve	Securities Premium Reserve	General Reserve	Foreign Currency Translation Reserve	Retained Earnings			
Balance as at 1 April 2016	5.237	9.237	414.605	6,329.984	234.379	2,071.634	9,065.076	21.863	9,086.939
Profit for the year						38.261	38.261	(2.555)	35.706
Other comprehensive income					(135.720)	(136.026)	(271.746)	0.021	(271.725)
Dividends and tax on that							-		-
Changes in Non-controlling interest			0.095	0.480		(10.240)	(9.665)	9.673	0.008
Balance as at 31 March 2017	5.237	9.237	414.700	6,330.464	98.659	1,963.629	8,821.926	29.002	8,850.928
Profit for the year						494.187	494.187	5.672	499.859
Other comprehensive income					27.148	18.568	45.716	0.154	45.870
Dividends and tax on that						(95.804)	(95.804)		(95.804)
Transfer to retained earnings							-	-	-
Balance as at 31 March 2018	**5.237**	**9.237**	**414.700**	**6,330.464**	**125.807**	**2,380.580**	**9,266.025**	**34.828**	**9,300.853**

As per our report of even date attached

For **SHARP & TANNAN ASSOCIATES**
Chartered Accountants
(ICAI Firm Regn. No. 109983W)

For and on behalf of the Board of Directors

SANJAY KIRLOSKAR
Chairman and Managing Director
DIN: 00007885

S. N. INAMDAR
Director
DIN: 00025180

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Partner
Membership No: (F) - 037457

SANDEEP PHADNIS
Company Secretary

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

Pune : May 11, 2018

Pune : May 11, 2018

CONSOLIDATED NOTES TO ACCOUNTS :

Significant accounting policies

Notes to the consolidated financial statements for the year ended 31 March 2018 (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.

The financial statements have been prepared on accrual and going concern basis.

The financial statements were authorized for issue by the Board of Directors on 11 May 2018.

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 unrealized 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, and proportion of ownership interest considered in the consolidated financial statements are:

Name of the Company	Country of Incorporation	Proportion of ownership Interest of KBL
Karad Projects and Motors Limited	India	100.%
The Kolhapur Steel Limited	India	99.78%
Kirloskar Corrocoat Private Limited	India	65%
Kirloskar Brothers International B.V.	The Netherlands	100%
SPP Pumps Limited	United Kingdom	100%
Kirloskar Brothers(Thailand) Limited	Thailand	100%
SPP Pumps (MENA) L.L.C.	Egypt	100%

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

Name of the Company	Country of Incorporation	Proportion of ownership Interest of KBL
Kirloskar Pompen B.V.	The Netherlands	100%
Micawber 784 (Proprietary) Limited	South Africa	100%
Kirloskar Brothers International PTY Limited	South Africa	100%
SPP France S A S	France	100%
SPP Pumps Inc.	USA	100%
SPP Pumps (South Africa) (Proprietary) Limited	South Africa	100%
Braybar Pumps (Proprietary) Limited	South Africa	100%
Rodelta Pumps International B.V.	The Netherlands	100%
Rotaserve B.V.	The Netherlands	100%
SPP Pumps Real Estate LLC	USA	100%
Syncroflo Inc.	USA	100%
SPP Pumps (Asia) Limited	Thailand	100%
SPP Pumps (Singapore) Limited	Singapore	100%
Rotaserve Limited	United Kingdom	100%
Kirloskar Brothers International Zambia Limited	Zambia	100%
Rotaserve Mozambique	South Africa	100%

Reporting date for Indian subsidiaries and joint venture is 31 March and that to for foreign subsidiaries is 31 December, which is as per the local laws in the respective countries of incorporation.

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.

ii) 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.

iii) 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 when the control is lost. Any resulting gain or loss is recognised in profit or loss.

iv) 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.

Company has been accounted 'Investment in Associate and joint venture' under the equity method as per Ind AS 28, 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 associates/ Joint Venture.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

The excess of cost to the Company of its investment in the joint venture/ associates entity is set off against the adjusted carrying amount of the investment. Distributions received from the joint venture/ associates 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.

Unrealized profits and losses resulting from transactions between the joint venture / associates and the Company are eliminated to the extent of Company's interest in the joint venture/associates.

v) 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
Defined benefit plan – plan assets	Fair value

2.4 Current or non-current classification

All assets and liabilities have been classified as current or non-current as per the group's normal operating cycle and other criteria as set out in the Division II of Schedule III to the Companies Act, 2013.

Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities for product business. In case of project business, operating cycle is dependent on life of specific project/ contract/ service, hence current non-current bifurcation relating to project is based on expected completion date of project which generally exceeds 12 months.

2.5 Functional and presentation currency

Functional currency of KBL, KPML, TKSL and KCPL is Indian currency. The functional currency of other foreign subsidiaries is their respective local currency. These financial statements are presented in Indian Rupees (INR);all financial information is presented in INR rounded to the nearest Millions, except share and per share data, unless otherwise stated.

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

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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. (Refer note – 34)
- 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. (Refer note 38)
- 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.
- Impairment of receivables - The impairment provisions for financial receivables disclosed are based on assumptions about risk of default and expected loss rates. (Refer note 40)
- Decommissioning liability – Initial estimate of dismantling and restoration liability requires significant judgement about cost inflation index and other factors. (Refer note 38)
- Provision for warranty claims – Provision is recognised based on the key assumptions about likelihood and magnitude of an outflow of resources. (Refer note 38)
- Estimation of provision for loss on long term contract –The provision is recognised when the estimated cost exceeds the estimated revenue for constructions contracts as per Ind AS 11. (Refer note 38)

2.7 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 conditions 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, 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.
- 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

2.8 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.

2.9 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 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 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.

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 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.

The residual values, useful lives and method of depreciation of property, plant and equipment is reviewed at each financial year end and adjusted prospectively, if appropriate. Depreciation on additions to/deductions from, owned assets is calculated pro rata to the period of use. Further, extra shift depreciation is provided wherever applicable. Depreciation charge for impaired assets

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

if any is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

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 somecases 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.

2.10 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.The estimated useful life and residual values are reviewed at each financial year end and the effect of any change in the estimates of useful life/ residual value is accounted on prospective basis.

Investment property in the form of land is not depreciated. Investment properties in the form of building are stated at cost less accumulated depreciation on straight line basis, calculated as per provisions of Schedule II to Companies Act, 2013.

Investment properties are derecognised either when they have been disposed of 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.

2.11 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 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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.The method of amortisation and useful life is reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis.

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.

2.12 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.

2.13 Revenue recognition

Revenue is recognised, when all of the following conditions are met.

- Transfer of significant risk and rewards of ownership to buyer
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the good sold.
- The revenue can be reliably measured
- It is probable that the economic benefits will flow to the group
- The costs incurred or to be incurred can be measured reliably.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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 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.

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 group 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.

For contracts where progress billing exceeds the aggregate of contract costs incurred to-date and recognised profits (or recognised losses, as the case may be), the surplus is shown as the amount due to customers.

For contracts where the agregate of contract cost incurred to date and recognised profits (or regocnised losses, as the case may be) exceeds progress billing, the deficit is shown as the amount due from customers.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

Amounts received before the related work is performed are disclosed in the Balance Sheet as a liability towards advance received. Amounts billed for work performed but yet to be paid by the customer are disclosed in the Balance Sheet as trade receivables.

The amount of retention money held by the customers is disclosed as part of other current assets and is reclassified as trade receivables when it becomes due for payment.

2.14 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 are recognised in the statement of profit and loss on the date that the Group's right to receive payment is established

2.15 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 end of 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.

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.

2.16 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

Post-employment benefits

Defined contribution plans

The Group's superannuation scheme, state governed provident fund schemes and employee state insurance scheme are defined contribution plans. The Group 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 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 trusts in respect of above mentioned PF schemes.

Other long term employee benefits

Compensated absences liabilities means, 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

2.17 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 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 base 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 utilized. Unrecognized 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.

2.18 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 dilutionin the computation of diluted earnings per share.

2.19 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

A provision 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.

2.20 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

- **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.

2.21 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 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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.

2.22 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 categorization (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 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.

2.23 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

Subsequent measurement

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

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- Equity instruments measured at fair value through other comprehensive income (FVTOCI)

Financial assets are subsequently measured at amortised cost if,

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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:

- Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- Financial assets that are debt instruments and are measured as at FVTOCI
- Lease receivables
- 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
- Loan commitments which are not measured as at FVTPL
- Financial guarantee contracts which are not measured as at FVTPL

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

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

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

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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 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.

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.

2.24 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Significant accounting policies (Contd.)

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).

2.25 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 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.

2.26 Recent accounting pronouncement

Standards issued but not yet effective

Ind AS 115 -

Ind AS 115 is effective for annual periods beginning on or after 1 April 2018. Ind AS 115 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry (with limited exceptions). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligation; changes in contract asset and contract liability balances between periods and key judgments and estimates. The standard permits the use of either the retrospective or cumulative effect transition method. The group is currently evaluating the requirements of Ind AS 115 and its impact on the financial statements.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 3: Property, Plant and Equipment and Intangible Assets

(Amounts in Million ₹)

	Property, Plant and Equipment									Goodwill	Intangible Assets		
	Land Free Hold	Land Lease Hold	Buildings	Plant & Equipment	Furniture & Fixtures	Office Equipment	Vehicles	Railway Siding	Total		Computer Software	Other Intangible Assets*	Total
Gross Block													
As at 1 April 2016	548.714	83.131	2,529.771	5,402.027	577.040	26.872	84.612	1.736	9,253.903	176.453	240.277	176.008	416.285
Additions	16.134	-	26.204	378.337	20.551	2.220	28.827	-	472.273		37.910	9.684	47.594
Acquired through business combinations *	-	-	-	25.876	0.026	-	-	-	25.902	-	0.471	-	0.471
Disposals	-	-	-	53.194	0.010	-	4.458	0.012	57.674		31.484	-	31.484
Exchange difference	41.587	-	(90.745)	(141.205)	(12.387)	-	1.218	-	(201.532)	0.413	2.158	0.909	3.067
As at 31 March 2017	606.435	83.131	2,465.230	5,560.089	585.168	29.092	110.199	1.724	9,441.068	176.866	248.390	186.601	434.991
Additions	-	-	12.039	329.271	28.530	3.643	0.284	0.012	373.779		31.995	0.564	32.559
Acquired through business combinations *	-	-	-	-	-	-	-	-	-		-	-	-
Disposals	-	-	3.492	58.289	3.662	-	1.054	-	66.497		-	-	-
Exchange difference	10.252	-	(17.221)	4.080	19.505	(0.078)	0.859	-	17.397	(0.664)	0.792	2.709	3.501
As at 31 March 2018	**616.687**	**83.131**	**2,456.556**	**5,835.151**	**629.541**	**32.657**	**110.288**	**1.736**	**9,765.747**	**176.202**	**281.177**	**189.874**	**471.051**
Depreciation/ Amortisation													
As at 1 April 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
Acquired through business combinations *	-	-	-	25.876	0.026	-	-	-	25.902		0.471	-	0.471
Depreciation on disposal	-	-	-	52.441	0.009	-	3.026	0.010	55.486		31.484	-	31.484
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	3,952.250	461.130	11.690	63.718	1.604	5,010.810	-	182.874	81.341	264.215
Charge for the year	-	1.087	65.092	417.695	24.657	4.222	10.945	0.013	523.711		36.622	25.439	62.061
Acquired through business combinations *	-	-	-	-	-	-	-	-	-		-	-	-
Depreciation on disposal	-	-	0.540	50.420	3.564	-	0.662	-	55.186		0.071	-	0.071
Exchange difference	-	(0.000)	1.545	(5.869)	25.872	3.817	(3.141)	-	22.224		0.764	1.468	2.232
As at 31 March 2018	**-**	**4.868**	**582.734**	**4,313.656**	**508.095**	**19.729**	**70.860**	**1.617**	**5,501.559**	**-**	**220.189**	**108.248**	**328.437**
Net block													
As at 1 April 2016	**548.714**	**80.437**	**2,062.017**	**1,751.695**	**157.640**	**18.958**	**28.650**	**0.135**	**4,648.246**	**176.453**	**51.448**	**128.954**	**180.402**
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	176.866	65.516	105.260	170.776
As at 31 March 2018	**616.687**	**78.263**	**1,873.822**	**1,521.495**	**121.446**	**12.928**	**39.428**	**0.119**	**4,264.188**	**176.202**	**60.988**	**81.626**	**142.614**

Notes:
1) Plants and machines acquired out of proceeds of term loan, are pledged as security against the loan.
2) No additional provision made for impairment loss during the year.
3) Refer note no 29 for estimated amount of contract remaining to be executed on capital account.
* Other intangible assets includes sales tax deferral rights, trade marks, patents and licenses.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 4 : Investment Property

(Amounts in Million ₹)

Particulars	Investment property
Gross Block	
As at 1 April 2016	25.724
Additions	-
Disposals	-
As at 31 March 2017	25.724
Additions	-
Disposals	-
As at 31 March 2018	**25.724**
Depreciation and Impairment	
As at 1 April 2016	0.106
Charge for the year	0.106
Depreciation on disposals	-
As at 31 March 2017	0.212
Charge for the year	0.106
Depreciation on disposals	-
As at 31 March 2018	**0.318**
Net block	
As at 1 April 2016	25.618
As at 31 March 2017	25.512
As at 31 March 2018	**25.406**

Information regarding income and expenditure of investment property

Particulars	**Year ended 31 March 2018**	Year ended 31 March 2017
Rental Income derived from investment property	**0.17**	0.22
Less: Direct operating expenses *	**-**	-
Profit arising from investment properties before depreciation and indirect expenses	**0.17**	0.22
Less - Depreciation	**0.11**	0.11
Profit arising from investment properties after depreciation and indirect expenses	**0.07**	0.11

* Considering the materiality, operating expenses are not apportioned to investment property.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Fair Value Table

(Amounts in Million ₹)

Particulars	Investment property
Opening balance as at 1 April 2016	154.445
Fair value difference	33.236
Purchases	-
Closing balance as at 31 March 2017	187.681
Fair value difference	-
Purchases/transfer from property, plant and equipment	-
Closing balance as at 31 March 2018	**187.681**

The group obtains independent valuations for its investments properties. The valuation model considers current prices in active market, discounted cash-flow projections based on reliable estimates of future cash-flows.

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.

Note 5 : Financial assets: Investments

	Particulars	31 March 2018	31 March 2017
I	Long term investments - at cost		
	(a) Investment in Equity instruments	**494.553**	456.033
	(b) Capital contribution in Partnership Firm	**0.005**	0.005
	Total	**494.558**	456.038

	Particulars	31 March 2018	31 March 2017
	Aggregate amount of quoted investments	-	-
	Aggregate amount of unquoted investments	**494.558**	456.038

Sr. No.	Particulars	Face Value	Partly Paid / Fully paid	Extent of holding (%)		No. of Shares / Units		Amount in Rupees	
				31 March 2018	31 March 2017	**31 March 2018**	31 March 2017	**31 March 2018**	31 March 2017
1	**Investments at fair value through other comprehensive income**								
a	Kirloskar Proprietary Limited	INR 100	Fully Paid	**-**	-	**512**	512	**0.005**	0.005
2	**Investment accounted using equity method**								
a	Kirloskar Ebara Pumps Limited	INR 10	Fully Paid	**45%**	45%	**225,000**	225,000	**494.548**	456.028
b	KBL Synerge LLP*	N A	N A	**50%**	50%		-	**0.005**	0.005
c	SPP Neziv Pump Solution Proprietary Limited	Rand 1	Fully Paid	**49%**	-	**49**	-	**0.000**	-
	Total Investments accounted using equity method							**494.558**	**456.038**

All joint ventures and associate companies are incorporated and have place of business as India except, the SPP Neviz Pump Solution Propritary Limited, which is joint venture of step down subsidiary Kirloskar Brothers International PTY Ltd, incorporated and has place of business as South Africa.

** KBL Synerge LLP a limited liability partnership was formed in year 2017 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 5 : Financial assets: Investments (Contd.) (Amounts in Million ₹)

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

Note 6 : Financial Assets: Trade receivables

Particulars	31 March 2018	31 March 2017
Non-current		
Unsecured, considered good	**159.255**	115.997
Doubtful	**737.205**	514.202
	896.460	630.199
Less: Provision for doubtful receivables	**737.205**	514.202
	159.255	115.997
Current		
Unsecured, considered good	**5,427.170**	5,315.771
Doubtful	**157.184**	142.145
	5,584.354	5,457.916
Less: Provision for doubtful receivables	**157.184**	142.145
	5,427.170	5,315.771
Total trade receivables	**5,586.425**	5,431.768

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

Note 7 : Financial assets: Loans

Particulars	31 March 2018	31 March 2017
Non-current		
(a) **Security deposits**		
Unsecured, considered good	**157.658**	194.026
Doubtful	**66.530**	73.862
	224.188	267.888
Less: Provision for doubtful deposits	**66.530**	73.862
	157.658	194.026
Current		
(a) **Security deposits**		
Unsecured, considered good	**970.716**	921.954
	970.716	921.954
Total loans	**1,128.374**	1,115.980

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 8 : Financial assets: Others

(Amounts in Million ₹)

Particulars		31 March 2018	31 March 2017
Non-current			
(a)	**Claims receivable**		
	Unsecured, considered good	**32.429**	17.778
	Doubtful	**3.845**	3.845
		36.274	21.623
	Less: Provision for doubtful claims	**3.845**	3.845
		32.429	17.778
(b)	**Fixed deposits with the original maturity of more than 12** months	**35.214**	25.180
		67.643	42.958
Current			
(a)	**Claims receivable**		
	Unsecured, considered good	**20.273**	28.422
(b)	**Interest accrued**	**0.410**	0.226
(c)	**Forward contract asset**	**49.565**	-
(d)	**Other advances**	**-**	1.257
		70.248	29.905
Total other financial asset		**137.891**	72.863

Note 9 : Other assets

Particulars		31 March 2018	31 March 2017
Non-current			
(a)	**Capital advances**	**13.118**	20.691
(b)	**Advances to supplier and others**		
	Unsecured, considered good	**77.214**	236.199
	Doubtful	**68.687**	197.836
		145.901	434.035
	Less: Provision for doubtful advances	**68.687**	197.836
		77.214	236.199
(c)	**Prepaid expenses**	**4.608**	8.868
(d)	**Gross amount due from customer**	**35.934**	161.747
(e)	**Retention**	**485.742**	1,191.689
(f)	**Advance income tax (net of provision)**	**787.316**	1,003.595
(g)	**Claims receivable**	**0.162**	-
		1,404.094	2,622.789
Current			
(a)	**Advances to supplier and others**		
	Unsecured, considered good	**465.052**	592.976
(b)	**Prepaid expenses**	**308.192**	186.865
(c)	**Gross amount due from customer**	**589.002**	112.744
(d)	**Retention**	**2,687.047**	2,419.693
(e)	**Claims receivable**	**1,468.517**	1,301.901
		5,517.810	4,614.179
Total other assets		**6,921.904**	7,236.968

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 10 : Inventories

(Amounts in Million ₹)

Particulars	31 March 2018	31 March 2017
(a) Raw Materials *	**1,885.091**	1,339.236
(b) Work-in-progress	**1,636.251**	1,604.801
(c) Finished goods	**1,335.571**	981.049
(d) Stock-in-trade **	**235.425**	230.931
(e) Stores and spares (Mode of valuation refer note 2.7)	**109.955**	150.595
	5,202.293	4,306.612

* Include goods in transit - Rs 34.190 MN (2017 : Rs.18.762 MN)

** Include goods in transit - Nil (2017: Rs 10.410 MN)

Amounts recognised in profit or loss

Write-down of inventories to net realizable value/ any loss due to it's obsolete nature (net of reversal) amounted to ₹ 58.789 MN (31 March 2017: ₹ 41.776 MN) These were recognised as an expenses during the year.

Note 11 A : Cash and cash equivalents

Particulars	31 March 2018	31 March 2017
(a) **Balances with bank**		
In current and EEFC accounts	**438.041**	632.531
Other bank deposit	**325.633**	-
(b) **Cash on hand**	**6.300**	1.523
	769.974	634.054

Note 11 B : Other bank balances

Particulars	31 March 2018	31 March 2017
(a) **Earmarked balances with bank**		
Unpaid dividend accounts	**24.178**	31.505
(b) **Other deposits**	**112.305**	56.512
(c) **Margin money**	**8.537**	8.550
	145.020	96.567

Note 12: Equity share capital

Particulars	31 March 2018	31 March 2017
Authorised		
250,000,000 (250,000,000) equity shares of ₹ 2/- each (₹ 2/-) each	**500.000**	500.000
Issued, subscribed & fully paid up		
79,408,926 (79,408,926) equity shares of ₹ 2/- each (₹ 2/-) each	**158.818**	158.818
	158.818	158.818

(a) Terms/rights attached to equity shares

The company has only one class of equity shares, having par value of ₹ 2/- per share. Each holder of equity share is entitled to one vote per share and has a right to receive dividend as recommended by the board of directors subject to the necessary approval from the shareholders. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

For the year ended 31 March 2018 the board of directors have proposed dividend of ₹ 2.50 (2017: ₹1.00) per share subject to shareholders' approval.

The board of directors have declared interim dividend of Nil (2017: Nil) per share.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

(b) Reconciliation of share capital

Particulars	**31 March 2018**		31 March 2017	
	Number	**Amount (Million ₹)**	Number	Amount (Million ₹)
Shares outstanding at the beginning of the year	**79,408,926**	**158.818**	79,408,926	158.818
Shares Issued during the year under ESOS	**-**	**-**	-	-
Shares outstanding at the end of the year	**79,408,926**	**158.818**	79,408,926	158.818

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

Particulars	**31 March 2018**		31 March 2017	
	No. of Shares	**% of Holding**	No. of Shares	% of Holding
Kirloskar Industries Limited	**18,988,038**	**23.91%**	18,988,038	23.91%
Mr. Sanjay Chandrakant Kirloskar *	**17,596,133**	**22.16%**	17,529,133	22.07%
Mrs. Pratima Sanjay Kirloskar	**13,760,488**	**17.33%**	13,760,488	17.33%

* includes 1,739,015 (1,717,015), 2% (2%) shares held in the capacity of a trustee.

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

Particulars	**31 March 2018**		31 March 2017	
	Number	**Amount (Million ₹)**	Number	Amount (Million ₹)
Shares reserved for ESOS scheme	**5,161,840**	**10.324**	5,161,840	10.324

For the period of five years immediately preceding the date as at which the Balance Sheet is prepared no shares are

i. allotted as fully paid up pursuant to contracts without payment being received in cash

ii. allotted as fully paid shares by way of bonus shares

iii. bought back.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 13: Other equity (Amounts in Million ₹)

Particulars		31 March 2018	31 March 2017
(a)	**Capital Reserve**	**5.237**	5.237
(b)	**Capital Redemption Reserve**	**9.237**	9.237
(c)	**Securities Premium Reserve**		
	Opening balance	**414.700**	414.605
	Add: Securities premium credited on shares issue	**-**	-
	Less: Changes in non-controlling interest	**-**	(0.095)
	Closing Balance	**414.700**	414.700
(d)	**General Reserves**		
	Opening balance	**6,330.464**	6,329.984
	Add: Transfer from retained earnings	**-**	-
	Less: Change in non-controlling interest	**-**	(0.480)
	Closing balance	**6,330.464**	6,330.464
(e)	**Foreign Currency Translation Reserve**		
	Opening balance	**98.659**	234.379
	Add: Current year transfer	**27.148**	(135.720)
	Closing balance	**125.807**	98.659
(f)	**Retained Earning**		
	Opening balance	**1,963.629**	2,071.634
	Add: Net profit for the year	**494.187**	38.261
	Other comprehensive income for the year	**18.568**	(136.026)
	Balance available for appropriation	**2,476.384**	1,973.869
	Less: Appropriations :		
	Final dividend paid including tax	**95.804**	-
	Less: Change in non-controlling interest	**-**	10.240
	Sub total	**95.804**	10.240
	Closing balance	**2,380.580**	1,963.629
		9,266.025	8,821.926

Capital Reserve:

The company has recognised profit or loss on purchase, sale, issue or forfeiture/ cancellation of own equity instrument to capital reserve.

Capital Redemption Reserve:

The Company has recognised Capital Redemption Reserve on redemption of preference shares from its retained earnings as per the applicable provisions of Companies Act, 1956.

Securities Premium Reserve:

The amount received in excess of face value of the equity shares is recognised in Securities Premium Reserve. In case of equity-settled share based payment transactions, the difference between fair value on grant date and nominal value of share is accounted as securities premium reserve.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

General Reserve:

The Company has transferred a portion of the net profit of the Company before declaring dividend to general reserve pursuant to the earlier provisions of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013.

Retained Earnings:

Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

Foreign Currency Translation Reserve:

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and are accumulated in separate reserve within equity. The cumulative amount is reclassified to profit and loss, when the investment is disposed off.

Note 14 : Financial Liabilities: Borrowings (Amounts in Million ₹)

Particulars	31 March 2018	31 March 2017
Non-current		
Secured		
(a) **Term loan from various banks**	**942.710**	458.392
(Terms of loans: Term loans are availed by the group from various banks across the world. Loans are repayable over the period of 3 to 10 years and carry interest rates varing from 1% to 10.5%. Loans are secured against immovable properties and corporate guarantees given by holding company)		
Less : Current maturities of non-current borrowings disclosed under the head 'Other Current financial Liabilities (refer note 16)	**136.928**	5.845
	805.782	452.547
Unsecured		
(a) **Other unsecured borrowings**	**37.108**	78.301
(Terms of loans: It includes deferral payment liabilities under sales tax deferral scheme and finance lease obligations. The sales tax deferral loan is to be repaid in 9 yearly installments starting from April 2013. Other loan carries market interest rate and are repayable till 2020.)		
Less : Current maturities of non-current borrowings disclosed under the head 'Other Current financial Liabilities (refer note 16)	**22.273**	28.974
	14.835	49.327
	820.617	501.874

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 14 : Financial Liabilities: Borrowings (Contd.)

(Amounts in Million ₹)

Particulars	31 March 2018	31 March 2017
Current		
Secured		
Loans repayable on demand from bank		
(i) Cash / export credit facilities	**706.733**	739.451
(ii) Working capital demand loans		
(Terms of loans: Loan carries interest @ 2% to 10.5% per annum and secured against the inventory, receivables and mortgage of plant & machinery in some cases)	**1,775.922**	710.828
	2,482.655	1,450.279
Unsecured		
(a) **Rupee short term loans and advances from banks**	**-**	1,100.000
(Terms of loans: Loan carries interest @ 8% to 8.10% per annum.)		
(b) **Commercial paper**		
HDFC Bank Ltd.	**-**	500.000
(Terms of loans: Loan carries interest @ 6.50% per annum.)		
	-	1,600.000
Total current borrowings	**2,482.655**	3,050.279
Total borrowings	**3,303.272**	3,552.153

Note 15 : Financial liabilities: Trade payables

Particulars	31 March 2018	31 March 2017
Non-current		
Total outstanding dues of creditors other than micro enterprises & small enterprises	**185.826**	312.281
	185.826	312.281
Current		
Total outstanding dues of micro enterprises & small enterprises (refer note 42)	**671.938**	657.984
Total outstanding dues of creditors other than micro enterprises & small enterprises	**5,073.454**	4,839.452
	5,745.392	5,497.436
Total trade payable	**5,931.218**	5,809.717

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled on 60-day terms

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 16: Other financial liabilities (Amounts in Million ₹)

Particulars		31 March 2018	31 March 2017
Current			
(a)	**Current maturities of long term loan and other borrowings (refer note 14)**	**159.200**	34.819
(b)	**Forward contract liability**	**-**	84.647
(c)	**Investor Education & Protection fund (will be credited as and when due).**		
	Unpaid dividends	**24.178**	31.505
(d)	**Others**		
	Trade deposits	**66.025**	52.760
	Salary and reimbursements	**485.609**	477.600
	Payables on account of purchases of fixed assets	**90.961**	79.023
	Provision for expenses	**788.539**	1,140.507
		1,431.134	1,749.890
		1,614.512	1,900.861
Total other financial liabilities		**1,614.512**	1,900.861

Terms and conditions of the above financial liabilities:

1) Other payables are non-interest bearing and have an average term of six months.
2) For explanations on the Group's credit risk management processes. Refer note 40.

Note 17: Provisions

Particulars		31 March 2018	31 March 2017
Non-current			
Provision for employee benefits			
(a)	Compensated absences (refer note 38)	**139.778**	125.799
(b)	Pension scheme (refer note 34)	**27.967**	22.406
(c)	Gratuity (refer note 34)	**27.782**	31.780
		195.527	179.985
Other provision (refer note 38)			
(a)	Provision for product warranty	**28.483**	26.998
(b)	Provision for decommissioning and restoration costs	**6.487**	5.996
(c)	Other provisions	**0.675**	-
		35.645	32.994
		231.172	212.979
Current			
Provision for employee benefits			
(a)	Compensated absences (refer note 38)	**148.241**	137.127
(b)	Gratuity (refer note 34)	**31.919**	47.108
		180.160	184.235
Other provision (refer note 38)			
(a)	Provision for product warranty	**238.802**	241.264
(b)	Provision for loss on long term contracts	**104.097**	56.707
		342.899	297.971
		523.059	482.206
Total provisions		**754.231**	695.185

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 18: Other liabilities

(Amounts in Million ₹)

Particulars	31 March 2018	31 March 2017
Non-current		
(a) Gross amount due to customers	**148.046**	467.660
(b) Advance from customer	**174.059**	202.946
(c) Deferred revenue	**0.818**	1.994
	322.923	672.600
Current		
(a) Gross amount due to customers	**1,539.286**	1,299.366
(b) Advance from customer	**2,317.515**	1,291.541
(c) Contribution to PF and superannuation	**31.464**	28.179
(d) Statutory dues	**68.424**	114.835
(e) Deferred revenue	**203.294**	134.789
	4,159.983	2,868.710
Total other non-financial liabilities	**4,482.906**	3,541.310

Note 19 : Income tax

(1) The major components of income tax expense for the year ended 31 March 2018 and 31 March 2017 are:

(a) Statement of profit and loss

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Current income tax:		
Current income tax charge	**439.694**	209.465
Adjustments in respect of current income tax of previous year	**(0.100)**	96.664
Deferred tax:		
Relating to origination and reversal of temporary differences	**(171.657)**	(124.413)
Income tax expense reported in the statement of profit or loss	**267.937**	181.716

(b) Statement of other comprehensive income (OCI)

Tax related to items recognised in OCI during year:

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Related to remeasurement gains and losses		
Income tax charged to OCI	**5.170**	(6.058)
Deferred tax charged to OCI	**1.557**	(1.020)
	6.727	(7.078)

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

(2) Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for the year ended 31 March 2018 and 31 March 2017:

(Amounts in Million ₹)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Accounting profit before tax	**732.924**	164.129
At India's statutory income tax rate of 34.608% (a)	**253.650**	56.802
Adjustments (a)		
Add: Accelerated deduction		
Research and development expenses	**78.487**	162.967
80 IA	**32.537**	40.726
Allowance of TDS on payment basis	**-**	38.642
Subtotal (b)	**111.024**	242.335
Less : Non deductible expenses (c) (Including provisions for advances, Interest on TDS, donation, penalties etc.)	**62.588**	381.570
Sub total (d) = (b-c)	**48.436**	(139.235)
Tax impact of above adjustments	**16.763**	(48.186)
MAT credit assets (not recorded) / Utilized	**32.711**	140.552
Rate difference on opening DTA/ DTL	**6.729**	7.595
Tax impact of B/F losses (Tax losses on which DTA is not recognised)	**(31.742)**	(64.196)
Other items	**0.168**	(7.185)
Effect of overseas branch exemption	**6.135**	-
Earlier year short provision	**1.784**	(96.811)
Differences in rates applicable to subsidiary company and holding company	**(46.835)**	(56.683)
Total (e)	**(14.287)**	(124.914)
Tax expenses at effective rate (a-e)	**267.937**	181.716
Tax expenses recorded in books	**267.937**	181.716

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

(3) Movement in deferred tax

(a) Balance sheet (Amounts in Million ₹)

Deferred tax relates to the following: DTL/ (DTA)	31 March 2018	31 March 2017
Property, plant and equipment (Depreciation)	**139.568**	144.360
Employee benefits	**(142.515)**	(110.261)
Provision for doubtful debts and advances	**(290.743)**	(214.096)
Others - (DTA) /DTL (Including deferred tax on undistributed profits of joint venture and carry forwarded losses)	**(54.144)**	5.677
	(347.834)	(174.320)
MAT credit	**-**	(59.829)
	(347.834)	(234.149)
Reflected in balance sheet as		
Deferred tax asset	**347.834**	234.149

(b) Statement of profit and loss and other comprehensive income (Amounts in Million ₹)

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Property, plant and equipment (Depreciation)	**(4.792)**	(91.125)
Employee benefits	**(32.254)**	(0.193)
Provision for doubtful debts and advances	**(76.647)**	26.891
Others - (DTA) /DTL (Including deferred tax on undistributed profits of joint venture and carry forwarded losses)	**(59.521)**	57.674
	(173.214)	(6.753)
MAT credit creation	**-**	(116.640)
Deferred tax expense/(income)	**(173.214)**	(123.393)

(c) Unrecognized temporary differences

Subsidiaries of group have undistributed earnings of ₹ 28.535 MN, which will attract tax on distribution to parent company. However deferred tax on that is not recognised, since the parent company is either able to control timing of reversal of such distribution or is eligible to get the credit for tax on dividend so distributed.

(4) Movement in Current tax

(a) Balance sheet

Reflected in balance sheet as	31 March 2018	31 March 2017
Non- current advance tax	**787.316**	1,003.595
Current advance tax	**72.434**	81.177
	859.750	1,084.772

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

(b) Statement of profit and loss and other comprehensive income (Amounts in Million ₹)

Movement in current tax	Year ended 31 March 2018	Year ended 31 March 2017
Current tax (asset)/ liability as at beginning of year	**(1,084.772)**	(1,358.554)
Add: Additional provision during the year - Statement of Profit and loss account	**439.594**	306.129
Add: Additional provision during the year - Other comprehensive income	**5.170**	(6.058)
Less: Current tax paid during the year (Net of refund received for previous years)	**(219.742)**	(26.289)
Non Current tax (asset)/ liability as at end of year	**(859.750)**	(1,084.772)

(c) Tax on dividend

Board has recommended dividend @125% per share i.e ₹ 2.5 per share. The tax payable on dividend declared is ₹ 32.609 MN.

Note 20: Revenue from operations

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	**Sale of products** (including excise duty) (Refer note 30 for the construction contract revenue)	**26,565.179**	25,767.560
(b)	**Sale of services**	**638.937**	246.376
		27,204.116	26,013.936
(c)	**Other operating revenues** (majorly includes scrap sales and exports benefits)	**550.180**	554.235
		27,754.296	26,568.171

Note 21: Other income

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	**Interest Income**		
	From customers and others	**45.030**	31.935
	On income tax and sales tax refund	**51.091**	85.602
(b)	**Release of deferred income**	**1.914**	2.759
(c)	**Profit on sale of mutual fund investment**	**12.777**	-
(d)	**Dividend income**	**0.000**	0.000
(e)	**Foreign exchange difference (net)**	**44.450**	-
(f)	**Other non-operating income**	**63.811**	185.953
		219.073	306.249

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 22: Cost of materials consumed, changes in inventories of finished goods, stock-in-trade and work-in-progress

(Amounts in Million ₹)

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	**Raw material consumed** (Including packing material)	**13,344.571**	11,751.069
(b)	**Changes in inventories of finished goods, work-in-progress and stock-in-trade**		
	Opening 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
	Closing Stock		
	Finished goods	**1,335.571**	981.049
	Work-in- progress	**1,636.251**	1,604.801
	Stock in trade	**235.425**	230.931
		3,207.247	2,816.781
		(390.466)	(355.093)

Note 23: Employee benefits expense

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	**Salaries, wages and bonus**	**4,250.986**	4,187.948
(b)	**Defined contribution plans**	**221.816**	200.964
	Contribution to provident fund, super annuation fund and E.S.I		
(c)	**Defined benefit plans**	**105.963**	81.154
	Gratuity, provident fund and pension		
(d)	**Welfare expenses**	**199.082**	215.964
		4,777.847	4,686.030

Note 24: Finance costs

Particulars		Year ended 31 March 2018	Year ended 31 March 2017
(a)	**Interest expense** (at effective interest rate/ market rate of interest)	**272.186**	346.670
(b)	**Other borrowing costs** (includes bank guarantee commission, LC charges, loan processing charges)	**127.016**	98.625
		399.202	445.295

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 25: Depreciation and amortization expense

(Amounts in Million ₹)

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
(a)	Depreciation on property, plant and equipment and investment property	**523.818**	597.924
(b)	Amortization of intangible assets	**62.061**	51.505
		585.879	649.429

Note 26: Other expenses

Particulars	Year ended 31 March 2018	Year ended 31 March 2017
Other Manufacturing Expenses		
Stores and spares consumed	**911.692**	941.090
Processing charges	**682.816**	561.961
Power & fuel	**420.652**	416.678
Repairs and maintenance		
Plant and machinery	**163.394**	192.145
Buildings	**36.536**	47.017
Other	**77.908**	109.539
Excise duty	**339.032**	1,305.237
Other expenses		
Rent	**200.794**	206.182
Rates and taxes	**120.140**	150.121
Travel and conveyance	**508.607**	505.914
Communication expenses	**112.387**	110.375
Insurance	**169.083**	180.164
Directors' sitting fees	**4.630**	5.265
Royalties and fees	**53.409**	48.206
Freight and forwarding charges	**712.115**	631.708
Brokerage and commission	**186.853**	215.076
Advertisements and publicity	**288.065**	221.931
Provision for product warranty	**213.423**	199.683
Loss on sale/disposal of fixed assets	**9.014**	0.716
Provision for doubtful debts, advances and claims	**209.076**	340.231
Bad debts written off	**10.274**	34.653
Advances, deposits and claims written off	**4.273**	52.062
Auditor's remuneration (refer note 31)	**39.203**	32.589
Professional, consultancy and legal expenses	**472.175**	477.629
Security services	**66.685**	64.304
Computer services	**239.389**	209.179
Non-executive directors remuneration	**9.700**	6.000
Stationery & Printing	**42.893**	47.131
Training course expenses	**15.275**	19.149
Outside labour charges	**248.435**	206.866
Foreign exchange difference (net)	**-**	130.293
Corporate social responsibility expenses (refer note 43)	**10.197**	8.776
Liquidated damages	**60.649**	148.467
Other miscellaneous expenses	**225.483**	170.057
	6,864.257	7,996.394

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 27: Other comprehensive income

(Amounts in Million ₹)

Particulars	**Year ended 31 March 2018**	Year ended 31 March 2017
Items that will not be reclassified to statement of profit and loss		
Remeasurements gains and losses on post employments benefits	**20.448**	(18.635)
Tax on Remeasurements gains and losses	**(6.727)**	7.078
Share in other comprehensive income of joint venture company	**5.001**	(0.370)
Items that will be reclassified to statement of profit and loss		
Foreign exchange loss	**-**	(124.078)
Foreign currency translation reserve	**27.148**	(135.720)
	45.870	(271.725)

Note 28 : Contingent liabilities

Particulars		**31 March 2018**	31 March 2017
(a)	**Other money for which the company is contingently liable for**		
i)	Central Excise and Service tax (Matter Subjudice)	**1,023.454**	939.072
ii)	Sales Tax (Matter Subjudice)	**458.841**	203.197
iii)	Income Tax (Matter Subjudice)	**567.428**	567.682
iv)	Labour Matters (Matter Subjudice)	**47.773**	43.666
v)	Other Legal Cases (Matter Subjudice)	**798.518**	831.256
		2,896.014	2,584.873

i. The company does not expect any reimbursement in respect of the above contingent liabilities

ii. It is not practicable to estimate the timing of cash flow if any with resepct to above matters.

Note 29 : Commitments

Particulars		**31 March 2018**	31 March 2017
a)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of capital advances)	**301.347**	110.121
b)	Letters of credit outstanding	**598.200**	710.264
c)	Export obligation under EPCG License obtained from DGFT.	**-**	11.982
d)	Rental commitments Commitments for minimum lease payments in relation to non-cancellable operating leases are as		
	Less than 1 year	**50.404**	104.556
	1 to 5 years	**117.240**	128.654
	More than 5 years	**0.169**	12.557
		1,067.360	1,078.134

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 30 : Construction contracts

(Amounts in Million ₹)

	Particulars	31 March 2018	31 March 2017
a)	Contract Revenue recognised as revenue for the year	**1,747.663**	1,647.709
b)	Advances received	**813.991**	285.419
c)	Amount of retentions	**2,966.631**	2,902.310
d)	Gross amount due from customer		
	Contract costs incurred	**16,552.552**	19,848.955
	Recognised Profits less recognised Losses	**3,040.961**	3,212.303
	Less: Progress billing	**18,968.577**	22,786.767
	Net	**624.936**	274.491
e)	Gross amount due to customer		
	Contract costs incurred	**25,650.537**	28,909.691
	Recognised Profits less recognised Losses	**5,691.972**	4,626.536
	Less: Progress billing	**33,029.841**	35,303.253
	Net	**(1,687.332)**	(1,767.026)

Note 31: Remuneration to Auditors

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
	Statutory Auditors :		
a)	Audit Fees	**33.179**	28.579
b)	Tax Audit Fees	**1.489**	1.557
c)	VAT Audit Fees	**0.375**	0.375
d)	Limited Review	**1.050**	0.750
e)	Certification services	**0.544**	0.423
f)	Other services	**1.644**	0.783
g)	Expenses reimbursed	**0.922**	0.122
		39.203	32.589

Note 32 : Earning per Share (Basic and diluted)

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
a)	Profit for the year before tax	**732.924**	164.129
	Less : Attributable Tax thereto	**(267.937)**	(181.716)
	Add: Share of profit/ loss in joint venture company	**34.872**	53.293
		499.859	35.706
	Less: Attributable to Non-controlling interest	**5.672**	(2.555)
	Profit attributable to owners of equity	**494.187**	38.261
b)	Weighted average number of equity shares used as denominator	**79,408,926**	79,408,926
c)	Basic and diluted earning per share of nominal value of Rs 2/- each	**6.22**	0.48

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 33 A : Research and Development expenditure incurred eligible for weighted average deduction under section 35 (2AB) of the Income Tax Act, 1961

(Amounts in Million ₹)

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
A	**Revenue expenditure**		
	Manufacturing expenses:		
	Raw Material , Store , Spares & Tools consumed	**18.149**	23.059
	Payments to and Provision for Employees:		
	Salaries , Wages , Bonus , Allowances etc.	**96.856**	62.131
	Other Expenses:		
	Membership Fees	**2.346**	0.703
	Computer Services	**11.336**	12.837
	Power charges	**0.989**	0.331
	Travelling & Conveyance Expenses	**4.826**	4.221
	Other Expenses	**0.642**	0.363
	Repairs & Maintenance	**2.810**	21.239
	Total	**137.955**	124.884
B	**Capital Expenditure**	**7.044**	38.083
	Total Eligible Research & Dev. Expenditure (A + B)	**144.999**	162.967

Note 33 B : Other Research & Development expenditure

	Particulars	Year ended 31 March 2018	Year ended 31 March 2017
A	**Revenue expenditure**	**56.175**	97.042
B	**Capital Expenditure**	**1.895**	21.597
	Total	**58.070**	118.639

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 34 : Employee benefits

i. Defined Contribution Plans:

Amount of ₹ 221.816 Mln. (₹ 200.964 Mln) is recognised as an expense towards defined contribution plan and included in Employees benefits expense (Note-23 in the Profit and Loss Statement.)

ii. Defined Benefit Plans:

a) The amounts recognised in Balance Sheet are as follows: Funded Plan (Amounts in Million ₹)

Particulars		**31 March 2018**		31 March 2017	
		Gratuity Plan	**Provident Fund***	Gratuity Plan	Provident Fund*
		(Funded)	**(Funded)**	(Funded)	(Funded)
A.	Amount to be recognised in Balance Sheet				
	Present Value of Defined Benefit Obligation	**460.678**	**9.357**	433.523	31.369
	Less: Fair Value of Plan Assets	**435.730**	**48.514**	392.205	52.395
	Amount to be recognised as liability or (asset)	**24.948**	**(39.157)**	41.318	(21.026)
B.	Amounts reflected in the Balance Sheet				
	Liabilities	**24.948**		41.318	
	Assets*	**-**	**39.157**	-	21.026
	Net Liability/(Assets)	**24.948**	**-**	41.318	-

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

Particulars		**2017-18**		2016-17	
		Gratuity Plan	**Provident Fund***	Gratuity Plan	Provident Fund*
		(Funded)	**(Funded)**	(Funded)	(Funded)
1	Current Service Cost	**36.352**	**4.525**	29.895	2.029
2	Acquisition (gain)/ loss	**-**	**-**	-	-
3	Past Service Cost	**-**	**-**	-	-
3	Net Interest (income)/expenses	**1.547**	**(1.430)**	1.522	(2.376)
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)	**37.899**	**3.095**	31.417	(0.347)

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

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

(Amounts in Million ₹)

Particulars		2017-18		2016-17	
		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	(12.055)	(28.670)	10.399	14.178
3	Remeasurement for the year - Plan assets (Gain) / Loss	(5.023)	7.444	0.175	(4.397)
	Closing balances (remeasurement (gain)/Loss recognised OCI	(17.078)	(21.226)	10.574	9.781

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 2018		31 March 2017	
		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 year	433.523	31.369	397.577	14.065
2	Acquisition adjustment	-	-	-	-
3	Transfer in/ (out)	-	-	-	-
4	Interest expenses	28.641	2.133	29.670	1.097
5	Past Service Cost	-	-	-	-
6	Current Service Cost	36.352	4.525	29.895	2.029
7	Curtailment Cost / (credit)	-	-	-	-
8	Settlement Cost/ (credit)	-	-	-	-
9	Benefits paid	(25.783)	-	(34.018)	-
10	Remeasurements on obligation - (Gain) / Loss	(12.055)	(28.670)	10.399	14.178
	Present value of obligation as at the end of the year	460.678	9.357	433.523	31.369

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

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

(Amounts in Million ₹)

Particulars		31 March 2018		31 March 2017	
		Gratuity Plan	**Provident Fund***	31 March 2017	Provident Fund*
		(Funded)	**(Funded)**	(Funded)	(Funded)
1	Fair value of the plan assets as at beginning of the year	**392.205**	**52.395**	357.909	44.525
2	Acquisition adjustment	**-**	**-**	-	-
3	Transfer in/(out)	**-**	**-**	-	-
4	Interest income	**27.094**	**3.563**	28.148	3.473
5	Contributions	**37.136**	**-**	40.341	-
6	Benefits paid	**(25.728)**	**-**	(34.018)	-
7	Amount paid on settlement	**-**	**-**	-	-
8	Return on plan assets, excluding amount recognized in Interest Income - Gain / (Loss)	**5.023**	**(7.444)**	(0.175)	4.397
	Fair value of plan assets as at the end of the year	**435.730**	**48.514**	392.205	52.395

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

Particulars		31 March 2018		31 March 2017	
		Gratuity Plan	**Provident Fund**	Gratuity Plan	Provident Fund*
		(Funded)	**(Funded)**	(Funded)	(Funded)
1	Interest (Income) / Expense – Obligation	**28.641**	**2.133**	29.670	(1.097)
2	Interest (Income) / Expense – Plan assets	**(27.094)**	**(3.563)**	(28.148)	3.473
3	Net Interest (Income) / Expense for the year	**1.547**	**(1.430)**	1.522	2.376

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

Particulars		**Percentage 31 March 2018**	Percentage 31 March 2017
1	Central Government Securities	**31.42%**	31.42%
2	State Government Securities	**10.65%**	10.65%
3	Other Approved Securities (Government Guaranteed Securities)	**1.34%**	1.34%
4	Bonds and Debentures etc.	**42.85%**	42.85%
5	Fixed Deposits	**8.29%**	8.29%
6	Equity Shares	**5.23%**	5.23%
7	Money Market Instrument	**0.22%**	0.22%
	Grand Total	**100%**	100%

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

h) The amounts pertaining to defined benefit plans are as follows: Funded Plan (Amounts in Million ₹)

Particulars	31 March 2018		31 March 2017	
	Gratuity Plan	**Provident Fund***	Gratuity Plan	Provident Fund*
	(Funded)	**(Funded)**	(Funded)	(Funded)
Defined Benefit Obligation	**460.678**	**9.357**	433.522	31.369
Plan Assets	**435.730**	**48.514**	392.204	52.395
Surplus/(Deficit)	**(24.948)**	**39.157**	(41.318)	21.026

* Group has not recognised the Provident fund asset on conservative basis in the financials.

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

	Particulars	31 March 2018		31 March 2017	
		Gratuity scheme	**Pension Scheme**	Gratuity scheme	Pension Scheme
		(Non Funded)	**(Non Funded)**	(Non Funded)	(Non Funded)
A.	Amount to be recognised in Balance Sheet				
	Present Value of Defined Benefit Obligation	**34.704**	**27.967**	35.435	22.406
	Less: Fair Value of Plan Assets		**-**	-	-
	Amount to be recognised as liability or (asset)	**34.704**	**27.967**	35.435	22.406
B.	Amounts reflected in the Balance Sheet				
	Liabilities	**34.704**	**27.967**	35.435	22.406
	Assets		**-**		-
	Net Liability/(Assets)	**34.704**	**27.967**	35.435	22.406

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

	Particulars	31 March 2018		31 March 2017	
		Gratuity scheme	**Pension Scheme**	Gratuity scheme	Pension Scheme
		(Non Funded)	**(Non Funded)**	(Non Funded)	(Non Funded)
1	Current Service Cost	**2.336**	**6.760**	2.205	-
2	Acquisition (gain)/ loss	**-**	**-**	-	-
3	Past Service Cost	**0.036**	**-**	-	-
3	Net Interest (income)/expenses	**2.515**	**1.675**	2.558	1.791
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 23)	**4.887**	**8.435**	4.763	1.791

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

k) The amounts recognised in the statement of Other Comprehensive Income (OCI) :
Non Funded Plan

(Amounts in Million ₹)

Particulars		31 March 2018		31 March 2017	
		Gratuity scheme	**Pension Scheme**	Gratuity scheme	Pension Scheme
		(Non Funded)	**(Non Funded)**	(Non Funded)	(Non Funded)
1	Opening amount recognised in OCI outside profit and loss account	**-**	**-**	-	-
2	Remeasurements for the year - Obligation (Gain)/loss	**(3.650)**	**0.280**	(0.933)	(0.787)
3	Remeasurement for the year - Plan assets (Gain) / Loss	**-**	**-**	-	-
4	Total Remeasurements Cost / (Credit) for the year recognised in OCI	**(3.650)**	**0.280**	(0.933)	(0.787)
5	Less: Accumulated balances transferred to retained earnings	**-**	**-**	-	-
	Closing balances (remeasurement (Gain) / Loss recognised OCI	**(3.650)**	**0.280**	(0.933)	(0.787)

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		31 March 2018		31 March 2017	
		Gratuity	**Pension Scheme**	Gratuity	Pension Scheme
		(Non Funded)	**(Non Funded)**	(Non Funded)	(Non Funded)
1	Balance of the present value of Defined benefit Obligation as at beginning of the year	**35.435**	**22.406**	33.987	24.529
2	Acquisition adjustment	**-**	**-**	-	-
3	Transfer in/ (out)	**-**	**-**	-	-
4	Interest expenses	**2.515**	**1.675**	2.558	1.791
5	Past Service Cost	**0.036**	**-**	-	-
6	Current Service Cost	**2.336**	**6.760**	2.205	-
7	Curtailment Cost / (credit)	**-**	**-**	-	-
8	Settlement Cost/ (credit)	**-**	**-**	-	-
9	Benefits paid	**(1.968)**	**(2.976)**	(2.382)	(3.128)
10	Remeasurements on obligation - (Gain) / Loss	**(3.650)**	**0.280**	(0.933)	(0.788)
11	Foreigne exchange difference	**-**	**(0.178)**		
	Present value of obligation as at the end of the year	**34.704**	**27.967**	35.435	22.406

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

m) Net interest (Income) /expenses Non Funded Plan (Amounts in Million ₹)

Particulars		31 March 2018		31 March 2017	
		Gratuity	**Pension Scheme**	Gratuity	Pension Scheme
		(Non Funded)	**(Non Funded)**	(Non Funded)	(Non Funded)
1	Interest (Income) / Expense – Obligation	**2.515**	**1.675**	2.558	1.791
2	Net Interest (Income) / Expense for the year	**2.515**	**1.675**	2.558	1.791

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

Particulars	31 March 2018		31 March 2017	
	Gratuity	**Pension Scheme**	Gratuity	Pension Scheme
	(Non Funded)	**(Non Funded)**	(Non Funded)	(Non Funded)
Defined Benefit Obligation	**34.704**	**27.967**	35.435	22.406
Surplus/(Deficit)	**(34.704)**	**(27.967)**	(35.435)	(22.406)

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 7.60% (PY 6.8%) has been used for the valuation purpose.

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

1 Discount rate as at 31-03-2018- 7.60%

2 Expected return on plan assets as at 31-03-2018 - 6.8%

3 Salary growth rate : For Gratuity Scheme - 10%

4 Attrition rate: For gratuity scheme the attrition rate is taken at 7%

5 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.

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 23.07 Million (Rs 37.80 Million) towards its gratuity plan in the year 2017-18.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 35 :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 Limited
14	Braybar Pumps (Proprietary) 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 LLC	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.
22	Kirloskar Brothers International Zambia Limited	Subsidiary of Kirloskar Brothers International PTY Limited
23	Rotaserve Mozambique	Subsidiary of Kirloskar Brothers International PTY Limited
24	SPP Neviz Pumps Solutions Pty Limited	Joint venture of Kirloskar Brothers International PTY Limited
25	KBL Synerge LLP	Associate of Kirloskar Brothers Limited
26	Kirloskar Ebara Pumps Limited	Joint venture of Kirloskar Brothers Limited

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 35 :Related Party Disclosures

(B) Disclosure of related parties transactions (Amounts in Million ₹)

Sr. No.	Nature of Transaction / Relationship / Major Parties	2017-18 Amount	2017-18 Amount for Major parties *	2016-17 Amount	2016-17 Amount for Major parties *
1	**Purchase of goods & services**	**25.227**		50.387	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		**6.501**		40.777
	Substantial Interest				
	Corrocoat Limited, UK		**18.726**		9.610
2	**Sale of goods/contract revenue & services**	**36.577**		85.324	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		**36.577**		85.324
3	**Rendering Services**	**35.312**		67.827	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		**35.312**		67.827
4	**Receiving Services**	**5.912**		14.532	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		**0.363**		6.374
	Substantial Interest				
	Corrocoat Limited, UK		**0.376**		1.131
	Key Management Personnel				
	Mr. Shrikrishna Inamdar		**1.000**		1.000
	Relatives of Key Management Personnel				
	Mrs. Pratima Kirloskar		**2.782**		2.347
	Entities controlled or jointly controlled by KMP or relatives of KMP:				
	Sanjay Kirloskar HUF		**1.391**		3.680
5	**Reimbursement of expenses by KBL**	**2.310**		1.422	
	Joint Venture				
	Kirloskar Ebara Pumps Limited		**0.656**		-
	Substantial Interest				
	Corrocoat Limited, UK		**0.501**		0.577
	Key Management Personnel				
	Mr. Pratap Shirke		**1.037**		
	Mr. Sanjay Kirloskar		**-**		0.765

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 35 :Related Party Disclosures

(B) Disclosure of related parties transactions (Cont.) (Amounts in Million ₹)

Sr. No.	Nature of Transaction / Relationship / Major Parties	2017-18 Amount	2017-18 Amount for Major parties *	2016-17 Amount	2016-17 Amount for Major parties *
6	**Dividend paid**	**32.605**		-	
	Key Management Personnel				
	Mr. Sanjay Kirloskar		**17.621**		-
	Relatives of Key Management Personnel				
	Mrs. Pratima Kirloskar		**13.762**		-
7	**Remuneration Paid**	**142.264**		119.678	
	Key Management Personnel				
	Short Term Employee Benefit				
	Mr. Sanjay Kirloskar		**60.853**		42.057
	Mr. Ravindra Samant		**4.896**		4.267
	Ms. Rama Kirloskar		**4.511**		1.712
	Mr. Alok Kirloskar		**16.819**		18.284
	Mr. Varindar Dhoot		**16.866**		17.889
	Mr. Shreekanth Ramaswami		**12.754**		11.554
	Mr. Remko Dubois		**17.754**		18.080
	Mr. Graham Cooper		**7.811**		5.836
		9.700		6.000	
	Key Management Personnel				
	Commission on profits				
	Mr. Shrikrishna Inamdar		**1.500**		1.000
	Mr. Padmakar Jawadekar		**1.500**		1.000
	Mrs. Lalita Gupte		**1.500**		1.000
	Mr. Pratap Shirke		**1.500**		1.000
	Mr. Alok Kirloskar		**1.500**		1.000
	Mr. Kishor Chaukar		**1.500**		1.000
	Ms. Rama Kirloskar		**0.300**		-
	Dr. Rakesh Mohan		**0.400**		-
		4.989		5.299	
	Key Management Personnel				
	Sitting Fees				
	Mr. Shrikrishna Inamdar		**0.825**		0.900
	Mr. Padmakar Jawadekar		**0.825**		0.900
	Mrs. Lalita Gupte		**1.050**		1.275
	Mr. Pratap Shirke		**0.600**		0.600
	Mr. Alok Kirloskar		**0.330**		0.473
	Mr. Kishor Chaukar		**0.525**		0.750
	Mr. Achyut Gokhale		**0.060**		0.075
	Mr. K.Taranath		**0.145**		0.088

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 35 :Related Party Disclosures

(B) Disclosure of related parties transactions (Cont.) (Amounts in Million ₹)

Sr. No.	Nature of Transaction / Relationship / Major Parties	2017-18		2016-17	
		Amount	**Amount for Major parties ***	Amount	Amount for Major parties *
	Mr. Clive Harper		**0.015**		0.023
	Mr. Graham Greenwood Sole		**0.015**		
	Mr. Chittaranjan Mate		**0.015**		
	Mr. S. G. Khare		**0.043**		0.038
	Mr. S. R. Yadwadkar		**0.043**		0.038
	Mr. Sanjay Kirloskar		**0.043**		0.040
	Ms. Rama Kirloskar		**0.150**		-
	Dr. Rakesh Mohan		**0.075**		-
	Mr. Yokporn Tantisawetrat		**0.230**		0.076
	Post Emplyment Benefit	**5.721**		5.864	**-**
	Mr. Sanjay Kirloskar		**3.839**		4.831
	Ms. Rama Kirloskar		**0.659**		0.438
	Mr. Ravindra Samant		**1.073**		0.459
	Mr. Alok Kirloskar		**0.150**		0.136
8	**Contribution paid to post Employment benefit**	**92.590**		80.228	
	Providend Fund		**35.544**		32.327
	Superannuation Fund		**21.751**		17.842
	Gratuity Trust		**35.295**		30.059
					-
9	**Reimbursement received**	**2.145**		1.413	**-**
	Joint Venture				-
	Kirloskar Ebara Pumps Limited		**2.145**		1.413
10	**Advance given**	**-**		1.500	
	Joint Venture				
	KBL Synerge LLP		**-**		1.500
11	**Investment made**	**0.000**		0.005	
	Joint Venture / Associate				
	SPP Neziv Pump Solution Proprietary Limited		**0.000**		
	KBL Synerge LLP				0.005

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 35 :Related Party Disclosures

(C) Amount due to/from related parties (Amounts in Million ₹)

Sr. No.	Nature of Transaction / Relationship / Major Parties	2017-18		2016-17	
		Amount	Amount for Major parties	Amount	Amount for Major parties
1	**Accounts receivable**				
	Joint Venture	**46.128**		49.601	
	Kirloskar Ebara Pumps Limited		**46.128**		49.601
2	**Amount Due**	**1.489**		3.599	
	Substantial Interest				
	Corrocoat Limited, UK		**1.489**		3.599
	Key Management Personnel	**57.650**		36.000	
	Mr. Sanjay Kirloskar		**47.500**		30.000
	Mr. Shrikrishna Inamdar		**1.950**		1.000
	Mr. Padmakar Jawadekar		**1.500**		1.000
	Mrs. Lalita Gupte		**1.500**		1.000
	Mr. Pratap Shirke		**1.500**		1.000
	Mr. Alok Kirloskar		**1.500**		1.000
	Mr. Kishor Chaukar		**1.500**		1.000
	Dr. Rakesh Mohan		**0.300**		
	Ms. Rama Kirloskar		**0.400**		
3	**Advance given**	**1.640**		1.505	
	Joint Venture				
	KBL Synerge LLP		**1.640**		1.505

* Major parties denote entity who account for 10% or more of the aggregate for that category of transactions.
The above transactions have been entered at arm's length price.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 35 :Related Party Disclosures

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

1) Joint Venture / Associate	Kirloskar Ebara Pumps Limited, KBL Synerge LLP	
2) Significant influence	Corrocoat Limited, UK	
3) Key Management Personnel	Mr. Shrikrishna Inamdar	
	Mr. Padmakar Jawadekar	
	Mrs. Lalita Gupte	
	Mr. Pratap Shirke	
	Mr. Alok Kirloskar	
	Mr. Kishor Chaukar	
	Mr. Achyut Gokhale	
	Mr. K.Taranath	
	Mr. Sanjay Wadnerkar	
	Mr. Clive Harper	
	Mr. Graham Greenwood Sole	
	Mr. Chittaranjan Mate	
	Mr. S. G. Khare	
	Mr. S. R. Yadwadkar	
	Mr. Sanjay Kirloskar	
	Ms. Rama Kirloskar	
	Dr. Rakesh Mohan	
	Mr. Yokporn Tantisawetrat	
	Mr. Varindar Dhoot	
	Mr. Shreekanth Ramaswami	
	Mr. Remko Dubois	
	Mr. Graham Cooper	
6) Relatives of Key Management	Mrs. Pratima Kirloskar	Wife of Mr. Sanjay Kirloskar
	Mrs. Padmaja Jawadekar	Wife of Mr. Padmakar Jawadekar
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 Enggineering Factory Kirloskar Brothers Limited Staff Members Provident Fund Kirloskar Brothers Limited Kirloskarvadi Employee Gratuity Fund Kirloskar Brothers Executive Staff Superannaution Fund	

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 36 : 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 :

(Amounts in Million ₹)

Name of the Company	Balance as at		Maximum outstanding	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
To Subsidiary Companies				
The Kolhapur Steel Limited	**12.214**	13.214	**13.214**	13.214
To Associate				
KBL Synerge LLP	**1.640**	1.505	**1.640**	1.505

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 37 : Joint Venture and Jointly controlled operations

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	Summarized financial information		
			31 March 2018	31 March 2017
1	Kirloskar Ebara Pumps Limited	Assets	**1,688.681**	1,668.721
		Liabilities	**589.687**	655.324
			2017-18	2016-17
		Income	**1,680.873**	1,779.187
		Expenses(including tax expenses)	**1,603.380**	1,660.758
		Profit after tax	**77.493**	118.429
		Other comprehensive income	**11.114**	(0.821)
		Total comprehensive income	**88.607**	117.608

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

d) Capital commitments, if any, in relation to interest in Joint Ventures : ₹ 2.251 Million (₹ 15.460 Million)

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 37 : Joint Venture and Jointly controlled operations (Contd.)

e) List of Jointly controlled operations :

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

Note 38: Details of provisions and movements in each class of provisions (Amounts in Million ₹)

Particulars	Provision for Compensated Absences	Provision for Product Warranty	Provision for Decommissioning and Restoration Cost	Provision for Loss on Long Term Contracts
Carrying amount as at 1 April 2016	263.502	272.858	5.541	30.127
Add: Provision during the year 2016-17	23.085	220.166	-	32.689
Add: Unwinding of discounts	-	6.557	0.455	-
Less: Amount utilized during the year 2016-17	(23.660)	(197.634)	-	(6.109)
Less: Amount reversed during the year 2016-17	-	(21.962)	-	-
Add: Foreign exchange difference	-	(11.723)	-	-
Carrying amount as at 31 March 2017	262.927	268.262	5.996	56.707
Add: Provision during the year 2017-18	**44.708**	**238.909**	**-**	**54.701**
Add: Unwinding of discounts	**-**	**7.268**	**0.491**	**-**
Less: Amount utilized during the year 2017-18	**(19.086)**	**(247.547)**	**-**	**(7.311)**
Less: Amount reversed during the year 2017-18	**(0.530)**	**(1.797)**	**-**	**-**
Add: Foreign exchange difference	**-**	**2.190**	**-**	**-**
Carrying amount as at 31 March 2018	**288.019**	**267.285**	**6.487**	**104.097**
Non-current provision	**139.778**	**28.483**	**6.487**	**-**
Current provision	**148.241**	**238.802**	**-**	**104.097**

Compensated absences

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.

Provision for warranty

Provision for warranty is made for estimated warranty claims in respect of products sold, which are under warranty at the end of the reporting period. These claims are expected to be settled in the next 18 months. Management records the provision based on the historical warranty claims information and any recent trends that may suggest future claims could differ historical amount.

Provision for decommissioning and restoration cost

A provision has been recognised for decommissioning and restoration costs associated with windmills on lease hold land. The company is committed to restore the site at the end of useful life of windmills.

Provision for long term contract

A provision is made for the expected loss of the projects, where the estimated cost is more than the estimated revenue. Changes in estimated cost and estimated revenue are assessed by the management at the end of reporting period based on the price variation received/ given, change in the scope of project and revision of estimates regarding date of completion, expected costs to be incurred, changes in external circumstances such as applicable tax rates etc.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 39 : 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 5), as the Company believes that impact of change on account of fair value is insignificant).

(Amounts in Million ₹)

	Particulars	Carrying value	
		31 March 2018	31 March 2017
	Levelled at Level 2		
(a)	**Carried at fair value through Profit and loss (FVTPL)**		
	Forward contract asset	**49.565**	-
(b)	**Carried at amortised cost**		
	Trade receivable	**5,586.425**	5,431.768
	Security deposits	**1,128.374**	1,115.980
	Other financial assets	**88.326**	72.863
	Cash and cash equivalent	**769.974**	634.054
	Other bank balances	**145.020**	96.567
	Levelled at Level 3		
	Investments in unquoted equity shares (FVOCI)	**0.005**	0.005
	Levelled at Level 2		
	Financial Liabilities		
(a)	**Carried at fair value through Profit and loss (FVTPL)**		
	Forward contract liability	**-**	84.647
(b)	**Carried at amortised cost**		
	Non-current borrowings	**820.617**	501.874
	Current borrowings at fixed rate of interest	**2,482.655**	3,050.279
	Trade payable	**5,931.218**	5,809.717
	Other current financial liabilities	**1,614.512**	1,816.214

Note 40: Financial risk management policy and objectives

Group'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 Group's operations and to provide guarantees to support its operations. Group's principal financial assets include trade and other receivables, security deposits and cash and cash equivalents, that derive directly from its operations.

In order to minimize 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.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

Risk	Exposure arising from	Measurement	Management
Credit risk	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
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.

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 cooperation 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:

(i) Actual or expected significant adverse changes in business,

(ii) Actual or expected significant changes in the operating results of the counterparty,

(iii) Financial or economic conditions that are expected to cause a significant change to counterparty's ability to meet its obligations,

(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 etc.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

For the security deposits and claims receivable, provision for expected loss is made considering 12 months expected credit loss. Provision for lifetime credit loss is made if there is significant increase in credit risk for such financial assets.

In respect of trade receivable, Group uses the simplified approach for the provision for expected loss. The lifetime expected loss provision is recognised based on the provision matrix as decided by the management, based on the historical experience of recoverability. The Group categorizes a receivable for provision for doubtful debts/write off when a debtor fails to make contractual payments greater than 1 year past due in case product business and 4 years past due in case of project business. In addition to this Group also provides the expected loss based on the overdue number of days for receivables as per the provision matrix. 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 Expected Credit Losses (ECL) model as per Ind AS 109,

(Amounts in Million ₹)

Exposure to Risk	**31 March 2018**	31 March 2017
Exposure to Risk		
Trade Receivables	**6,480.814**	6,088.115
Less : Expected Loss	**894.389**	656.347
	5,586.425	5,431.768
Security Deposits	**1,194.904**	1,189.841
Less : Expected Loss	**66.530**	73.861
	1,128.374	1,115.980
Claims Receivable	**56.547**	50.045
Less : Expected Loss	**3.845**	3.845
	52.702	46.200

Trade receivable ageing used in the provision matrix for life time expected credit loss is as -

	31 March 2018	31 March 2017
Trade Receivables		
Neither past due nor impaired	**1,223.348**	1,656.664
Past due but not impaired		
Less than 180 days	**2,534.882**	2,308.670
181 - 365 days	**611.592**	226.231
More than 365 days	**1,216.603**	1,240.203
Total	**5,586.425**	5,431.768

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

Reconciliation of loss provision (Amounts in Million ₹)

	Trade receivables	Others
Loss allowance as at 1 April 2016	518.626	264.969
Changes in loss allowance	137.721	(187.263)
Loss allowance as at 31 March 2017	656.347	77.706
Changes in loss allowance	238.042	(7.331)
Loss allowance as at 31 March 2018	**894.389**	**70.375**

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.

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 2018**	31 March 2017
Interest bearing borrowings		
On demand	**2,470.444**	1,450.279
Less than 180 days	**6.250**	1,609.300
181 - 365 days	**6.250**	-
More than 365 days	**820.328**	492.574
Total	**3,303.272**	3,552.153
Other liabilities		
On demand	**89.812**	310.239
Less than 180 days	**1,019.709**	1,171.296
181 - 365 days	**494.000**	403.382
More than 365 days	**10.991**	15.944
Total	**1,614.512**	1,900.861
Trade & other payables		
On demand	**2,751.084**	2,234.400
Less than 180 days	**1,170.040**	1,879.960
181 - 365 days	**718.743**	336.645
More than 365 days	**1,291.351**	1,358.712
Total	**5,931.218**	5,809.717

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

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

(Amounts in Million ₹)

	31 March 2018	31 March 2017
Expiring within one year	**4,346.257**	3,626.742
Expiring beyond one year	**-**	-

(C) 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 natural hedge between receivables and payables, use of derivatives like foreign exchange forward contracts to hedge exposure to foreign currency risk, where the economic conditions match the group's policy.

Foreign currency exposure :

Financial Assets	Currency	Amount in Foreign Currency (MN)		Amount in INR (MN)	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
Trade Receivables	EGP	**0.017**	0.005	**0.063**	0.018
	EUR	**1.095**	9.158	**88.456**	634.417
	GBP	**0.851**	1.148	**78.472**	92.873
	USD	**31.728**	26.256	**2,067.699**	1,702.582
	JPY	**-**	-	**-**	-
	VND	**-**	-	**-**	-
	XOF	**-**	-	**-**	-
	SGD	**0.068**	-	**3.407**	-
	CNY	**-**	-		-
	CZK	**0.041**	-	**0.130**	-
	AED	**1.689**	3.029	**30.735**	56.135
	ZAR	**-**	1.878	**-**	9.292
Bank Accounts	EGP	**0.409**	0.160	**1.506**	0.566
	EUR	**0.161**	7.698	**13.042**	533.294
	GBP	**0.202**	0.386	**18.642**	31.228
	USD	**4.056**	18.638	**264.353**	1,208.553
	JPY	**-**	-	**-**	-
	VND	**50.371**	66.064	**0.144**	0.188
	XOF	**19.278**	-	**2.313**	-
	SGD	**0.026**	-	**1.298**	-
	CNY	**0.010**	0.041	**0.105**	0.404
	CZK	**-**		**-**	-
	AED	**-**	0.202	**-**	3.748
Other Deposits	EGP	**-**	1.150	**-**	4.080
	USD	**0.025**	0.025	**1.629**	1.621
Amount Due from Employees	EGP	**0.456**	0.082	**1.680**	0.290
	EUR	**0.011**	0.005	**0.884**	0.340
	GBP	**0.001**	0.001	**0.136**	0.119
	USD	**0.195**	0.070	**12.702**	4.542

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

Financial Liabilities	Currency	Amount in Foreign Currency (MN)		Amount in INR (MN)	
		31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
Trade Payables	EGP	**4.063**	4.629	**14.952**	16.513
	EUR	**1.344**	4.210	**108.521**	291.745
	GBP	**0.441**	1.224	**40.679**	99.117
	USD	**10.740**	21.403	**699.921**	1,388.065
	JPY	**0.026**	0.026	**0.016**	0.015
	VND	**10,879.152**	10,324.145	**31.062**	29.418
	XOF	**91.334**	-	**10.960**	-
	SGD	**0.008**	0.027	**0.417**	1.287
	CNY	**-**	-	**-**	-
	CZK	**0.331**	-	**1.039**	-
	AED	**0.611**	1.294	**11.111**	23.983
Amount Due to Employees	EGP	**0.555**	0.111	**2.042**	0.396
	EUR	**0.010**	-	**0.772**	-

Currency wise net exposure assets (liabilities)

Particulars	Amount in Foreign Currency (MN)		Amount in INR (MN)	
	31 March 2018	31 March 2017	**31 March 2018**	31 March 2017
EGP	**(3.735)**	(3.343)	**(13.745)**	(11.955)
EUR	**(0.086)**	12.651	**(6.911)**	876.306
GBP	**0.614**	0.311	**56.571**	25.103
USD	**25.264**	23.586	**1,646.463**	1,529.233
JPY	**(0.026)**	(0.026)	**(0.016)**	(0.015)
VND	**(10,828.781)**	(10,258.081)	**(30.918)**	(29.230)
XOF	**(72.056)**	-	**(8.647)**	-
SGD	**0.086**	(0.027)	**4.289**	(1.287)
CNY	**0.010**	0.041	**0.105**	0.404
CZK	**(0.290)**	-	**(0.909)**	-
AED	**1.079**	1.937	**19.625**	35.900
ZAR		1.878	**-**	9.292

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 40: Financial risk management policy and objectives (Contd.)

Sensitivity Analysis

Currency	**Amount in INR (MN)**		***Sensitivity %**
	2017-18	2016-17	
EGP	**(13.745)**	(11.955)	0.29%
EUR	**(6.911)**	876.306	2.55%
GBP	**56.571**	25.103	5.01%
USD	**1,646.463**	1,529.233	7.56%
JPY	**(0.016)**	(0.015)	1.22%
VND	**(30.918)**	(29.230)	6.48%
XOF	**(8.647)**	-	6.29%
SGD	**4.289**	(1.287)	6.14%
CNY	**0.105**	0.404	7.72%
CZK	**(0.909)**	-	6.50%
AED	**19.625**	35.900	7.72%
ZAR	**-**	9.292	8.08%
Total	**1,665.905**	2,433.751	

Currency	**Impact on profit (strengthen)**		**Impact on profit (weakening)**	
	2017-18	2016-17	**2017-18**	2016-17
EGP	**0.040**	0.035	**(0.040)**	(0.035)
EUR	**0.176**	(22.346)	**(0.176)**	22.346
GBP	**(2.834)**	(1.258)	**2.834**	1.258
USD	**(124.473)**	(115.610)	**124.473**	115.610
JPY	**0.000**	0.000	**(0.000)**	(0.000)
VND	**2.004**	1.894	**(2.004)**	(1.894)
XOF	**0.544**	-	**(0.544)**	-
SGD	**(0.263)**	0.079	**0.263**	(0.079)
CNY	**(0.008)**	(0.031)	**0.008**	0.031
CZK	**0.059**	-	**(0.059)**	-
AED	**(1.515)**	(2.771)	**1.515**	2.771
ZAR	**-**	(0.751)	**-**	0.751
Total	**(126.270)**	(140.759)	**126.270**	140.759

* Sensitivity % are derived based on variation in the exchange rates over the period of last 5 years.

(EGP- Egyptian Pound, GBP - Great Britain Pound, EUR- Euro, SEK- Swedish Krona, USD - US Dollar, VND- Vietnamese Dong, SGD- Singapore Dollar, JPY - Japanese Yen, AED-Arab emirates Dirham, XOF- CFA Franc)

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 41: 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, change debt mix. 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' (including non-controlling interest) plus net debt.

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

	31 March 2018	31 March 2017
Loans and borrowings (Including current maturities of long term debt)	**3,462.472**	3,586.973
Less: Cash and cash equivalents (Including other bank balances)	**914.994**	730.621
Net debt	**2,547.478**	2,856.352
Equity	**9,459.671**	9,009.746
Equity and net debt	**12,007.149**	11,866.098
Gearing ratio	**21.216%**	24.072%

b) Dividend

Particulars	**31 March 2018**	31 March 2017
Equity Shares		
(i) Interim dividend for the year	**Nil**	Nil
(ii) Dividends not recognised at the end of the reporting year	**198.522**	79.409
(iii) Dividends not recognised at the end of the reporting year payable to non-controlling interest	**1.750**	-

Since year end the directors have recommended the payment of a final dividend of ₹ 2.50 per fully paid equity share (31 March 2017 - ₹ 1.00). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 42: Disclosure in respect of Micro, small and medium enterprises

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 group.

(Amounts in Million ₹)

Particulars	**Year ended 31 March 2018**	Year ended 31 March 2017
Principal amount due and remaining unpaid	**671.938**	657.984
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	**1.706**	-
Amount of further interest remaining due and payable in succeeding years	**-**	-

Note 43: Corporate social responsibility expenditures

(a) Amount required to be spent by the group during the current year is ₹ 9.807 Million (PY - ₹ 8.610 Million)

(b) Amount spent by the group during the current year is ₹ 10.197 Million (PY - ₹ 8.776 Million)

The company and it's subsidiaries as per its policy on Corporate Social Responsibility (CSR) and recommendation and approval of the CSR committee has contributed ₹ 10.014 Million towards education through its implementing agency Vikas Charitable Trust and ₹ 0.183 Million towards health care through its implementing agency Radhabai Memorial Trust in the current financial year. The group has not spent any amount towards construction or acquisition of asset.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 44: Segment reporting

Project segment comprises of pumps and equipment supplied to irrigation, water and power sectors. Product segment comprises of pumps and equipment supplied to other sectors.

Segment Information in respect of KBL and its Subsidiaries (Amounts in Million ₹)

	Projects	Products	Eliminations	Total
(A) Primary Segments - Business Segments				
a) Segment Revenue				
Sales to External Customers	4,065.610	23,688.686	-	27,754.296
	(4,851.935)	(21,716.236)	-	(26,568.171)
Inter Segment Revenue		-	-	-
		-	-	-
Total Segment Revenue	**4,065.610**	**23,688.686**	**-**	**27,754.296**
	(4,851.935)	(21,716.236)	-	(26,568.171)
b) Segment Result	9.000	2,477.340	-	2,486.340
	(148.754)	(1,473.256)	-	(1,622.010)
Less :				
I) Finance Costs				399.202
				(445.295)
II) Unallocable Corporate expenditure(net of other income)				1,457.285
				(1,101.274)
Add :				
I) Income from Investments				103.071
				(88.688)
Total Profit Before Tax				732.924
				(164.129)
Less : Provision for Tax				439.594
				306.129
Less : Deferred Tax				(171.657)
				(124.413)
ADD: Share of Profit/(loss) of joint venture company				34.872
				(53.293)
Net Profit				**499.859**
				(35.706)
c) Segment Assets	8,640.000	13,408.863		22,048.863
	(8,491.264)	(12,688.338)		(21,179.602)
Unallocable Corporate Assets (Including Investments in joint venture company)				3,496.947
				(3,329.370)
Total				**25,545.810**
				(24,508.972)

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 44: Segment reporting (Contd.) (Amounts in Million ₹)

	Projects	Products	Eliminations	Total
d) Segment Liabilities	5,979.000	7,939.008	-	13,918.008
	(5,386.670)	(7,521.705)		(12,908.375)
Unallocable Corporate Liabilities				2168.131
				(2,590.852)
Total				**16,086.139**
				(15,499.227)
e) Cost Incurred during the year to acquire Segment Fixed Assets	56.427	349.911		406.338
	(89.655)	(430.212)		(519.867)
f) Depreciation / Amortisation/ Impairment	77.400	508.479		585.879
	(100.631)	(548.798)		(649.429)
g) Non Cash Expenses other than Depreciation / Amortisation	170.723	52.900		223.623
	(229.560)	(197.386)		(426.946)

(B) Secondary Segment - Geographic Segements

	Within India	Outside India	Total
a) Segment revenue by geographical area based on geographical location of customers	**18,861.782**	**8,892.514**	**27,754.296**
	(17,889.365)	(8,678.806)	(26,568.171)
b) Carrying Amount of Segment Assets by location of assets	**18,981.593**	**6,564.217**	**25,545.810**
	(18,148.067)	(6,360.905)	(24,508.972)
c) Cost Incurred during the year to Segment Fixed Assets	**294.318**	**112.020**	**406.338**
	(447.343)	(72.524)	(519.867)

Group do not have single major customer having transactions more than 10% of total revenue of group.

Note 45: Investment in subsidiaries

During the year, Board has approved additional investment of ₹ 600 Million in its wholly owned subsidiary, Kirloskar Brothers International B.V. (KBIBV). Out of this, company has made investment of ₹ 343 Million (Euro 4.5 Million) in December 2017.

KBIBV has made further investments in its subsidiary companies namely,

Kirloskar Pompen B.V. Euro 3.50 Million

Kirloskar Brothers (Thailand) Limited Euro 1.00 Million

In addition to this KBIBV, has invested Euro 0.5 Million in it's wholly owned subsidiary, Kirloskar Brothers International (Proprietary) Limited.

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 46: Foreign exchange loss

In the previous year, SPP Pumps (MENA) LLC had routed foreign exchange loss amounting to ₹ 119.443 MN on account of restatement of the loan 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 ₹ 173.752 MN 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 was 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 ₹ 124.078 MN on account of restatement of the loan was routed through other comprehensive income in previous year.

Note 47: Specified Bank Notes

Following is the disclosure of "Specified Bank Notes" (SBN) as required by the notification dated 30th March, 2017, issued by the Ministry of Company Affairs for the previous year ended 31 March 2017.

Particulars	SBN's	Other enomination notes	Total
Closing cash in hand as on 08 November 2016	0.942	0.280	1.222
Add: Permitted receipts	0.001	2.630	2.631
Less: Permitted payments	0.000	(1.835)	(1.835)
Less: Amount deposited in Banks	(0.943)	(0.120)	(1.063)
			-
Closing cash in hand as on 30 December 2016	**-**	**0.955**	**0.955**

CONSOLIDATED NOTES TO ACCOUNTS : (CONTD.)

Note 48: Additional information regarding subsidiaries as per Schedule III of The Companies Act, 2013

Name of the Entity	Net Assets		Share in Profits or Loss		Other Comprehensive Income (OCI)		Total Comprehensive Income	
	As % of consolidated net assets	Amount	As % of consolidated P&L	Amount	As % of consolidated OCI	Amount	As % of consolidated total comprehensive income	Amount
Parent								
Kirloskar Brothers Limited (including effect of consolidation, elimination and adjustment effects)	94.117%	8903.153	129.971%	649.671	79.823%	36.614	125.755%	686.285
Subsidiaries								
Indian								
1. Karad Projects and Motors Limited	(2.776%)	(262.581)	31.318%	156.549	2.468%	1.132	28.893%	157.681
2. The Kolhapur Steel Limited	(3.247%)	(307.132)	0.585%	2.925	5.888%	2.701	1.031%	5.626
3. Kirloskar Corrocoat Private Limited	(0.315%)	(29.765)	2.105%	10.522	0.918%	0.421	2.005%	10.943
Foreign								
1. Kirloskar Brothers International B.V. (Consolidated)	6.639%	628.012	(72.090%)	(360.351)	0.000%	0.000	(66.031%)	(360.351)
Non-controlling interest in all Subsidiaries								
Indian	0.368%	34.828	1.135%	5.672	0.000%	0.000	1.039%	5.672
Foreign	0.000%	0.000	0.000%	0.000	0.000%	0.000	0.000%	0.000
Joint Ventures(investment as per the equity method)								
Indian								
Kirloskar Ebara Pumps Limited	5.213%	493.154	6.976%	34.872	10.903%	5.001	7.306%	39.873
TOTAL	**100.000%**	**9459.671**	**100.000%**	**499.859**	**100.000%**	**45.870**	**100.000%**	**545.729**

Note 49: Others

Previous year's figure have been regrouped, wherever required.

For and on behalf of the Board of Directors

SANJAY KIRLOSKAR
Chairman and Managing Director
DIN: 00007885

S N INAMDAR
Director
DIN: 00025180

SANDEEP PHADNIS
Company Secretary

C M MATE
CFO & Vice President (Finance)

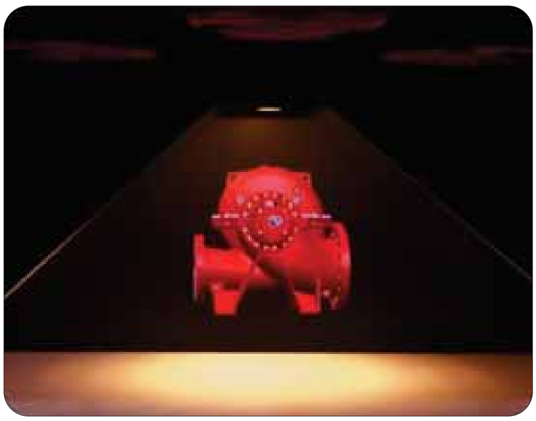
Pune : May 11, 2018

3D Printing Technology for Pumps
Location: Kirloskarvadi

Bang Sue Drainage Project
Location: Thailand

Pro-Kabaddi League, Puneri Paltan Team
co-sponsored by KBL

Use of Holographic Augmented Reality
for Demonstrating Products



Enriching Lives

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OUR COMPANIES

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