Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

ANNUAL REPORT 2014 - 2015

It has always been a matter of great pride for us to be able to serve the world relentlessly through critical engineering solutions - made right here in India, since 1910. And with the 'Make in India' programme gaining momentum, there is greater emphasis on reforms, new initiatives and best-in-class manufacturing infrastructure.

With the winds of change blowing in India's favour, there's never been a better time for us to put India in the league of global champions. With innovative, indigenous offerings, we will ensure that the world continues to look at India with awe and admiration.

Your company is poised to make India proud with:

- Indigenously manufactured gensets ranging from 3 kVA to 1000 kVA
- Export of best in class engines, gensets and pumpsets to 40 countries across the world
- Farm mechanisation products like Mega T that enhance farmer productivity with affordable machinery
- Collaboration with international partners like MTU (a subsidiary of Rolls-Royce) to supply best in class gensets to government organisations like Nuclear Power Corporation of India Limited

BOARD OF DIRECTORS

Atul C. Kirloskar	Executive Chairman
Gautam A. Kulkarni	Executive Vice Chairman
Nihal G. Kulkarni	Managing Director
Rajendra R. Deshpande	Joint Managing Director (redesignated w.e.f. 29 April 2015)
Rahul C. Kirloskar	
Pratap G. Pawar	
R. Srinivasan	
Dr. Naushad D. Forbes	
M. Lakshminarayan	
Mahesh R. Chhabria	
Gauri Kirloskar	
U.V. Rao	(upto 24 January 2015)
Pradeep R. Rathi	(w.e.f. 31 March 2015)

CHIEF FINANCIAL OFFICER
T. Vinodkumar

ASSISTANT COMPANY SECRETARY
Smita A. Raichurkar

AUDITORS
M/s. P. G. Bhagwat, Chartered Accountants

BANKERS
State Bank of India
Bank of Maharashtra
HDFC Bank Limited
ICICI Bank Limited
The HSBC Limited

REGISTRAR & SHARE TRANSFER AGENT
Link Intime India Private Limited
Block No. 202, 2nd Floor,
'Akshay' Complex, Near Ganesh Temple,
Off Dhole Patil Road, Pune- 411 001
Ph. No. 020 - 26161629 / 26160084

REGISTERED OFFICE
Laxmanrao Kirloskar Road, Khadki, Pune - 411 003
Ph. No. 020 - 25810341
www.koel.co.in

LOCATION OF FACTORIES
Pune, Nasik, Kagal and Rajkot

Information for shareholders

Annual General Meeting		
Date	:	Friday, 7 August 2015
Time	:	11.30 A.M.
Venue	:	Hotel Le Meridien Raja Bahadur Mill Road, Pune - 411 001
Proposed Dividend	:	250% (₹ 5 per share)
Dates of Book Closure	:	1 August 2015 to 7 August 2015 (both days inclusive)

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FINANCIALS AT A GLANCE

₹ in Crs.

Particulars	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Net Sales	2,473	2,287	2,320	2,276	2,364	2,219
Profit Before Tax	205	243	271	281	244	263
Profit After Tax	143	178	199	192	174	164
Dividend (%)	250	250	250	200	200	200
Dividend per share (₹)	5	5	5	4	4	4
Dividend Amount	72	72	72	58	58	58
Earning Per Share (₹)	10	12	14	13	12	11
Book Value Per Share (₹)	93	88	80	71	61	47
Share Capital	29	29	29	29	29	29
Reserves and Surplus	1,313	1,238	1,125	1,004	860	651
Shareholders' Funds	1,341	1,267	1,154	1,033	889	680
Loan Funds	-	-	-	169	249	270
Total Capital Employed	1,341	1,267	1,154	1,202	1,138	950
Net Block	514	543	591	576	591	563

Green Initiative - Go Paperless!!!

Dear Shareholder(s),

The Ministry of Corporate Affairs and Securities and Exchange Board of India (SEBI) has permitted the Companies to serve the documents viz. Annual Reports, Notice of general meetings/ postal ballot, any other shareholders' communication etc. to the members through the electronic mode. Your Company, is also dedicated in preserving and protecting the environment, and has been continuously seeking opportunities to reduce and conserve resources and minimize waste. To participate in this green initiative, you are requested to

a) Register your email addresses to ensure prompt receipt of communication and avoid any loss during postal transit

b) Convert your shares held in physical mode into dematerialized mode to ensure safe and speedy transaction in securities

c) Register your NECS facility (National Electronic Clearing System) for crediting your Dividend directly to your Bank Account.

Note :

- In case of holding shares in physical mode contact the Company or Registrar and Share Transfer Agent of the Company viz. Link Intime India Private Limited .
- In case of holding shares in dematerialized mode contact your Depository Participant.
- For more details visit Investors Relations Section on Company's website : www.koel.co.in

REPORT OF THE DIRECTORS

To The Members
of KIRLOSKAR OIL ENGINES LTD.,

The Directors are pleased to present the Sixth Annual Report together with the Audited Statement of Accounts for the year ended 31 March 2015.

Financial Highlights **(₹ in Crores)**

Particulars	2014-15	2013-14
Total Revenue	2,566.04	2,357.04
Profit before exceptional and extraordinary items and tax	205.43	243.44
Exceptional Items	–	–
Profit before tax	205.43	243.44
Tax Expense (Current & Deferred Tax)	62.29	64.99
Net Profit for the Period	143.14	178.45
Profit Brought Forward	443.91	367.91
Profit Available for Appropriation	587.05	546.36
Transfer to General Reserve	14.31	17.85
Other Appropriations	4.96	–
Dividend (including proposed final dividend) and dividend distribution tax	87.03	84.60
Balance of the Profit carried forward	480.75	443.91

Financial Performance

Despite the challenging macro economic environment, the net revenue from operations of the Company witnessed an increase of 8% and rose from ₹ 2319 crores in the previous fiscal to ₹ 2507 crores. Profit from operations (before exceptional items) was ₹ 205 crores as against ₹ 243 crores in the previous year. The Profit After Tax was ₹ 143 crores as against ₹ 178 crores in the previous year.

Dividend

For the year under review, the Directors have recommended a dividend of 250% (₹ 5 per share) for the year (PY 250%,₹ 5 per share). Total dividend payout for the year is ₹ 87.03 crores, including payment of ₹ 14.72 crores, as dividend distribution tax.

Directors

U.V. Rao, who served on your Company's Board for 19 years (pre and post demerger), passed away on 24 January 2015 and consequently ceased to be a director of the Company. Your Directors placed on record appreciation of the services rendered by him during his tenure as Director of the Company.

Based on the recommendation of Nomination and Remuneration Committee, the Board of Directors of the Company in its meeting held on 19 March 2015, re-appointed Rajendra R. Deshpande as the Whole Time Director and also re-designated him as Joint Managing Director for a term of 3 years with effect from 29 April

2015. A proposal for his re-appointment as the Joint Managing Director and remuneration payable to him is being placed before the Members of the Company for their approval at the ensuing Annual General Meeting.

Pursuant to Section 161 of the Companies Act, 2013, read with Articles of Association of the Company, Pradeep R. Rathi was appointed as an Additional Director with effect from 31 March 2015 and he shall hold office of Director up to the date of the ensuing Annual General Meeting of the Company. As per provisions of Section 149 and other applicable provisions of Companies Act, 2013, and rules thereof, your Directors are seeking appointment of Pradeep R. Rathi as an Independent Director in the ensuing Annual General Meeting. The Company has received requisite notice in writing from a member proposing his candidature for office of Director.

Gauri Kirloskar who retires by rotation at the ensuing Annual General Meeting and being eligible, offers herself for re-appointment.

The brief resumes and other details relating to the Directors who are proposed to be appointed/re-appointed, as required to be disclosed under Clause 49 of the Listing Agreement, form part of the Notice of Annual General Meeting.

All Independent Directors of the Company have given declarations that they meet the criteria of independence as laid down under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement.

Key Managerial Personnel

During the year under review, Atul C. Kirloskar, Executive Chairman, Gautam A. Kulkarni, Executive Vice Chairman, Nihal G. Kulkarni, Managing Director, Rajendra R. Deshpande, Joint Managing Director, T. Vinodkumar, Chief Financial Officer and Smita Raichurkar, Company Secretary designated as Asst. Company Secretary are appointed as Key Managerial Personnel of the Company.

Number of meetings of the Board

During period under review, seven (7) Board Meetings were held, the details of which forms part of Corporate Governance Report.

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, the Board has carried out an annual performance evaluation of its own performance, the directors individually as well as the evaluation of the working of its Committees. The manner in which the evaluation has been carried out has been explained in the Corporate Governance Report.

Composition of Audit Committee

The Composition of the Audit Committee forms part of Corporate Governance Report.

Nomination and Remuneration Policy

The Board has, on the recommendation of the Nomination and Remuneration Committee framed a policy for selection and appointment of Directors, Key Managerial Personnel, Senior Management and their remuneration. Nomination and Remuneration Policy is available on Company's website, www.koel.co.in. The Nomination and Remuneration Policy is annexed herewith as **Annexure A**.

Corporate Governance

The Company has complied with the requirements of Corporate Governance, as prescribed under Clause 49 of

the Listing Agreement. The Management Discussion and Analysis and the Corporate Governance Report form part of this report, together with a Certificate from the Statutory Auditors, confirming the requisite compliance.

Awards, Recognitions and Certifications

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

- The Engineering Export Promotion Council (EEPC) conferred the 'Star Performance Award' to the Company for the sixth consecutive year. The award was presented by Smt. Anandiben Patel, Hon'ble Chief Minister of Gujarat.
- The Company's Agri Crop Irrigation Business has been awarded for 'Integrated Rural Marketing Campaign' for its Jack Trout campaign across India. This award was presented in Rural Marketing Forum organized by Asia Retail Congress held at Mumbai.
- The Company's Agri Farm Mechanisation Business has been awarded for 'Innovation ideas for Rural Developement' for Mega T (Power Tiller). This award was presented in Rural Marketing Forum organized by Asia Retail Congress held at Mumbai. Mega T (Power Tiller) also bagged Golden Award for its excellent graphics at SGIA Golden Image competition held at Las Vegas and "Breakthrough Product Innovation" in R&D category by AIMA Innovation Practitioners Summit 2015-Delhi.
- Pragati, Akshay and Yantra Quality Circle won "Par Excellent Award" at NCQC National Level and also bagged Gold Award at QCFI PUNE Chapter in Quality Circle and allied concept Competition.

Composite Scheme of Arrangement and Amalgamation

The Board of Directors, based on recommendation of the Audit Committee, in its meeting held on 2 September 2014, had approved the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited (KBIL - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited (KOEL - Transferee Company) and their respective shareholders and creditors under Section 391 to 394 and other relevant Sections of the Companies Act, 1956, and relevant Sections of the Companies Act, 2013, to the extent applicable. The Scheme was approved by public shareholders of the Company through Postal Ballot on 17 February 2015 pursuant to circulars of SEBI issued in this behalf and by the equity shareholders of the Company by the Court convened meeting held on 18 February 2015.The petition in this matter for seeking sanction of the Scheme has been filed before the Hon'ble Bombay High Court bearing CSP No. 161 of 2015. The hearing on said petition held concluded on 30 April 2015 and an order of the Hon'ble Bombay High Court is awaited till date.

Auditors

a. Statutory Auditors

The Company's Auditors M/s. P. G. Bhagwat, Chartered Accountants, Pune (Firm Registration Number 101118W) hold office for term of two years till the conclusion of the Annual General Meeting to be held for Financial Year 2016-17, subject to ratification at every Annual General Meeting. It is proposed to ratify their reappointment as Statutory Auditors of the Company for Financial Year 2015-16. The members are requested to ratify their re-appointment and authorize the Board of Directors to fix their remuneration. The Company has received requisite certificate pursuant to Section 139 of the Companies Act, 2013.

There are no adverse remarks/qualifications of Statutory Auditors on financial statements for the year ended 31 March 2015.

b. Cost Auditors

Your Company has appointed M/s. Parkhi Limaye & Co. as Cost Auditors of the Company for the Financial Year 2015-16 under section 148 of the Companies Act, 2013 and rules thereof.

c. Secretarial Audit

Your Company has appointed Mr. M. J. Risbud, Practicing Company Secretary to conduct Secretarial Audit of the Company for the Financial Year 2015-16 under section 204 of the Companies Act, 2013 and the rules thereof. The Secretarial Audit Report is annexed herewith as **Annexure B.**

There are no adverse remarks/qualifications of Secretarial Auditors in the Secretarial Audit Report for the year ended 31 March 2015.

Extract of Annual Return

The details forming part of the extract of the Annual Return in form MGT 9 is annexed herewith as **Annexure C.**

Particulars of Loans, guarantees or investments

Details of Loans, Guarantees and Investments covered under the provisions of section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

Details of CSR Policy and activities undertaken

Your Company has always believed that as part of good Corporate citizenship, we must work for the betterment and upliftment of the society. Hence Corporate Social Responsibility (CSR) has been practiced and engrained over the years in KOEL. In light of the recent amendments to the Companies Act, 2013 your Company has constituted a Corporate Social Responsibility Committee and has framed a CSR Policy. The composition of CSR Committee forms part of Corporate Governance Report. The areas of focus under CSR has remained the same over the years and include : Health, Education, Environment and Livelihood. Projects undertaken are in accordance with Schedule VII of the Companies Act, 2013 and rules thereof. The Company will continue to support social projects that are consistent with the policy. The Report on CSR activities is annexed herewith as **Annexure D.**

Vigil Mechanism/Whistle Blower Policy

The Company has a Whistle Blower Policy to deal with instances of fraud, unethical behavior, mismanagement etc. The details of the Whistle Blower Policy is uploaded on the website www.koel.co.in

Public Deposits

There are no public deposits accepted by the Company pursuant to provisions of the Companies Act, 2013, during financial year ended 31 March 2015.

Details of orders passed by regulators/courts

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

Amount proposed to be carried to Reserves

Particulars of the amounts proposed to be carried to reserves have been covered as part of the Financial Highlights of the Company.

Particulars of Related Party Transactions

All related party transactions that were entered into during the financial year 2014-15 were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with related parties which may have a potential conflict with the interest of the Company at large. All Related Party Transactions are placed before the Audit Committee as also the Board for approval.

The policy on Related Party Transactions as approved by the Board is uploaded on the Company's website www.koel.co.in under investor relations section.

Directors' Responsibility Statement

Pursuant to Section 134 of the Companies Act, 2013, the Directors, based on the representations received from the Operating Management, confirm that:

i. In preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;

ii. they have in the selection of the accounting policies, consulted the Statutory Auditors and have applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31 March 2015 and of the profit of the Company for the year ended on that date;

iii. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding assets of the Company and for preventing and detecting fraud and other irregularities;

iv. they have prepared the annual accounts on a going concern basis;

v. they have laid down internal financial controls to be followed by the Company and such internal financial controls are adequate and operating effectively; and

vi. they have devised proper systems to ensure compliance with provisions of all applicable laws and such systems are adequate and operating effectively.

Listing Fees

The annual listing fees for the year under review has been paid to the BSE Limited, and to the National Stock Exchange of India Limited, in Mumbai where the Company's shares are listed.

Statutory Disclosures

Information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under section 134 (3)(m) of the Companies Act, 2013, read with the rules there under is annexed herewith as **Annexure E**.

Information forming part of the Directors' Report pursuant to rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The relevant information pursuant to rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, is annexed herewith as **Annexure F**.

Particulars of Employees

The particulars of employees pursuant to section 197 of the Companies Act, 2013 read with rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, form part of this report as **Annexure G.** In terms of Section 136 (1) of the Companies Act, 2013, the Directors' report is being sent to the

shareholders without this Annexure. Shareholders interested in obtaining a copy of this annexure may write to the Company Secretary at the Company's registered office.

Risk Management & Internal Controls

- **Risk Management**

  The Company has a robust Enterprise Risk Management (ERM) framework that helps to identify, evaluate and eventually mitigate risks, both at the business and Enterprise level. The ERM process is led by the Chief Internal Auditor of the Company. The Company's ERM process is IT enabled and supports bottom-up risk assessments, with status reports and summary of assessment reports. Risk registers and mitigation plans are maintained within the system.

  Risk management forms an integral part of the Company's Strategic Planning Process and identified risks and opportunities are used as inputs whilst developing the strategy and business plans. The Company strives to identify opportunities that enhance organizational values while managing or mitigating risks that can adversely impact its future performance. Enterprise risks presented by the management are reviewed by the Audit Committee and Board on a periodic basis.

- **The details in respect of adequacy of internal financial controls with reference to the Financial Statements**

  The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. The Internal Audit Department (IAD) works on a co-sourced model together with a leading audit firm to perform internal audits on a continuous basis. Internal audits are carried out based on a comprehensive risk based audit plan, which is approved by the Audit Committee. The scope and authority of the Internal Audit (IA) function is defined in the Internal Audit Charter.

  The IAD monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

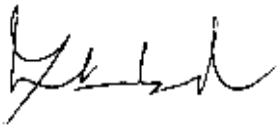
Cautionary Statement

Statements in this report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

Acknowledgments

The Directors would like to place on record their appreciation of the contribution made and support provided to the Company by the shareholders, employees, bankers, suppliers and customers.

For and on behalf of the Board of Directors



Date: 8 May 2015
Place: Pune

ATUL C. KIRLOSKAR
Executive Chairman

ANNEXURE 'A' TO THE DIRECTORS' REPORT
NOMINATION AND REMUNERATION POLICY

I. INTRODUCTION

This Policy applies to the Board of Directors, Key Managerial Personnel and Senior Management Personnel of Kirloskar Oil Engines Limited ('the Company').

The policy envisages the framework for nomination, remuneration and evaluation of Board of Directors, Key Managerial Personnel and Senior Management Personnel in accordance with provisions of Companies Act, 2013, ('the Act') including rules thereof and clause 49 of the Listing Agreement.

The Company aims to achieve balance of merits, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management Personnel.

II. DEFINITIONS

1. **"Board"** means Board of Directors of the Company.
2. **"Committee"** means Nomination and Remuneration Committee of the Company as constituted or re-constituted by the Board from time to time.
3. **"Key Managerial Personnel"** (KMP) means
   a) Chief Executive Officer or Managing Director or the Manager
   b) Whole-time Director
   c) Chief Financial Officer
   d) Company Secretary and
   e) such other officers as may be prescribed under the Act from time to time
4. **"Senior Management Personnel"** (SMP) means personnel of the Company who are members of the core management team, excluding Board of Directors and are one level below the Executive Director including Functional Heads.

III. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SMP

1. The Committee shall consider the qualification, skill, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and accordingly recommend to the Board his / her appointment.
2. The age of person to be appointed as a Non Executive Director shall not be less than 21 years and more than 75 years. Under exceptional circumstances, the Committee may at its discretion recommend to the Board waiver of upper age limit.

   The age of person to be appointed as an Executive Director shall not be less than 21 years and not more than 70 years.
3. The Company should ensure that the person so appointed as Director is not disqualified under the Companies Act, 2013, rules made thereunder, Listing Agreement or any other enactment for the time being in force.
4. The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act,2013, rules made thereunder,

Listing Agreement or any other enactment for the time being in force.

5. The Committee may recommend to the Board for removal of a Director on account of any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations or any other reasonable ground. The Committee may also recommend to the Board for removal of KMP or SMP subject to the provisions and compliance of the applicable Act, rules and regulations.

IV. BOARD DIVERSITY

The Board shall have an optimum composition of Directors by ensuring experts from different fields viz. finance, law, management, sales, marketing, engineering, research, technical operations or any other areas related to the Company's business. There will be a balance of skills & experience to steer the Company towards achievement of its Vision and attainment of its short term and long term objectives.

V. REMUNERATION OF DIRECTOR, KMP AND SMP

A) DIRECTORS

The Board of Directors of the Company shall decide the remuneration of Executive / Non-Executive Directors on the basis of recommendation of the Committee 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 in compliance with the provisions of the Act and listing agreement as applicable from time to time.

i. EXECUTIVE DIRECTORS:

The Company shall enter into a contract with every Executive Director which will set out the terms and conditions of appointment and tenure as recommended by the Committee and approved by the Board.

The Board may vary any terms or conditions of the contract from time to time within the tenure subject to such approvals as may be required under the Act.

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 approved by Board based on recommendation of Committee and performance evaluation of each Executive Director from time to time, subject to overall limits as prescribed under the Act.

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 Committee on the basis of the performance evaluation of the director undertaken by the Committee and the Board.

c. Non-monetary benefits:

Executive Directors may be entitled to club membership, company vehicle with driver, petrol reimbursement, vehicle maintenance, telephone, fax, internet at residence, reimbursement of mobile phone bills, fully furnished accommodation (in case of use of own residential property for accommodation) or house rent allowance in lieu thereof, soft and hard furnishings, reimbursement of house maintenance expenditure,

reimbursement of gas, electricity bill, water & other utilities and repairs at residence, reimbursement of medical expenditure including hospitalization expenses for self and family and leave travel assistance.

Executive Director may also be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance or any other benefit as per Company policy.

d. 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:

(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 one month's salary for each completed year of service and

(c) Encashment of leave at the end of the tenure

In case of loss or inadequacy of profits of the Company, the aforesaid perquisites shall not be included in computation of the ceiling on remuneration provided in the Act.

ii. NON-EXECUTIVE DIRECTORS:

The Company shall issue a letter of appointment to every Non-Executive Independent Director.

The components of payment of remuneration to Non-Executive Directors shall include:

a. Sitting fees :

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

Committee shall include Audit Committee, Nomination & Remuneration Committee, Stakeholders' Relationship Committee, Corporate Social Responsibility Committee or such Committees as may be constituted by the Board from time to time.

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 Committee on the basis of annual performance evaluation of the director.

c. Professional fees:

Non Independent Directors may be paid fees for services of professional nature, if in the opinion of Committee, the director possesses the requisite qualification for the practice of the profession. Such professional fees shall not be considered as remuneration for the purpose of Act.

B) KEY MANAGERIAL PERSONNEL &SENIOR MANAGEMENT PERSONNEL

The remuneration components payable to KMP / SMP may be:

a. Fixed salary:

Each KMP / SMP 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 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:

A portion of the overall salary may be paid as Variable pay to every KMP/SMP. This 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, Functional and Individual objectives.

c. Perquisites / Other Benefits:

Perquisites / Other Benefits are benchmarked with Industry practices from time to time keeping an overall salary structure in mind. These may include petrol reimbursement, vehicle maintenance, telephone, reimbursement of mobile phone bill and reimbursement of medical expenditure for self and family and such other benefits as per Company Policy.

KMP / SMP may be entitled to personal accident insurance, group accident insurance coverage, medical insurance coverage, term insurance and such other benefits as per Company policy.

d. Annual Pay Revision / Promotion

Evaluation of KMP / SMP shall be based on appraisal against stated Objectives / Goals of the individual which in turn shall be aligned to the Functional and Enterprise Score Card. Key Result Areas (KRAs) are set at the beginning of the year in consultation with the Executive Director. Pay revisions / promotions will be achievement oriented and will also have reference to Industry benchmarks, where appropriate.

e. Separation / Retirement benefits:

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

C) 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 Managing Director, Whole Time Director, Chief Executive Officer, Chief Financial Officer or Company Secretary. Provided that if any such person is proved to be guilty, the premium paid shall be treated as part of the remuneration.

D) STOCK OPTIONS

The Committee may recommend issue of stock options to directors (other than independent directors and promoter directors) or KMP / SMP which may be granted by the Board subject to the compliance of the provisions of applicable laws.

VI. CRITERIA FOR EVALUATION OF BOARD

The evaluation of Board shall be carried out annually as per provisions of the Act including rules thereof and Listing Agreement. Performance Evaluation of each director will be based on the criteria as laid down from time to time by the Nomination and Remuneration Committee.

i. Executive Director

Performance evaluation of each Executive Director will be based on achievement against the key short and long term performance objectives, which in turn would be aligned towards the Company's overall Vision and strategic objectives. The Balance Score Card (BSC) or other appropriate tool will be used to define the Strategic Objectives, measures and goals over a 5 year horizon. Business and individual goals will be cascaded from the BSC.

ii. Non-Executive Director

Performance evaluation of each Non-Executive Director will be based on attendance in board and its committee meeting, membership / chairmanship of the committees of the Board, time devoted for the Company, contribution in the Board process and such other criteria as may be considered by the Committee from time to time.

VII. AMENDMENT

Based on the recommendation of the Committee, the Board reserves its right to amend or modify this Policy in whole or in part, at any time, when it deems appropriate, in accordance with any amendment to the applicable provisions of Companies Act, 2013, including rules thereof and / or the provisions of the Listing Agreement.

For and on behalf of the Board of Directors

Sd/-
ATUL C. KIRLOSKAR
Executive Chairman

ANNEXURE 'B' TO THE DIRECTORS' REPORT
SECRETARIAL AUDIT REPORT

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]
For The Financial Year Ended 31st March 2015

To,
THE MEMBERS OF
KIRLOSKAR OIL ENGINES LIMITED
PUNE.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by KIRLOSKAR OIL ENGINES LIMITED, hereinafter called the Company. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March 2015 according to the provisions of:

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

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

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

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; [No incidence during the audit period, hence not applicable]

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

   (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

   (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;

   (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;- [No incidence during the audit period, hence not applicable]

   (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; [No incidence during the audit period, hence not applicable]

   (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; [No incidence during the audit period, hence not applicable]

   (f) The Securities and Exchange Board of India (Registrars to 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; [No

incidence during the audit period, hence not applicable]

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; [No incidence during the audit period, hence not applicable]

(vi) No other law is applicable specifically to the Company.

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

(i) Secretarial Standards issued by The Institute of Company Secretaries of India. [Not notified, hence not applicable to the company during the Audit period].

(ii) The Listing Agreements entered into by the Company with BSE Ltd. & NSE Ltd.;

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

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

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

All the decisions in the Board meeting were taken unanimously during the audit period.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

The Company has filed petition u/s 391 to 394 read with Section 100 to 105 of the Companies Act, 1956, before the Hon'ble High Court at Bombay for sanction of composite scheme of arrangement and amalgamation between Kirloskar Brothers Investments Limited (KBIL - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited (KOEL - Transferee Company) and their respective shareholders and creditors.

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

Date : 8th May, 2015
Place : Pune

ANNEXURE 'C' TO THE DIRECTORS' REPORT
Form No. MGT-9
EXTRACT OF ANNUAL RETURN
as on the financial year ended on 31 March 2015
[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I REGISTRATION AND OTHER DETAILS

i	CIN	L29120PN2009PLC133351
ii	Registration Date	12 January 2009
iii	Name of the Company	Kirloskar Oil Engines Limited
iv	Category / Sub-Category of the Company	Company having share capital
v	Address of the Registered office and contact details	Laxmanrao Kirloskar Road, Khadki, Pune 411003, Maharashtra, India Tel.: 91-20 25810341 Fax : 91-20 25813208
vi	Whether listed company	Yes
vii	Name, Address and Contact details of Registrar and Transfer Agent, if any	Link Intime India Private Limited Address: Block No. 202, 2nd Floor, Akshay Complex, Near Ganesh Temple, Off Dhole Patil Road, Pune 411 001 Tel.: 020-26161629/26160084 Fax : 020-26163503 Email : pune@linkintime.co.in

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company are stated below:

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Engines, Gensets, Pumpsets and parts thereof	28110, 27101,28132	100%

III PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and address of the company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Kirloskar Brothers Investments Limited	L65999PN2009PLC133794	Holding	55.59	2 (46)

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 (1 April 2014)				No. of Shares held at the end of the year (31 March 2015)				% Change during the year
	Demat	Physical	Total	% of total share	Demat	Physical	Total	% of total share	
A. Promoters									
(1) Indian									
a) Individual/HUF	19,266,863	0	19,266,863	13.32	19,266,963	0	19,266,963	13.32	0.00
b) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
c) State Govt (s)	0	0	0	0.00	0	0	0	0.00	0.00
d) Bodies Corporate	85,883,363	0	85,883,363	59.39	85,895,033	0	85,895,033	59.40	0.01
e) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
f) Any Other….	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (1)	**105,150,226**	**0**	**105,150,226**	**72.71**	**105,161,996**	**0**	**105,161,996**	**72.72**	**0.01**
(2) Foreign									
a) NRIs -Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Other – Individuals	0	0	0	0.00	0	0	0	0.00	0.00
c) Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
d) Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
e) Any Other….	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (A) (2)	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**	**0.00**
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	**105,150,226**	**0**	**105,150,226**	**72.71**	**105,161,996**	**0**	**105,161,996**	**72.72**	**0.01**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	784,292	42,187	826,479	0.57	1,303,116	42,187	1,345,303	0.93	0.36
b) Banks / FI	3,761,078	63,268	3,824,346	2.64	3,861,683	63,268	3,924,951	2.71	0.07
c) Central Govt	0	0	0	0.00	0	0	0	0.00	0.00
d) State Govt(s)	0	0	0	0.00	0	0	0	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Insurance Companies	4,039,807	0	4,039,807	2.79	3,622,876	0	3,622,876	2.51	(0.28)
g) FIIs	15,020,286	6,750	15,027,036	10.39	15,483,881	6,750	15,490,631	10.71	0.32
h) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
i) Others (specify)	0	0	0	0.00	0	0	0	0.00	0.00
j) Foreign Portfolio Investors (Corporate)	0	0	0	0	46,197	0	46,197	0.03	0.03
Sub-total (B)(1)	**23,605,463**	**112,205**	**23,717,668**	**16.40**	**24,317,753**	**112,205**	**24,429,958**	**16.89**	**0.49**
2. Non-Institutions									
a) Bodies Corporate									
i) Indian	753,352	24,348	777,700	0.54	925,523	24,348	949,871	0.66	0.12
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
b) Individuals									
I) Individual shareholders holding nominal share capital upto ₹ 1 lakh	9,074,243	3,232,034	12,306,277	8.51	8,671,364	3,054,461	11,725,825	8.11	(0.40)
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	2,210,696	118,575	2,329,271	1.61	1,954,642	118,575	2,073,217	1.43	(0.18)
c) Others (specify)									
Clearing Members	61,037	0	61,037	0.04	32,214	0	32,214	0.02	(0.02)
Foreign Company	0	0	0	0.00	0	0	0	0.00	0.00
Market Maker	0	0	0	0.00	0	0	0	0.00	0.00
Foreign Nationals	0	0	0	0.00	0	0	0	0.00	0.00
NRI (Repatriate)	90,787	46244	137,031	0.09	72,262	46,244	118,506	0.08	(0.01)
NRI (Non-Repartriate)	134,651	0	134,651	0.09	122,274	0	122,274	0.08	(0.01)
OCB's	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(2)	**12,324,766**	**3,421,201**	**15,745,967**	**10.89**	**11,778,279**	**3,243,628**	**15,021,907**	**10.39**	**(0.50)**
Total Public Shareholding (B)=(B)(1)+ (B)(2)	**35,930,229**	**3,533,406**	**39,463,635**	**27.29**	**36,096,032**	**3,355,833**	**39,451,865**	**27.28**	**(0.01)**
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0.00	0	0	0	0	0
Grand Total (A+B+C)	**141,080,455**	**3,533,406**	**144,613,861**	**100.00**	**141,258,028**	**3,355,833**	**144,613,861**	**100.00**	**0.00**

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (1 April 2014)			Shareholding at the end of the year (31 March 2015)			% change in share holding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
1	Kirloskar Brothers Investments Limited	80,376,844	55.58	-	80,388,514	55.59	-	0.01
2	Kirloskar Industries Limited	5,506,519	3.81	-	5,506,519	3.81	-	-
3	Atul Chandrakant Kirloskar	2,654,276	1.84	-	2,654,276	1.84	-	-
4	Rahul Chandrakant Kirloskar	1,923,155	1.33	-	1,923,155	1.33	-	-
5	Sanjay Chandrakant Kirloskar	39,404	0.03	-	39,404	0.03	-	-
6	Suman Chandrakant Kirloskar	53,377	0.04	-	53,377	0.04	-	-
7	Vikram Shreekant Kirloskar	69,489	0.05	-	69,489	0.05	-	-
8	Mrinalini Shreekant Kirloskar	87,847	0.06	-	87,847	0.06	-	-
9	Roopa Jayant Gupta	20,887	0.01	-	20,887	0.01	-	-
10	Geetanjali Vikram Kirloskar	37	0.00	-	37	0.00	-	-
11	Gautam Achyut Kulkarni	2,560,714	1.77	-	2,560,714	1.77	-	-
12	Neeta Achyut Kulkarni	427	0.00	-	427	0.00	-	-
13	Jyostna Gautam Kulkarni	3,857,250	2.67	-	3,857,250	2.67	-	-
14	Arti Atul Kirloskar	3,600,000	2.49	-	3,600,000	2.49	-	-
15	Nihal Gautam Kulkarni	159,756	0.11	-	159,756	0.11	-	-
16	Alpana Rahul Kirloskar	4,240,244	2.93	-	4,240,244	2.93	-	-
17	Akshay Sahni	-	-	-	100	0.00	-	0.00
	Total	**105,150,226**	**72.71**	**-**	**105,161,996**	**72.72**	**-**	**0.01**

Notes:

a. Amounts shown as "0.00" above are not Nil, but rounded off to 2 decimals.

b. In case of joint holding, the name of the first holder is considered.

c. No shares of promoters have been pledged or encumbered as of 01/04/2014 or 31/03/2015 or during the year ended 31/03/2015.

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

Sr. No.	Particulars	Shareholding at the beginning of the year (1 April 2014)		Cumulative Shareholding during the year (1 April 2014 to 31 March 2015)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Kirloskar Brothers Investments Limited				
	At the beginning of the year	80,376,844	55.58		
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	**Number of shares acquired**: 2,679 **Mode of acquisition:** Market Purchase **Date of acquisition**: 11 September 2014	0.00	80,379,523	55.58
		Number of shares acquired: 100 **Mode of acquisition**: Market Purchase **Date of acquisition** : 15 September 2014	0.00	80,379,623	55.58
		Number of shares acquired: 1,359 **Mode of acquisition**: Market Purchase **Date of acquisition** : 16 September 2014	0.00	80,380,982	55.58
		Number of shares acquired: 7,532 **Mode of acquisition:** Market Purchase **Date of acquisition** : 19 September 2014	0.01	80,388,514	55.59
	At the End of the year	80,388,514	55.59		

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

Sr. No.	Particulars	Shareholding at the beginning of the year (1 April 2014)	
		No. of shares	% of total shares of the company
1	Nalanda India Fund Limited	10,896,124	7.53
2	Nalanda India Equity Fund Limited	2,960,065	2.05
3	The New India Assurance Company Limited	2,001,994	1.38
4	Life Insurance Corporation of India	1,982,964	1.37
5	General Insurance Corporation of India	1,772,647	1.23
6	The Oriental Insurance Company Limited	1,423,660	0.98
7	Jagdish Amritlal Shah	1,044,248	0.72
8	UTI- Infrastructure Fund	623,066	0.43
9	National Insurance Company Ltd.	614,153	0.42
10	Steinberg India Emerging Opportunities Fund Limited	371,506	0.26

Notes

a. In case of joint holding, the name of the first holder is considered.

b. There is no fresh allotment/reduction of share capital during the year by the Company. The increase/decrease in shareholding above is due to transactions between shareholders.

c. The shareholding details given above are based on the legal ownership and not beneficial ownership and is derived based on the folio number listing provided by the Registrar and Transfer agent of the Company.

Sr. No.	Particulars	Shareholding at the end of the year (31 March 2015)	
		No. of shares	% of total shares of the company
1	Nalanda India Fund Limited	10,896,124	7.53
2	Nalanda India Equity Fund Limited	3,013,690	2.08
3	The New India Assurance Company Limited	2,013,017	1.39
4	Life Insurance Corporation of India	1,982,964	1.37
5	General Insurance Corporation of India	1,772,647	1.23
6	The Oriental Insurance Company Limited	1,310,853	0.91
7	Jagdish Amritlal Shah	749,742	0.52
8	Pinebridge Investments Asia Limited A/C Pinebridge Investments GF Mauritius Ltd.	692,766	0.48
9	UTI- Infrastructure Fund	640,000	0.44
10	L&T Mutual Fund Trustee Limited-L&T Emerging Businesses Fund	354,590	0.25

Notes:

a. In case of joint holding, the name of the first holder is considered.

b. There is no fresh allotment/reduction of share capital during the year by the Company. The increase/decrease in shareholding above is due to transactions between shareholders.

c. The shareholding details given above are based on the legal ownership and not beneficial ownership and is derived based on the folio number listing provided by the Registrar and Transfer agent of the Company.

(v) Shareholding of Directors and Key Managerial Peronnel:

Shareholding of Directors

Sr. No.	Particulars	Shareholding at the beginning of the year (1 April 2014)		Shareholding at the end of the year (31 March 2015)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Atul C. Kirloskar	2,654,276	1.84	2,654,276	1.84
2	Gautam A. Kulkarni	2,560,714	1.77	2,560,714	1.77
3	Nihal G. Kulkarni	159,756	0.11	159,756	0.11
4	Rajendra R. Deshpande	11,250	0.01	11,250	0.01
5	Rahul C. Kirloskar	1,923,155	1.33	1,923,155	1.33
6	Dattatraya R. Swar*	700	0.00	NA	-
7	Anil N. Alawani**	34,282	0.02	NA	-
8	Pratap G. Pawar	5,355	0.00	5,355	0.00
9	R. Srinivasan	3,750	0.00	3,750	0.00
10	Dr. Naushad D. Forbes	9,000	0.01	9,000	0.01
11	M. Lakshminarayan	Nil	0.00	Nil	0.00
12	Late. U. V. Rao@	Nil	0.00	NA	-
13	Mahesh Chhabria@@	NA	-	8,512	0.00
14	Gauri Kirloskar@@	NA	-	Nil	0.00
15	Pradeep R. Rathi#	NA	-	Nil	0.00

Notes:

1. There are no purchase and sale of shares by directors during the year.
2. The above details are based on the legal ownership and not on beneficial ownership.
3. The shareholding above reflects the ownership post the person being appointed as a director.

* Resigned as a Director w.e.f. 11 June 2014

** Resigned as a Director w.e.f. 16 June 2014

@ Ceased to be a Director w.e.f. 24 January 2015

@@ Appointed as a Director w.e.f. 17 June 2014

Appointed as a Director w.e.f. 31 March 2015

Shareholding of Key Managerial Personnel (KMP)

Sr. No.	Particulars	Shareholding at the beginning of the year (1 April 2014)		Shareholding at the end of the year (31 March 2015)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Atul C. Kirloskar	2,654,276	1.84	2,654,276	1.84
2	Gautam A. Kulkarni	2,560,714	1.77	2,560,714	1.77
3	Nihal G. Kulkarni	159,756	0.11	159,756	0.11
4	Rajendra R. Deshpande	11,250	0.01	11,250	0.01
5	T. Vinodkumar	Nil	0.00	Nil	0.00
6	Smita A. Raichurkar	Nil	0.00	Nil	0.00

Notes:
1. There are no purchase and sale of shares by KMP during the year.
2. The above details are based on the legal ownership and not on beneficial ownership.
3. The shareholding above reflects the ownership post the person being appointed as a KMP.

V INDEBTEDNESS

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

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

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

₹ In crs.

Sr. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
		Atul C. Kirloskar	Gautam A. Kulkarni	Nihal G. Kulkarni	Rajendra R. Deshpande	
1	Gross salary	4.72	4.68	3.20	2.73	15.33
a)	Salary as per provisions contained in section 17(1) of the Income-tax Act,1961	4.45	4.48	3.08	2.62	14.63
b)	Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.27	0.20	0.12	0.11	0.70
c)	Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961					
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission					
	as % of profit					
	others, specify…					
5	Others, please specify					
	Total (A)	**4.72**	**4.68**	**3.20**	**2.73**	**15.33**
	Ceiling as per the Act					17.69

Note : Commission paid during the year is included in point no. 1 a) hence not separately shown in point no. 4.

B. Remuneration to other Directors

₹ In crs.

Particulars of Remuneration	Name of Directors									Total Amount
Independent Directors	**R. Srinivasa**	**M. Lakshminarayan**	**Naushad Forbes**	**Pratap G. Pawar**	**Mahesh Chhabria**	**Late. Mr. U.V. Rao**	**Pradeep R. Rathi**	**D. R. Swar**	**Anil A. Alawani**	
Fee for attending board / committee meetings	0.07	0.02	0.01	0.07	0.02	0.04	-	-	0.01	0.24
Commission	0.15	0.03	0.02	0.15	0.02	0.09	-	-	0.01	0.47
Others, please specify	-	-	-	-	-	-	-	-	-	-
Total (1)	**0.22**	**0.05**	**0.03**	**0.22**	**0.04**	**0.13**	**-**	**-**	**0.02**	**0.71**
Other Non-Executive Directors	**Rahul C. Kirloskar**	**Gauri Kirloskar**								
Fee for attending board / committee meetings	0.07	0.03								0.10
Commission	1.14	0.04								1.18
Others, please specify										
Total (2)	**1.21**	**0.07**								**1.28**
Total (B)=(1+2)	**1.43**	**0.12**	**0.03**	**0.22**	**0.04**	**0.13**	**-**	**-**	**0.02**	**1.99**
Total Managerial Remuneration (including Sitting fee)	1.43	0.12	0.03	0.22	0.04	0.13	-	-	0.02	1.99
Overall Ceiling as per the Act (Excluding Sitting fee)										1.77

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

₹ In crs.

Sr. No.	Particulars of Remuneration	Key Managerial Personnel		
		CFO	Company Secretary	Total
1	Gross salary	1.28	0.14	1.42
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1.20	0.14	1.34
	b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	0.08	-	0.08
	c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	as % of profit	-	-	-
	others, specify…	-	-	-
5	Others, please specify	-	-	-
	Total	**1.28**	**0.14**	**1.42**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD/NCLT/COURT]	Appeal made, if any (give Details)
Penalty	Nil				
Punishment					
Compounding					
OTHER OFFICERS IN DEFAULT					
Penalty	Nil				
Punishment					
Compounding					

For and on behalf of the Board of Directors

Sd/-
ATUL C. KIRLOSKAR
Executive Chairman

ANNEXURE 'D' TO THE DIRECTORS' REPORT

ANNUAL REPORT ON CSR ACTIVITIES FOR THE FINANCIAL YEAR 2014–15

[Pursuant to Section 135 of the Companies Act, 2013 read with
the Companies (Corporate Social Responsibility Policy) Rules, 2014]

The Board of Directors at its meeting held on 17 June 2014 have adopted the Corporate Social Responsibility (CSR) policy of the Company. Eligible funds for CSR activities will be expended in the areas of Education, Environment, Health etc. through one or more trusts OR directly. These CSR activities will be carried out through various programmes or projects as specified in the CSR Policy. The CSR policy of the Company is available on website: www.koel.co.in

As on date, the CSR Committee of the Company consists of three Directors, viz. Mr. Rahul C. Kirloskar as Chairman and Mr. Nihal G. Kulkarni & Dr. Naushad D. Forbes as members.

Details of expenditure on CSR activities are as follows: **₹ in Crs.**

Average net profit of the Company for the financial years 2011–12, 2012–13 and 2013–14	259.71
Prescribed CSR expenditure (2% of the average net profit computed above)	at least 5.19
Total amount spent on CSR activities for the financial year 2014–15	5.37
Amount unspent, if any	–

Manner in which the amount spent during the financial year 2014-15 is detailed below:

Sr. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programs 1) Local area or other 2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub-heads: 1)Direct expenditure on projects or programs. 2) Overheads: (₹ in crs.)	Cumulative expenditure upto the reporting period (₹ in crs.)	Amount Spent: Direct or through implementing agency (₹ in crs)
1	Financial assistance for education to orphan children, conducting various vocational training programmes viz. Computer literacy programmes, Life Skill training programmes, training on safety to women, Infrastructure for schools, scholarships to students, etc.	Education	Pune, Kagal, Nasik & Rajkot	Amount not specified	**4.90**	**4.90**	**4.90** Partially direct and partially through trusts.
2	Environment awareness session for school children, programmes on energy conservation, Workshop on recycle of waste, Kirloskar Vasundhara film festival, Pest control measures, PUC Checkup of vehicles.	Environment	Pune, Kagal, Nasik & Rajkot	Amount not specified	**0.10**	**0.10**	**0.10** Direct
3	HIV aids awareness program, Health checkup camps, Hygine awareness programmes etc.	Health	Pune, Kagal, Nasik & Rajkot	Amount not specified	**0.37**	**0.37**	**0.37** Direct
					5.37	**5.37**	

The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Noted for the CSR Committee on 4 May 2015.

Sd/-
Rahul C. Kirloskar
Chairman of CSR Committee

Sd/-
Nihal G. Kulkarni
Managing Director

ANNEXURE 'E' TO THE DIRECTORS' REPORT

A. Conservation of Energy

The Company is committed to optimizing use of energy in operations and also bring about continuous improvements in the efficiency of processes and products through use of energy efficient and renewable energy technologies.

I. The steps taken for energy conservation and its impact

Khadki Plant

- Energy Efficient VRV Air conditioning system for renovation of Marketing, Secretarial & Legal department and SCM office
- Energy Efficient Lighting for renovation of Finance & SCM office

Kagal Plant

- Energy Efficient Localized Lighting resulting in saving of 31,000 units
- Avoidance of wastage of compressed air during idle time of machine yielding saving of approximately 77,000 Units
- Energy Cost reduction through cycle time reduction resulting in saving of 45,000 units
- Replacement of 400 Watt Highbay by 250 watt Highbay lamps in General bays with saving of 81,000 units per annum
- Implementation of using Rainwater harvested for Garden with other water saving projects yields saving of 1440 CuM water

Nasik Plant

- Reconditioning of cooling towers to improve their Energy Efficiency
- Energy efficient blower motor installed at ETP
- Translucent Sheets and Turbo ventilator for Washing area to avoid day light & air circulators
- High wattage Mercury Lamps replaced by Low watt Metal halide lamps keeping same illumination level
- Motion sensor for office lighting installed in Plant Engineering department.

Rajkot Plant

- Installation of Relay based temp controller for internal exhaust motor of testing resulting in saving of 60,000 units
- Zero air loss auto drain valve for compressed air line with saving 10, 200 Units
- Installation of auto timer panel for admin building & canteen lighting yields in saving of 15,000+ Units
- Implementation of PLC & VFD panel for testing exhaust blowers resulting in saving of 80,000 units per annum
- Installation of Relay based switching panel for painting blowers, yields saving of 65,000 units
- Dedicated compressor for packing results in saving of 21,000 units

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

- Third Party Windmill Units purchased from independent Windmill generator under open access

policy. All statutory compliances like SEM meter installation, OA Permission from MSEDCL has been completed at Khadki and Kagal Locations

- Agreement entered into with GAIL for utilization of Piped Natural Gas (PNG) Implementation is tentatively proposed in Financial Year 2015-16
- Use of Natural Gas for process

III. The capital investment on energy conservation equipment

The Company made a capital investment of ₹ 0.84 crores on energy conservation equipment.

B. Technology absorption

i. Efforts made towards technology absorption

The Company is working closely with legislative bodies such as PCRA, CPCB, research institutes such as ARAI, IITD, industry associations such as IDEMA. It also works with OEMs and end customers and suppliers like Bosch, Stanadyne to identify opportunities for design, development and improvements of products.

ii. Benefits derived and results of above efforts, product improvements, cost reduction, product development, import substitution etc.

- Whole range of genset products meeting CPCB Stage II emission norms
- There are active programmes for fuel economy improvement for identified applications
- There is active value engineering programme for identified components
- Import substitutes for E Governor, Fuel Injection Equipment, Controllers etc.
- Development of compact products for multiple applications without compromising performance and durability

iii. In case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-

The details of technology imported :

- The Company entered into a license agreement with Daihatsu Diesel Manufacturing Co. Ltd. Japan, for the manufacture, marketing and supply of diesel engines in India in the range of 610 kW to 2500 kW
- The Company entered into MOU with MTU Friedrichshafen GmbH Germany, for the manufacture, marketing and supply of diesel gensets in India

iv. The expenditure incurred on Research and Development

(₹ in Crores)

Sr. No.	Particulars	2014-15	2013-14
1	Revenue Expenditure	36.87	26.12
2	Capital Expenditure	25.03	2.92
3	Total R & D expenditure	61.90	29.04
4	Total R&D expenditure as% to sales	2.5%	1.3%

C. Foreign exchange earnings and outgoes

(₹ in Crores)

Total Foreign Exchange used & earned	2014-15	2013-14
Used	115.90	146.89
Earned	211.17	198.35

ANNEXURE 'F' TO THE DIRECTORS' REPORT

INFORMATION PURSUANT TO RULE 5 OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Sr. No.	Information Required	Input
1	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	Please refer Annexure 'F-1'
2	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year;	Please refer Annexure 'F-2'
3	The percentage increase in the median remuneration of employees in the financial year	5.59%
4	The number of permanent employees on the rolls of company	2435
5	The explanation on the relationship between average increase in remuneration and company performance	The increase in remuneration is not solely based on company performance but also includes various other factors like individual performance vis-à-vis individual KRAs set and achieved, industry trends, economic situation, future growth prospects etc. The Board believes that the increase is in line with industry.
6	Comparison of the remuneration of the Key Managerial Personnel against the performance of the company	The increase in remuneration is not solely based on company performance but also includes various other factors like individual performance vis-à-vis individual KRAs set and achieved, industry trends, economic situation, future growth prospects etc. The Board believes that the increase is in line with industry.
7	Variations in the market capitalisation of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year	**31/03/2015** / **31/03/2014** Market Capitalisation (₹ crs.): 3960 / 2884 PE ratio: 27.60 / 16.16 The Company was formed on 12 January 2009 pursuant to a scheme of demerger. Equity Shares were allotted as per Scheme of Demerger. Since then, the Company has not come out with any public offer. Hence, information related to % increase or decrease in market quotations over last public offer is not applicable.
8	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 in salaries of managerial personnel: 22.40 percentile Average percentile increase in salaries of non-managerial personnel: 28.23 percentile The salary increases are a function of various factors like individual performance vis-à-vis individual KRAs set and achieved, industry trends, economic situation, future growth prospects etc. besides Company performance. There are no exceptional circumstances for increase in the managerial remuneration.

Sr. No.	Information Required	Input
9	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company	The increase in remuneration is not solely based on company performance but also includes various other factors like individual performance vis-à-vis individual KRAs set and achieved, industry trends, economic situation, future growth prospects etc. The Board believes that the increase is in line with industry.
10	The key parameters for any variable component of remuneration availed by the directors	Commission is the variable component in the remuneration of the Directors. As per the Nomination and Remuneration Policy of the Company, the amount of commission is calculated on the basis of the performance evaluation of the directors.
11	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	There are no such cases.
12	Affirmation that the remuneration is as per the remuneration policy of the company.	The remuneration paid to the Directors is as per the Nomination and Remuneration policy of the company.
13	Particulars of employees posted and working in a country outside India, not being Directors or their relatives, drawing more than sixty lakh rupees per financial year or five lakh rupees per month.	There are no such cases.

ANNEXURE TO BOARD REPORT- Annexure "F-1"

Sr. No.	Name of the Director	Ratio of remuneration of each director to the median remuneration of the employees of the Company
1	Atul C Kirloskar	62.80
2	Gautam A. Kulkarni	62.28
3	Nihal G. Kulkarni	42.98
4	Rajendra R. Deshpande	36.08
5	Rahul C. Kirloskar	22.71
6	Pratap G. Pawar	4.23
7	R Srinivasan	4.07
8	Dr. Naushad D. Forbes	0.57
9	M. Lakshminarayan	0.98
10	Dattatraya R. Swar*	NA
11	Anil N. Alawani*	NA
12	Late U.V. Rao*	NA
13	Mahesh R.Chhabria *	NA
14	Gauri Kirloskar *	NA
15	Pradeep R. Rathi*	NA

Note:

1. Median is computed on the basis of permanent employees on the rolls of the Company for the full financial year 2014-15
2. *These Directors were appointed / separated during the year ended 31/03/2015. As such the remuneration of these Directors is not considered.

ANNEXURE TO BOARD REPORT- Annexure "F-2"

Sr. No.	Name of the Director/KMP	Designation	% Increase/(decrease) in the Remuneration
1	2	3	4
1	Atul C. Kirloskar	Director& KMP	(30.35)
2	Gautam A. Kulkarni	Director & KMP	(31.25)
3	Nihal G. Kulkarni	Director & KMP	(30.32)
4	Rajendra R. Deshpande	Director & KMP	(31.81)
5	Rahul C. Kirloskar	Director	10.24
6	Pratap G. Pawar	Director	325.47
7	R. Srinivasan	Director	77.87
8	Dr. Naushad D. Forbes	Director	(12.86)
9	M.Lakshminarayan	Director	650.00
10	T. Vinodkumar	CFO &KMP	8.71
11	Smita A. Raichurkar	Asst. Company Secretary &KMP	25.25
12	Dattatraya R. Swar*	Director	NA
13	Anil N. Alawani *	Director	NA
14	Late U.V. Rao *	Director	NA
15	Mahesh R.Chhabria *	Director	NA
16	Gauri Kirloskar *	Director	NA
17	Pradeep R. Rathi*	Director	NA

Note:

* These Directors were appointed / separated during the year ended 31/03/2015. As such the remuneration of these Directors is not considered.

MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMY AND MARKETS

Global growth in 2014 was lower than initially envisaged, continuing a pattern of disappointing out turns over the past several years. Growth picked up only marginally in 2014, to 2.6 percent, from 2.5 percent in 2013. Beneath these headline numbers, increasingly divergent trends are at work in major economies. While activity in the United States and the United Kingdom has gathered momentum as labour markets settle and monetary policy remains extremely accommodative, the recovery has been sputtering in the Europe Area and Japan as legacies of the financial crisis linger, intertwined with structural bottlenecks. China, meanwhile, is undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand, but also domestic policy tightening, political uncertainties and supply-side constraints.

Several major forces are driving the global outlook: soft commodity prices; persistently low interest rates but increasingly divergent monetary policies across major economies and weak world trade. In particular, the sharp decline in oil prices since mid-2014 will support global activity and help offset some of the headwinds to growth in oil-importing developing economies. However, it will dampen growth prospects for oil-exporting countries, with significant regional repercussions.

The slowdown in global trade has been driven by both cyclical factors, notably persistently weak import demand in high-income countries, and structural factors, including the changing relationship between trade and income. Specifically, world trade has become less responsive to changes in global income because of slower expansions of global supply chains and a shift in demand toward less import-intensive items.

2014-15 has been an eventful year for India. The BJP Government, had a landslide victory in May 2014 and with it came huge expectations for economic revival in the country. The 'Make in India' campaign was launched by the Central Government in October 2014 aimed at developing India as the manufacturing hub of the world. The campaign emphasised the importance of low cost manufacturing in India along with technology expertise is 25 large scale industries. While the business and investment sentiment has largely been positive and there are signs that point to a recovery in the making, no breakthrough momentum has been achieved as yet.

The GDP growth in 2014-15 is estimated at 7.4% as compared to the growth rate of 6.9% in the previous year.

Kirloskar Oil Engines Limited (KOEL) has been one of the pioneers of the 'Made in India' concept since independence. Your Company has developed indigenous engines which are renowned in the agriculture, power generation and industrial off-highway equipment segments. The Company's engineering capabilities are backed by a strong R&D centre which works towards bringing innovative product offerings to the customer at competitive prices. Your Company has developed a niche for itself in the markets it operates by launching new farm mechanization products and highly efficient diesel generator sets in India. Going beyond India, these solutions have reached the markets of Middle East, Africa, Europe, South Asia and the Americas, making the 'Make in India' campaign a reality.

This report will provide insights and an update on the Company performance through the Financial Year 2014-15 with brief outlook for the Financial Year 2015-16.

INDUSTRY AND COMPANY OVERVIEW

A. POWER GENERATION BUSINESS

The Diesel Generator (DG) set market in India is well organized and highly competitive. The market can be broadly classified into portable diesel generators (below 5kVA), small diesel generators (15-75 kVA), medium diesel generators (75.1 – 375 kVA) and large

diesel generators (375.1 – 2000 kVA). In India, low and medium power rating DGs account for majority of the market share.

The Indian DG set market growth drivers predominantly are : Growth in infrastructure and real estate sectors, peak power deficit and overall economic growth. On account of high power outages, higher reliability, rapid response time, fuel availability and high load carrying capacity, DGs are used for power backup besides being used for prime power.

Major application areas for DG sets include:

- Telecom
- Hospitality
- Healthcare
- Mining
- Power plants
- Real estate
- Agriculture sector
- Small and Medium Enterprises (SMEs)
- Manufacturing industries

After a prolonged wait, the Central Pollution Control (CPCB) Norms II, were made effective from 1 July 2014. The cut-off date was made applicable for all engines and gensets (upto 800 kW) sold after the effective date. DG set prices have settled down after the initial uncertainty and the price increase at an aggregate level have been approximately 10-15%. The industry has not yet witnessed any major market consolidation.

Business Overview

A contraction across all end-user/customer segments in terms of both volume and value, except the telecom sector, was witnessed in the DG sets market during Financial Year 2014-15. Real estate (both residential and commercial), Government (DGS&D, Railways and Defense) were the worst affected end-user segments. High interest rates have created a situation of deferred purchase decisions in the medium and high segments.

The power generation business of your Company successfully managed a smooth transition of CPCB-I to CPCB-II emission norms with zero inventory of CPCB–I engines and components.

CPCB II Compliant Genset

In order to remain relevant and youthful and keeping with the overall transformation agenda, the business launched its much awaited new brand identity – KOEL Green. The revamped brand identity – 'Efficiency Integrated' reiterates the promise of enhanced efficiency on various business parameters together with proven reliability to its customers. A new range of petrol and diesel portable gensets in the 2-5 kVA segment was launched by the business. Financial Year 2014-15 also witnessed consolidation of the Kirloskar Generator Technologies (KGT) business which included Alternator and Battery sales.

KOEL GREEN
BY KIRLOSKAR
EFFICIENCY • INTEGRATED

New Brand - KOEL Green

After witnessing a market contraction of almost 20% in Financial Year 2013-14, the overall DG set market for Financial Year 2014-15 has been estimated at 100,700 units as compared to 101,550 units in Financial Year 2013-14 (an overall drop of ~ 0.8 percent). On value basis, Financial Year 2014-15 is estimated at ₹ 5600 crores, a growth of approximately 10% Year on Year resulting primarily from the CPCB-II enforced price increase. Under these trying

circumstances, your Company continued to maintain market leadership. Your Company gained 0.5% market share by volume, and approximately 2% in value as compared to the previous Financial Year. On a Year on Year basis, the Power Generation business grew by 34% in value terms (including KGT). The Company's revenue from the Power Generation business stood at ₹ 997.3 crores of which ₹ 223.1 crores represented revenue from KGT sales. The success can be attributed to:

- Successful transition of CPCB-I to CPCB-II emission norms. New emission products are featured with best-in-class fuel efficiency, lower running costs, high reliability and durability
- Market improvement efforts through enhancement of product features in new emission norm regime, launch of new variants of the products and optimization and automation of existing system and processes to enhance the speed of operations
- Improved Customer engagement and centralized customer CARE centre
- Revamping of the entire supply chain management system and institutionalisation of best in class processes
- The national roll-out of Project Pulse (Siebel CRM) was completed and the system is live at 500+ channel partner locations. The system has given KOEL a visibility and control on the secondary sales and customer relationship transactions

New Product Development and launches

- 750 kVA engine launched
- KOEL Chotta Chilli portable genset range launched

KOEL Chhota Chilli Portable Diesel Genset

Future outlook

Financial Year 2015-16 is expected to see an overall industrial revival. Infrastructure projects which were delayed due to recessionary issues and green clearances are expected to take off. The governments focus on infrastructure, construction, and mining sector should boost demand on the basis of a forecasted 7% GDP growth. Growth of 4G telecom is expected to enhance DG power demand. Declining inflation will have a positive impact on industrial recovery via increased consumption demand. Although both domestic and external demand is likely to provide support to the industrial recovery, major support will come from domestic demand. A number of announcements made in the recent budget to address the structural issues plaguing industrial and infrastructure sector are expected to gather pace in Financial Year 2015-16 besides a few more being announced during the year. Also, the government's focus on 'Make in India' and improving the "ease of doing business", will aid the manufacturing/industrial growth. These factors are expected to translate into an increased demand from manufacturing and process end user segment during the next fiscal year. We expect Power Generation industry to grow by 8-10% in the current Financial Year.

KOEL Green Higher kVA Genset

B. AGRICULTURE AND ALLIED BUSINESSES

One of the inherent challenges that Indian Agriculture faces is that it has around 11% of World's arable land whereas it has to feed about 18% of World population. At 157.35 million hectares, India holds the second largest agricultural land globally. Agriculture is the primary source of livelihood for 58% of the country's population.

With an increasingly higher demand on agricultural yield, farm mechanization is beginning to evolve across all farming sectors. It is seen to replace traditional methods in most regions across the country. The presence of mechanised solutions provides for ease of working and increases productivity of land and labour. Mechanization also provides an opportunity to the farmer to explore multiple cropping, diversification of agriculture and efficient utilization of inputs such as seeds, fertilisers and irrigation water.

Business overview

The Agriculture and Allied business segment of your Company primarily focused on Diesel Engine pump sets. The business also supplied engines for other related applications. With improvement in rural electrification, the diesel pump set industry has been witnessing a steady decline over the last few years and in the last fiscal, shrunk by approximately 15%. There has been a steady shift from diesel engine driven pump sets to electrical pump sets and solar powered water pump sets.

The Agriculture and Allied business segment underwent a strategic transition through Financial Year 2014-15. To bring in sharper focus that caters to the diversified farming needs, the business is now divided in two units :

- Agriculture- Crop Irrigation Business
- Agriculture- Farm Mechanisation Business

Crop Irrigation

The Crop Irrigation business continues to focus on building its reach into rural India. The business has more than 500 distributors and over 10,000 retailers. The business has introduced light weight engine pump sets, 'High Head' pump set and 'High Discharge' pump set to meet specific requirements within the diesel engine pump set user segment. The increased reach and specific segmental focus has helped the business gain market share by 2%, year on year basis and sustain the business despite an industry decline for diesel engine pump sets.
The business continues to use its increased reach into rural India and efficient supply chain, to increase its business in engines, pump sets, oil & allied products.

The Crop Irrigation business introduced a new brand identity named 'Varsha' to cover all its engines business. It introduced products in all categories of engine pump sets including the petrol kerosene engines, ultra-light pump sets, mono block pump sets and high head (Futura) series. Using its enhanced reach it launched alternators in the range 2 kVA to 40 kVA under the brand 'Kirloskar Shakti', achieved over 46% growth in the oil business and over 9% growth in the parts business. It gained market share in key states of Uttar Pradesh and Maharashtra through area specific strategies. The 'OEMCARE' helpline was started for customer feedback to directly enhance OEM business. The Rajkot plant produced 72344 engines with an overall capacity utilization of 61%.

New brand identity for our Crop Irrigation Business

With an aggressive outreach to the market, the Crop Irrigation business received the 'Integrated Rural Marketing Campaign' award for the 2nd consecutive year for its Jack Trout campaign.

Integrated Rural Marketing Campaign Award

Farm Mechanisation

Agricultural Mechanization industry in India is expected to grow at a rapid pace due to the demand-

supply gap in agriculture production and huge shortage of labour. With shrinking farm holdings, the need of the hour is to improve agricultural yield, where, mechanization will play an important part.

Umbrella Brand of Farm Mechanisation Business

With a view to have a distinct identity, the Farm Mechanisation business launched its new brand 'Kirloskar Mechanization Works' (KMW) in the market. Under this brand name it successfully launched its first farm mechanization product - MEGA T15 in the Financial Year 2014-15. This is a product created after extensive engagement with the farming community and market in-sighting. The business created a channel of 77 exclusive dealers for focussed delivery and service.

New Product Development and launches

MEGA T15, from the Farm Mechanization stable was launched in the third quarter of Financial Year 2014-15. This is totally an internally conceptualised product, designed and manufactured by KOEL. Initial market indications are that the product has been well received and has several distinct and differentiated features as compared to other similar products available in the market. **The tag line of Mega T15 is "Looks like a Tiller works like a Tractor"**.

Mega T15

The Farm Mechanisation business bagged awards under 'Innovative ideas for Rural Development" for Mega T launch at the Asia Retail Congress. In addition, the Mega T received the Golden Award for its excellent graphics at SGIA Golden Image competition held at Las Vegas in 2014 and the 'Breakthrough Product Innovation' in R & D category for Mega T by AIMA Innovation Practitioners Summit 2015, Delhi.

Mega T awarded for Breakthrough Product Innovation in R&D

Future outlook

The Agriculture business has an inherent risk of climate dependency. While this risk cannot be eliminated, your Company is taking several steps to minimize the impact of this risk. Some of these include :

- Diversification of product portfolio with enhanced focus in the Farm mechanisation space
- Moving the entire supply chain to consumption based pull system, where inventory levels remain dynamic thereby reducing risk of inventory pile up
- Maximizing utilisation of the extensive and deep distribution channel that has been established

In the Farm Mechanisation business, the focus will be to stabilize production and establish the Mega T globally and continue our focus on new product development to provide optimum mechanisation solutions in the Farm Mechanisation space.

C. INDUSTRIAL ENGINES BUSINESS

For the third consecutive year, the Industrial engines business witnessed a slump. The market saw an overall decline of 16% on a Year on Year basis. The overall market size over the last three years has

shrunk from 64000 engines in Financial Year 2012-13 to 55000 engines in Financial Year 2013-14 and further dropped to 46000 engines in Financial Year 2014-15. The tractor market which witnessed an upsurge in the last two years and a growth of 23% in Financial Year 2013-14, witnessed a 10% decline in Financial Year 2014-15. Some of the principal factors contributing to this overall decline in the industrial segment were :

- Continued economic slowdown resulting in low demand for construction equipment
- Delayed monsoon that impacted tractor market
- Delayed Infrastructure projects due to recessionary issues and green clearances impacting off-take in construction and material handling equipment

Industrial 6R1080TA engine, BS III emission compliant

Amidst these downturns, there was a slight recovery in the mining sector in Financial Year 2014-15 over Financial Year 2013-14 resulting in growth in earth moving equipment. Demand for fluid handling equipment's (fire fighting pumps) remained stable.

Business overview

The Industrial business revenues were directly impacted by the market slowdown. Your Company, however, has managed to counter the free fall to some extent and though there has been a Year on Year decline of 5%, this is lower than the industry decline of 16%. KOEL retained all the customers as well as application segments.

As a result of the overall market shrinkage in the last three years there has been pressure on fixed costs and margins which your Company has been trying to overcome through profit improvement projects and operational effectiveness measures.

The Company's revenue from the industrial engines business stood at ₹ 330.3 crores for the current fiscal as compared to ₹ 346.3 crores in Financial Year 2013-14.

New Product Development and launches

During the fiscal, the Industrial Business introduced three new engine variants for the tractor segment and new engines for the off highway applications.

Future outlook

With the Government's commitment to focus on infrastructure, construction and off highway business, the Industrial Business is expected to show an improvement in coming quarters especially in construction and earth moving equipment. Infrastructure projects which were delayed due to recessionary issues and green clearances are expected to pick up in H1 of Financial Year 2015-16. In addition, mining equipment market is expected to pick up as regulatory uncertainties are likely to be resolved.

The business will continue to focus on developing new applications, maintaining minimum inventory levels with OEMs, effectively using the centralized customer CARE Centre and further improving its working capital cycle.

D. CUSTOMER SUPPORT

The Company's commitment to provide quality service to all its customers continued unabated. Our service network of 400 plus well-equipped service outlets spread across the country ensured timely and efficient after sales service to all the Company's customers. At present, the service network takes care of more than 600000 machines for Industrial and Power Generation put together. Resulting from the

overall economic slowdown and consequent lower usage of DG sets, the service business and sale of spares also suffered a setback. The Industrial and Infrastructure equipment market has witnessed negative 20% CAGR for last three years which again led to low spares consumption. Some of the telecom Comprehensive Annual maintenance Contracts (CAMC) customers decided to work on Integrated Maintenance Expertise (IME) service model rather than current Subject Matter Expertise (SME) model. This has impacted service revenues severely from telecom segment.

Business overview

Despite lower power deficit and lesser economic activity across the industry, the customer support business of your Company remains committed to improve its high service standards through initiatives like :

- On line monitoring of Maximum Time to Repair (MTTR) at dealer level
- Timely escalation for delayed service
- Introduction of service outlets in un-represented areas
- Improved spare parts availability
- Implementation of service and product satisfaction index
- Training of service engineers for capability enhancement

Your Company's commitment to provide quality service to all its customers continued with further expansion of service channel networks. Today, your Company has a service outlet within 80 kms radius, in any location, across the country. As a result of this formidable network, the Company's ability to provide prompt, reliable and efficient service to all its customers is a benchmark for the industry. The business also implemented a customer satisfaction measurement system, centralised customer CARE centre and centralized operating service dealer management system.

The customer support team undertook several customer reach initiatives which gave substantial growth in the sale of overhauling kits and consumables, focussing on specific customer segments.

Future outlook

The growth in this business segment is to a large extent dependent on the growth in Power generation and Industrial business. That having said, outlook of the Customer Support business looks promising both in the short and long term due to higher forecasted GDP and the government's focus on infrastructure, construction and mining sectors.

E. INTERNATIONAL BUSINESS

The global economic recovery after the 2008 financial crisis has been slow. The European economy continues to remain subdued, while the Middle East and African markets have witnessed great volatility and instability on the political front. However, it is expected that emerging markets and developing countries will show stronger growth. Overall, global growth may receive help from the lower oil prices seen over 2014 until now.

With a Vision of KOEL touching the world by 2025, Your Company's International operations remains one of the key strategic focus areas and growth drivers. The Company's International business supplies engines and gensets to over 40 countries across the world. These cover a wide range of Industrial, Agri and power generation applications.

Business overview

Revenue from exports in Financial Year 2014-15 was ₹ 206 crores as against ₹ 197 crores in the previous fiscal, thus registering a growth of 4.6% in a challenging macroeconomic environment. Industrial business in export markets has shown a significant growth of 56% during the year, while agricultural business and power generation business marginally declined. International business contributed 8.3% of KOELs total revenues in Financial Year 2014-15.

Middle-east and Africa continues to be the largest geographies for the Company, accounting for a significant portion of export revenues. Competition from multinational companies has intensified in export markets while the company faces severe price competition from Chinese and other domestic players in the agriculture export segment.

Currently the company exports its products to over 40 countries including the USA, Europe, Middle East, Africa and South Asia/South East Asia through a network of three regional offices in UAE, South Africa and Kenya and channel partners and OEM customers.

Region wise Export Sales for Current Year

REGION	FY 2015-16 (%)
Middle East	47%
Africa	37%
South Asia and South East Asia	7%
North and Central America	6%
Others	3%

Through close monitoring in various markets and course corrections where required, efforts were made to align actions with market expectations, resulting in sustaining growth. In Financial Year 2014-15 your Company carried out expansion of the power generation product range in existing markets and has pursued emission certification to advanced emission regulation norms for entry to the American and European markets in Financial Year 2016 and Financial Year 2017.

Some of the highlights in the International Business for the Financial Year 2014-15 include:

- Exports to markets like South Africa, Nigeria, Kuwait, Indonesia, Kenya, UAE, Zambia, Sri Lanka, Nepal and the USA has grown over 20% in the Financial Year 2014-15 over the previous year
- Achieved a big breakthrough in the Telecom segment in South Africa with MTN, the leading telecom utility, ordering 40 kVA DG sets
- The company's business in mining repowering segment in South Africa grew by over 56% in the current fiscal over the previous year
- Achieved a breakthrough in FMUL fire-fighting engines in France and the non-FMUL segment in Bangladesh
- Entry into the Israel market with OEM partner for truck-mounted concrete mixers, and institutional Agri business segments in Nepal, Bangladesh and Angola
- Made an entry into the Australian market with a new channel partner

Future outlook

The focus in Financial Year 2015-16 will be to increase market shares through penetration in the existing markets and also increase the market spread by entering new markets in Africa, South East Asia and America.

Although USA is one of the largest genset markets in the world, KOEL's presence has been negligible. With a view to bring in greater focus and establish our products in this market, we are in the process of incorporating a Company in USA, operations of which will begin in Financial Year 2015-16. Specific engines have been identified for EPA certification, thus making them eligible for sale in USA.

F. LARGE ENGINES BUSINESSES

The Large Engines Business focus thus far has been to manufacture and market diesel gensets above 1.7 MW for stationary power plants. Resulting from a re-organisation within businesses, in order to bring greater focus, the marine and defence segment which earlier was under the Power Generation business, was moved to the Large Engines Business. The business manufactures marine propulsion engines and auxiliary DG sets in the range 800 HP to 3500 HP. All DG engines are manufactured at the Nashik plant. Around 134 DG sets supplied so far in India for base load generation/standby power application, run on furnace oil/high speed diesel.

The large engine business caters to a niche segment where demand is based on the launch of large government projects and defence power and propulsion requirements.

Business overview

During the year, Large Engines business successfully completed execution of the balance DG sets order from Nuclear Power Corporation of India Ltd. (NPCIL). Five DG sets were manufactured and dispatched to NPCIL in Financial Year 2014-15. With this, the entire order of 16 DG sets of 4.2 MW each was completed well within planned delivery schedules. The timely delivery of all sets was highly appreciated by NPCIL.

The license agreement with MAN (erstwhile SEMT Pielstick) expired on 30 July 2014. Consequent to the expiry of the MAN agreement, your Company has signed a Memorandum of Understanding (MOU) with MTU (a subsidiary of Rolls Royce) for the supply of MTU engines to cater to future requirements from NPCIL. The engines will be manufactured and supplied by MTU in Germany and KOEL will integrate the DG set for assembly and testing at the Nashik plant.

The business successfully commissioned its fourth ship set of naval OPV class in Goa and its first ship set of ASW Corvette class at Kolkata.

Future outlook

The Large Engines business will continue to drive its growth in the stationary power plants, defence and marine power and propulsion segments. With the MTU MOU in place, your Company remains geared and capable to take on all future NPCIL orders. The Nashik plant will continue to be the main manufacturing and assembly hub for the business especially with all defence and marine engines and DG sets assembly operating out of the plant.

RESEARCH AND APPLICATION ENGINEERING

Research is a key component that helps KOEL remain relevant and drive growth through innovative solutions and product offerings. Over the years, your Company has set up an excellent R&D facility, manned by a very competent team, which works closely with our businesses to deliver high value. We believe that spends on R&D are an investment towards building innovative products and solutions for sustainable future growth.

In pursuit of excellence in product performance and enhancing value to customers through new and improved products, the research team is working towards achieving benchmark parameters both in the domestic and global markets to offer the most advanced and comprehensive range of products. During the year, the team supported the launch of several innovative products that enabled your Company fortify its market leadership position.

The Mega T15 and Ultra-light portable diesel pumpset in the Agri market and 750 kVA and 3 kVA generating sets in DG market were some of the key products launched.

Enhancing existing product lines

The 6R1080 engine for Harvester market was introduced with air-cooled engines for large pump set application across Asia-Pacific market and FM/UL engines in European market. The HA6TC engines with 110 HP for transit mixer application for international markets and the modular canopy for West Africa market.

The R&D team ensured smooth and successful transition and upgrades for the following :

- Bharat Stage III (BS III) emission compliant engines for construction equipment
- Entire range of Genset models upgraded to meet CPCB stage II emission norms
- Bharat (TREM) Stage III A emission norm compliant engines for tractor application

- A major project of PLM reimplementation is underway and expected to be completed in 2015-16

Innovating for a sustainable future

Some of the specific focus areas of R&D efforts in the current fiscal were :

- Emission solution based on mechanical fuel injection and electronic fuel injection
- 4 – Valve per cylinder technology
- Design methodology based on three Dimensional Analysis
- Enhancing engine life

Future Outlook

The R&D efforts and focus will continue in the future. Efforts to completely modernize and upgrade existing product development facilities and development of new technologies for cost effective emission will form part of the short term goals. Your Company also plans to develop new products in High Horse Power (HHP) range, new applications like marine genset and main propulsion. The R&D business strategy will continue to focus on increasing efficiency, enhancing customer satisfaction and strengthening business presence in key strategic growth markets.

QUALITY ASSURANCE

Superior product quality has been the hallmark of your Company's brands. In continuation with this goal, Quality Assurance has the constant demand of providing checks and balances to deliver a superior product. One of the key initiatives of the year was the ramp up of the entire product portfolio of power generation business with 19 new CPCB-II emission compliant gensets through a structured approach and strong Quality Stage Gate system.

The QA team has 56 additional green belt certified managers to reduce process variations generating an overall saving of ₹ 1.69 Crores in the year.

SUPPLY CHAIN

Your Company's supply chain agenda remained focussed on improving performance on service, quality and cost. Over the last couple of years, the entire supply chain which includes material procurement, material ingress, manufacturing, material handling and storage and finished product supplies has undergone a metamorphosis in KOEL. From a traditional planning and forecasting model your Company has institutionalised new ways of working, which essentially entails both the back end i.e. procurement and manufacturing and the front end i.e. sales effected only against consumption as opposed to forecast. Resulting from this replenishment system, inventory norms remain dynamic and optimal inventory levels are maintained across the entire value chain at all times. The positive outcome of this has been :

- Order to dispatch reduced from approximately 40 days to 7 days
- Huge reduction in inventory carrying days with no stock outs
- Marked improvement in the Cash to cash cycle
- Improved supplier and customer satisfaction

Your Company has progressed well in implementing its long term manufacturing strategy, with efficient capacity creation and introduction of new technology to support volume growth, both in the Power Generation and Agri and Allied Business space.

Supplier integration was a structured effort to capitalize the capabilities of suppliers in new product development. Various supplier training programmes on specific processes were conducted through the year. Special training modules on manufacturing process, PPAP, cutting tools, energy cost optimisation, GD&T, MSA etc. were imparted to enhance supplier skillsets.

With new supplier technologies brought on board during the CPCB II change over, a series of 'Technology days' with suppliers were conducted to

enhance the technical awareness and use of new applications on KOEL platforms.

Transition from CPCB I to CPCB II emission norms posed several challenges. Approximately 1000 new part development had to be undertaken and on an average, material costs for CPCB II engines were higher by 10-12% as compared to CPCB I. Several profit improvement programmes and Value Analysis and Value Engineering programmes (VA/VE) were undertaken through the year to keep the ratio of material cost to sales under check.

ENVIRONMENT, OCCUPATIONAL HEALTH AND SAFETY (EHS)

During the year, number of initiatives were undertaken in your Company's plants and offices in the areas of Environment, Occupational Health and Safety (EHS). Some of the key initiatives are listed below –

Pune Plant

Environment initiatives

- Tree plantation on World Environment day
- Energy efficient AC systems for offices

Occupational Health initiatives

- Blood donation camp
- Eye check-up camp for employees with refraction correction and vision test
- Body composition with BMI analysis
- Lecture on ergonomics and weight control
- Lecture on First Aid with Cardiopulmonary Resuscitation Technique and Emergency patient evacuation
- Medical examination of all employees

Safety Initiatives

- Program of 'Know your Hazards' with use of material safety data sheets
- Innovative approach to EHS with BrainVita Quiz for all employees

Energy Conservation Initiatives

- Energy Efficient VRV Air conditioning system and lighting for finance and supply chain offices
- Third party windmill units purchase from independent windmill generator under open access policy

Kagal Plant

Environment initiatives

- Installation of water flow meters at water pump discharge points
- Installation of additional oil skimmer at ETP for better removal of waste oil
- Provision of level sensors for oil collection pits, sludge tank at ETP to avoid overflow oil and sludge
- Provision of septic tanks and collection pit at contractor dining for proper disposal of waste
- Provision of storage, pumping of treated domestic effluent and operation of irrigation system around fabrication shop for disposal
- Industrial effluent line changing and provision of additional chambers for taking care of excess effluent from paint booth
- Separate connection from old domestic to new domestic effluent tank to receive better quality sewage
- Combining treated effluent outlets into single PVC pipeline for better monitoring of treated effluent quality
- Atomization of lift irrigation of dining treated effluent to plantation nearby area

Occupational Health initiatives

- Blood donation camp where 301 employees donated blood
- Ongoing Tool Box Talk covering health related topics such as swine flu, high blood pressure, diabetes, heart attack, cholesterol, hepatitis A and B, effects of alcohol, effects of smoking and HIV/AIDS
- PAP smear camp
- Five general camps for women organized

from Oct 2014 to March 2015 covering 400 women employees

- Annual medical check-up for all employees

Safety Initiatives

- First aid refresher training in August 2014 and January 2015
- On-going Tool Box Talk covering safety related topics such as manual material handling and prevention of finger injuries
- Counseling for abnormalities in detected cases at annual medical check-up
- Celebration of fire safety, road safety and national safety weeks
- EHS BrainVita Quiz

Energy Conservation Initiatives

- Energy efficient localized lighting saving 31,000 units
- Avoiding wastage of compressed air during idle time of machine yields saving 77,000 units
- Energy cost reduction through cycle time reduction saving 45,000 units
- Replacing 400 watt highbay with 250 watt highbay lamps in general bays saving of 81,000 units
- Rainwater harvesting for garden along with other water saving projects yielding 1440 CuM water saving

Nashik Plant

Environment initiatives

- Tree plantation by NPCIL customer on World Environmental day
- Turbo ventilator installed in washing area for improved work environment
- Installation of stand by blower ETP for continuous aeration in plant

Occupational Health initiatives

- Cancer awareness training to all employees
- Knowledge sessions on health conducted for cardiac, cancer, stress management and naturopathy

Safety Initiatives

- Fire-fighting awareness training for fire fighting team
- Participation in safety rally in Ambad MIDC by Mutual Aid Response Group
- Installation of convex mirrors at road junctions in premises
- Modification of manual washing area and elimination of unsafe conditions to have visibility during power outage

Energy Conservation Initiatives

i. Reconditioning of cooling towers to improve energy efficiency
ii. Energy efficient blower motor installed at ETP
iii. Translucent sheets and turbo ventilator for washing area to avoid day light and air circulators
iv. High wattage mercury lamps replaced by low watt metal halide lamps maintaining illumination levels
v. Motion sensor for office lighting installed in engineering department

Rajkot Plant

Environment initiatives

- Installed additional oil skimmer at ETP OGT-02
- Flow meter installed for incoming diesel tanker to ensure accuracy
- Using remote switch avoided oil spillages during loading and unloading
- Use of Anemometer for measurement of air velocity at paint booths
- Hydrometers provided to measure the specific gravity of liquids
- DAP used at ETP for better biological treatment

Occupational Health initiatives

- Blood donation camp organized

- Health emergency handling and response awareness program
- Medical examinations of all employees
- Awareness lecture on First Aid with cardiopulmonary resuscitation technique and emergency patient evacuation
- Awareness lecture of musculoskeletal disorders and ergonomics

Safety Initiatives

- Hydraulic testing for compressed air pipe lines as well as load testing for forklifts
- Controller surge arrester provided for electrical panels
- Hot dip heavy duty GI strip for earthing
- Safety awareness program for safety managers

Energy Conservation Initiatives

i. Installation of relay based temperature controller for internal exhaust motor resulted in saving of 60,000 units

ii. Zero air loss auto drain valve for compressed air line saving 10,200 units

iii. Installation of auto timer panel for admin building and canteen lighting saving 15,000 units

iv. Implementation of PLC and VFD panel for testing exhaust blowers saving 80,000 units

v. Relay based panel for paint blowers saving 65,000 units

HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Your Company's Human Resource (HR) agenda for the year was focussed on strengthening four key areas : building a robust and diverse talent pipeline, enhancing individual and organisational capabilities for future readiness, driving greater employee engagement and strengthening employee relations further through progressive people partnerships. An agile, performing and result oriented workforce is at the heart of the HR strategy. HR upholds the organization vision by fostering a positive and engaging work environment while identifying and responding to the changing needs of business ensuring sustainable organizational performance.

In addition to building core capabilities in marketing, sales and manufacturing, based on competency and skill gap analysis carried out across the organisation, specific training and development inputs were identified and imparted to individual managers to ensure that as an organisation we are future ready.

Your Company has implemented a position based organisation structure. All Business Units and functions across the Company have been fit into an organisation structure that was studied and proposed by a leading consultant. This included job descriptions and competencies required for unique positions.

On the Talent Management front, critical positions and successors have been identified and their development needs have been captured. A skills gap mapping exercise using inputs from the Job descriptions has also been conducted by identifying skills required for successful performance of the role. The Skill gaps have been used to identify the Individual Development Plans(IDPs) for critical role holders.

The inputs from the IDPs have been used to intensify focus on in-house and external training. For people in specific cadres, long term certification programs through tie-ups with highly reputed institutes like BITS Pilani and IIM-C for building the talent and capability are also in place. Additionally, with a view to bring about the required cultural transformation, leadership programs like (KOEL Way of Management) and sales leadership programs (KOEL Way of Selling) were carried out.

In order to enhance employee motivation and build a performance driven culture, the HR team pursued various employee engagement programs and cultural and sports initiatives through the year.

Your Company uses the Balanced Score Card (BSC) to set organisational goals over a five year horizon.

Business and functional goals emanate and are aligned to the BSC. There is an institutionalized system of performance evaluation which in turn is linked to individual developmental plans and career progression.

Through the talent management program, key talent is engaged on a one on basis to ensure retention. Your Company also redefined its Management trainee program by hiring management trainees from premier institutes like IIM C, IIM A, ISB and the IITs. These trainees were successfully put through a rigorous induction program, post which they are placed in key front end positions.

Your Company carries out an Employee Engagement survey every alternate year through an independent assessing agency. Based on the gaps that emerge, teams are formed to address specific areas of concern.

The Values journey in KOEL continues successfully with our employees demonstrating our core values at the work place regularly.

The Company continues to maintain healthy and harmonious industrial relations across all its manufacturing plants and offices. As on 31 March 2015, there were 2572 employees on the company roll. Some of the significant events which took place during the year include :

- The signing of the 7th consecutive wage settlement agreement prior to expiry of the earlier settlement, without losing a single man-day
- The long term wage settlement for Nashik unit was signed in October 2014
- The Company's continued endeavour to identify several thrust areas for continuously enhancing technical, professional and functional capabilities of employees towards fostering a performance driven work culture in all areas of operations particularly at shop floor. The whole-hearted involvement of employees in various initiatives like Kaizens, ENCON, Quality, Safety and WASH are few examples.
- Health and well-being through health check-up of all employees

CORPORATE SOCIAL RESPONSIBILITY

Your Company strongly believes in 'Enriching Lives' of the people surrounding the communities in which it operates. The key identified focus areas remain as : Health, Education, Environment and Livelihood. Most CSR activities are carried out through employee volunteering programs across our plants and offices. Few of the initiatives mentioned below are carried out in each of the plant locations.

Health

- Health Awareness Programs like the HIV/Aids awareness drive
- HIV/Aids Film Festival in Kolhapur district
- Support for Kirloskar Foundation's **WASH** initiatives such as clean drinking water, use of toilets and hand wash where 82 employees worked as volunteers in 23 schools over 1907 man hours
- Health Check-up camps and spraying and fogging in village and communities to prevent diseases like malaria and dengue

Education

- 'Disha' career guidance workshop for students of standards 10 and 12
- Sponsorship of Akanksha Center in Pune
- Sponsorship of 80 orphans/deprived children
- 'HasatKhelat Paryavaran', a program for school children in Pune and Kagal
- Computer literacy programs
- Basic school material distribution like bags, boxes, pens and pencils for needy primary school children in the community
- Teachers training programs

- Cash rewards for performing school children

Environment

- Tree plantations in all communities
- Free PUC check-up camps for private vehicles in communities
- Environment awareness and waste management workshops
- Energy Conservation (ENCON) Initiatives for school children at all locations
- Participation and support to Vasundhara film festival at Pune, Nashik and Kolhapur

Livelihood

- SAAKAV - Life skill training program for adolescent boys and girls
- Livelihood generation activities for self-help groups
- Vocational training for Youth

In a community perception survey to benchmark the impact and effectiveness of these programs, the CSR team conducted a survey in the communities in which it operates to various parameters. The results of the survey provide scope for doing more engaging and effective programs in the communities.

Parameters	Pune		Kagal		Rajkot		Nashik	
	FY 14	FY 15	FY 14	FY 15	FY 14	FY 15	FY 14	FY 15
Performance as a responsible citizen	100	100	100	100	98	100	84	81
Involvement in community	100	100	99.1	99	98	98	81	72
Environment and Safety factors	100	100	100	100	98	99	99	99
Company's Image	100	100	100	100	100	100	95	93

Your Company works with a number of agencies and NGO partners to implement these projects. Some of the groups are : Community Scope, Dr V. T. Patil Foundation, Sham Swayamsevi Sanstha, Swayamsidha Training Institute, Symbiosis Community College, Vasundhara Club, Bhartiya Samaj Seva Kendra and Muktaa Charitable Foundation.

FINANCE, ACCOUNTS, LEGAL AND SECRETARIAL

Your Company continued to focus on cash management. The focus on managing optimal levels of inventory across the value chain also helped unlock money in receivables and together this helped in maintaining an excellent working capital cycle right through the year. Investments were managed prudently and deployed in funds defined to offer safety and liquidity of the investments.

The finance function of the Company has been working on an agenda to build capabilities and get the business future ready. We believe that the Company's success depends on being able to decouple transaction volume growth from business growth and thereby reduce cost, complexity and time of transaction processing. A lot of work has gone behind ensuring data integrity at all levels and building dashboards from a record to report perspective. From multitude of data and ad hoc reports residing at multiple places, the transition has begun towards one common repository and standardised reports. While several of the Business Information is real time, the journey has only begun and the team is confident of making significant strides in this area in times to come. What this eventually means is that more of quality time available for data analytics and business decision support.

Adherence to statutory and regulatory compliance has always been given the highest importance. Your Company uses a work flow based legal compliance software tool that monitors and ensures compliance of all applicable regulations across all factories and offices.

INTERNAL CONTROLS AND RISK MANAGEMENT

Your Company continuously monitors the effectiveness of internal controls to provide an independent, objective and reasonable assurance on the efficacy of operations and security of assets. The Company's internal control systems are commensurate with the nature of its business and the size, complexity of its operations and cover all plants, corporate, area offices and depots. The Company is in process of IT enabling the process of reviewing its financial and operational controls along with their risks to facilitate effective internal control testing, reporting and tracking remediation.

The Company's Internal Audit Department (IAD) assesses opportunities for improvement in business processes, systems and controls; provides recommendations, designed to add value to the organisation and follows up on the implementation of corrective actions and improvements in business processes after review by the Senior Management and Audit Committee. The IAD works on a co-sourced model together with a leading audit firm to perform internal audits on a quarterly basis, based on comprehensive risk based audit plan, which is approved by the Audit Committee. Audits are conducted as per a two yearly audit plan and reviewed quarterly by the Audit Committee. Significant deviations are brought to the notice of the Audit Committee of the Board and corrective measures are recommended for implementation. The internal audit processes are IT enabled to aid effective planning of audits and tracking of closure of all agreed actions. It also serves as a good knowledge management repository of issues and resolutions.

The Company considers self-assessment as a key tool for assessing the robustness of controls. Hence, an IT enabled system of Control Self Assessment (CSA) was introduced in the current fiscal to supplement the reviews conducted. This procedure helps process owners to continuously monitor risks and assess the effectiveness of internal controls as well as to take timely pre-emptive action to close or correct any control weaknesses.

The Company's Enterprise Risk Management process operates on a framework which:

- encompasses all areas of organizational exposure to risk
- prioritizes and manages those exposures as an interrelated risk portfolio rather than as individual "silos"
- evaluates the risk portfolio in the context of all significant internal and external environments, systems, circumstances, and stakeholders and
- seeks to embed risk management as a component in all critical decisions throughout the organization

The framework encompasses the following activities:

- Risk Identification – identify and prioritize significant risks
- Risk Management – identification of risk owners, development and evaluate effectiveness of mitigation plans
- Risk Reporting and Review – Review risks on half yearly basis by Audit Committee of the Board

The Company's ERM process is IT enabled and can support bottom-up risk assessments, with status reports and summary of assessment report and maintain risk registers with mitigation plans.

RISKS, OPPORTUNITIES AND THREATS

The Company aims to address the opportunities offered and threats posed by its business environment strategically by maintaining a sustainable and robust business model and continually improving on them. The risk canvas is

revisited periodically by the Company together with the help of the Internal Auditors. Some of the risks, opportunities and threats in the Company radar are detailed below:

Risks

- Inadequate momentum to infrastructure sector projects resulting in a sustained drop in demand for DG sets
- Sustained improvement in grid power situation could impact lower kVA genset sales
- Rupee appreciation will put pricing pressures on the export markets
- Delayed or prolonged monsoon will hamper Agri pump set sales

Opportunities

- Stable government may improve the outlook of the economy which may benefit the industry as a whole
- Expansion/entry into new international markets
- Mechanisation opportunities in the Agri and Allied business
- India's peak power demand and this associated with power shortage especially during high peak will continually raise demand for DG sets

Threats

- Low entry barriers, resulting in Global MNC's (including China) or domestic players delivering equivalent quality products at lower price thereby adversely affecting domestic market share
- Attracting and retaining human capital is going to be a key challenge
- Current OEMs may build and fit their own engines in their equipment

REPORT ON CORPORATE GOVERNANCE

Company's philosophy on Code of Corporate Governance

Your Company is proud of the high standards it has set for exemplary governance and continues to lay strong emphasis on transparency, accountability and integrity. The Company firmly believes that good Governance is an essential ingredient of any business, a way of life rather than a mere legal compulsion.

The Company's Code of Business Conduct, its Risk Management Framework together with its well structured internal control systems which are subjected to regular assessment for its effectiveness, reinforces integrity of Management and fairness in dealing with the Company's stakeholders. This, together with meaningful CSR activities and sustainable development policies followed by the Company has enabled your Company to earn the trust and goodwill of its investors, business partners, employees and the communities in which it operates.

The Company's philosophy of good Corporate Governance aims at establishing a system which will assist the management to fulfill its corporate objectives as well as to serve the best interest of the stakeholders at large viz. Shareholders, Customers, Employees, Environment, Society, Suppliers, Lenders etc. This philosophy has been strengthened by adoption of a Code of Conduct as per clause 49 of the listing agreement for Board of Directors and Senior Management, adoption of CII's Business Excellence framework, Code for prevention of Insider Trading and also re-enforcing our commitment towards Corporate Sustainability and adoption of the GRIs guidelines on Triple Bottom Line reporting.

A. BOARD OF DIRECTORS

- **Composition of the Board**

  The Board composition is in conformity with Clause 49 of the Listing Agreement entered into with the stock exchanges in which the Company's Equity Shares are listed. The Board comprised of 12 directors as on 31 March 2015. The composition of the Board was as under:

Category of Directors	No. of directors
Executive (including Executive Chairman)	4
Non-Executive and Independent	6
Non-Executive and Non Independent	2
Total	**12**

- **Meetings held**

  The annual calendar of the Board Meetings is agreed upon at the beginning of the year. The gap between the two meetings did not exceed four months.

  During Financial Year 2014-15, the Board met seven times on 25 April 2014, 17 June 2014, 12 August 2014, 2 September 2014, 17 October 2014, 20 January 2015 and 19 March 2015.

  The Annual General Meeting of the Company was held on 12 August 2014.

- **Board Procedure**

  The Agenda is circulated well in advance to the Board members. The items in the Agenda are backed by comprehensive background information to facilitate meaningful discussions and enable the Board to take appropriate decisions. As part of the process of good governance, the agenda also includes the progress on the decisions taken by the Board in its previous meeting(s).

  The Board also, inter-alia, reviews quarterly/half yearly/annual results, the strategy of business,

annual operating plan, reports for all laws applicable to the Company, review of major legal cases, minutes of Meetings of the Audit Committee, review of internal control framework and risk management etc. The required information as enumerated in Annexure X to the revised Clause 49 of the Listing Agreement is made available to the Board of Directors for discussions and consideration at Board Meetings. The Board is also kept informed of major events/items and approvals are taken wherever necessary.

- **Category and Attendance of Directors**

  The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the Financial Year 2014-15 and at the last AGM and also the Directorships, Committee positions held by them in other public limited companies and shareholding of non-executive directors as at 31 March 2015 are as follows :

Sr. No.	Name of Director	No. of Directorships in other Public Ltd. Cos.	No. of Committee positions held in other Public Ltd. Cos. **		Attendance at meetings		No. of shares held by Non-Executive Directors
			Chairman	Member	BM	AGM	
	Executive Directors						
1	Atul C. Kirloskar *	7	1	–	7	Yes	NA
2	Gautam A. Kulkarni *	1	–	–	7	Yes	NA
3	Nihal G. Kulkarni *	3	–	3	7	Yes	NA
4	Rajendra R. Deshpande	2	–	–	7	Yes	NA
	Non-Executive and Non Independent Director						
5	Rahul C. Kirloskar *	4	–	2	6	Yes	19,23,155
6	Gauri Kirloskar *	–	–	–	6	Yes	–
	Non-Executive and Independent Directors						
7	Pratap G. Pawar	5	3	1	7	Yes	5,355
8	R. Srinivasan	6	3	2	7	Yes	3,750
9	Dr. Naushad D. Forbes	1	–	–	2	Yes	9,000
10	M. Lakshminarayan	4	1	1	4	No	–
11	Mahesh Chhabria	4	–	1	4	Yes	8,512
12	Pradeep R. Rathi (appointed w.e.f. 31 March 2015) #	8	1	5	Nil	No	–
13	Late. U. V. Rao (ceased w.e.f. 24 January 2015) #	2	1	1	4	Yes	–
14	Dattatraya R. Swar (resigned w.e.f. 11 June 2014) #	3	1	–	Nil	No	700
15	Anil N. Alawani (resigned w.e.f. 16 June 2014) #	6	4	4	1	No	34,282

Notes:

* Deemed as Promoters within the meaning of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 2011.

** Includes only Audit Committee and Stakeholder Relationship Committee as per clause 49 of the Listing Agreement.

\# Information as available on the date of appointment/cessation.

None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 5 Committees as per revised Clause 49 of the listing agreement in all public limited companies whether listed or not in which he is a Director. All the Directors have made the requisite disclosures regarding Committee positions held by them in other public limited Companies.

Atul C. Kirloskar and Rahul C. Kirloskar, being brothers, are related to each other. Atul C. Kirloskar and

Gauri Kirloskar, being father and daughter, are related to each other. Gautam A. Kulkarni and Nihal G. Kulkarni, being father and son, are related to each other. None of the other Directors are related to any other Director of the Company as defined under Companies Act, 2013, including rules thereof.

- **Familiarization Programme for Independent Directors**

  The Company conducted a Familiarization Programme for Independent Directors explaining their role, rights and responsibilities required from them under Companies Act 2013, revised Clause 49 of the Listing Agreement and other relevant regulations. A formal letter of appointment *inter alia* explaining rights and duties is given to the Independent Directors. Industry updates are provided on a periodic basis and often form part of quarterly Board presentations. The details of Familiarization Programme are disclosed on the Company website www.koel.co.in.

- **Performance Evaluation**

  Pursuant to the provisions of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement, the Board has carried out the annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its Committees.

  A separate exercise was carried out to evaluate the performance of individual Directors including the Chairman of the Board, who were evaluated on parameters such as achievement against key performance objectives, attendance at meetings, time devoted for the Company, contribution in the Board process etc.

- **Independent Directors' Meeting**

  During the Financial Year 2014-15, the Independent Directors met on 19 March 2015 inter alia, to discuss Performance evaluation of Non Independent Directors and Board of Directors as a whole including evaluation of the quality of flow of information between the Management and Board for effective performance by the Board and Performance evaluation of the Chairman of the Company.

B. BOARD COMMITTEES

1. Audit Committee

The Audit Committee comprises of 4 Non-Executive Directors, majority of who are Independent. The composition is in conformity with revised Clause 49 of the Listing Agreement entered into with the stock exchanges in which the Company's Equity Shares are listed.

During Financial Year 2014-15, seven meetings of the Committee were held on 25 April 2014, 17 June 2014, 12 August 2014, 2 September 2014, 17 October 2014, 20 January 2015 and 19 March 2015.

The composition of the Committee and attendance at its meetings are given below:

Sr. No.	Name of the Member Director	Category	No. of meetings attended
1	R. Srinivasan (Chairman)	Non-Executive Independent	7
2	U. V. Rao *	Non-Executive Independent	4
3	Pratap G. Pawar	Non-Executive Independent	7
4	Rahul C. Kirloskar	Non-Executive Non Independent	6
5	Mahesh Chhabria**	Non-Executive Independent	Nil

* Ceased to be Director with effect from 24 January 2015

** Appointed as member with effect from 19 March 2015

The terms of references of Audit Committee broadly include:

1. Reviewing with the management, the quarterly/annual financial statements before submission to the Board for approval;
2. Discussion with internal auditors any significant findings and follow up there on;
3. Recommendation for appointment of statutory and cost auditor and their remuneration;
4. Review of Internal audit reports relating to internal control weaknesses and discussion with internal auditors any significant findings and follow up there on and;
5. Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
   a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
   b) Changes, if any, in accounting policies and practices and reasons for the same.
   c) Major accounting entries involving estimates based on the exercise of judgment by management.
   d) Significant adjustments made in the financial statements arising out of audit findings.
   e) Compliance with listing and other legal requirements relating to financial statements.
   f) Disclosure of any related party transactions.
   g) Qualifications in Draft Audit Report.
6. All other terms as specified under revised clause 49 of the listing agreement entered with Stock Exchanges read with Section 177 of the Companies Act, 2013.

The Assistant Company Secretary acts as the Secretary to the Committee. The Executive Directors and the Chief Financial Officer attend the Audit Committee meetings. The representatives of the Internal Auditors, Statutory Auditors, Cost Auditors and Business Unit/Operation Heads are invited to the meetings.

2. Stakeholders Relationship Committee

In compliance with provisions of section 178 of the Companies Act, 2013 and rules thereof and the revised clause 49 of the Listing Agreement, the Board has renamed the existing "Share Transfer cum Shareholders'/Investors' Grievance Committee" to "Stakeholders Relationship Committee".

During Financial Year 2014-15, 1 meeting of the Committee was held on 29 July 2014.

The Stakeholders Relationship Committee is headed by Pratap G. Pawar (Non-Executive Independent Director), as Chairman and other members of the Committee are Gautam A. Kulkarni and Rajendra R. Deshpande. The Committee has been constituted to look into shareholders'/investors' complaints/ grievances like transfer of shares, non-receipt of Balance Sheet, non-receipt of declared dividends etc. and redressal thereof.

The Company has received 10 complaints during the financial year. All complaints have been resolved, the details of which are as under:

Nature of Complaint	Received	Resolved
Non receipt of rejected DFR	1	1
Non receipt of Annual Report	1	1
Non receipt of Dividend	2	2
Non receipt of Share Certificate	2	2
Through BSE	0	0
Through SEBI	4	4
Through Depository	0	0
Total	**10**	**10**

There were no complaints outstanding as on 31 March 2015. The Company had no share transfer requests pending as on 31 March 2015.

Ms. Smita A. Raichurkar, Asst. Company Secretary is the Compliance Officer.

The Compliance Officer can be contacted at:

Kirloskar Oil Engines Limited (Secretarial Department)

Laxmanrao Kirloskar Road,

Khadki, Pune - 411 003

Tel: 91 - 20 25810341 (Extn. - 4461) Fax: 91- 20 25813208 and 25810209

E-mail: Smita.Raichurkar@kirloskar.com

C. NOMINATION AND REMUNERATION COMMITTEE

Pursuant to the provisions of section 178 of the Companies Act, 2013 and the rules thereof and the revised clause 49 of the Listing Agreement, the Company has set up a Nomination and Remuneration Committee.

During Financial Year 2014-15, 2 meetings of the Committee were held on 17 June 2014 and 20 January 2015.

The composition of the Committee and attendance at meetings are given below:

Sr. No.	Name of the Member Director	Category	No. of Meetings attended
1	Naushad Forbes (Chairman)	Non-Executive Independent	1
2	U. V. Rao *	Non-Executive Independent	1
3	M. Lakshminarayan	Non-Executive Independent	1
4	Rahul C. Kirloskar	Non-Executive Non Independent	2

* Ceased to be Director with effect from 24 January 2015

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

i. To identify persons who are qualified to become directors in accordance with the criteria laid down in the Companies Act, 2013 read with rules made thereunder and revised clause 49 of the listing agreement and recommend to the Board their appointment and removal;

ii. To make recommendations to the Board concerning suitable candidates for the role of independent director;

iii. To formulate policy relating to the remuneration for the directors, key managerial personnel and other employees;

iv. Evaluation of performance of each Director; and

v. Recommendation of appointment and remuneration of senior management one level below the Board.

The Company has adopted a Nomination and Remuneration Policy for the Directors, Key Managerial Personnel and Senior Management Personnel which is available on Company's website www.koel.co.in

The Board of Directors on recommendation of Nomination and Remuneration Committee decides the remuneration of the Executive Directors and Non-Executive Directors in accordance with the provisions of the Companies Act, 2013, which is subject to the approval of the shareholders.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to its Executive Directors. The Board also decides the commission payable to the Executive Directors on determination of the profits for the Financial Year, within the ceilings prescribed under the Companies Act, 2013. Agreements have been separately entered into with the Executive Directors setting out the terms and conditions of appointment and tenure as recommended by the Committee and approved by the Board. There is no notice period and no severance fees prescribed in the agreement(s).

The Board of Directors decides the remuneration payable to Non-Executive Directors by way of Commission, based on parameters for performance evaluation given under the Nomination and Remuneration Policy. The members at the Annual General Meeting of the Company held on 12 August 2014, approved the payment of commission to the Non-Executive Directors, at the rate of 1% of the net profits of the Company computed in the manner laid down in the Companies Act, 2013.

Sitting fees of ₹ 50,000/- per meeting of the Board and Audit Committee and ₹ 25,000/- per meeting for Corporate Social Responsibility Committee, Nomination and Remuneration Committee and Stakeholder Relationship Committee is payable to Non-Executive Directors for the meetings attended.

Following are the details of the remuneration paid/payable to Directors during Financial Year 2014-15:

Amount in ₹

Sr. No.	Name of director	Basic Salary	Allowances	Statutory Contributions	Perquisites*	Commission	Sitting Fees	Total
	Executive Directors							
1	Atul C. Kirloskar	1,20,00,000	18,20,000	32,40,000	14,46,302	1,50,00,000	-	3,35,06,302
2	Gautam A. Kulkarni	1,20,00,000	18,20,000	32,40,000	11,66,578	1,50,00,000	-	3,32,26,578
3	Nihal G. Kulkarni	84,00,000	20,00,000	22,68,000	2,61,001	1,00,00,000	-	2,29,29,001
4	Rajendra R. Deshpande	72,00,000	7,80,000	19,44,000	3,24,071	90,00,000	-	1,92,48,071
	Non Executive Directors							
5	Rahul C. Kirloskar	-	-	-	-	1,14,40,000	6,75,000	1,21,15,000
6	Late U.V. Rao$	-	-	-	-	9,00,000	4,25,000	13,25,000
7	Pratap G. Pawar	-	-	-	-	15,30,000	7,25,000	22,55,000
8	R. Srinivasan	-	-	-	-	14,70,000	7,00,000	21,70,000
9	Naushad D. Forbes	-	-	-	-	1,80,000	1,25,000	3,05,000
10	M. Lakshminarayan	-	-	-	-	3,00,000	2,25,000	5,25,000
11	Dattatraya R. Swar @	-	-	-	-	-	-	-
12	Anil N. Alawani@@	-	-	-	-	60,000	50,000	1,10,000
13	Gauri Kirloskar	-	-	-	-	3,60,000	3,00,000	6,60,000
14	Mahesh R. Chhabria	-	-	-	-	2,40,000	2,00,000	4,40,000
15	Pradeep R. Rathi^	-	-	-	-	-	-	-
	Total	**3,96,00,000**	**64,20,000**	**1,06,92,000**	**31,97,953**	**6,54,80,000**	**34,25,000**	**12,88,14,953**

@ Resigned as Director with effect from 11 June 2014
@@ Resigned as Director with effect from 16 June 2014
$ Ceased to be Director with effect from 24 January 2015
^ Appointed as Director with effect from 31 March 2015

Notes:

- Allowances include house rent and leave travel allowance.
- Statutory Contributions include Company's contribution to provident fund and superannuation fund.
- * Perquisites include House rent paid, reimbursement of medical, gas and electricity expenses, perquisite value as per Income Tax Rules for furniture at residence and motorcar.

The above figures do not include provision for leave encashment and gratuity as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for gratuity and leave encashment.

D. DETAILS ON GENERAL BODY MEETINGS

The details of General Meetings of the shareholders, held during previous three years are as under:

During FY	Date	Time	Type of Meeting	Venue	Special Resolutions passed
2012-13	19 July 2012	11.00 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-
2013-14	25 July 2013	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	-
2014-15	12 August 2014	11.30 a.m.	Annual General	Hotel Le Meridien, RBM Road, Pune – 411 001	I. Payment of commission to Non-Executive Directors over and above sitting fees. II. Amendment of Clause 121 of Articles of Association of the Company

RESOLUTION PASSED BY POSTAL BALLOT

During the Financial Year 2014-15, pursuant to SEBI Circular No. CIR/CFD/DIL/5/2013 dated 4 February 2014 and CIR/CFD/DIL/8/2013 dated 21 May 2013, the Public shareholders of the Company by way of postal ballot and e-voting with requisite majority, on 17 February 2015 approved the proposed Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited (Transferor/Demerged Company), Pneumatic Holdings Limited (Resulting Company) and Kirloskar Oil Engines Limited (Transferee Company) and their respective shareholders and creditors.

Mahesh Athavale, Practicing Company Secretary, was appointed as the Scrutinizer for conducting the postal ballot and e-voting exercise.

Details of Voting Pattern are as below:

Number of votes in favour of the resolution	1,60,20,997 (99.58%)
Number of votes against the resolution	14,874 (0.09%)
Number of invalid Ballot forms received	52,354 (0.33%)

The Company dispatched notices along with Postal Ballot forms to the shareholders on 13 January 2015 and the last date for the receipt of the Postal Ballot Forms was fixed as 13 February 2015. The Ballot forms were received at the registered office of the Company and envelopes were kept separately in the Postal Ballot Box properly secured. Appropriate entries were made in the register maintained for this purpose. The Scrutinizer conducted the scrutiny of the ballots received and submitted his report to Atul C. Kirloskar, Executive Chairman of the Company, who announced the result on 17 February 2015.

No resolution is proposed to be passed at the forthcoming Annual General Meeting by way of postal ballot.

E. DISCLOSURES

- **Mandatory Requirements**

  The Company has complied with the mandatory requirements of Clause 49 of the Listing Agreement.

  a. Related Party Transactions

  There are no material transactions during the financial year that have a potential conflict with the interests of the Company. Suitable disclosure as required by the Accounting Standards (AS18) has been made in Point No. 2.15 of note 30 to the Financial Statements in the Annual Report.

  The Board of Directors had formulated a policy for dealing with related party transactions which is available on the Company's website.

  b. Details of capital market non-compliance, if any

  There have been no instances of non-compliances by the Company on any matters related to capital markets in the last three (3) years. Neither penalties have been imposed nor any strictures imposed on the Company by the Stock Exchanges, SEBI or any other statutory authority, on any matter related to capital markets.

  c. Whistle Blower Policy

  The Company has formulated and implemented the Whistle Blower Policy ("the Policy") during the year under review. This would inter alia provide a mechanism for employees of the Company and other persons dealing with the Company to report to the Chairman of the Audit

Committee any instance of unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct. No person has been denied access to the Audit Committee in this regard.

The policy has also been uploaded on the Company's website.

- **Non-Mandatory Requirements**

The extent of adoption of non-mandatory requirement is as follows:

a. The Board

The Chairman of the Company is an Executive Director. He maintains his office at the Company's expense and is also allowed reimbursement of expenses incurred in performance of his duties.

b. Audit qualifications

There are no audit qualifications on the financial statements.

c. Shareholder Rights

Since the Company publishes its quarterly results in newspapers (English and Marathi) having wide circulation, and the results are also displayed on the website of the Company and the Stock Exchanges, the Company does not send any declaration of half yearly performance to the shareholders.

d. Prevention of Sexual Harassment Policy

The Company has formulated and implemented the Policy for prevention of sexual harassment at work during the year under review. This would inter alia provide a mechanism for the resolution, settlement or prosecution of acts or instances of Sexual Harassment at work and to ensure that all employees are treated with respect and dignity. There were no complaints/cases filed/pending with the Company during the year.

- **Other Requirements**

a. Disclosure under Clause 5A II of the Listing Agreement in respect of unclaimed shares

The Securities and Exchange Board of India (SEBI) vide its circular no. CIR/CFD/DIL/10/2010 dated 16 December 2010, inserted new Clause 5A II containing uniform procedure for dealing with unclaimed shares.

Pursuant to the said circular, the Company had sent first reminder letter on 30 March 2011 and second reminder letter on 9 May 2011, to such shareholders whose share certificates are in undelivered form and hence have remained unclaimed, by requesting them to update correct details viz. postal addresses, PAN details etc. registered with the Company in order to avoid transfer of such unclaimed shares to the "Unclaimed Suspense Account."

The Company will be sending third reminder letter in due course. As on 31 March 2015, the total unclaimed equity shares are 5,99,999.

b. CEO/CFO Certification

The CEO/CFO Certificate signed by Nihal G. Kulkarni, Managing Director and T. Vinodkumar, Chief Financial Officer was placed before the meeting of the Board of Directors held on 8 May 2015.

F. PARTICULARS OF APPOINTMENT/RE-APPOINTMENT OF DIRECTORS

The particulars of appointment/reappointment of directors are given in the explanatory statement of notice of the Annual General Meeting.

G. MEANS OF COMMUNICATION

- **Quarterly results**

  The Quarterly and Half Yearly results are published in national and local dailies such as Business Standard (English - 1st, 2nd and 3rd quarters) Financial Express (English - 4th quarter) and Loksatta (Marathi – all quarters), having wide circulation. Since the results of the Company were published in the newspapers, half yearly reports were not sent individually to the shareholders. The Company's results and official news releases are displayed on the Company's website **www.koel.co.in**

- **Presentations to Institutional Investors/Analysts**

  Presentations are made to analyst on quarterly basis. The presentations are displayed on Company's website **www.koel.co.in** under Investors' Relations section.

- **NSE Electronic Application Processing System (NEAPS) and BSE Corporate Compliance & Listing Centre (the "Listing Centre")**

  The NEAPS and the Listing Centre of BSE are web based application designed by NSE and BSE respectively for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, quarterly results etc. are filed electronically on NEAPS and the Listing Centre of BSE.

- **Annual Report**

  The Management Discussion and Analysis Report forms part of this Annual Report.

H. GENERAL INFORMATION FOR SHAREHOLDERS

Corporate Identification Number (CIN)	L29120PN2009PLC133351 (Registrar of Companies, Pune)
Annual General Meeting	Date and Day : 7 August 2015, Friday Time : 11.30 A.M. Venue : Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001
Financial year ended	31 March 2015
Book Closure	1 August 2015 to 7 August 2015 (Both days inclusive)
Dividend Payment Date	On or before 31 August 2015
Last date of receipt of proxy forms	5 August 2015, before 11.30 A.M. at Registered Office of the Company
Financial Calendar 2014-15	During Financial Year 2014-15 the results were announced as under: First quarter : 25 April 2014 Second quarter : 17 October 2014 Third quarter : 20 January 2015 Fourth quarter : 8 May 2015
International Security Identification Number (ISIN)	INE146L01010
BSE Limited (BSE)	533293
National Stock Exchange of India Limited (NSE)	KIRLOSENG
Designated E-mail address for investors services	investors@kirloskar.com

Shareholding Pattern as on 31 March 2015

Category	No. of shares of ₹ 2/- each	% of Share holding
Promoter and Promoter Group	105,161,996	72.72
Foreign Institutional Investors (FII)	15,536,828	10.74
Individuals	13,799,042	9.54
Insurance Companies	3,622,876	2.51
Financial Institution and Banks (FI & Banks)	3,924,951	2.71
Mutual Fund/ Unit Trust of India (MF/UTI)	1,345,303	0.93
Bodies Corporate	949,871	0.66
NRIs	240,780	0.17
Others	32,214	0.02
TOTAL	**144,613,861**	**100.00**

Distribution of shareholding as on 31 March 2015

Range of Shares	No. of shareholders	No. of Shares	% of shares to total shares
1- 500	20546	1046355	0.72
501-1000	2311	845821	0.58
1001-5000	3377	3672343	2.54
5001-10000	537	1860647	1.29
10001-20000	271	1938402	1.34
20001-30000	91	1113687	0.77
30001-40000	33	568274	0.39
40001-50000	22	500295	0.35
50001-100000	39	1398986	0.97
100001-Above	51	131669051	91.05
Total	**27278**	**144613861**	**100.00**

Dematerialisation of shares and liquidity (as on 31 March 2015)	141,258,028 Equity Shares (97.68%)
Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company has not issued GDRs / ADRs / Warrants or any Convertible instruments.

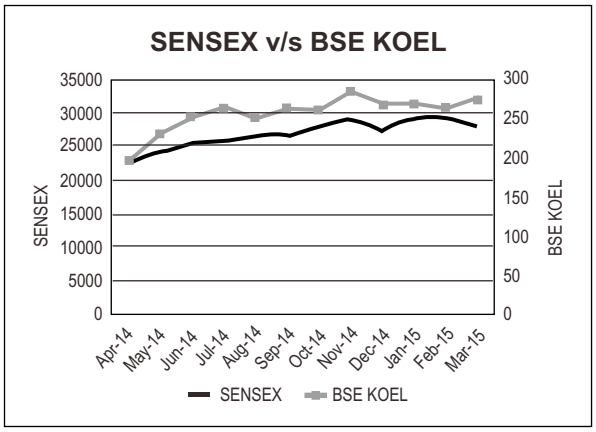
Market Price Data

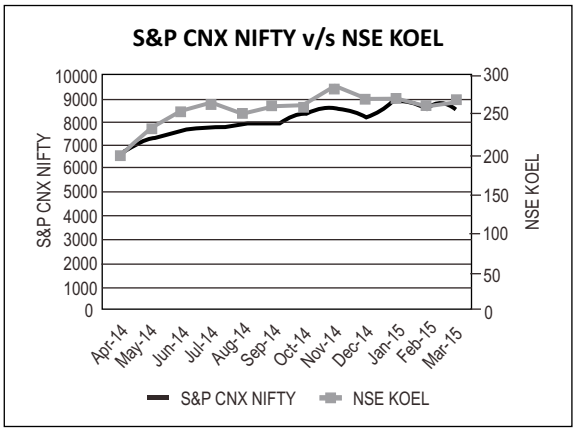
Monthly high/low share prices during the year 2014-15 on the BSE and NSE are as below:

BSE		
Month	**High**	**Low**
Apr -14	210.00	189.95
May -14	248.00	197.00
Jun-14	253.05	222.00
Jul -14	286.80	248.10
Aug-14	284.95	230.00
Sep-14	278.00	239.00
Oct-14	265.00	243.10
Nov-14	288.00	255.15
Dec-14	299.85	253.00
Jan-15	297.00	250.00
Feb-15	322.85	259.90
Mar-15	297.45	255.00

NSE		
Month	**High**	**Low**
Apr -14	208.55	189.05
May -14	249.00	196.30
Jun-14	255.00	224.65
Jul -14	290.50	249.00
Aug-14	274.80	228.00
Sep-14	278.00	236.30
Oct-14	265.00	242.70
Nov-14	289.70	251.65
Dec-14	298.50	252.00
Jan-15	292.00	257.10
Feb-15	322.50	255.05
Mar-15	298.00	250.00

Performance of monthly close price of the Company's Scrip on the BSE and NSE as compared to the monthly close SENSEX and S & P CNX Nifty for the year 2014-15





Share Transfer System

- The applications for transfer of shares lodged at the Company's R & T Agent in physical form are processed within 15 days of receipt of the documents valid and complete in all respects. After such processing, the R & T Agent will issue share certificate to all other shareholders within 15 days of receipt of certificate for transfer. Shares under objection are returned within a stipulated period of time. The transfer applications are approved periodically by the senior management of the Company.
- Pursuant to the Listing Agreement, a certificate on half yearly basis is issued by the Practicing Company Secretary for compliance with share transfer formalities by the Company.
- The information on procedures and forms, which are being asked for by the members frequently, viz. Indemnity/Affidavit etc. for issue of duplicate certificates, transmission procedure, change of address, NECS form, Nomination Form, information about shares allotted pursuant to the Scheme of Arrangement

for Demerger etc. are uploaded on the Company's website **www.koel.co.in** under path **"Investors Relations>IEPF/Others>FAQs for shareholders".**

Address for correspondence

- **Registrar and Share Transfer Agent**

The Company had appointed Link Intime India Private Limited as Registrar & Share Transfer Agent (R & T Agent). All physical transfers, transmission, transposition, issue of duplicate share certificate/s, issue of demand drafts in lieu of dividend warrants, change of address etc. as well as requests for dematerialisation/ rematerialisation are being processed at Link Intime India Private Limited.

The contact details are as follows –

Link Intime India Private Limited	Block No. 202, 2nd Floor, 'Akshay' Complex, Off Dhole Patil Road, Pune – 411 001 Tel: 91- 20 26161629 / 26160084 Email: pune@linkintime.co.in

Plant Locations

Sr. No.	Location	Address	Products manufactured
1	Pune	Laxmanrao Kirloskar Road, Khadki, Pune – 411 003	Engines
2	Nasik	A-11/1, MIDC, Ambad, Nasik - 422 010	Engines and Gensets
3	Kagal	**Plant I-** Plot No. D-1, Kagal-Hatkanangale 5 Star Industrial Area, At post Talandage, Tal – Hatkanangale, Dist. Kolhapur – 416 202	Engines, Gensets and Pumpsets
		Plant II- Plot No. A / 262, Phase – I, Kagal-Hatkanangale 5 Star Industrial Area, At post – Talandage, Tal – Hatkanangale, Dist. Kolhapur – 416 202	Engines
		Plant III- Plot No. E -18, Opp. M/s Soktas India Limited, Kagal- Hatkanangale 5 Star Industrial Area, Dist. – Kolhapur	Canopy Fabrication and Power Tiller
		Spares Parts - Plot No. A / 262, Phase – III, Kagal-Hatkanangale 5 Star Industrial Area, At post – Talandage, Tal – Hatkanangale, Dist. – Kolhapur – 416 202	Spares Packing & Distribution
4	Rajkot	**Engines Division -** Plot No. 2315/16,2330/31,GIDC, Lodhika Industrial Estate, D4 Almighty Gate Road, Village Metoda, Rajkot - 360 035	Engines, Gensets and Pumpsets
		Spares Parts – Plot No. 2320/2/A, GIDC, Lodhika Industrial Estate, D4 Almighty Gate Road, Village Metoda, Rajkot - 360 035	Spares Parts

DECLARATION FOR COMPLIANCE WITH CODE OF CONDUCT

The members of Kirloskar Oil Engines Limited

Pursuant to revised Clause 49 II (E) (2) of the Listing Agreement, 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 and made effective from 1 April 2014. All Board members and senior management personnel have affirmed compliance with the code of Conduct.

For Kirloskar Oil Engines Limited

Place: Pune
Date: 8 May 2015

Nihal G. Kulkarni
Managing Director

AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To,
THE MEMBERS OF
KIRLOSKAR OIL ENGINES LTD

We have examined the compliance of conditions of Corporate Governance by **KIRLOSKAR OIL ENGINES LIMITED** for the year ended 31st March, 2015, as stipulated in Clause 49 of the Listing Agreements of the said company with the recognised stock exchanges in India.

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

In our opinion and best of our information and according to the explanation given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

For M / S P G BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 8th May, 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KIRLOSKAR OIL ENGINES LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **KIRLOSKAR OIL ENGINES LIMITED**, ("the Company") which comprise the Balance Sheet as at March 31, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the Accounting and Auditing Standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true

and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by The Companies (Auditor's Report) Order, 2015 issued by Central Government of India in terms of sub-section (11) of section 143 of the Companies Act 2013, we give in the Annexure 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, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
   e) There are no observations and comments on financial transactions or other matters which have an adverse effect on the functioning of the Company.
   f) On the basis of the written representations received from the directors as on March 31, 2015 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
   g) There are no qualifications, reservations or adverse remarks relating to maintenance of accounts and other matters connected therewith.
   h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
      i. The company has disclosed the impact of pending litigations on its financial position in its financial statements. Refer Note 30 (2.1) to the financial statements.
      ii. The Company did not have any long term contracts including derivative contracts having any material foreseeable losses for which provision was required to be made under the applicable law or accounting standard.
      iii. There are no amounts required to be transferred to the Investor Education and Protection Fund by the Company.

For M/S P G BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 8th May, 2015

ANNEXURE

Referred to in paragraph 1 of our "Report on Other legal and Regulatory Requirements" on even date:

(i) (a) The company has maintained proper records showing full particulars of fixed assets including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management according to the phased programme of three years which is reasonable with regard to size of the company and nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the management during the year and no significant material discrepancies between the book records and such physical verification have been noticed.

(ii) (a) The management has conducted physical verification of inventory (excluding stock with third parties) at reasonable Intervals. In respect of inventory lying with third parties, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.

(b) In our opinion the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) In our opinion the Company is maintaining proper records of inventory. As informed to us, the discrepancies noticed on verification between physical stock and book records were not material.

(iii) (a) The Company has not granted any loans secured or unsecured to companies, firms or other parties covered in the register maintained as per section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a) and (b) are not applicable to the company.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and the nature of its business for the purchase of the inventory, fixed assets and for the sale of the goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(v) In our opinion and according to information and explanation given to us, the Company has not accepted public deposits, hence the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act and the rules framed there under, are not applicable to it. According to information and explanation given to us, no order has been passed against the company by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under sub-section (I) of section 148 of the Companies Act, 2013 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have however not made a detailed examination of records with a view to determine whether they are accurate and complete.

(vii) (a) According to the information and explanation given to us and the records of the company examined by us, the Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and any other material statutory dues applicable to it.

According to the information and explanation given to us, no undisputed amounts payable in respect of statutory dues were in arrears as at 31st March, 2015, for a period more than six months from the date they became payable.

(b) According to the information and explanations given to us, the particulars of dues of income tax,

sales tax, wealth tax, service tax, custom duty, excise duty and cess as at 31st March, 2015 which has not been deposited on account of disputes are as follows:

Name of the statute	Nature of dispute due	Amount under dispute not deposited (₹ in Crs)	Period to which the amount related	Forum where the dispute pending
Sales Tax Laws	Demand for entry tax	0.07	2008- 2010	Supreme Court
	Sales tax and penalty for pump sets	1.85	1990-1997, 2004-2005	High Court
	Demand for non- receipt of forms, entry tax dispute and disallowance of claims	0.43	2006-2008	Tribunal
	Non receipt of Forms	2.64	2004-2006 & 2008-2011	Appellate authority Up to Commissioner level
Service Tax Laws	Disallowance of credit	0.03	2007-2010	High Court
		0.54	2005-2012	Tribunal
		0.71	2007-2008, 2011-2014	Appellate authority Up to Commissioner level
Central Excise Laws	Valuation disputes and Disallowance of Cenvat Credit	5.45	1996-1997, 1999-2002, 2004-2013	Tribunal
	Disallowance of Cenvat credit	0.66	1996-1997, 2005-2008, 2011-2013	Appellate authority Up to Commissioner level
Custom Laws	Dispute related to exemption and other matters	0.92	1994-1997, 2011-2012	Appellate authority Up to Commissioner Level
Octroi	Demand of differential Octroi	3.66	2002-2008	Civil Court

(c) According to the information and explanations given to us, there are no amounts required to be transferred to Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made there under.

(viii) The Company has no accumulated losses at the end of 31st March, 2015. The Company has not incurred cash losses in the current financial year.

(ix) In our opinion and according to information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank as at the balance sheet date.

(x) In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions during the year. Accordingly, the provisions of clause 3 (x) of the Companies (Auditor's Report) Order, 2015 are not applicable to the company.

(xi) According to the information and explanations given to us the company has not availed any term loan during the year. Accordingly, the provisions of clause 3 (xi) of the Companies (Auditor's Report) Order, 2015 are not applicable to the company.

(xii) During the course of our examination of the books & records of the company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanation given to us, we have neither come across any instances of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by Management.

For M/S P G BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

Nachiket Deo
Partner
Membership Number : 117695
Pune
Date: 8th May, 2015

BALANCE SHEET AS AT 31 MARCH 2015

₹ in Crs.

Particulars	Note No.	As at 31 March 2015	As at 31 March 2014
EQUITY AND LIABILITIES			
Shareholders' funds		**1,341.44**	**1,267.23**
Share capital	1	28.92	28.92
Reserves and surplus	2	1,312.52	1,238.31
Non-current liabilities		**70.19**	**67.98**
Long-term borrowings		–	–
Deferred tax liabilities (net)	3	28.89	30.27
Other long-term liabilities	4	16.84	13.07
Long-term provisions	5	24.46	24.64
Current liabilities		**520.77**	**515.77**
Short-term borrowings	6	–	–
Trade payables	7	337.58	340.61
Other current liabilities	8	65.94	73.34
Short-term provisions	9	117.25	101.82
TOTAL		**1,932.40**	**1,850.98**
ASSETS			
Non-current assets		**680.54**	**719.68**
Fixed assets		**534.91**	**584.98**
Tangible assets	10	476.61	537.79
Intangible assets	11	36.99	5.22
Capital work-in-progress		5.62	19.55
Intangible assets under development		15.69	22.42
Non-current investments	12	5.25	10.00
Long-term loans and advances	13	108.40	95.66
Other non-current assets	14	31.98	29.04
Current assets		**1,251.86**	**1,131.30**
Current investments	15	871.06	597.71
Inventories	16	171.60	166.82
Trade receivables	17	52.62	177.36
Cash and bank balances	18	25.26	52.43
Short term loans and advances	19	100.23	101.72
Other current assets	20	31.09	35.26
TOTAL		**1,932.40**	**1,850.98**

Note 30 is an integral part of the financial statements.

As per our attached report of even date.

FOR M/S P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 8 May 2015

For and on behalf of the Board of Directors.

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Joint Managing Director

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 8 May 2015

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 MARCH 2015

₹ in Crs.

Particulars	Note No.	2014-15	2013-14
Revenue from operations			
Sale of products		2,577.90	2,400.01
Less : Excise duty		167.71	188.04
Net sale of products		**2,410.19**	**2,211.97**
Sale of services		63.11	74.99
Net sales and services		**2,473.30**	**2,286.96**
Operating income		33.81	32.28
Net revenue from operations	**21**	**2,507.11**	**2,319.24**
Other income	**22**	58.93	37.80
Total Revenue		**2,566.04**	**2,357.04**
Expenses :			
Cost of materials consumed	**23**	1,269.13	1,255.79
Purchases of stock-in-trade	**24**	362.92	186.26
Changes in inventories of finished goods, work-in-progress and stock-in-trade	**25**	(6.35)	1.46
Employee benefits expense	**26**	188.40	162.58
Finance costs	**27**	0.20	0.30
Depreciation and amortization expense	**28**	101.90	98.31
Other expense	**29**	447.57	411.53
Expenses capitalised		(3.16)	(2.63)
Total Expenses		**2,360.61**	**2,113.60**
Profit before exceptional and extraordinary items and tax		**205.43**	**243.44**
Exceptional items [income/(expenses)]		**–**	**–**
Profit before tax		**205.43**	**243.44**
Tax expense :		**62.29**	**64.99**
Current tax		**61.04**	**68.82**
For the year		61.04	70.50
(Excess)/short provision related to earlier years		–	(1.68)
Deferred tax		**1.25**	**(3.83)**
Profit (loss) for the period		**143.14**	**178.45**
Basic and diluted earnings per equity share: (Nominal value per share ₹ 2/-)		**9.90**	**12.34**

Note 30 is an integral part of the financial statements.

As per our attached report of even date.

FOR M/S P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 8 May 2015

For and on behalf of the Board of Directors.

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Joint Managing Director

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 8 May 2015

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

₹ in Crs.

Particulars	2014-15	2013-14
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before Tax	**205.43**	**243.44**
Add :		
Depreciation	101.76	98.18
Leasehold land written off	0.14	0.13
Loss on assets sold, demolished, discarded and scrapped	0.49	0.21
Bad debts and irrecoverable balances written off, net	2.16	1.02
Interest paid	0.20	0.42
	104.75	**99.96**
Less :		
Profit on sale of mutual fund investment (net)	29.01	0.11
Surplus on sale of assets	0.57	0.46
Interest received	0.48	0.60
Sundry Credit Balances Appropriated	5.07	0.25
Provision for doubtful debts and advances	2.72	(1.00)
Provision no longer required written back	5.53	7.16
Dividend received	21.93	30.02
	65.31	**37.60**
Operating Profit before working capital changes	**244.87**	**305.80**
Adjustments for :		
Trade and other receivables	156.69	107.01
Inventories	(2.13)	19.05
Trade and other payables	17.71	4.08
	172.27	**130.14**
Cash generated from operations	**417.14**	**435.94**
Net Cash generated from operations	**417.14**	**435.94**
Direct taxes paid	(77.88)	(97.93)
NET CASH FLOW FROM OPERATING ACTIVITIES	**339.26**	**338.01**
CASH FLOW FROM INVESTING ACTIVITIES		
Add :		
Sale of fixed assets	1.52	1.95
Interest received	0.48	0.60
Dividend received	21.93	30.02
	23.93	**32.57**
Less :		
Purchase of investments (net)	239.59	189.99
Purchase of fixed assets	66.43	66.90
	306.02	**256.89**
NET CASH GENERATED FROM INVESTING ACTIVITIES	**(282.09)**	**(224.32)**
CASH FLOW FROM FINANCING ACTIVITIES		
Interest paid	(0.20)	(0.42)
Dividend Paid	(71.84)	(71.74)
Tax on Dividend	(12.29)	(12.29)
NET CASH USED IN FINANCING ACTIVITY	**(84.33)**	**(84.45)**
Net increase/(decrease) in cash and cash equivalents	**(27.16)**	**29.24**
Opening Cash and Cash equivalents	**52.42**	**23.18**
Closing Cash and Cash equivalents (Refer Note 18)	**25.26**	**52.42**

Notes : Cash and Cash Equivalents include unclaimed dividend of ₹ 2.07 Crs (previous year ₹ 1.60 Crs)

As per our attached report of even date.

For and on behalf of the Board of Directors.

FOR M/S P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Joint Managing Director

NACHIKET DEO
Partner
Membership Number : 117695

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 8 May 2015

Pune : 8 May 2015

Notes to the Financial Statements

NOTE 01: SHARE CAPITAL

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of Shares	₹ in Crs.	No. of Shares	₹ in Crs.
Authorised share capital				
Equity shares of ₹ 2 each	200,000,000	40.00	200,000,000	40.00
Issued and subscribed share capital				
Equity shares of ₹ 2 each	144,614,326	28.92	144,614,326	28.92
Subscribed and fully paid up				
Equity shares of ₹ 2 each	144,613,861	28.92	144,613,861	28.92
Share capital suspense account				
Equity Shares of ₹ 2 each to be issued and allotted to shareholders of erstwhile Shivaji Works Ltd. on amalgamation according to scheme sanctioned by BIFR, are kept in abeyance as per the Scheme of Arrangement.	465	0.00	465	0.00
Total	**144,614,326**	**28.92**	**144,614,326**	**28.92**

1. **Reconciliation of shares outstanding (excluding share capital suspense account) at the beginning and at the end of the Reporting period**

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of shares	₹ in Crs.	No. of shares	₹ in Crs.
At the beginning of the period	144,613,861	28.92	144,613,861	28.92
Issued/Reduction if any during the period	–	–	–	–
Outstanding at the end of the period	**144,613,861**	**28.92**	**144,613,861**	**28.92**

2. **Terms/Rights attached to the equity shares**

The Company has only one class of equity shares having par value of ₹ 2/- each. Each equity shareholder is entitled to one vote per share and has a right to receive dividend as recommended by Board of Directors subject to the necessary approval from the shareholders.

The Board of Directors has recommended a dividend of 250% (₹ 5/- per share) for the financial year.

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.

3. **Shares held by holding/ultimate holding Company and/or their subsidiaries/associates**

Holding Company as per Section 2 (46) of the Companies Act, 2013

Notes to the Financial Statements

Particulars	As at 31 March 2015		As at 31 March 2014	
	No. of Shares	₹ in Crs.	No. of Shares	₹ in Crs.
Kirloskar Brothers Investments Limited				
Equity shares of ₹ 2 each	80,388,514	16.08	80,376,844	16.08
Equity share holding percentage		55.59		55.58

4 Number of Shares held by each shareholder holding more than 5% Shares in the company

Sr. No.	Name of the shareholder	As at 31 March 2015		As at 31 March 2014	
		No. of shares	% of shareholding	No. of shares	% of shareholding
i	Kirloskar Brothers Investments Limited	80,388,514	55.59	80,376,844	55.58
ii	Nalanda India Fund Limited	10,896,124	7.53	10,896,124	7.53

5. Aggregate number of bonus shares issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

a. Hon'ble High Court of Judicature at Bombay vide its order dated 31 July 2009 read with its order dated 19 March 2010 had approved the Scheme of Arrangement between Kirloskar Oil Engines Limited (now known as Kirloskar Industries Limited – Demerged Company) and Kirloskar Engines India Limited [now known as Kirloskar Oil Engines Limited – Resulting Company ("Company")] and their respective shareholders and creditors. The appointed date was 1 April 2009 and the Scheme has become effective from 31 March 2010. The Engines and Auto Components business of Demerged Company was transferred and vested with the Company i.e. Kirloskar Oil Engines Limited on the Scheme of Arrangement becoming effective retrospectively with effect from 1 April 2009.

14,56,29,750 Equity Shares of ₹ 2 each were issued and allotted on April 30, 2010 (out of which 465 equity shares of ₹ 2/- each were kept in abeyance) for consideration other than cash under the said Scheme becoming effective from 31 March 2010, sanctioned by the Hon'ble High Court of the Judicature of Bombay.

b. The Board of Directors in its meeting held on 25 January 2012, had approved a buy back of fully paid up equity shares of the Company by way of open market purchase through stock exchange route at a maximum price of ₹ 170/- per share and the cumulative buyback value not exceeding ₹ 73.625 Crs which represents 10% of total paid up capital and free reserves computed as per the latest available audited balance sheet as on 31 March 2011. The buyback commenced on 5 March 2012.

As per the terms of the Public Announcement dated 16 February 2012, the Corrigendum to the said Public Announcement dated 1 March 2012 and the Post Offer Public Advertisement dated 24 January 2013 issued in relation to the completion of buyback, the buyback was closed on 24 January 2013.

The Company has bought back and extinguished 10,15,424 equity shares of ₹ 2/- each for ₹ 15.67 Crs, at an average price of ₹ 154.34 under the Buyback Scheme, upto 24 January 2013.

Notes to the Financial Statements

NOTE 2 : RESERVES AND SURPLUS

₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Capital reserve		
Subsidy for setting up new industrial unit		
Opening balance	214.17	195.04
Add: Subsidy availed during the year	23.06	19.13
Closing balance	**237.23**	**214.17**
Capital Redemption Reserve		
Opening balance	0.20	0.20
Add: Set aside this year	–	–
Closing balance	**0.20**	**0.20**
General reserve		
Opening balance	580.03	562.18
Add : Set aside this year	14.31	17.85
Closing balance	**594.34**	**580.03**
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	443.91	367.91
Add: Profit for the period	143.14	178.45
Balance available for appropriation	**587.05**	**546.36**
Less : Appropriations		
Transition effect of reassessment of useful life on carrying value of fixed assets (net of deferred tax) (Refer note 30(1.4))	4.96	–
Transferred to general reserve	14.31	17.85
Proposed dividend	72.31	72.31
Tax on proposed dividend	14.72	12.29
	480.75	**443.91**
Total	**1,312.52**	**1,238.31**

Subsidy for setting up new industrial unit

The Company's manufacturing facility at Kagal has been granted "Mega Project Status" by Government of Maharashtra and hence is eligible for Industrial Promotion Subsidy (IPS) under Packaged Scheme of Incentive (PSI) 2001. This scheme is for intensifying and accelerating the process of dispersal of industries to the less developed regions and promoting high tech industries in the less developed areas of the State, coupled with the object of generating employment opportunities. The Company has been granted Eligibility Certificate issued by the Directorate of Industries, Government of Maharashtra, which stipulates that the eligible unit needs to invest minimum ₹ 500.00 Crs in prescribed area for availing the "Mega Project Status" and the maximum fixed capital investment be restricted to ₹ 598.57 Crs. Additionally, the Eligible Investment should be incurred within a period from 13 April 2006 to 31 March 2013. As at 31 March 2013, the company has complied with the conditions stipulated for being considered "Mega Project Status". IPS consists of following entitlement available for a period of 9 years from the date of commencement of commercial production, i.e., from 1 April 2008 to 31 March 2017:

IPS equivalent to 100% of "Eligible Investments"; or Amount of MVAT and CST payable to the State Government (before adjustment of Set-off) on sales made from Kagal plant, less the amount of benefits availed by way of electricity duty exemption and stamp duty exemption whichever is lower.

Notes to the Financial Statements

In In terms of the Accounting Standard (AS 12) "Accounting for Government Grants" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, eligible incentive is considered to be in the nature of promoters' contribution. Therefore, incentive of ₹ 23.07 Crs for the year (P.Y. ₹ 19.13 Crs) has been credited to the Capital Reserve. Subsidy Receivable as at 31 March 2015 is ₹ 52.90 Crs (P.Y. ₹ 50.37 Crs)

NOTE 3 : DEFERRED TAX LIABILITIES (NET) — ₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Deferred Tax Liability	**51.23**	**51.15**
Depreciation	51.23	51.15
Less : Deferred Tax Assets	**22.34**	**20.88**
Disallowances u/s 43 B of Income Tax Act	11.63	8.13
Provision for Doubtful debts & advances	7.40	8.19
VRS Compensation	2.64	3.89
Amalgamation/Demerger Expenses	0.15	0.05
Others	0.52	0.62
Total	**28.89**	**30.27**

As required by Accounting Standard (AS 22) "Taxes on Income" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, the Company has recognised deferred taxes, which result from timing differences between book profits and tax profits for the period.

NOTE 4 : OTHER LONG-TERM LIABILITIES — ₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Deposits from customers and others	16.84	13.07
Total	**16.84**	**13.07**

NOTE 5 : LONG-TERM PROVISIONS — ₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	**17.53**	**17.19**
Provision for gratuity (Refer note 30[2.13])	–	–
Provision for leave encashment (Refer note 30[2.13])	15.26	14.63
Provision for pension and other retirement benefits (Refer note 30[2.13])	2.27	2.56
Other provisions	**6.93**	**7.45**
Provision for warranty (Refer note 30[2.16])	6.93	7.45
Total	**24.46**	**24.64**

Notes to the Financial Statements

NOTE 6 : SHORT-TERM BORROWINGS — ₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Loans payable on demand	–	–
Total	–	–

Company's fund and non-fund based working capital facilities aggregating to ₹ 410 Crs. are secured to the extent of ₹ 410 Crs. by way of hypothecation (First Charge) on the whole of the current assets of the Company both present and future and to the extent of ₹ 60 Crs. by way of second charge on the whole of the movable fixed assets of the Company together with all its movable plant and machinery, machinery spares, tools, accessories and other movables both present and future, in favour of the consortium of banks (SBI Consortium) comprising of State Bank of India, Pune (Lead Bank), Bank of Maharashtra, ICICI Bank Limited, HDFC Bank Limited, and The Hongkong and Shanghai Banking Corporation Limited (HSBC).

NOTE 7 : TRADE PAYABLES — ₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Acceptances	20.59	41.24
Other trade payable (Refer note 30[2.10])	316.99	299.37
Total	**337.58**	**340.61**

NOTE 8 : OTHER CURRENT LIABILITIES — ₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Unclaimed dividends	2.07	1.60
Advance from customers	10.70	19.93
Payables for capital purchases	10.06	6.61
Other payables	**43.11**	**45.20**
Statutory dues including provident fund and tax deducted at source	7.37	7.19
Employee benefits payable	14.96	18.88
Other liabilities	20.78	19.13
Total	**65.94**	**73.34**

Notes to the Financial Statements

NOTE 9 : SHORT-TERM PROVISIONS

₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Provision for employee benefits	**14.99**	**6.90**
Provision for gratuity (Refer note 30[2.13])	4.76	–
Provision for leave encashment (Refer note 30[2.13])	9.91	6.60
Provision for pension and other retirement benefits (Refer note 30[2.13])	0.32	0.30
Others	**102.26**	**94.92**
Provision for warranty (Refer note 30[2.16])	15.23	8.90
Tax provision (Net of tax paid in advance)	–	1.42
Proposed dividend	72.31	72.31
Tax on proposed dividend	14.72	12.29
Total	**117.25**	**101.82**

Notes to the Financial Statements

NOTE 10 : FIXED ASSETS - TANGIBLE ASSETS

₹ in Crs.

Fixed Assets	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block											
As At 31 March 2013	0.00	11.97	131.46	834.87	13.53	6.88	37.55	3.97	37.70	27.71	1,105.64
Additions	-	0.13	7.07	24.34	1.52	0.10	-	-	9.30	7.71	50.17
Deductions / Amortization	-	0.13	0.07	2.87	0.14	0.42	2.32	-	0.00	-	5.95
As At 31 Mar 2014	0.00	11.97	138.46	856.34	14.91	6.56	35.23	3.97	47.00	35.42	1,149.86
Additions	-	-	1.92	25.36	1.90	4.78	-	0.53	9.96	-	44.45
Deductions / Amortization	-	0.14	-	9.82	0.09	1.36	-	0.08	-	-	11.49
As At 31 Mar 2015	**0.00**	**11.83**	**140.38**	**871.88**	**16.72**	**9.98**	**35.23**	**4.42**	**56.96**	**35.42**	**1,182.82**
Depreciation											
Upto 31 March 2013	-	-	14.48	442.98	7.60	4.76	12.78	2.31	26.55	8.13	519.59
For The Year	-	-	3.94	81.79	1.05	0.66	2.36	0.29	4.33	2.06	96.48
Deductions / Amortization	-	-	0.00	2.61	0.13	0.42	0.84	-	0.00	-	4.00
As At 31 Mar 2014	-	-	18.42	522.16	8.52	5.00	14.30	2.60	30.88	10.19	612.07
For The Year	-	-	6.13	74.08	1.51	0.87	2.35	0.51	6.70	4.30	96.45
Transition effect of reassessment of useful life on carring value of fixed assets	-	-	6.54	0.18	0.11	-	-	0.13	0.61	0.02	7.59
Deductions / Amortization	-	-	-	8.50	0.09	1.23	-	0.08	-	-	9.90
As At 31 Mar 2015	**-**	**-**	**31.09**	**587.92**	**10.05**	**4.64**	**16.65**	**3.16**	**38.19**	**14.51**	**706.21**
Net Block											
As At 31 Mar 2014	0.00	11.97	120.04	334.18	6.39	1.56	20.93	1.37	16.12	25.23	537.79
As At 31 Mar 2015	**0.00**	**11.83**	**109.29**	**283.96**	**6.67**	**5.34**	**18.58**	**1.26**	**18.77**	**20.91**	**476.61**

Notes :

1. Gross block is at Cost except leasehold land which is net of amount written off.
2. For Depreciation and amortisation refer accounting policy (Note 30.1.4).
3. Transition effect of reassessment of useful life on carring value of fixed assets ₹ 7.59 Crs. (Note 30.1.4)
4. Note 10 of Fixed Assets includes assets at Research & Development facility, the details of which are as under.

Notes to the Financial Statements

FIXED ASSETS - TANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY

(Below figures are included in note 10 : Fixed Assets - Tangible Assets)

₹ in Crs.

Fixed Assets	Land Freehold	Land Leasehold	Buildings	Plant & Equipment	Furniture & Fixture	Vehicles	Aircraft	Office Equipment	Computers	Electrical Installation	Total
Gross Block											
As At 31 March 2013	-	-	-	51.60	0.51	-	-	0.12	1.00	1.99	55.22
Additions	-	-	-	2.73	0.01	-	-	-	0.18	-	2.92
Inter Transfers	-	-	-	0.01	-	-	-	-	-	-	0.01
Deductions / Amortization	-	-	-	0.32	-	-	-	-	-	-	0.32
As At 31 Mar 2014	-	-	-	54.02	0.52	-	-	0.12	1.18	1.99	57.83
Additions	-	-	-	4.43	-	-	-	-	-	-	4.43
Deductions / Amortization	-	-	-	-	-	-	-	-	-	-	-
As At 31 Mar 2015	**-**	**-**	**-**	**58.45**	**0.52**	**-**	**-**	**0.12**	**1.18**	**1.99**	**62.26**
Depreciation											
Upto 31 March 2013	-	-	-	19.71	0.37	-	-	0.09	0.51	0.21	20.89
For The Year	-	-	-	4.84	0.03	-	-	0.01	0.20	0.13	5.21
Inter Transfers	-	-	-	0.00	-	-	-	-	-	-	0.00
Deductions / Amortization	-	-	-	0.29	-	-	-	-	-	-	0.29
As At 31 Mar 2014	-	-	-	24.26	0.40	-	-	0.10	0.71	0.34	25.81
For The Year	-	-	-	5.01	0.04	-	-	0.01	0.35	0.23	5.64
Deductions / Amortization	-	-	-	-	-	-	-	-	-	-	-
As At 31 Mar 2015	**-**	**-**	**-**	**29.27**	**0.44**	**-**	**-**	**0.11**	**1.06**	**0.57**	**31.45**
Net Block											
As At 31 Mar 2014	-	-	-	29.76	0.12	-	-	0.02	0.47	1.65	32.02
As At 31 Mar 2015	**-**	**-**	**-**	**29.18**	**0.08**	**-**	**-**	**0.01**	**0.12**	**1.42**	**30.81**

Notes to the Financial Statements

NOTE 11 : FIXED ASSETS - INTANGIBLE ASSETS

₹ in Crs.

Fixed Assets	Computer Software	Drawings & Designs	Technical Knowhow-Acquired	Technical Knowhow-Internally generated	Total
Gross Block					
As At 31 March 2013	11.02	11.54	5.27	-	27.84
Additions	1.49	-	-	-	1.49
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2014	12.52	11.54	5.27	-	29.33
Additions	18.50	-	-	18.58	37.08
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2015	**31.02**	**11.54**	**5.27**	**18.58**	**66.41**
Depreciation					
As At 31 March 2013	7.96	11.17	3.28	-	22.41
For The Year	1.12	0.04	0.54	-	1.70
Deductions	-	-	-	-	-
As At 31 Mar 2014	9.08	11.21	3.82	-	24.11
For The Year	3.99	0.04	0.48	0.80	5.31
Deductions	-	-	-	-	-
As At 31 Mar 2015	**13.07**	**11.25**	**4.30**	**0.80**	**29.42**
Net Block					
As At 31 Mar 2014	3.44	0.33	1.45	-	5.22
As At 31 Mar 2015	**17.95**	**0.29**	**0.97**	**17.78**	**36.99**

Notes :

1. Intangible Assets are amortised on Straight Line method.
2. Useful life of each category is as follows,

   Computer Software- 60 months.

   Drawings & Designs- 115 months.

   Technical Knowhow- Acquired- 72 months.

   Technical Knowhow- Internally generated- 36 to 60 months.
3. Note 11 of Fixed Assets includes assets at Research & Development facility, the details of which are as under.

Notes to the Financial Statements

FIXED ASSETS - INTANGIBLE ASSETS : RESEARCH AND DEVELOPMENT FACILITY
(Below figures are included in note 11: Fixed Assets- Intangible Assets)

₹ in Crs.

Fixed Assets	Computer Software	Drawings & Designs	Technical Knowhow- Acquired	Technical Knowhow- Internally generated	Total
Gross Block					
As At 31 March 2013	4.37	10.42	-	-	14.79
Additions	-	-	-	-	-
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2014	4.37	10.42	-	-	14.79
Additions	2.02	-	-	18.58	20.60
Deductions / Amortization	-	-	-	-	-
As At 31 Mar 2015	**6.39**	**10.42**	**-**	**18.58**	**35.39**
Depreciation					
As At 31 March 2013	3.72	10.42	-	-	14.14
For The Year	0.18	-	-	-	0.18
Deductions	-	-	-	-	-
As At 31 Mar 2014	3.90	10.42	-	-	14.32
For The Year	0.34	-	-	0.80	1.14
Deductions	-	-	-	-	-
As At 31 Mar 2015	**4.24**	**10.42**	**-**	**0.80**	**15.46**
Net Block					
As At 31 Mar 2014	0.47	-	-	-	0.47
As At 31 Mar 2015	**2.15**	**-**	**-**	**17.78**	**19.93**

NOTE 12 : NON-CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit ₹	As at 31 March 2015		As at 31 March 2014	
		Nos.	₹ in Crs	Nos.	₹ in Crs.
TRADE					
UNQUOTED EQUITY INSTRUMENTS					
Kirloskar Proprietary Limited - Equity Share (Fully Paid)	100.00	1	0.00	1	0.00
NON TRADE Investments - Unquoted Debt Instrument					
HDFC Group Unit Linked Plan	10.00	3,969,578	5.25	7,497,891	10.00
Total			**5.25**		**10.00**

Notes :

1. Aggregate amount of Unquoted Investments 5.25 10.00
2. Face value per unit in Rupees unless otherwise stated.

Notes to the Financial Statements

NOTE 13 : LONG-TERM LOANS AND ADVANCES

₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Capital advances (unsecured, considered good)	7.49	1.92
Security deposits (unsecured, considered good)	17.32	18.46
Loans and advances to suppliers	–	–
Doubtful	0.04	0.06
Less : Provision	0.04	0.06
	–	–
Loans to employees (unsecured, considered good)	1.51	2.51
Tax paid in advance (net of provision)	82.08	72.77
Total	**108.40**	**95.66**

NOTE 14 : OTHER NON-CURRENT ASSETS

₹ in Crs.

Particulars	As at 31 March 2015	As at 31 March 2014
Long-term trade receivables	–	–
Doubtful	21.34	24.04
Less : Provision	21.34	24.04
	–	–
Others	**31.98**	**29.04**
Subsidy receivable for setting up Kagal plant	27.87	22.27
Other bank balances (Deposits with maturity of more than 12 months)	0.03	0.01
Inventories	4.08	6.76
Total	**31.98**	**29.04**

Notes to the Financial Statements

NOTE 15 : CURRENT INVESTMENTS

₹ in Crs.

Particulars	Face Value Per Unit	As at 31 March 2015		As at 31 March 2014	
	₹	Nos.	₹ in Crs	Nos.	₹ in Crs
INVESTMENTS IN MUTUAL FUNDS					
I. CURRENT PORTION OF LONG TERM INVESTMENT (Valued at Cost)					
HDFC Group Unit Linked Plan	100.00	2,578,719	3.41		
			3.41		**-**
II. OTHER CURRENT INVESTMENT					
LIQUID SCHEME - Dividend Option					
AXIS Liquid Fund-Daily Dividend Reinvestment (CF-DD)	1,000.00		-	300,444	30.05
Birla Sunlife Floating Rate Fund - Short Term Plan - Daily Dividend - Reinvestment	100.00		-	2,499,976	25.01
Birla Sunlife Cash Plus Daily Dividend - Regular Plan Reinvestment	100.00		-	8,472,623	84.89
HDFC Liquid Fund - Daily Dividend Reinvestment	10.00		-	87,563,119	89.30
ICICI Prudential Liquid - Regular Plan - Daily Dividend	100.00		-	2,004,197	20.05
ICICI Prudential Liquid - Regular Plan - Weekly Dividend	100.00		-	8,439,936	84.61
Kotak Liquid Scheme - Plan A - Daily Dividend	1,000.00		-	18,163	2.22
Kotak Liquid Scheme - Plan A - Weekly Dividend	1,000.00		-	260,513	26.07
Reliance Liquidity Fund - Daily Dividend Reinvestment Option	1,000.00		-	371,759	37.19
Reliance Liquid Fund - Treasury Plan - Daily Dividend Option	1,000.00		-	501,607	76.68
SBI Premier Liquid Fund - Regular Plan - Daily Dividend	1,000.00		-	711,766	71.41
UTI Liquid Fund - Cash Plan - Institutional - Daily Dividend Reinvestment	1,000.00		-	492,700	50.23
LIQUID SCHEME - Growth Option					
Axis Liquid Fund - Growth(CF-GP)	1,000.00	226,487	35.00		
Birla Sun life Cash Plus - Growth - Regular plan	100.00	5,405,911	121.05		
HDFC Liquid Fund - Growth	10.00	37,784,381	104.00		
ICICI Prudential Liquid - Regular Plan - Growth	100.00	5,567,427	115.00		
ICICI Prudential - Money Market Fund - Regular Plan - Growth	100.00	2,071,253	40.00		
IDFC Cash Fund - Growth - (Regular Plan)	1,000.00	353,468	60.00		
L & T liquid fund - Growth	1,000.00	146,308	28.00		
Reliance Liquidity Fund-Growth Plan Growth Option	1,000.00	121,799	25.51		
Reliance Liquid Fund - Treasury Plan-Growth Plan - Growth Option	1,000.00	276,752	94.09		
SBI Premier Liquid Fund - Regular Plan - Growth	1,000.00	629,171	138.00		
Tata Money Market Fund - Plan A - Growth	1,000.00	136,480	30.00		
UTI-Liquid Cash Plan -Institutional - Growth	1,000.00	337,019	77.00		
			867.65		**597.71**
Total			**871.06**		**597.71**

Notes :

1. Aggregate amount of Unquoted Investments 871.06 597.71

2. Face value per unit in Rupees unless otherwise stated.

Notes to the Financial Statements

NOTE 16 : INVENTORIES		₹ in Crs.
Particulars	**As at 31 March 2015**	**As at 31 March 2014**
Raw materials	**97.55**	**100.39**
Raw materials and components	97.25	93.82
Raw materials in transit	0.30	6.57
Work-in-progress	**12.73**	**13.70**
Finished goods including stock-in-trade	**50.83**	**43.23**
Stores and spares	**10.49**	**9.50**
Total	**171.60**	**166.82**

Work-in-progress		₹ in Crs.
Particulars	**As at 31 March 2015**	**As at 31 March 2014**
Engines between 2.5 HP to 740 HP	3.65	2.65
Generating sets between 5 KVA to 600 KVA	1.01	0.33
Generating sets between 1.6 MW to 4.4 MW	–	1.97
Others	8.07	8.75
Total	**12.73**	**13.70**
Included in non-current Inventories (Refer note 14)	0.05	0.06

Finished goods including stock-in-trade		₹ in Crs.
Particulars	**As at 31 March 2015**	**As at 31 March 2014**
Engines between 2.5 HP to 740 HP	31.40	29.25
Generating Sets between 5 KVA to 600 KVA	3.46	2.47
Goods Traded : Engines and Gensets	2.16	1.52
Goods Traded : K-Oil	6.00	2.58
Goods Traded : Alternators and Batteries	1.73	–
Power Tiller	0.15	–
Others	5.93	7.41
Total	**50.83**	**43.23**

NOTE 17 : TRADE RECEIVABLES		₹ in Crs.
Particulars	**As at 31 March 2015**	**As at 31 March 2014**
Outstanding for a period exceeding six months from the date they are due for payment	**–**	**–**
Other receivables	**52.62**	**177.36**
Secured, considered good	–	–
Unsecured, considered good	52.62	177.36
Total	**52.62**	**177.36**

Notes to the Financial Statements

NOTE 18 : CASH AND BANK BALANCES		₹ in Crs.
Particulars	**As at 31 March 2015**	**As at 31 March 2014**
Cash and cash equivalents	**25.26**	**52.42**
Cash on hand	**0.07**	**0.05**
Balance with Bank	**25.19**	**52.37**
Current accounts and cash credit	23.12	50.77
Unpaid dividend accounts	2.07	1.60
Other bank balances	**–**	**0.01**
Deposits with original maturity of more than three months but less than 12 months	–	0.01
Total	**25.26**	**52.43**

NOTE 19 : SHORT-TERM LOANS AND ADVANCES		₹ in Crs.
Particulars	**As at 31 March 2015**	**As at 31 March 2014**
Loans and advance to suppliers (unsecured, considered good)	5.64	4.68
Loans and advance to employees (unsecured, considered good)	1.23	1.13
Balance with collectorate of central excise and customs	2.91	3.86
Sales tax / VAT / service tax receivable (net)	69.51	54.88
Tax Paid in Advance (Net of Provision)	6.10	–
Other loans and advances	14.84	37.17
Total	**100.23**	**101.72**

NOTE 20 : OTHER CURRENT ASSETS		₹ in Crs.
Particulars	**As at 31 March 2014**	**As at 31 March 2013**
Export incentive receivable	6.04	5.83
Subsidy receivable for setting up Kagal plant	25.03	28.10
Others	0.02	1.33
Total	**31.09**	**35.26**

Notes to the Financial Statements

NOTE 21 : REVENUE FROM OPERATIONS		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Sale of products (gross)	2,577.90	2,400.01
Less : Excise duty	167.71	188.04
Net sale of products	**2,410.19**	**2,211.97**
Sale of services	63.11	74.99
Net sales and services	**2,473.30**	**2,286.96**
Operating income	**33.81**	**32.28**
Sale of scrap	10.67	10.08
Cash discount received	0.66	0.45
Commission received	0.39	4.58
Export incentives	7.01	7.51
Refund of sales tax, octroi etc	0.02	0.07
Sundry credit balances appropriated	5.07	0.25
Provisions no longer required written back	5.53	7.16
Provision for doubtful debts and advances written back	2.72	(0.76)
Miscellaneous receipts	1.74	2.94
Total	**2,507.11**	**2,319.24**

Class of Goods		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Engines between 2.5 HP to 740 HP	1,211.84	1,205.35
Generating Sets between 5 KVA to 600 KVA	298.90	246.19
Generating Sets between 1.6 MW to 4.4 MW	105.73	190.31
Goods Traded : Engines and Gensets	32.92	24.42
Goods Traded : K-Oil	195.07	166.93
Goods Traded : Alternators and Batteries	227.24	55.71
Power Tiller	2.24	–
Sale of spares, services and others	399.36	398.05
Total	**2,473.30**	**2,286.96**

NOTE 22 : OTHER INCOME		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Interest	**5.61**	**4.93**
On income tax refund	5.13	4.33
On others	0.48	0.60
Dividend on short term investments	21.93	30.02
Profit on Sale of Mutual Fund investments	**29.01**	**0.11**
On current investments (net)	28.63	0.11
On non-current investments	0.38	–
Surplus on sale of assets	0.57	0.46
Miscellaneous income	1.81	2.28
Total	**58.93**	**37.80**

Notes to the Financial Statements

NOTE 23 : COST OF MATERIALS CONSUMED		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Raw materials and components consumed	1,241.50	1,229.04
Freight, octroi and entry tax	27.63	26.75
Total	**1,269.13**	**1,255.79**

Raw materials and components consumed :		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Components	1,236.99	1,223.25
Non-ferrous Metals	3.25	4.66
Steel and Steel Strips	0.12	0.14
Others	1.14	0.99
Total	**1,241.50**	**1,229.04**

Imported and indigenous raw materials consumption (including components) :		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Imported	82.82	133.00
% to total raw material consumption	6.67%	10.82%
Indigenuous	1,158.68	1,096.04
% to total raw material consumption	93.33%	89.18%
Total	**1,241.50**	**1,229.04**

NOTE 24 : PURCHASES OF STOCK-IN-TRADE		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Engines and Gensets	22.04	18.35
K-Oil	137.09	114.85
Alternators and Batteries	203.79	53.06
Total	**362.92**	**186.26**

Notes to the Financial Statements

NOTE 25 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Work-in-process	**0.97**	**6.07**
Opening inventory	13.76	19.83
Closing Inventory	12.79	13.76
Finished goods including stock-in-trade	**(7.60)**	**(5.22)**
Opening inventory	43.23	38.01
Closing Inventory	50.83	43.23
Changes in inventory	**(6.63)**	**0.85**
Increase/(decrease) in excise duty of finished goods	**0.28**	**0.61**
Total	**(6.35)**	**1.46**

NOTE 26 : EMPLOYEE BENEFITS EXPENSE

		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Salaries, wages, gratuity, bonus, commission, etc	154.20	133.02
Contribution to provident and other funds	16.31	12.99
Welfare and training expenses	17.31	16.05
Provident and other funds' expenses	0.58	0.52
Total	**188.40**	**162.58**

NOTE 27 : FINANCE COSTS

		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Interest expense	0.20	0.30
Total	**0.20**	**0.30**

NOTE 28 : DEPRECIATION AND AMORTIZATION EXPENSE

		₹ in Crs.
Particulars	**2014-15**	**2013-14**
Depreciation and amortization expense	**101.76**	**98.18**
Depreciation on Tangible assets	96.45	96.48
Amortization on Intangible assets	5.31	1.70
Amount written off against leasehold land	**0.14**	**0.13**
Total	**101.90**	**98.31**

Notes to the Financial Statements

NOTE 29 : OTHER EXPENSES — ₹ in Crs.

Particulars	2014-15	2013-14
Manufacturing expenses	**191.42**	**198.91**
Stores consumed (*)	63.85	62.38
Power and fuel	20.64	20.52
Machinery spares (*)	7.82	8.55
Repairs to machinery	6.65	6.52
Job work charges	18.99	17.87
Labour charges	11.12	9.04
Cost of services	48.93	63.27
Others manufacturing expenses	13.42	10.76
Selling expenses	**114.32**	**93.25**
Commission	13.14	10.34
Freight and forwarding	40.04	27.14
Sales warranty claims	32.08	28.17
Royalty	5.92	5.72
Advertisement and publicity	8.93	12.69
Others selling expenses	14.21	9.19
Administration expenses	**141.83**	**119.37**
Rent	31.39	28.44
Rates and taxes	1.10	0.55
Insurance	0.51	0.59
Repairs to building	2.52	2.12
Other repairs and maintenance	26.42	20.80
Travelling and conveyance	22.73	17.91
Communication expenses	3.90	3.10
Printing and stationery	1.74	1.30
Professional charges	21.29	21.23
Auditor's remuneration	0.51	0.45
Donations	0.20	2.14
Spend on CSR activities	5.37	–
Non executive directors' fees / commission	1.99	1.52
Miscellaneous expenses	19.51	17.99
Loss on assets sold, demolished, discarded and scrapped	0.49	0.21
Bad debts and irrecoverable balances written off	2.16	1.02
Total	**447.57**	**411.53**

(*) Imported and indigenous stores & spares consumed — ₹ in Crs.

Particulars	2014-15	2013-14
Imported	0.30	1.36
% to total stores & spares consumption	0.42%	1.92%
Indigenuous	71.37	69.57
% to total stores & spares consumption	99.58%	98.08%
Total	**71.67**	**70.93**

NOTE 30: NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 MARCH 2015

1. Significant Accounting Policies

1.1 Basis of preparation of Financial Statements

The Financial Statements have been prepared in accordance with Indian Generally Accepted Accounting Principles (IGAAP) under the historical cost convention on the accrual basis, except where specified otherwise and in case of significant uncertainties.

The financial statements have been prepared to comply in all material respects with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the said Act and the guidelines issued by the Securities and Exchange Board of India.

1.2 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any changes in accounting estimates are recognised in the profit & loss account of the period when such changes are known/materialise.

1.3 Fixed Assets

a. Tangible Fixed assets, other than Leasehold Land, are stated at cost of acquisition or construction less accumulated depreciation. Leasehold land is valued at cost less amount written off up to the balance sheet date. Cost includes the purchase price and all other attributable costs incurred for bringing the asset to its working condition for intended use.

b. Expenditure on New Projects and Expenditure during Construction :

In case of new projects, expenditure incurred including applicable interest on borrowings and financing costs of specific loans, prior to commencement of commercial production is capitalized and included in the cost of assets.

c. Capital work-in-progress comprises cost of fixed assets that are not yet installed and ready for their intended use at the balance sheet date.

d. Intangible assets are recorded at the consideration paid for acquisition. Expenditure incurred in development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset. Such developmental expenditure is capitalized at cost including a share of allocable expenses.

e. Own manufactured assets are capitalised at cost including an appropriate share of allocable expenses.

1.4 Depreciation and Amortization

Depreciation is charged on the basis of useful life of assets by applying straight line method which are follows:

Sr. No.	Asset Category	Life in Years	Basis for charging Depreciation
01	**Land Freehold**	NA	Asset is not depreciated
02	**Land Leasehold and Leasehold improvements**	Lease Period	Amortised over lease period
03	**Factory Buildings**	30	Life as prescribed under Schedule-II of Companies Act, 2013
04	**Building- Non Factory**		
	RCC Frame Structure	60	
	Other than RCC Frame Structure	30	
	Fence, Wells, Tube wells	5	
05	**Building - Roads**		
	Carpeted Roads- RCC	10	
	Carpeted Roads- Other than RCC	5	
	Non Carpeted Roads	3	
06	**Building - Temp. Shed**	3	
07	**$ Plant & Equipment other than Pattern Tooling**	7.5 to 15	Useful life based on Number of Shifts as prescribed under Schedule-II of Companies Act, 2013
08	*** Plant & Equipment - Pattern Tooling**	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
09	**Computers**		
	Network	6	Life as prescribed under Schedule-II of Companies Act, 2013
	End user devices, such as desktops, laptops, etc.	3	
	Servers	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
10	**Electrical Installations**	10	Life as prescribed under Schedule-II of Companies Act, 2013
11	**Furniture & Fixture**		
	Furniture, Fixtures and Electrical Fittings	10	Life as prescribed under Schedule-II of Companies Act, 2013
	Furniture , AC,Refrigerators and Water coolers - Residential Premises	4	Lower useful life considered based on past history of usage and supported by Technical Evaluation
	AC Refrigerators and Water coolers - Company and Guest House Premises	5	Lower useful life considered based on past history of usage and supported by Technical Evaluation
12	**Office Equipment**	5	Life as prescribed under Schedule-II of Companies Act, 2013
13	**Vehicles**		Lower useful life considered based on past history of usage and supported by Technical Evaluation
	Motorcars, Jeep	5	
	Trucks	5	
	Other Vehicles	5	
14	**Aircrafts**	15	Lower useful life considered based on past history of usage and supported by Technical Evaluation
15	**Intangible Assets**		
	Drawings & Designs	10	Amortised over estimated useful life of respective individual asset
	Technical Know-how acquired	6	
	Technical Know-how internally generated	3 to 5	
	Computer Software	5	

* Assets below ₹ 5000/- and Jigs and Fixtures, Dies and Patterns costing below ₹ 1 lac are charged off in the year of acquisition.

@ Depreciation on additions is provided from the beginning of the month in which the asset is added

$ Depreciation on assets sold, discarded or demolished during the year is being provided at their respective rates on pro-rata basis up to the end of the month prior to the month in which such assets are sold, discarded or demolished.

\# Foreign exchange fluctuations gain/loss on imported plant and equipment is capitalized in the cost of the respective fixed asset. Depreciation on such additions is provided over the remaining useful life of the underlying plant and equipment.

Pursuant to the enactment of the Companies Act, 2013 ("The Act") the Company has, effective 1 April 2014, reworked depreciation on the basis of useful life of fixed assets as per the provisions of the Act and subsequent notifications/circulars. Consequentially, the carrying value of assets whose life has been completed, as at 1 April 2014 aggregating to ₹4.96 Crs (net of deferred tax ₹ 2.63 Crs) has been adjusted to the Surplus Account and in other cases the same has been depreciated over the remaining revised life of the assets. As a result, depreciation charge is lower by ₹ 1.36 Crs for the year ended 31 March 2015.

1.5 Investments

Investments which are readily realizable and are intended to be held for not more than one year from the date on which investments are made are classified as Current investments, mainly comprising investments in mutual funds. Such investments are stated at cost, adjusted for diminution in their value.

All other investments are classified as Long term investments and are stated at cost less diminution, other than temporary, in their value.

1.6 Inventories

a. Stores and spares, raw materials and components are valued at cost or net realizable value whichever is lower. Cost includes all cost of purchase and incidental expenses incurred in bringing the inventories to their present location and condition. Cost is ascertained using weighted average method.

b. Work-in-process including finished components and finished goods are valued at cost or realisable value whichever is lower. Cost includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity. Finished goods lying in the factory premises, branches and depots are valued inclusive of excise duty.

c. Materials-in-transit and materials in bonded warehouse are valued at actual cost incurred up to the date of balance sheet.

d. Unserviceable, damaged and obsolete inventory is valued at cost or net realisable value whichever is lower.

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.

1.7 Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term, highly liquid investments that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

1.8 Foreign Currency Transactions

a. Initial Recognition

Foreign currency transactions are recorded in Indian currency, by applying to the foreign currency amount the exchange rate between the Indian currency and the foreign currency at the date of the transaction.

b. Conversion

Current assets and current liabilities, Secured Loans, being monetary items, designated in foreign currencies are revalorized at the rate prevailing on the date of Balance Sheet or forward contract rate or other appropriate rate.

c. Exchange Differences

Exchange differences arising on the settlement and conversion of foreign currency transactions are recognised as income or as expenses in the year in which they arise, except in cases where they relate to the acquisition of qualifying assets, in which cases they are adjusted in the cost of the corresponding asset. Further, as per Ministry of Corporate Affairs Notification dated 31 March 2009, as amended vide G.S.R. 378(E) dated 11 May 2011,and the clarification provided vide Ministry of Corporate Affairs circular 25/2012 dated 9 August 2012, eligible exchange difference on foreign currency loans utilized for acquisition of assets,

up to 31 March 2015, is adjusted in the cost of the asset to be depreciated over the balance life of the asset.

d. Forward Contracts

Company uses foreign exchange forward contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange forward contracts is intended to reduce the risk or cost to the Company. Foreign Exchange forward contracts are not used for trading or speculation purpose. Mark to Market Losses or Gains are recognized in the profit and loss account subject to (c) above. However, Mark to Market Losses or Gains on instruments to hedge highly probable forecast transactions which serve as effective hedges, as determined under the accounting standard 30, are accumulated in the Hedge reserve until the underlying transaction occurs upon which the respective accumulated balances are recognized in the profit and loss account.

In respect of foreign exchange forward contracts, difference between forward contract rate and exchange rate (Spot rate) prevailing on the date of forward contract (i.e. forward premium/discount) is amortised as income or expense over the life of the contract, subject to (c) above.

e. Option Contracts

Company uses foreign exchange option contracts to hedge its exposure against movements in foreign exchange rates. The use of foreign exchange option contracts reduces the risk or cost to the Company. Foreign Exchange option contracts are not used for trading or speculation purpose.

Outstanding foreign exchange option contracts on the date of Balance Sheet are marked to market (MTM). MTM losses or gains, if any, are recognized in the Profit and Loss account subject to (c) above. However, in respect of instruments to hedge highly probable forecast transactions which serve as effective hedges as determined under the accounting standard 30, the gains and losses are accumulated in the Hedge reserve until the underlying transaction occurs upon which the respective accumulated balances are recognized in the profit and loss account.

1.9 Employee Benefits

a. Short Term Employee Benefits:

All employee benefits payable within twelve months of rendering the service are classified as short term benefits. Such benefits include salaries, wages, bonus, short term compensated absences, awards, exgratia, performance pay etc. and the same are recognised in the period in which the employee renders the related service.

b. Post-Employment Benefits:

i. Defined Contribution Plans:

The Company's approved superannuation schemes, state government provident fund scheme, employee state insurance scheme are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the related service.

ii. Defined Benefit Plans:

The employee's gratuity fund scheme, long term compensated absences, pension, post-retirement medical and long term service award benefit schemes are Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on the actuarial valuation using the Projected Unit Credit

Method as at the date of the Balance sheet. In case of funded plans, the fair value of plan asset is reduced from the gross obligation under the defined benefit plans, to recognise the obligation on the net basis.

In the case of Funded Gratuity liability, amount due to the fund within 12 months is treated as current liability. In the case of pension, post-retirement medical benefit and Long term service award benefit scheme the amount expected to be paid/expected to settle within next 12 months is treated as current and balance amount is treated as non-current. In the case of Long Term Compensated absence the determination of current and noncurrent liability is based on unconditional right to defer its settlement in next 12 months from the reporting date and other factors such as Attrition rate, retirement in next 12 months.

iii. Termination Benefits:

Termination benefits such as compensation under voluntary retirement scheme are recognised in the year in which termination benefits become payable.

1.10 Warranty

Product warranty provision is estimated on the basis of past experience, and is accrued in the year of sale.

1.11 Research and Development

Capital expenditure incurred on research & development is capitalized as fixed assets. Revenue expenditure for carrying out the research activity is charged to the Profit and Loss Account in the year in which it is incurred.

Expenditure incurred on development phase, where it is reasonably certain that the outcome of development will be commercially exploited to yield future economic benefits to the Company, is considered as an intangible asset.

1.12 Revenue Recognition

a. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed on to the buyer, which generally coincides with their delivery to the buyer. Sales are stated net of discounts, rebates and returns.

b. Export sales are accounted on the basis of the dates of “Shipped on Board” Bill of Lading, other delivery documents as per contract.

c. Export incentives are accounted for on export of goods if the entitlements can be estimated with reasonable accuracy and conditions precedent to claim is fulfilled.

d. Income from services is recognized on completion of services as per the terms of specific contracts.

e. Income from dividend on investments is accrued in the year in which it is declared, whereby right to receive is established.

f. Profit/loss on sale of investments is recognized on the contract date.

1.13 Government Grant

Grants and subsidies from the government are recognized if the following conditions are satisfied,

- There is reasonable assurance that the Company will comply with the conditions attached to it.

- Such benefits are earned and reasonable certainty exists of the collection.

Government grants or subsidies given with reference to the total investment in an undertaking or setting up of new industrial undertaking is treated as capital receipt and credited to capital reserve. The said capital reserve will not be available for distribution of dividend nor is it considered as deferred income.

1.14 Borrowing Cost

Borrowing Costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the month in which the asset is ready to use, as part of the cost of that asset. Other borrowing costs are recognized as expenses in the period in which these are incurred.

1.15 Income Tax

Tax expense comprises of both current and deferred tax. Provision for current tax is made on the basis of the taxable profits computed for the current accounting period in accordance with Income Tax Act, 1961.

Deferred Tax resulting from timing differences between Book Profits and Tax Profits is accounted for, at prevailing or substantially enacted rate of tax to the extent timing differences are expected to crystalize, in case of Deferred Tax Liabilities with reasonable certainty and in case of Deferred Tax Assets with reasonable certainty that there would be adequate future taxable income against which deferred tax assets can be realised. However, deferred tax asset arising on account of unabsorbed depreciation and business losses are recognised only if, there is virtual certainty supported by convincing evidence that there would be adequate future taxable income against which the same can be realised/set off.

1.16 Earnings Per Share

Earnings per share is calculated by dividing the net profit or loss for the year after prior period adjustment attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

1.17 Cash Flow Statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non cash nature and any deferral or accruals of past or future cash receipts or payments. The cash flows from regular operating, investing and financing activities of the Company are segregated.

1.18 Segment Reporting

a. Identification of Segments

The Company's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof (Engine Business Segment) used for various applications such as Agriculture, Industrial, Stationery Power Plants, Construction Equipment, etc.

b. Intersegment Transfers

The Company generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

c. Allocation of common costs

Common allocable costs are allocated to the Engine Segment according to the sales of each segment to the total sales of the Company.

d. Unallocated items

Corporate assets and liabilities, income and expenses which relate to the Company as a whole and are not allocable to segments, are included under unallocated items.

1.19 Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication due to internal or external factors that an asset or a group of assets comprising a Cash Generating Unit (CGU) may be impaired. If any such indication exists, the Company estimates the recoverable amount of the assets. If such recoverable amount of the assets or the recoverable amount (economic value in use) of the CGU to which the asset belongs is less than the carrying amount of the assets or the CGU as the case may be, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and is recognized in the profit and loss account. If at any subsequent balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at recoverable amount subject to a maximum of depreciated historical cost and is accordingly reversed in the profit and loss account.

1.20 Provisions and Contingencies

Necessary provisions are made for the present obligations that arise out of past events entailing future outflow of economic resources. Such provisions reflect best estimates based on available information.

However a disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2. Additional Notes to the Financial Statements

2.1 Contingent Liabilities

(₹ in Crs.)

		As at 31 Mar 2015	As at 31 Mar 2014
(A)	Contingent Liabilities not provided for		
	a. Disputed Central Excise Demands	5.15	4.58
	b. Disputed Sales Tax & Octroi Demands	8.49	6.21
	c. Disputed Customs Duty Demands	3.01	0.86
	d. Disputed Income Tax Liability – matter under appeal	12.03	10.42
	e. Claims against Company not acknowledged as debts	86.23	83.68
	f. Bills discounted not matured	101.24	37.84
		216.15	**143.59**

(B) The Company has imported Capital Goods under the Export Promotion Capital Goods Scheme of the Government of India, at concessional rates of duty on an undertaking to fulfill quantified exports against which, remaining future obligations aggregates USD 1.43 million (previous year USD 36.19 million). Non fulfillment of the balance of such future obligations, if any, entails options/rights to the Government to confiscate capital goods imported under the said licenses and other penalties under the above-referred scheme. Minimum Export

obligation to be fulfilled by the company under the said scheme, by March 31, 2015 has been fulfilled.

2.2	Estimated amount of Contracts remaining to be executed on capital account and not provided for (Net of advances)	12.83	8.29
2.3	Other Commitments		
	Purchase of Bearings from KSPG Automotive India Pvt. Ltd. on a non-exclusive basis	118.00	118.00
2.4	Charge of Hypothecation referred to in Note no. 6 for working capital facilities extends to letter of credit issued and guarantees given by the Company's bankers		
	Aggregate amount of such letters of credit outstanding	3.62	21.28
	Aggregate value of such guarantees outstanding	175.38	149.01

2.5 Payment to Auditors (Net of Service tax)

(₹ in Crs.)

Sr. No.	Particulars	2014-15	2013-14
A	Statutory Auditors		
	a. As Auditors	**0.35**	**0.35**
	Audit Fees	0.27	0.27
	Tax Audit Fees	0.05	0.05
	Limited Review	0.03	0.03
	b. Certification fees	0.07	0.02
	c. Reimbursement of expenses	0.02	0.02
	TOTAL (A)	**0.44**	**0.39**
B	Cost Auditors		
	a. As auditors	0.07	0.06
	b. In other capacity		
	Certification fees	0.00	0.00
	Reimbursement of expenses	0.00	–
	TOTAL (B)	**0.07**	**0.06**
	Grand Total (A+B)	**0.51**	**0.45**

2.6 C. I. F. Value of Imports, expenditure and earnings in foreign currencies:

(₹ in Crs.)

Particulars	2014-15	2013-14
A. CIF Value of Imports:		
i. Raw Materials (including components, goods in transit, material in bonded warehouse)	**94.59**	**130.44**
ii. Capital Goods	**4.11**	**3.05**
Total	**98.70**	**133.49**
B. Expenditure in foreign currency		
i. Interest	0.12	0.25
ii. Travelling	1.69	1.47
iii. Commission on Exports	10.04	8.40
iv. Advertisement & Publicity	0.69	0.79
v. Legal & Professional Fees	1.58	0.26
vi. Research & Development Expenditure	0.08	–
vii. Others	3.00	2.23
Total	**17.20**	**13.40**
C. Earnings in foreign currencies		
i. FOB value of exports	210.98	198.35
ii. Others	0.19	–
Total	**211.17**	**198.35**
D. Exchange (gains)/ losses on account of fluctuations in foreign currency rates recognized in the Profit & Loss account including in		
Miscellaneous Expenses	(0.92)	4.36
Total	**(0.92)**	**4.36**

2.7 Prior period expenses for the year (net of income) is ₹ 0.11 Crs. (PY ₹ 0.58 Crs.)

2.8 The Sales for the current year includes an amount of ₹ 105.72 Crs. (PY ₹ 211.62 Crs) on account of deemed exports of goods.

2.9 Foreign Exchange Derivatives and Exposures not hedged as at 31 March 2015

(A) Foreign Exchange Derivatives

Amounts in Foreign Currencies in 000's

Nature of Instrument	Currency	Sale / Purchase	31 March 2015	31 March 2014
Forward Contracts	USD	Purchase	–	1,220
	USD	Sale	–	–
	EUR	Purchase	186	–
Option Contracts	USD	Purchase	–	–
	EUR	Purchase	–	–

All derivative contracts stated above are for the purpose of hedging the underlying foreign currency exposure.

(B) Exposure Not Hedged

Amounts in Foreign Currencies in 000's

Nature of Exposure	Currency	31 March 2015	31 March 2014
Receivable	USD	144	3,007
	EUR	32	16
Payable	USD	2,099	5,696
	EUR	646	4,453
	GBP	1	40
	JPY	–	320
	CHF	0	0

2.10 The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act 2006 (MSMED Act) as at 31 March 2015.The disclosure pursuant to the said Act is as under.

₹ in Crs.

Particulars	2014-15	2013-14
Total outstanding to MSME suppliers	5.16	5.86
Payment made to suppliers (other than interest) beyond the appointed day, during the year	0.85	0.11
Interest due and payable to suppliers under MSMED Act, for the payments already made	0.00	0.00
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	0.09	0.09

The Information has been given in respect of such vendors on the basis of information available with the company.

2.11 Research and Development Expenditure eligible for deduction under section 35(2AB) of Income Tax Act, 1961:

₹ in Crs.

Sr. No.	Particulars	2014-15	2013-14
A	**Revenue Expenditure**		
	Manufacturing Expenses :		
	Raw Material, Store, Spares & Tools Consumed	10.55	4.31
	Machinery Repairs	0.24	0.25
	Payments to & Provision for Employees :		
	Salaries, Wages, Bonus, Allowances, etc.	8.60	8.42
	Contribution to Provident & Other Funds & Schemes	0.69	0.63
	Other Benefits	0.02	–
	Other Expenses :		
	Legal & Professional charges	–	1.64
	EDP Expenses	0.62	0.87
	Power Charges	1.55	1.24
	Travelling & Conveyance Expenses	0.49	0.23
	Other Expense (Net)	4.81	1.56
	Repairs	0.20	0.20
	Sub Total (A)	**27.77**	**19.35**
B	**Capital Expenditure**	**4.43**	**2.92**
	Total Eligible Research & Development Expenditure (A + B)	**32.20**	**22.27**

Approval for weighted deduction received from DSIR for the period 1 April 2011 to 31 March 2016

2.12 The company, as per Ministry of Corporate Affairs notification dated 31 March 2009 as amended vide G.S.R. 378(E) dated 11 May 2011, G.S.R. 913(E) dated 29 December 2011, & clarification provided vide circular 25/2012 dated 9 August 2012, had exercised the option of implementing the provisions of paragraph 46 of Accounting Standard (AS 11) "The effects of changes in Foreign Exchange Rates" prescribed by Companies (Accounting Standards) Amendment Rules, 2006. The Company had long term foreign currency loans during the previous year, which were categorized as long-term foreign currency monetary items as mentioned in the notification. The aforesaid loans were utilized for the acquisition of assets. Accordingly company had capitalised exchange difference loss of ₹ NIL (P.Y. loss ₹ NIL.) for the current financial year in respect of its foreign currency loans.

2.13 Disclosure pursuant to Accounting Standard (AS15) – Revised 2005 "Employee Benefits" prescribed by Companies (Accounting Standards) Amendment Rules, 2006

(A) Defined Contribution Plans:

Amount of ₹ 10.79 Crs. (P.Y. ₹ 9.32 Crs.) is recognised as expenses and included in Note No. 26 "Employee Cost"

(B) Defined Benefit Plans:

i. Amount Recognised in the Balance sheet :

₹ in Crs.

Particulars	2014-15			2013-14		
	Gratuity	Compen-sated Absences	Pension, Post retirement Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retirement Medical scheme and Long Service award scheme
Present value of Defined Benefit obligation	36.89	–	–	32.19	–	–
Less: Fair value of Plan Assets	(32.13)	–	–	(32.85)	–	–
Present value of unfunded obligation	–	25.17	2.59	–	21.23	2.86
Net Liability / (Asset) recognised in the Balance Sheet	**4.76**	**25.17**	**2.59**	**(0.66)**	**21.23**	**2.86**

ii. Amount recognised in the Profit and Loss Account are as follows :

₹ in Crs.

Particulars	2014-15			2013-14		
	Gratuity	Compen-sated Absences	Pension, Post retirement Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retirement Medical scheme and Long Service award scheme
Current Service Cost	3.34	3.22	0.05	2.65	2.42	0.05
Interest Cost	2.79	1.82	0.24	2.23	1.55	0.21
Expected return on Plan Assets	(2.64)	–	–	(2.30)	–	–
Settlement Cost / (Credit)	–	–	–	–	–	–
Actuarial Losses / (Gains)	2.13	1.74	(0.10)	1.10	(0.82)	0.13
Past service cost	–	–	–	–	–	–
Total included in "Employee Cost"	**5.62**	**6.78**	**0.19**	**3.68**	**3.15**	**0.39**

iii. Reconciliation of opening and closing balances of the Present Value of the Defined Benefit Obligation:

₹ in Crs.

Particulars	2014-15			2013-14		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
Present value of Defined Benefit obligation at the beginning of the year	32.19	21.24	2.86	28.63	20.11	2.64
Interest cost	2.79	1.82	0.25	2.23	1.55	0.21
Current service cost	3.34	3.22	0.05	2.65	2.42	0.05
Settlement Cost / (Credit)	–	–	–	–	–	–
Actuarial Losses / (Gains)	2.26	1.74	(0.10)	0.98	(0.82)	0.13
Past Service Cost	–	–	–	–	–	–
Benefits paid	(3.69)	(2.85)	(0.47)	(2.30)	(2.03)	(0.17)
Present value of Defined Benefit obligation at the close of the year	**36.89**	**25.17**	**2.59**	**32.19**	**21.23**	**2.86**

iv. Changes in the fair value of Plan Assets and the reconciliation thereof:

₹ in Crs.

Particulars	2014-15			2013-14		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
Fair value of Plan Assets at the beginning of the year	32.85	–	–	26.77	–	–
Add :Expected return on Plan Assets	2.64	–	–	2.30	–	–
Add / (Less) : Actuarial (Losses) / Gains	0.13	–	–	(0.11)	–	–
Add : Contributions by employer	0.10	–	–	6.11	–	–
Less: Benefits Paid	(3.59)	–	–	(2.22)	–	–
Less : Settlement Paid	–	–	–	–	–	–
Fair value of Plan Assets at the close of the year	**32.13**	**–**	**–**	**32.85**	**–**	**–**

Broad Categories of plan assets as a percentage of total assets as at 31 March 2015.

Particulars	2014-15			2013-14		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Government of India Securities	0%	–	–	0%	–	–
b. Corporate Bonds	0%	–	–	0%	–	–
c. Special Deposit Scheme	22%	–	–	21%	–	–
d. Insured Managed Funds	75%	–	–	56%	–	–
e. Others	3%	–	–	23%	–	–
f. **Total**	**100%**	**–**	**–**	**100%**	**–**	**–**

v. Actuarial Assumptions as at 31 March 2015

Particulars	2014-15			2013-14		
	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme	Gratuity	Compen-sated Absences	Pension, Post retire-ment Medical scheme and Long Service award scheme
a. Discount Rate	7.80%	7.80%	7.80%	9.20%	9.20%	9.20%
b. Expected rate of return on Plan Assets	8.50%	–	–	8.40%	–	–
c. Salary Escalation rate- Management Staff	7.50%	7.50%	–	7.50%	7.50%	–

vi. Experience Adjustments on plan assets (Loss)/Gain ₹ 0.09 Crs. (P.Y. ₹ (0.11) Crs.)

vii. General Description of the plans :

The Company operates gratuity plan wherein every employee is entitled to the benefit as per scheme of the company, for each completed year of service. The same is payable on retirement or termination whichever is earlier. The benefit vests only after five years of continuous service.

2.14 The Company's operating business predominantly relates to manufacture of internal combustion engines, gensets and parts thereof and hence the Company has considered "Engines" as the single reportable segment. Thus no separate business segment information is disclosed as per the requirement of AS 17 ("Segmental Reporting").

2.15 Related parties, as defined under Clause 3 of Accounting Standard (AS 18) "Related Party Disclosures" prescribed by Companies (Accounting Standards) Amendment Rules, 2006, have been identified on the basis of representation made by the Key Management Persons and taken on record by the Board. Disclosures of transactions with Related Parties are as under:

(A) Description of Related Parties

i) Name of the Related party and nature of relationship where control exists:

Sr. No.	Related Party Category	Company
1	Companies controlled by KOEL (KOEL controlling > 50% of voting power)	None
2	Holding Company	Kirloskar Brothers Investments Limited
3	Fellow Subsidiary Companies	Kirloskar Pneumatic Company Limited Pneumatic Holdings Limited Kirloskar Road Railer Limited (Subsidiary of Kirloskar Pneumatic Company Limited)
4	Associate Company	None
5	Joint Venture Company	None
6	Enterprises over which Key Management Personnel exercise control/significant influence	Achyut & Neeta Holdings & Finance Private Limited Expert Quality Cloud Information Technology Private Limited Kirloskar Integrated Technologies Limited Kloudworks Consulting Services Ltd Lakeland Universal Limited BVI Navsai Investments Private Limited Snow Leopard Momentum LLP
7	Enterprises over which relatives of Key Management Personnel exercise control/ significant influence	Alpak Investments Private Limited

ii) Key Management Personnel and their relatives:

Sr. No.	Key Management Personnel	Name of Relative	Relationship
a	Atul C. Kirloskar Executive Chairman	Arti A. Kirloskar Gauri A. Kirloskar (Kolenaty) Aditi A. Kirloskar (Sahni) Rahul C. Kirloskar Suman C. Kirloskar	Wife Daughter Daughter Brother Mother
b	Gautam A. Kulkarni Executive Vice Chairman	Jyotsna G. Kulkarni Ambar G. Kulkarni Neeta A. Kulkarni	Wife Son Mother
c	Nihal G. Kulkarni Managing Director	Shruti N. Kulkarni Ambar G. Kulkarni Jyotsna G. Kulkarni	Wife Brother Mother
d	Rajendra R. Deshpande Whole time Director	Veena R. Deshpande Kaustubh R. Deshpande Sourabh R. Deshpande	Wife Son Son

(B) Transactions with related parties

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2014-15		2013-14	
		Amount	Amount from major parties	Amount	Amount from major parties
1	**Gross Sales**				
	Fellow Subsidiary Companies	**0.67**		**1.29**	
	Kirloskar Pneumatic Company Limited		0.67		1.29
	Total	**0.67**	**0.67**	**1.29**	**1.29**
2	**Sales Return**				
	Companies over which Key Management personnel exercise control / significant influence	**-**	**-**	**0.01**	
	Kirloskar Integrated Technologies Limited		-		0.01
	Total	**-**	**-**	**0.01**	**0.01**
3	**Purchases**				
	Companies over which Key Management personnel exercise control / significant influence	**-**	**-**	**0.01**	
	Kirloskar Integrated Technologies Limited		-		0.01
	Total	**-**	**-**	**0.01**	**0.01**
4	**Rendering of Services from**				
	Key Management Personnel	**10.86**		**15.40**	
	Atul C. Kirloskar		3.34		4.63
	Gautam A. Kulkarni		3.31		4.65
	Rajendra R. Deshpande		1.92		2.83
	Nihal G. Kulkarni		2.29		3.29
	Relative of Key Management Personnel	**1.28**		**1.10**	
	Rahul C. Kirloskar		1.21		1.10
	Gauri A. Kirloskar (Kolenaty)		0.07		-
	Total	**12.14**	**12.14**	**16.50**	**16.50**
5	**Expenses paid to**				
	Companies over which Key Management personnel exercise control / significant influence	**-**		**0.05**	
	Kirloskar Integrated Technologies Limited		-		0.05
	Total	-	-	**0.05**	**0.05**
6	**Reimbursement of Expenses**				
	Holding Company	**0.00**		**0.03**	
	Kirloskar Brothers Investments Limited		0.00		0.03
	Companies over which Key Management personnel exercise control / significant influence	**0.00**		**0.06**	
	Kirloskar Integrated Technologies Limited		0.00		0.06
	Fellow Subsidiary Companies	**-**		**0.06**	
	Kirloskar Pneumatic Company Limited		-		0.06
	Total	**0.01**	**0.01**	**0.12**	**0.12**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2014-15		2013-14	
		Amount	Amount from major parties	Amount	Amount from major parties
7	**Rent Paid**				
	Holding Company	**1.97**		**0.03**	
	Kirloskar Brothers Investments Limited		1.97		0.03
	Relative of Key Management Personnel	**0.04**		**0.36**	
	Arti A. Kirloskar		0.02		0.18
	Jyotsna G. Kulkarni		0.02		0.18
	Total	**2.01**	**2.01**	**0.39**	**0.39**
8	**Dividend Paid**				
	Key Management Personnel	**2.69**		**1.97**	
	Atul C. Kirloskar		1.33		1.01
	Gautam A. Kulkarni		1.28		0.96
	Nihal G. Kulkarni		0.08		-
	Rajendra R. Deshpande		0.01		0.01
	Relative of Key Management Personnel	**4.72**		**4.72**	
	Rahul C. Kirloskar		0.96		0.96
	Arti A.Kirloskar		1.80		1.80
	Jyotsna G. Kulkarni		1.93		1.93
	Neeta A. Kulkarni		0.00		0.00
	Suman C. Kirloskar		0.03		0.03
	Holding Company	**40.19**		**39.16**	
	Kirloskar Brothers Investments Limited		40.19		39.16
	Total	**47.60**	**47.60**	**45.85**	**45.85**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2014-15		2013-14	
		Amount	Amount from major parties	Amount	Amount from major parties
	Outstanding				
1	**Accounts Payable**				
	Holding Company	**-**		**0.03**	
	Kirloskar Brothers Investments Limited		-		0.03
	Fellow Subsidiary Companies	**0.13**		**-**	
	Kirloskar Pneumatic Company Limited		0.13		-
	Key Management Personnel				
	Commission	**4.90**		**9.80**	
	Gautam A. Kulkarni		1.50		3.00
	Rajendra R. Deshpande		0.90		1.80
	Atul C. Kirloskar		1.50		3.00
	Nihal G. Kulkarni		1.00		2.00
	Relative of Key Management Personnel	**1.18**		**1.09**	
	Rahul C. Kirloskar		1.14		1.09
	Gauri A. Kirloskar (Kolenaty)		0.04		
	Superannuation	**0.30**		**0.30**	
	Gautam A. Kulkarni		0.09		0.09
	Rajendra R. Deshpande		0.05		0.06
	Atul C. Kirloskar		0.09		0.09
	Nihal G. Kulkarni		0.06		0.06
	Other Allowances	**-**		**0.06**	
	Gautam A. Kulkarni		-		0.02
	Rajendra R Deshpande		-		-
	Atul C. Kirloskar		-		0.02
	Nihal G. Kulkarni		-		0.02
	Total	**6.51**	**6.51**	**11.27**	**11.27**
2	**Accounts Receivable**				
	Companies over which Key Management personnel exercise control / significant influence	**10.23**		**10.25**	
	Kirloskar Integrated Technologies Limited		10.23		10.25
	Fellow Subsidiary Companies	**-**		**0.31**	
	Kirloskar Pneumatic Company Limited		-		0.31
	Total	**10.23**	**10.23**	**10.56**	**10.56**

₹ in Crs.

Sr. No.	Nature of the transaction / relationship / major parties	2014-15		2013-14	
		Amount	Amount from major parties	Amount	Amount from major parties
3	**Provision for Doubtful Trade Receivables**				
	Companies over which Key Management personnel exercise control / significant influence	**10.22**		**10.22**	
	Kirloskar Integrated Technologies Limited		10.22		10.22
	Total	**10.22**	**10.22**	**10.22**	**10.22**
4	**Security Deposit- Receivable**				
	Relative of Key Management Personnel	**-**		**2.00**	
	Arti A. Kirloskar		-		1.00
	Jyotsna G. Kulkarni		-		1.00
	Total	**-**	**-**	**2.00**	**2.00**

The above figures do not include provision for Leave Encashment and Gratuity, as actuarial valuation of such provision for the Key Management Personnel is included in the total provision for Leave Encashment & Gratuity.

2.16 The disclosure required by Accounting Standard (AS-29) "Provisions, Contingent Liabilities, Contingent Assets" prescribed by Companies (accounting standards) Amendment Rules, 2006 are as follows:

₹ in Crs.

Class of provision	Carrying amount as on 31 March 2014	Provisions made / Increase / (Decrease) in Provision	Amounts used during the year	Amounts reversed during the year	Carrying amount as on 31 March 2015
Warranty	16.35	31.99	25.88	0.30	22.17

(A) Nature of Obligation

Warranty is given to customers at the time of sale of engines and generating sets manufactured. Warranty cost includes expenses in connection with repairs, free replacement of parts/engines and after sales services during warranty period which varies from 1 year to 4 years.

(B) Expected Timing of resulting Outflow

Majority of warranty claims will be incurred in the next financial year and balance will be incurred in the following years.

2.17 Earnings Per Share (Basic and Diluted)

Particulars	2014-15	2013-14
Profit for the year after taxation (₹ in Crs.)	143.14	178.45
Total number of equity shares at the end of the year	14,46,14,326	14,46,14,326
Weighted average number of equity shares for the purpose of computing Earning Per Share	14,46,14,326	14,46,14,326
Basic and Diluted Earning Per Share (in ₹)	9.90	12.34

Earning per share is calculated in accordance with Accounting Standard (AS 20) "Earning Per Share" prescribed by Companies (Accounting Standards) Amendment Rules, 2006.

2.18 The Board of Directors in their meeting held on 2 September 2014, had approved the Composite Scheme of Arrangement and Amalgamation between Kirloskar Brothers Investments Limited (KBIL - Transferor Company), Pneumatic Holdings Limited (PHL - Resulting Company) and Kirloskar Oil Engines Limited (KOEL - Transferee Company) and their respective shareholders and creditors under Section 391 to 394 and other relevant Sections of the Companies Act, 1956 and also relevant Sections of the Companies Act, 2013, to the extent applicable. The Scheme was approved by public shareholders of the Company through Postal Ballot on 17 February 2015 pursuant to circulars of SEBI issued in this behalf and by the equity shareholders of the Company by the Court convened meeting held on 18 February 2015. The petition seeking sanction of the Scheme has been filed before the Hon'ble Bombay High Court bearing CSP No. 161 of 2015. The hearing on said petition concluded on 30 April 2015 and an order of the Hon'ble Bombay High Court is awaited till date.

2.19 Disclosure required as per clause 32 of the Listing Agreement is as follows:

Holding Company

Kirloskar Brothers Investments Limited

There are no loans and advances in the nature of loans to firms/companies in which Directors are interested.

There are no Investment in the firms/companies in which Directors are interested.

2.20 Previous year's figures have been re-grouped wherever considered necessary to make them comparable with those of the current year.

Signatures to Note 1 to 30, forming part of the Financial Statements.

As per our attached report of even date.

FOR M/S P. G. BHAGWAT
Chartered Accountants
Firm Registration Number : 101118W

NACHIKET DEO
Partner
Membership Number : 117695

Pune : 8 May 2015

For and on behalf of the Board of Directors.

NIHAL G. KULKARNI
Managing Director

R. R. DESHPANDE
Joint Managing Director

T. VINODKUMAR
Chief Financial Officer

SMITA RAICHURKAR
Assistant Company Secretary

Pune : 8 May 2015

TEAR HERE

KIRLOSKAR OIL ENGINES LIMITED

CIN: L29120PN2009PLC133351
Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune 411 003 (Maharashtra). Ph. No. : 020-25810341
Email: investors@kirloskar.com, Website: www.koel.co.in

ATTENDANCE SLIP

Annual General Meeting on 7 August 2015 at 11.30 A.M.

Ledger Folio No./ DP ID and Client ID. …….....……

Full name of the Member (in capital) ……....…….....……..…

…….....……

I certify that I am a member/proxy for the member of the Company.

I hereby record my presence at the Annual General Meeting of the Company at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, on Friday, 7 August 2015 at 11.30 A.M.

Member's/ Proxy's Signature …….....…….....……

Proxy's full name (in capital) …….....…….……..

…….....……..

Note: Please fill in this Attendance Slip and hand over at the entrance of the Hall.

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TEAR HERE

KIRLOSKAR OIL ENGINES LIMITED

CIN: L29120PN2009PLC133351
Registered Office: Laxmanrao Kirloskar Road, Khadki, Pune 411 003 (Maharashtra). Ph. No. : 020-25810341
Email: investors@kirloskar.com, Website: www.koel.co.in

PROXY FORM

Name of the member (s):
Registered address:
E-mail Id:
Folio No / DP ID-Client ID:

I / We, being the member (s) of ……. shares of the above named company, hereby appoint

1. Name: …….……... Address: …….....…….....
   E-mail Id: …….....……... Signature:……, or failing him
2. Name: …….……... Address: …….....…….....
   E-mail Id: …….....……... Signature:……, or failing him
3. Name: …….……... Address: …….....…….....
   E-mail Id: …….....……... Signature:……, or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Friday, 7 August 2015 at 11.30 a.m. at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001 and at any adjournment thereof in respect of such resolutions as are indicated below:

Item No.	Description of Resolution	Optional*	
Ordinary Business		For	Against
1.	Adoption of Audited Financial Statements for the Financial Year ended 31 March 2015 and the Reports of the Board of Directors and Auditors thereon.		
2.	Declaration of dividend on equity shares for the Financial Year ended 31 March 2015		
3.	Re-Appointment of Gauri Kirloskar who retires by rotation.		
4.	Appointment of Auditors and fixing their remuneration.		
Special Business			
5.	Re-Appointment of Rajendra R. Deshpande as an Whole Time Director with designation as the Joint Managing Director		
6.	Appointment of Pradeep R. Rathi as an Independent Director.		
7.	Approval of remuneration of the Cost Auditors.		

Signed this …..... day of…..... 2015

Please affix
Revenue
Stamp

Signature of Shareholder(s) …….....……..

Signature of Proxy holder(s) …….....…….

Note:

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. For the Resolutions, Explanatory Statement and Notes, please refer to the Notice of the Annual General Meeting.

*3. It is optional to put a 'X' in the appropriate column against the Resolutions indicated in the Box. If you leave the 'For' or 'Against' column blank against any or all Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.

4. Please complete all details including details of member(s) in above box before submission.

Mega T, the indigenously developed and launched farm mechanisation solution from KOEL

Launch of CPCB II range of gensets

KOEL Chhota Chilli
portable genset for retail markets

Participation of KOEL at Kisan 2014, Pune

Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED

A Kirloskar Group Company

Regd. Office: Laxmanrao Kirloskar Road, Khadki, Pune - 411 003, INDIA.

Tel.: +91(20) 2581 0341 Fax: +91(20) 2581 3208 / 2581 0209

Email: investors@kirloskar.com Website: www.koel.co.in

CIN - L29120PN2009PLC133351

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Enriching Lives

KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company

FORM A

(Pursuant to Clause 31 of the listing agreement)

1	Name of the Company	Kirloskar Oil Engines Limited
2	Annual Financial Statements for the year ended	31st March 2015
3	Type of Audit observation	Unqualified
4	Frequency of Observation	Auditor has issued unqualified Audit Report from 1st Financial Year of the Company i.e. for the period ended 31 March 2010

For Kirloskar Oil Engines Limited

Nihal G. Kulkarni
Managing Director

For Kirloskar Oil Engines Limited

T. Vinodkumar
Chief Financial Officer

For Kirloskar Oil Engines Limited

R. Srinivasan
Chairman of Audit Committee

Pune : 8 May 2015

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

M/s P.G. BHAGWAT PUNE CHARTERED ACCOUNTANTS

Nachiket Deo
Partner
Membership No. 117695

Pune : 8 May 2015

KIRLOSKAR OIL ENGINES LIMITED
A Kirloskar Group Company

Enriching Lives

NOTICE

Notice is hereby given that the Annual General Meeting of Kirloskar Oil Engines Limited will be held on Friday, the 7th day of August 2015 at 11.30 a.m. at Hotel Le Meridien, Raja Bahadur Mill Road, Pune – 411 001, to transact the following business:

ORDINARY BUSINESS

ITEM NO.1

To receive, consider and adopt the Audited Financial Statements for the Financial Year ended 31 March 2015 and the Reports of the Board of Directors and Auditors thereon.

ITEM NO.2

To declare dividend on equity shares for the Financial Year ended on 31 March 2015.

ITEM NO.3

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

ITEM NO.4

To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 139 and other applicable provisions of the Companies Act, 2013 and rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the retiring Auditors, M/s. P. G. Bhagwat, Chartered Accountants (Firm Registration no. 101118W), be and are hereby re-appointed as Auditors of the Company to hold office from conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting , at such remuneration as shall be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS

ITEM NO.5

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

"RESOLVED THAT subject to the provisions of section 196, 197 read with schedule V and other applicable provisions if any of the Companies Act, 2013, and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Articles 167 (A), 167 (B) and 167 (C) of the Articles of Association of the Company and also subject to the approvals of the financial institutions/banks with whom the Company has borrowing arrangements if any and where under, their approval is necessary or

such other approvals as may be necessary, Rajendra R. Deshpande (DIN 00007439) be and is hereby re-appointed as the Whole Time Director with designation as the Joint Managing Director of the Company for a term of 3 (Three) years with effect from 29 April 2015, upon the terms and conditions as set out in the Agreement to be entered into between the Company and Rajendra R. Deshpande on the remuneration and other terms, set out below:

BASIC SALARY:

Rs. 7,00,000/- (Rupees Seven Lacs only) per month.

PERQUISITES:

In addition to the aforesaid salary, Rajendra R. Deshpande as the Joint Managing Director shall be entitled to the following perquisites:

a) In lieu of fully furnished residential accommodation, house rent allowance of ₹ 1,00,000/- per month be paid. Additionally, expenses on furnishings upto ₹ 15,000/- per month. Gas, electricity, water and other utilities and repairs shall be borne by the Company at actuals.

b) Reimbursement of all medical expenses incurred for self and family.

c) Leave travel assistance for self and family upto the limit of ₹ 1,80,000/- per annum .

d) Fees of clubs, subject to a maximum of two clubs, which will include admission fee but will not include life membership fees.

e) Personal accident insurance, premium whereof does not exceed ₹ 25,000 per annum.

f) A car with driver.

g) Telephone and fax facilities at residence.

h) 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.

i) Gratuity at the rate of 30 days' salary for each completed year of service as the Joint Managing Director

j) Leave at the rate of one month for every eleven months of service. Leave not availed of may be encashed at the end of the tenure, and

"Family" for the above purpose means wife, dependent children and dependent parents of the Joint Managing Director.

Perquisites shall be evaluated as per the provisions of the Income tax Rules.

COMMISSION:

Commission shall be decided by the Board of Directors based on the net profits of the Company each year subject to the condition that the aggregate remuneration of the Joint Managing Director shall not exceed the limit laid down under Section 197 including rules made thereunder, Schedule V and other applicable provisions, if any of the Companies Act, 2013.

MINIMUM REMUNERATION:

In the event of loss or inadequacy of profits in any financial year during the currency of his tenure as the Joint Managing Director, remuneration by way of salary, perquisites and other allowances shall be in accordance with the ceiling prescribed in Schedule V to the Companies Act, 2013 or any statutory modification thereof.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to revise from time to time during the term of the present appointment of Rajendra R. Deshpande, the remuneration payable to him as the Joint Managing Director, subject to the ceiling laid down in Section 197 including rules made thereunder and Schedule V of the Companies Act, 2013 without further approval of the members of the Company but with such other approvals, sanctions or permissions, if any, required for such revision in the remuneration.

RESOLVED FURTHER THAT Rajendra R. Deshpande will be a Director liable to retire by rotation and his re-appointment as such Director shall not be deemed to constitute a break in his appointment as the Joint Managing Director."

ITEM NO.6

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

"RESOLVED THAT pursuant to the provisions of Sections 149 and 152 read with Schedule IV and other applicable provisions, if any, of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), Pradeep R. Rathi (DIN 00018577), who was appointed as an Additional Director by the Board of Directors of the Company with effect from 31 March 2015 and who holds office of Director up to the date of this Annual General Meeting pursuant to Section 161 of the Companies Act, 2013 read with Articles of Association of the Company and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years from the date of this Annual General Meeting."

ITEM NO. 7

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

"RESOLVED THAT pursuant to the provisions of Section 148 and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), the remuneration upto ₹ 7,00,000/- plus service tax as applicable and out of pocket expenses on actual basis as approved by the Board of Directors of the Company, payable to M/s. Parkhi Limaye and Co., Cost Accountants, for conducting the audit of the Cost records maintained by the Company for the financial year ended 31 March 2016, be and is hereby ratified and confirmed."

By Order of the Board of Directors

S. R. Raichurkar

Place : Pune
Date : 8 May 2015

Smita Raichurkar
Asst. Company Secretary

NOTES

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

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

ii. Proxies, if any, in order to be effective must be received at the Company's Registered Office not later than 48 hours before the time fixed for holding the meeting. Proxies submitted on behalf of the Companies, Societies etc., must be supported by appropriate resolution/authority, as applicable.

iii. The statement pursuant to Section 102 of the Companies Act, 2013, relating to the special business to be transacted at the meeting is annexed hereto.

iv. Details pursuant to clause 49 of the Listing agreement with the stock exchanges in respect of directors seeking appointment/re-appointment at Annual General Meeting forms part of the notice.

v. The Register of Members and Share Transfer Books of the Company will remain closed from 1 August 2015 to 7 August 2015 both days inclusive.

vi. Dividend on shares as recommended by the Directors, if declared, at this Annual General Meeting, will be paid to those members

a) whose names appears as beneficial owners as at the end of Business hours on 31 July 2015, in the list of beneficial owners made available by National Securities Depository Limited and Central Depository Services (India) Limited in respect of shares held in dematerialised form; and

b) whose names appears as members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with Company/Registrar and Share Transfer Agent (R & T Agent) on or before 31 July 2015.

vii. Pursuant to Sections 205A and 205C of the Companies Act, 1956, (which are still applicable as the relevant sections under the Companies Act, 2013 are yet to be notified) any money transferred to the unpaid dividend account, which remains unpaid or unclaimed for a period of 7 years from the date of such transfer is required to be transferred to the 'Investor Education and Protection Fund' (IEPF) set up by the Central Government. Accordingly, the unpaid/unclaimed dividend for the period ended 31 March 2010 and Financial Year 2010-11 onwards will become transferable at the end of respective seven years to the said Fund. Once the amount is so transferred, no claim shall lie against the Fund or the Company in respect of dividend amount thereafter. Shareholders are requested to send their claims, if any, for the period ended 31 March 2010 and Financial Year 2010-11 onwards, before the amount becomes due for transfer to the above Fund. Shareholders are requested to encash the dividend warrants immediately on their receipt by them. The details of due dates for transfer of unclaimed dividend to IEPF are as under:

Year	Date of Declaration	Date of Payment	Dividend %	Dividend in ₹ per share	Date on which dividend will be transferred to IEPF
2009-10	9 July 2010	20 July 2010	200	4	13 August 2017
2010-11	21 July 2011	10 August 2011	200	4	25 August 2018
2011-12	19 July 2012	30 July 2012	200	4	23 August 2019
2012-13	25 July 2013	6 August 2013	250	5	29 August 2020
2013-14	12 August 2014	26 August 2014	250	5	16 September 2021

The details of unclaimed and unpaid amount of Dividend due to the shareholders of the Company as on 12 August 2014 for the period ended 31 March 2010 and Financial Year 2010-11 onwards, are available on the Company's website www.koel.co.in under path **"Investor>IEPF/Others"**

viii. **Register National Electronic Clearing Service (NECS) Mandate**

In order to get your dividend through NECS, members who are holding shares in physical form are requested to inform their bank account details such as the name of the bank, branch, its address, account number, 9 digit MICR code, IFSC code and type of account i.e. Savings or Current or Cash Credit etc. to Link Intime India Private Limited, R & T Agent of the Company having its office at 'Akshay' Complex, Block No. 202, 2nd Floor, Off Dhole Patil Road, Near Ganesh Temple, Pune – 411 001. Shareholders holding shares in dematerialised form are requested to inform their bank account particulars to their respective Depository Participant (DP) and not to the R & T Agent of the Company. Those shareholders who do not opt for NECS facility may inform only bank account number and bank name for printing the same on the dividend warrant to ensure safety. Members who wish to avail the above facility are requested to submit required information to R& T Agent on or before the closing hours on 31 July 2015.

ix. **Permanent Account Number (PAN)**

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

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

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

xii. **Dematerialisation of Share**

Trading in the shares of the Company can be done in dematerialized form only. Members are requested to avail the facility of dematerialisation by opening Depository accounts with the DPs of either National Securities Depository Limited or Central Depository Services (India) Limited and get the equity share certificates held by them dematerialised, in order to avoid hassles involved with physical shares such as possibility of loss/mutilation of share certificate(s), and to ensure safe and speedy transaction in securities.

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

xiv. Members are requested to submit Nomination forms duly filed with R & T Agent in case of holding of shares in physical form and with their respective DPs, in case of shares held in dematerialised form. The Nomination Form is available with R & T Agent of the Company.

xv. **Register E-mail Address**

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

xvi. The relevant documents referred to in the Notice will be open for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

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

xviii. **Voting through electronic means**

I. In compliance with provisions of Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014 and as amended from time to time and Clause 35B of the Equity Listing Agreement, the Company is pleased to provide to the members the facility to exercise their right to vote on resolutions proposed to be considered at the 6th Annual General Meeting (AGM) by electronic means and the business may be transacted through e-voting services. The facility of casting the votes by the members using an electronic voting system from a place other than venue of the AGM ("remote e-voting") will be provided by National Securities Depository Limited (NSDL).

The facility for voting through ballot paper shall be made available at the AGM and the members attending the meeting who have not cast their vote by remote e-voting shall be able to exercise their right at the meeting through ballot paper.

The members who have cast their vote by remote e-voting prior to the AGM may also attend the AGM but shall not be entitled to cast their vote again.

The remote e-voting period commences on **4 August 2015 (9:00 am) and ends on 6 August 2015 (5:00 pm).** During this period members' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 31 July 2015, may cast their vote by remote e-voting. The remote e-voting module shall be disabled by NSDL for voting thereafter. Once the vote on a resolution is cast by the member, the member shall not be allowed to change it subsequently.

The instructions for Voting through electronic means are as under:

A. In case a Member receives an email from NSDL [for members whose email IDs are registered with the Company/R & T Agent viz. Link Intime India Private Limited/Depository Participant(s)]:

1. Open email and open PDF file viz. **"KOEL remote e-Voting.pdf"** with your Folio no./Client ID as password. The said PDF file contains your User ID and password/PIN for e-voting. Please note that the password is an initial password.

2. Open internet browser and type URL viz. **https://www.evoting.nsdl.com**
3. Click on Shareholder-Login
4. If you are already registered with NSDL for e-voting, then you can use your existing user ID and password.
5. If you are logging in for the first time, please enter the 'USER ID' and 'Initial Password' as noted in Step 1 above and click 'Login'.
6. The Password Change Menu will appear on your screen. Change to a new Password of your choice making sure that, it contains a minimum of 8 digits or characters or combination of the two. Please take utmost care to keep your Password confidential.
7. Once e-Voting home page opens, Click on e-Voting > Active Voting Cycles
8. Select the EVEN (E-Voting Event Number) of Kirloskar Oil Engines Limited.
9. Now you are ready for e-voting as 'the Cast Vote' page opens.
10. Cast your vote by selecting appropriate option and click Submit and also Confirm when prompted.
11. Upon confirmation, the message 'Vote cast successfully' will be displayed. Please note that once your vote is cast on selected resolution, it cannot be modified.
12. Institutional shareholders (i.e. members other than individuals, HUF, NRIs etc.) are required to send a scanned copy (PDF/JPG Format) of the relevant Board Resolution/Authority letter etc. together with attested specimen signature(s) of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through e-mail at mjrpcs@gmail.com with a copy marked to evoting@nsdl.co.in

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

1. Initial password will be provided separately:

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

2. Please follow all steps from Sr. No. (2) to (12) above, to cast vote.

II. In case of any queries, you may refer the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available on the website www.evoting.nsdl.com under the 'Downloads section'. You can also contact NSDL via email at evoting@nsdl.co.in

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

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

V. The voting rights of members shall be in proportion to their shares of the paid up equity share capital of the Company as on 31 July 2015.

VI. Any person, who acquires shares of the Company and becomes member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. 31 July 2015, may obtain the login ID and password by sending a request at evoting@nsdl.co.in or Issuer/RTA. However, if you are already registered with NSDL for remote e-voting, then you can use your existing user ID and password for casting your vote. If you forgot your password, you can reset your password by using "Forgot User Details/Password" option available on www.evoting.nsdl.com

VII. A member may participate in the AGM even after exercising his right to vote through remote e-voting but shall not be allowed to vote again at the AGM.

VIII. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-voting as well as voting at the AGM through ballot paper.

IX. M. J. Risbud, Practicing Company Secretary, Pune, (Membership No. FCS 810 CP No. 185) has been appointed as the Scrutinizer to scrutinize the voting and remote e-voting process in a fair and transparent manner.

X. The Chairman shall, at the AGM, at the end of discussion on the resolutions on which voting is to be held, allow voting with the assistance of scrutinizer, by use of "remote e-voting" or "Ballot Paper" or "Poling Paper" for all those members who are present at the AGM but have not cast their votes by availing the remote e-voting facility.

XI. The Scrutinizer shall after the conclusion of voting at the general meeting, will first count the votes cast at the meeting and thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses not in the employment of the Company and shall make, not later than three days of the conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing, who shall countersign the same and declare the result of the voting forthwith.

XII. The Results declared along with the report of the Scrutinizer shall be placed on the website of the Company www.koel.co.in and on the website of NSDL www.nsdl.co.in immediately after the declaration of result by the Chairman or a person authorized by him in writing. The results shall also be immediately forwarded to the Stock Exchanges viz. BSE Limited and National Stock Exchange of India Limited.

xix. **For members who wish to vote through Ballot Forms**

I. The Ballot Form is provided for the benefit of Members, who do not have access to e-voting facility.

II. Pursuant to clause 35B of the Listing Agreement, members who do not have access to e voting facility, may exercise their right to vote on business to be transacted at the Annual General Meeting of the Company by submitting the Ballot Form enclosed to this Notice.

III. Members may fill in the Ballot Form enclosed with the Notice (no other form or photocopy of the form will be accepted) and send the same in a sealed envelope addressed to the Scrutinizer, viz. M. J. Risbud, Practicing Company Secretary c/o Link Intime India Private Limited, (Unit: Kirloskar Oil Engines Limited), Block No. 202, Akshay Complex, 2nd Floor, Off

Dhole Patil Road, Near Ganesh Temple, Pune - 411001, **so as to reach by 5.00 pm on 6 August 2015**. The Ballot Form received thereafter will be strictly treated as not received.

IV. A Member can opt for only one mode of voting i.e. either through e-voting or by the Ballot. If a Member casts votes by both modes, then voting done through e-voting shall prevail and the Ballot Form shall be treated as invalid.

V. Please follow the instructions as mentioned in the Ballot Form.

By Order of the Board of Directors

S. A. Raichurkar

Place : Pune
Date : 8 May 2015

Smita Raichurkar
Asst. Company Secretary

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 AND CLAUSE 49 OF THE LISTING AGREEMENT

ITEM NO. 3 OF THE NOTICE

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

She holds NIL (0.00%) equity shares in the Company.

Gauri Kirloskar holds a B.Sc. in Business Administration (Finance) from the Carnegie Mellon University, USA. She worked for two years as an analyst in the Merrill Lynch Mergers & Acquisitions group, advising on over $ 10 billion of mergers, divestitures and corporate restructuring with clients spanning across multiple industries and around the globe.

Following her time at Merrill Lynch, Gauri Kirloskar joined the Corporate Finance and Strategy Group at Pearson Plc, a $ 15 billion (Enterprise Value) Education and Publishing Conglomerate where for two years she executed the firm's bolt-on acquisition strategy.

She is currently an Executive Director of Kirloskar Integrated Technologies Private Limited and GreenTek Systems (India) Private Limited. She is also a partner with the Snow Leopard group of funds, a vehicle for investment in early stage companies across a number of industries, including, but not limited to, consumer, technology and healthcare.

She is a director in the following other companies:

GreenTek Systems (India) Private Limited	Kirloskar Integrated Technologies Private Limited

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

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

Except above, none of the other directors or key managerial personnel of the Company or their relatives are concerned or interested, financially or otherwise in this resolution.

ITEM NO. 5 OF THE NOTICE

The Board of Directors based on recommendation of Nomination and Remuneration Committee, re-appointed Rajendra R. Deshpande as the Whole Time Director with designation as the Joint Managing Director of the Company with effect from 29 April 2015 for a term of 3 years, on the terms and remuneration as set out in Item No. 5 of the Notice.

The appointment and remuneration payable to Rajendra R. Deshpande as the 'Joint Managing Director' is also subject to the approval of the members as required by provisions of Section 196 read with Schedule V and other application provisions of the Companies Act, 2013.

Rajendra R. Deshpande is liable to retire by rotation and his re-appointment as such Director shall not be deemed to constitute a break in his appointment as the Joint Managing Director.

Rajendra R. Deshpande, who is a Graduate in Mechanical Engineering, joined the Company in July 1977. He has worked for Small, Medium and Large Engines Business Groups of the Company. He started Ancillary Development Department in the Company. During his tenure as a Business Unit Head, Medium Engines Business Group has become the largest Strategic Business Unit amongst the KIRLOSKAR group.

He holds directorship in the following other companies:

Swaraj Engines Ltd.	Kothrud Power Equipments Ltd.

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

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

Rajendra R. Deshpande may be deemed to be concerned or interested, financially or otherwise in this resolution, to the extent for aforesaid shareholding.

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

ITEM NO. 6 OF THE NOTICE

Pursuant to the provisions of Section 161(1) of the Act and the Articles of Association of the Company, the Board of Directors of the Company appointed, Pradeep R. Rathi as an Additional Director of the Company with effect from 31 March 2015.

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

Pradeep R. Rathi, Vice Chairman and Managing Director of Sudarshan Chemical Industries Limited, is a MS in Chemical Engineering from MIT, USA and MBA from Columbia University, USA and has been associated with Sudarshan Chemical Industries Limited.

He is a director in the following other companies:

Sudarshan Chemical Industries Limited@$	Prescient Color Limited*
Finolex Cables Limited@$	Rathi Brothers Private Limited
Sanghvi Movers Limited@	PRR Finance Private Ltd
Videocon d2h Limited	Clean Science and Technology Private Limited
Rieco Industries Limited	Rathi Enterprises Private Limited
Rathi Brothers Poona Limited	Rathi Brothers Delhi Limited

@ Audit Committee – Member
* Audit Committee – Chairman
$ Stakeholders Relationship Committee - Member

He holds NIL (0.00%) equity shares in the Company.

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

The Company has also received declaration from Pradeep R. Rathi that he meet with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and rules made thereunder.

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

The Board considers that his experience and expertise would be of immense benefit to the Company and it is desirable to avail services of Pradeep R. Rathi as an Independent Director for a term of 5 (Five) consecutive years from the date of this Annual General Meeting.

The draft letter for the appointment of Pradeep R. Rathi as independent director setting out the terms and conditions is available for inspection by the members at the Registered Office of the Company on all working days of the Company during business hours.

Except Pradeep R. Rathi, none of the other directors or key managerial persons of the Company or their relatives are concerned or interested financially or otherwise in this resolution.

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

ITEM NO. 7 OF THE NOTICE

The Board of Directors on the recommendation of Audit Committee has approved the appointment of M/s. Parkhi Limaye and Co., Cost Accountants to conduct the audit of the cost records of the Company for Financial Year ended 31 March 2016, at the remuneration upto ₹ 7,00,000/- plus service tax as applicable and out of pocket expenses on actual basis.

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

The Board recommends resolution set out in Item no. 7 of the notice for approval and ratification by the members of the Company.

None of the directors and Key Managerial Personnel of the Company are concerned or interested in the resolution.

By Order of the Board of Directors

S. R. Raichurkar

Place : Pune
Date : 8 May 2015

Smita Raichurkar
Asst. Company Secretary